

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



HARRISON SCHOOL DISTRICT TWO

1060 HARRISON ROAD

COLORADO SPRINGS, COLORADO 80905

WWW.HSD2.ORG



Harrison School District Two

Character Through Diversity, Challenge & Accomplishment

INTRODUCTORY SECTION



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF

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

For the Fiscal Year Ended June 30, 2019

Prepared By

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2019**

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Table of Contents	<i>i</i>
Letter of Transmittal	<i>iv</i>
List of Principal Officials	<i>x</i>
Leadership Chart	<i>xi</i>
Certificate of Excellence, Association of School Business Officials	<i>xii</i>
Certificate of Achievement for Excellence in Financial Reporting (GFOA)	<i>xiii</i>
FINANCIAL SECTION	
Independent Auditors Report	1
Management Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet—Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	21
Statement of Net Position – Proprietary Fund	23
Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	24
Statement of Cash Flows—Proprietary Fund	25
Statement of Fiduciary Assets and Liabilities—Agency Funds	27
Component Unit Combining Statements	
Combining Statement of Net Position—Component Units	28
Combining Statement of Activities—Component Units	29
Notes to Financial Statements	30
Required Supplemental Information	
Schedule of the Employer’s Share of the Net Pension Liability	65
Schedule of the Employer’s Statutory Payroll Contributions—Pension	66
Schedule of the Employer’s Proportionate Share of Net OPEB Liability	67
Schedule of the Employer’s Payroll Contributions—OPEB	68

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2019**

TABLE OF CONTENTS (CONTINUED)

	PAGE
Supplemental Information	
<i>Debt Service Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual	69
<i>Building Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual	70
<i>Non-major Governmental Funds</i>	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	72
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	
Food Service Fund	73
Designated-Purpose Grants Fund	74
Title I, Part A Grants Fund	75
Capital Reserve Fund	76
Land Acquisition Fund	77
<i>Internal Service Fund</i>	
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual	
Health Insurance Fund	78
<i>Fiduciary Fund</i>	
<i>Agency Funds</i>	
Combining Statement of Changes in Fiduciary Assets and Liabilities	79
 STATISTICAL SECTION	
Statistical Section Schedule Listing	80
Financial Trends	
Net Position by Component (Schedule 1)	81
Changes in Net Position (Schedule 2)	82
Fund Balances of Governmental Funds (Schedule 3)	83
Changes in Fund Balances Governmental Funds (Schedule 4)	84
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property (Schedule 5)	85
Property Tax Rates Direct and Overlapping Governments (Schedule 6)	86
Principal Taxpayers (Schedule 7)	87
Property Tax Levies and Collections General Fund (Schedule 8)	88
Debt Capacity	
Ratios of Outstanding Debt by Type (Schedule 9)	89
Ratios of General Bonded Debt Outstanding (Schedule 10)	90
Direct and Overlapping Governmental Activities Debt (Schedule 11)	91
Legal Debt Margin Information (Schedule 12)	92

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2019**

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION (CONTINUED)

Demographic and Economic Information	
Principal Employers by Industry (Schedule 13)	93
El Paso County Demographic and Economic Information (Schedule 14)	94
Operating Information	
Full Time Equivalent Employees by Function (Schedule 15)	95
Operating Information (Schedule 16)	96
Capital Assets by Function/Program (Schedule 17)	97
Schedule of Insurance in Force (Schedule 18)	98
School Building Information (Schedule 19)	99
Teacher Salary Information (Schedule 20)	101

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards	102
Notes to the Schedule of Expenditures of Federal Awards	103
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	104
Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	106
Schedule of Findings and Questioned Costs	108
Summary Schedule of Prior Audit Findings	110

COLORADO SCHOOL DISTRICT/BOCES AUDITORS' DATA INTEGRITY REPORT

Independent Auditors' Report on Colorado School District/BOCES Auditors' Integrity Report	111
Colorado School District/BOCES Auditor's Integrity Report	112



November 12, 2019

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

State law requires that all school districts publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of El Paso County School District No. 2 – Harrison for the fiscal year ended June 30, 2019.

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

El Paso County School District No. 2 – Harrison’s financial statements have been audited by Hoelting & Company, Inc., a firm of licensed certified public accountants. Hoelting & Company, Inc. have issued an unmodified (“clean”) opinion on the El Paso County School District No. 2 – Harrison’s financial statements for the year ended June 30, 2019. The independent auditor’s report is located on page 1 of the financial section of this report.

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

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

Profile of the District

El Paso County School District No. 2 – Harrison, established in 1874, is located in the southern part of Colorado Springs, Colorado. The District encompasses approximately eighteen square miles, most of the southwestern quadrant of the city of Colorado Springs bordering the Fort Carson military complex. The District is empowered to levy a property tax on both real and personal properties located within its boundaries. The District provides a full range of traditional and non-traditional school programs and services authorized by Colorado State statute. This includes preschool through twelfth grade education including: elementary, middle and senior high schools, full-day kindergarten, alternative school, home school program, International Baccalaureate (IB) programs, special education programs, gifted and talented programs, career and technical education, concurrent enrollment college classes, extra-curricular activities, student support services, and other educational programs. The District also provides student medical services through a school based health clinic.

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

During the 2018-2019 fiscal year the District served 11,449.2 full-time equivalent (FTE) students. Services were provided in 13 elementary schools, 3 middle schools, 2 high schools, 1 alternative school, 1 K-8 community school and two charter schools. The District's free and reduced lunch student count for 2018-2019 was 8,590 or 75% of student FTE. Projected student enrollment for the 2019-2020 school year is 11,449 FTE which is projecting to keep enrollment flat. For age of buildings please see the Statistical Section Schedule 19 in this document. The District has 10 buildings age 40 years and older and 10 buildings between the ages of 39 and 10 years.

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

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

Economic Condition

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

State and Local Economy

Risks to the economic outlook are slightly balanced to the downside. Colorado's economic growth has begun to moderate from the strong increase seen in 2017 and 2018 but remains resilient. Job growth at both the state and national levels remains strong, while muted inflation allows the Federal Reserve a patient approach to monetary tightening. As the national economy reaches full employment, however, the ability of the Federal Reserve to implement monetary policy conducive to continued growth becomes a larger concern. U.S. dollar appreciation could serve as a headwind to export growth and energy prices. The economic slowdowns in Europe and China pose additional risk to the economic outlook, as does the possibility of a prolonged trade war.

Overall, the economy is still in an expansion phase with strong employment and wage growth, however some sectors are beginning to show signs of slowing. The national outlook has improved since the December forecast with equity markets and oil prices stabilizing. This comes largely in response to the Federal Reserve's decision to implement a more flexible approach to monetary policy. In addition, trade tensions between the U.S. and China appear to be easing. The government shutdown in January had a negative impact on consumer confidence, but consumer sentiment showed some improvement in February. The OSPB forecast assumes the economy will continue to grow at a moderate pace.

At the state level, the economy has begun to moderate from the growth seen in 2017 and early 2018, as anticipated in previous forecasts. Employment growth is expected to moderate as the labor market tightens. Strong labor force growth has caused the unemployment rate to increase in recent months. Inflation is mild. Housing price growth and rental rate increases slowed in the second half of 2018, and moderate growth is expected over the next year.

In Colorado Springs, year over year job growth is at 2.9%, or 9,918 jobs, the highest in the state, with education, healthcare and social assistance representing 21.2% of all jobs. From 2017 to 2018, El Paso County experienced a population increase of 1.5% or 10,148, with this trend to continue on an annual basis.

Long-Term Financial Planning

Pursuant to adopting the Coherence Governance model the Board is continuing the process of monitoring and improving indicators of Operational Expectations (OE) for each operational area. The Superintendent is responsible for ensuring the District meets the requirements contained in each OE. The Board and District management recognize the importance of retaining a healthy fund balance to ensure the long-term financial stability of the District. Therefore, a financial OE requiring a General Fund ending fund balance of 13% of expenditures has been approved by the Board.

Relevant Financial Policies

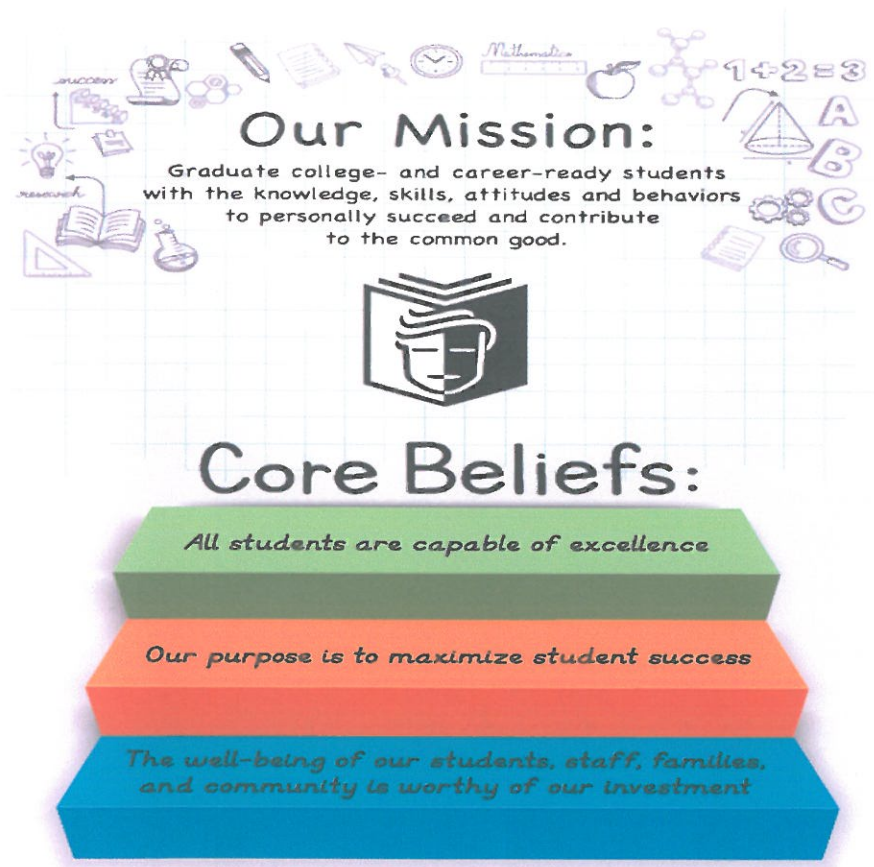
Detailed descriptions of the Districts accounting policies are disclosed in Note 1: Summary of Significant Accounting Policies. These policies describe the basis of accounting, funds and accounts in use, valuation policies for inventories, investments, capital assets, compensated absences and other significant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

The District maintains a number of budgetary controls. The objective of budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the Board.

Activities for all funds are included in the appropriated budget. Budgetary control is established at the fund level. The District maintains an encumbrance accounting system as one method of accomplishing budgetary control. Unencumbered budgets lapse at the end of the fiscal year with the exception of school budgets. Schools are allowed to carryover unencumbered funds with certain limitations as detailed in District policy.

Major Initiatives

In the spring of 2019, the District has undertaken redefining the core beliefs of the District along with identified action steps. This work will continue on into the FY 2019-2020 year.



ACTION STEPS:

Establish a culture where all students, staff and families are valued, supported and appreciated

District Actions

1. Adopt programs to address the well-being of students and staff
2. Define and model a culture of respect and appreciation
3. Focus on equity

School Actions

1. Implement a social emotional learning program for all grades
2. Develop a welcoming environment for all students, staff, and families
3. Demonstrate a belief that all students can succeed.

Empower all students with the education and skills necessary to be successful in their life journey

District Actions

1. Bridge soft skills gap
2. Provide targeted professional development
3. Implement a research-based framework for teaching and learning

School Actions

1. Deliver quality instruction
2. Incorporate Colorado Essential Skills into instruction
3. Establish positive relationships (student to teacher, student to student, and student to content)

Broaden meaningful, active engagement among students, parents and community

District Actions

1. Analyze community partnerships and identify gaps
2. Acknowledge engagement needs and provide opportunities for stakeholders
3. Inform the community of bond projects and progress

School Actions

1. Develop a community engagement plan
2. Serve as a community hub for resources and education
3. Positively promote the school

Awards

The El Paso County School District No. 2 - Harrison received the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2018. This award certifies that the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018, substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials.

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

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

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

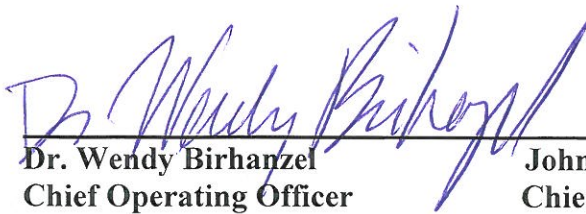
Acknowledgments

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

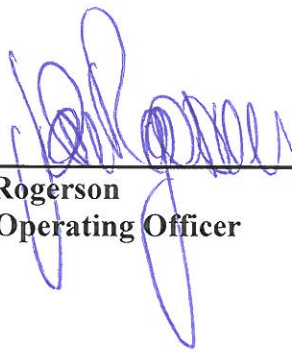
Without the leadership and support of the Board of Education of the El Paso County School District No. 2 - Harrison, preparation of this report would not have been possible.

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

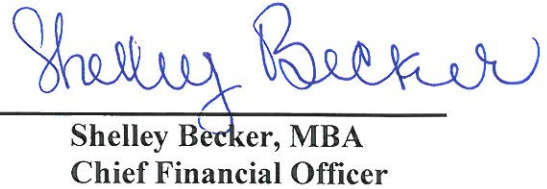
Sincerely,



Dr. Wendy Birhanzel
Chief Operating Officer



John Rogerson
Chief Operating Officer



Shelley Becker, MBA
Chief Financial Officer

LIST OF PRINCIPAL OFFICIALS

BOARD OF EDUCATION

Mr. Steven R. Seibert, President

Ms. Linda Pugh, Vice President

Ms. Jeannie Orozco, Secretary

Ms. Kelly Pomis, Treasurer

Mr. Keith Varney, Director

DISTRICT ADMINISTRATION

Dr. Wendy Birhanzel, Chief Operating Officer

John Rogerson, Chief Operating Officer

Shelley Becker, MBA, Chief Financial Officer

Dr. Karla Loria, Student Support Officer

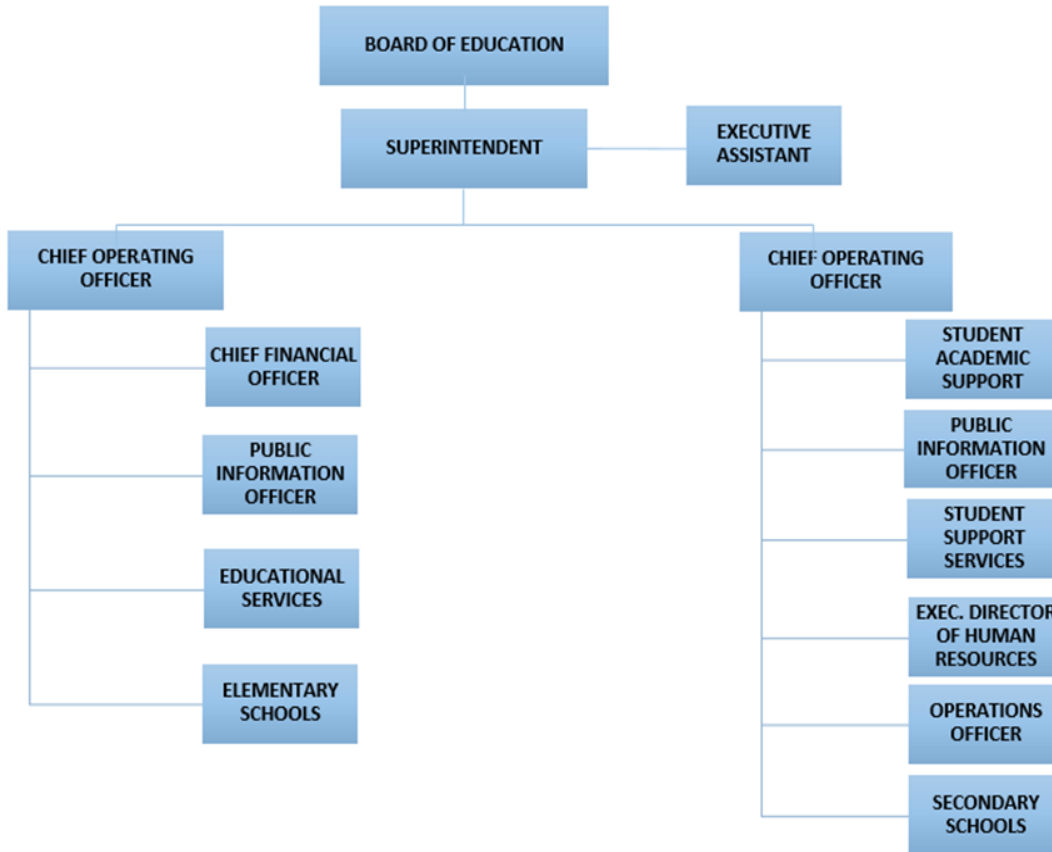
Mark Wilsey, Operations Officer

Christine O'Brien, Public Information Officer

Mike Claudio, Executive Director of Human Resources



District Organizational Chart - Administration





**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

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

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operating Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

El Paso County School District No. 2
Harrison, Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the El Paso County School

District No. 2 - Harrison, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the El Paso County School District No. 2 - Harrison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of

our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District No. 2 - Harrison's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
November 12, 2019

Management's Discussion and Analysis

As management of El Paso County School District No. 2 – Harrison (the District), we offer readers of the District's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

- Liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$217,734,281 during the fiscal year, resulting in a negative net position.
- As of the close of the current fiscal year, the District's *Governmental Funds* reported combined ending fund balances of \$132,222,199.
- The *Governmental Funds* reported total fund balance includes restricted fund balance of \$15,515,698, unassigned fund balance of \$5,181,194 committed fund balance of \$15,757,108, assigned fund balance of \$2,575,317 and non-spendable fund balance of \$124,783. All of the unassigned balances are reported in the General Fund.
- The District total long-term liabilities decreased by \$86,100,125 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

- As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$217,734,281 resulting in a deficit net position at the close of the fiscal year ending June 30, 2019.
- \$29,296,499 of net position is invested in capital assets net of accumulated depreciation, related outstanding debt used to acquire those assets, and unspent bond proceeds. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position \$15,515,698 represents resources that are subject to external restriction on how they may be used.
- Unrestricted net position was reported as a deficit in the amount of \$262,546,478.

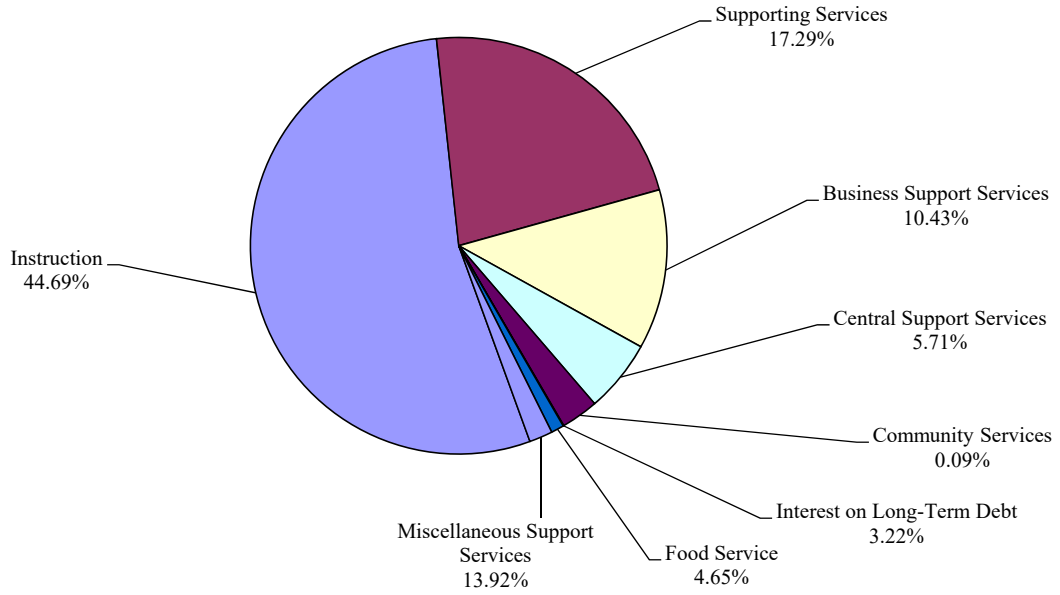
Governmental Activities

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

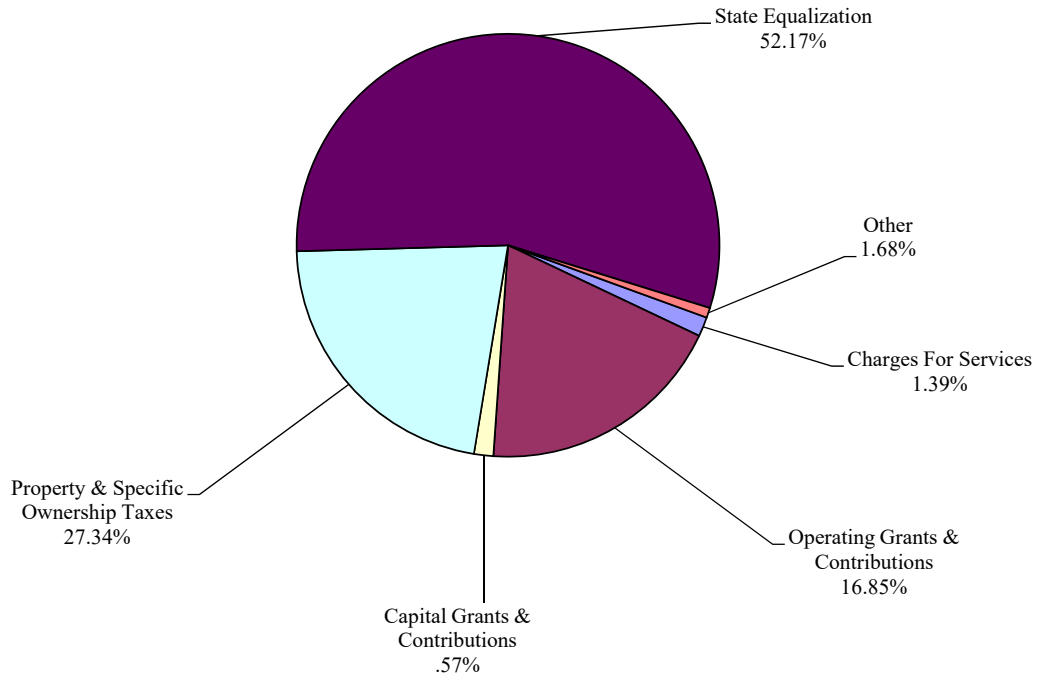
EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON NET POSITION		
	Governmental Activities	
	2018	2019
Current and other assets	\$ 49,239,061	\$ 154,843,849
Capital assets	68,526,778	75,571,421
Total assets	117,765,839	230,415,270
Deferred outflow of resources	111,498,734	57,662,234
Non-current liabilities	428,566,607	342,466,482
Other liabilities	11,811,078	19,151,702
Total liabilities	440,377,685	361,618,184
Deferred inflow of resources	22,824,295	144,193,601
Net position:		
Net investment in capital assets	34,566,439	29,296,499
Restricted	8,244,349	15,515,698
Unrestricted	(276,748,195)	(262,546,478)
Total net position	\$ (233,937,407)	\$ (217,734,281)

- The total net position of the District increased by \$16,203,126 during the current fiscal year. This is primarily a result of an increase in total assets.

Expenses by Function-Governmental Activities



Revenues by Source-Governmental Activities



EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON CHANGES IN NET POSITION		
Revenues:	Governmental Activities	
	2018	2019
Program Revenues		
Charges for services	\$ 361,209	\$ 1,692,102
Operating grants and contributions	19,767,578	20,530,493
Capital grants and contributions	609,044	691,698
General Revenues		
Property and specific ownership taxes	24,053,409	33,343,762
State equalization	59,413,461	63,620,183
Other	2,399,937	2,053,686
Total Revenues	106,604,638	121,931,924
Expenses:		
Instruction	94,932,959	47,252,723
Supporting services	38,638,556	18,277,173
Business support services	21,525,200	11,027,930
Central support services	10,563,944	6,040,118
Community services	95,804	98,187
Interest on long-term debt	1,311,050	3,403,400
Miscellaneous Support Services	796,352	14,715,655
Food service	4,451,946	4,913,612
Total Expenses	172,315,811	105,728,798
Increase (decrease) in net position	(65,711,173)	16,203,126
Beginning net position (deficit) as restated	(168,226,234)	(233,937,407)
Ending net position (deficit)	\$ (233,937,407)	\$ (217,734,281)

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's Governmental Funds reported combined ending fund balances of \$132,222,199. Approximately 3.92% of this total amount constitutes *unassigned fund balance*. The remainder of fund balance is either *non-spendable, committed, assigned or restricted* to indicate that it is not available for new spending because it has already been committed or restricted 1) to pay debt service, 2) for a constitutional amendment (TABOR), 3) for the Colorado Preschool Program, 4) for food service 5) risk management and capital projects, 6) to meet operating reserves and 7) for inventories and prepaid items.

The General Fund is the operating fund of the District. At the end of the current fiscal year, unassigned and committed fund balance of the General Fund was \$17,281,194 while total fund balance amounted to \$23,297,083. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and committed fund balance represents 18.2% of total General Fund expenditures, while total fund balance represents 24.6% of that same amount.

The fund balance of the District's General Fund decreased in the amount of \$974,662 during the current fiscal year.

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

- Federal grant revenues amounted to \$3,604,769 and accounted for 73% of total revenue for this fund. Approximately 65% or \$2,328,796 of revenues were expended to support instructional programs while 52% or \$1,890,051 were expended for other supporting services for students.

The Debt Service Fund reported a year-end fund balance of \$12,085,910 of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$6,957,774 due to the passage of a bond election in November 2018.

Major Funds Budgetary Highlights

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

The District prepares a five-year financial forecast to anticipate future needs and resources. This forecast includes compensation, benefit rate changes, estimated operating costs of future capital improvements, credible projections of revenues, carryover funds and operational items. The multi-year budget plan presented by the District will also disclose planning assumptions for the organization as a whole, for each school and operating unit and for each fund.

Changes to the School Finance Act for Fiscal Year 2018-2019 include:

- The statewide base per pupil funding was increased for inflation by 3.4%.
- Prior to application of the Budget Stabilization Factor, Total Program Funding for Harrison School District Two is estimated at \$103.82 million and takes into account inflation, pupil count, at-risk counts, assessed valuation and specific ownership taxes.
- The Budget Stabilization Factor (Negative Factor) for Fiscal Year 2018-2019 is calculated at 8.74%, resulting in (\$9.08) million less in Total Program Funding for the District.
- Statewide Average Per Pupil Funding is \$8,137 for Fiscal Year 2018-2019. For Harrison School District Two, the per pupil revenue is \$8,274.

The changes in budgeted expenditures for Fiscal Year 2018-2019 mainly result from the following components:

Salary Increase = 3%

PERA Increase = .25%

Utilities Increase = 1.0%

Department Additional Requests = \$268K

Additional Staffing Needs of 10.65 FTE = \$565K

Student-Based Budgeting (SBB) = Allocation \$1.8M

Increased Cost of Premiums for Health Insurance = \$755K

Revenue was increased in Fiscal Year 2018-2019, mainly due to an inflationary increase of 3.4% for General Fund School Finance Act funding. This is slightly higher than the 1.2% and 2.8% increases for Fiscal Years 2016-2017 and 2017-2018. \$15 million is reflected in Fiscal Year 2017-2018 Bond Redemption Fund, for the refunding of bond proceeds.

Expenditures have increased slightly in the past few years. A planned three percent salary increase has been budgeted for Fiscal Year 2018-2019. The employer contribution to PERA has increased from 17.9 percent in Fiscal Year 2014-2015 to a current rate of 20.15 percent. Another .25 percent is planned for Fiscal Year 2019-2020. The Bond Redemption Fund expenditures also increased in Fiscal Year 2017-2018 by over \$15 million due to the refinancing of existing bonds.

Total fund balance has remained fairly stable through the years. A fluctuation in the fund balance for the General Fund is the result of underspending of the planned expenditure budget in Fiscal Year 2016-2017. In order to mitigate the need for expenditure reductions, the District has planned to conservatively draw down fund balance in the General Fund for Fiscal Year 2018-2019. This is in order to remain competitive with compensation and programmatic offerings. The District has maintained a conservative fund balance policy and continues to reevaluate this policy. The projected expenditures do not include an estimate for underspending which has occurred in the past, and is expected to continue in the future, causing additional reserves to be available.

The planned draw down of the General Fund fund balance is the result of the Districts' commitment to minimize the impact of potential expenditure reductions, by budgeting the use of beginning fund balance. The financial impact of those savings will be monitored during the year to assist in future year budget preparation and projections.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$75,571,421 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The net increase in the District's capital assets for the current fiscal year was \$7,044,643.

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

Long-term Liabilities. At the end of the current fiscal year, the District had total non-current liabilities outstanding of \$342,466,482. Of this amount, \$128,905,000 is due to general obligation bonds, \$7,872 for capital lease payments, \$2,125,245 is due to employees upon retirement or separation of service for unused annual leave days, \$146,540 is for compensated absences, \$18,995,576 is for net bond premiums and \$183,139,508 for net pension liability.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON LONG-TERM LIABILITIES		
	Governmental Activities	
	2018	2019
General obligation bonds	\$31,795,000	\$128,905,000
Bond premium-net	3,306,976	18,995,576
Compensated Absences	2,754,381	2,271,785
Capital leases	33,313	7,872
Net Pension Liability	381,954,706	183,139,508
Net OPEB Liability	8,722,231	9,146,741
Total	\$ 428,566,607	\$ 342,466,482

The District’s total liabilities decreased \$78,759,501 during the current fiscal year. The main component in this decrease was due to the change in the Net Pension Liability. Implementation of GASB 68, Accounting and Financial Reporting for Pensions which became effective July 1, 2014.

Current State statutes limit the amount of the District's general obligation bonded debt. The debt is subject to a legal debt limit based on the greater of 20% of the assessed value of taxable property in the District or 6% of the estimated actual value, as certified by the El Paso County Assessor. The District’s assessed valuation for the collection year 2019 is \$649,718,940. As of June 30, 2019, the District's total general obligation bonded debt (including that portion due or payable within one year) was \$128,905,000. Additional information on the District’s long-term liabilities can be found in Note 9.

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

Economic Factors and Next Year's Budget

Colorado job growth remained strong in 2018, averaging about 4,600 new jobs each month –slightly less than was seen in 2017 when about 5,700 jobs were created each month. While Colorado’s job growth has been strong, it has not been growing as quickly as the state’s labor force. Colorado’s labor force grew by an average of over 7,400 workers per month in 2018, surpassing job growth by nearly 3,000 workers. This disparity between job growth and labor force growth caused the unemployment rate to rise from 2.8 percent in December 2017 to 3.6 percent in December 2018. When the unemployment rate rises due to strong labor force growth, it is generally considered to be a positive economic signal, as it indicates that better employment opportunities are encouraging workers to participate in the workforce.

Property tax is a major funding source for the District, allocated to both General Fund and the Bond Redemption Fund. Property tax assessments are completed every two years by the county assessors

office. The school district will certify a mill levy in December of each year, which is then sent to the county assessor's office. The majority of the property taxes are collected during the months of February through June by the county and are forwarded to each school district monthly. Property taxes account for nearly 14 percent of the General Fund Revenue and are estimated to be \$16.4 million in Fiscal Year 2019-2020. Property taxes provide nearly 100 percent of the funding for the Bond Redemption Fund, estimated to be \$13.7 million in Fiscal Year 2019-2020.

The School Finance Act allows for additional revenue to be raised with voter override approval. The maximum amount that can be approved is 20 percent of a district's total program funding. Harrison School District Two voters have approved \$5.75 million which is collected annually. This represents 5.6 percent of the total program funding for the District.

Specific ownership tax is collected by the counties when vehicles are registered. A portion of this tax is allocated to the school district and is recorded in the General Fund. Harrison is expecting to collect \$2.63 million in Fiscal Year 2019-2020.

The largest source of revenue for the District is derived from state funding based on the 1994 Public School Finance Act, commonly referred to as program funding and is recorded in the General Fund. Program funding is mandated by state statute, C.R.S. 22-54-104 and is revised each year. This legislation requires that all schools in Colorado will be funded on a per pupil basis. Senate Bill 19-207 was approved by the Colorado General Assembly in April which revised the Public School Finance Act. The major factors that impact funding through this Act are student enrollment and an inflationary increase based on the Denver/Boulder consumer price index. The inflationary increase for Fiscal Year 2019-2020 is 2.7 percent. The projected per pupil revenue is \$8,636, which is an increase of \$362 per pupil from the prior fiscal year. The District estimates to receive \$102 million for Fiscal Year 2019-2020, representing an increase of \$7.5 million from the previous year's budget. This funding source provides over 85 percent of the General Fund revenue. Additional revenue will be provided in 2019-2020 for funding of full day kindergarten. Previously kindergarten students were funded at a rate of .58. The District is expected to receive \$3.7 million for full day kindergarten funding.

For the last five years, the enrollment in the District has been stable. Other than an increase in Fiscal Year 2015-2016 of 300 students, the enrollment has only changed by a few students each year. The stable enrollment numbers are projected to continue in the near future. This helps to eliminate fluctuations in both revenue and expenditures. Revenue was increased in Fiscal Year 2019-2020, mainly due to an inflationary increase of 2.7% for General Fund School Finance Act funding. This is slightly lower than the 2.8% and 3.4% increases for Fiscal Years 2017-2018 and 2018-2019.

Expenditures have increased slightly in the past few years. A planned two to four percent salary increase has been budgeted for Fiscal Year 2019-2020. The employer contribution to PERA has increased from 18.75 percent in Fiscal Year 2015-2016 to a current rate of 20.15 percent. Another .25 percent is planned for Fiscal Year 2019-2020. The Bond Redemption Fund expenditures also increased in Fiscal Year 2019-2020 by over \$7 million due to the sale of new bonds.

The budgeted draw down of ending fund balance is the intentional plan of the District to effectively utilize revenues and to minimize the impact of potential reductions. In June 2019, the Board of Education adopted updated board policy which states "The Superintendent may not develop a budget that provides for an anticipated year-end fund balance of less than 13% of general fund expenditures." The financial impact of future year projections will be reviewed and monitored continually during the year to allow for data driven decisions to be made as warranted and deemed necessary.

Requests for Information

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

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

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

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

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

**BASIC
FINANCIAL
STATEMENTS**



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and investments	\$ 35,623,237	\$ 17,538,579
Restricted cash and investments	113,584,316	8,629,921
Receivables	5,509,479	889,265
Due from primary government	-	298,934
Receivable from agency funds	2,034	-
Inventories and prepaid items	124,783	138,470
Capital assets, not being depreciated	13,626,092	8,874,296
Capital assets, net of depreciation	61,945,329	26,936,605
Total assets	230,415,270	63,306,070
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	1,072,673	764,648
Deferred pension outflows	56,121,897	11,243,109
Deferred OPEB outflows	467,664	155,945
Total deferred outflows of resources	57,662,234	12,163,702
LIABILITIES		
Accounts payable	9,289,915	866,957
Accrued salaries and benefits	8,242,065	469,561
Accrued interest payable	512,872	186,751
Unearned revenue	1,106,850	302,557
Long-term liabilities:		
Due within one year	7,644,412	853,400
Due in more than one year	142,535,821	35,793,244
Net pension liability	183,139,508	32,847,064
Net OPEB liability	9,146,741	1,640,511
Total liabilities	361,618,184	72,960,045
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	143,951,144	25,042,567
Deferred OPEB inflows	242,457	7,327
Total deferred inflows of resources	144,193,601	25,049,894
NET POSITION		
Net investment in capital assets	29,296,499	(101,777)
Restricted for:		
Debt service	12,085,910	2,881,536
Emergency reserve (TABOR)	2,900,000	980,000
Colorado preschool and ECARE	529,788	-
Other purposes	-	3,867,902
Unrestricted	(262,546,478)	(30,167,828)
Total net position	\$ (217,734,281)	\$ (22,540,167)

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government						
Governmental activities						
Instruction	\$ 47,252,723	\$ 358,500	\$ 14,878,315	\$ -	\$ (32,015,908)	\$ -
Supporting services	18,277,173	-	53,471	-	(18,223,702)	-
Business support services	11,027,930	1,175,020	727,281	1,203	(9,124,426)	-
Building improvement services	14,715,655	-	-	690,495	(14,025,160)	-
Central support services	6,040,118	-	-	-	(6,040,118)	-
Food service operations	4,913,612	158,582	4,871,426	-	116,396	-
Community services	98,187	-	-	-	(98,187)	-
Interest on long-term debt	3,403,400	-	-	-	(3,403,400)	-
Total primary government	<u>\$ 105,728,798</u>	<u>\$ 1,692,102</u>	<u>\$ 20,530,493</u>	<u>\$ 691,698</u>	<u>(82,814,505)</u>	
Component units						
Charter schools	<u>\$ 23,550,791</u>	<u>\$ 562,019</u>	<u>\$ 3,928,551</u>	<u>\$ 7,162,492</u>		<u>(11,897,729)</u>
General revenues:						
Property taxes					30,072,004	-
Unrestricted intergovernmental revenues					3,271,758	-
State equalization					63,620,183	-
Grants and contributions not restricted to a particular program					735,644	5,546,326
Per pupil revenue					-	23,560,171
Unrestricted investment earnings					1,058,127	242,281
Miscellaneous					259,915	291,417
Total general revenues					<u>99,017,631</u>	<u>29,640,195</u>
Change in net position					<u>16,203,126</u>	<u>17,742,466</u>
Net position - beginning (deficit)					<u>(233,937,407)</u>	<u>(40,348,829)</u>
Prior period adjustment					-	66,196
Net position - beginning, as restated					<u>(233,937,407)</u>	<u>(40,282,633)</u>
Net position - ending (deficit)					<u>\$ (217,734,281)</u>	<u>\$ (22,540,167)</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Debt Service Fund	Building Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 29,706,728	\$ -	\$ -	\$ 4,027,696	\$ 33,734,424
Restricted cash and investments	-	13,023,463	100,560,853	-	113,584,316
Receivables	2,120,255	1,191,935	-	2,173,570	5,485,760
Due from other funds	1,617,390	-	-	601,278	2,218,668
Inventories and prepaid items	10,784	-	-	113,999	124,783
	<u>33,455,157</u>	<u>14,215,398</u>	<u>100,560,853</u>	<u>6,916,543</u>	<u>155,147,951</u>
Total assets	<u>\$ 33,455,157</u>	<u>\$ 14,215,398</u>	<u>100,560,853</u>	<u>\$ 6,916,543</u>	<u>\$ 155,147,951</u>
LIABILITIES					
Accounts payable	\$ 1,314,943	\$ 3,307	\$ 7,021,824	\$ 304,201	\$ 8,644,275
Due to other funds	17,685	1,133,133	470,930	964,029	2,585,777
Accrued salaries and benefits	7,474,351	-	-	767,714	8,242,065
Accrued compensated absences	146,540	-	-	-	146,540
Unearned revenue	(2,642)	-	-	1,109,492	1,106,850
	<u>8,950,877</u>	<u>1,136,440</u>	<u>7,492,754</u>	<u>3,145,436</u>	<u>20,725,507</u>
Total liabilities	<u>8,950,877</u>	<u>1,136,440</u>	<u>7,492,754</u>	<u>3,145,436</u>	<u>20,725,507</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,207,197	993,048	-	-	2,200,245
	<u>1,207,197</u>	<u>993,048</u>	<u>-</u>	<u>-</u>	<u>2,200,245</u>
FUND BALANCES					
Nonspendable:					
Inventories	-	-	-	113,999	113,999
Prepaid items	10,784	-	-	-	10,784
Restricted:					
Debt service	-	12,085,910	-	-	12,085,910
Emergency reserve (TABOR)	2,900,000	-	-	-	2,900,000
Capital projects	-	-	93,068,099	-	93,068,099
Colorado preschool and ECARE	529,788	-	-	-	529,788
Committed:					
Operating reserves	12,100,000	-	-	-	12,100,000
Capital projects	-	-	-	1,730,984	1,730,984
Food service operations	-	-	-	1,926,124	1,926,124
Assigned:					
Early retirement incentive	2,125,245	-	-	-	2,125,245
READ Act carryover	398,805	-	-	-	398,805
Risk management	51,267	-	-	-	51,267
Unassigned	5,181,194	-	-	-	5,181,194
	<u>23,297,083</u>	<u>12,085,910</u>	<u>93,068,099</u>	<u>3,771,107</u>	<u>132,222,199</u>
Total fund balances	<u>23,297,083</u>	<u>12,085,910</u>	<u>93,068,099</u>	<u>3,771,107</u>	<u>132,222,199</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,455,157</u>	<u>\$ 14,215,398</u>	<u>\$ 100,560,853</u>	<u>\$ 6,916,543</u>	<u>\$ 155,147,951</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Total fund balance - governmental funds	\$	132,222,199	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, not being depreciated	\$	13,626,092	
Capital assets, net of depreciation		<u>61,945,329</u>	75,571,421
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.			
			2,200,245
Internal service funds are used by to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.			
			1,636,036
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:			
Deferred charges on refunding	\$	1,072,673	
Net pension liabilities		(183,139,508)	
Pension outflows		56,121,897	
Pension inflows		(143,951,144)	
Net OPEB liabilities		(9,146,741)	
OPEB outflows		467,664	
OPEB inflows		(242,457)	
Accrued interest		(512,872)	
Compensated absences		(2,125,246)	
Capital leases		(7,872)	
Bonds payable		<u>(147,900,576)</u>	<u>(429,364,182)</u>
Net position of governmental activities in the statement of net position			<u>\$ (217,734,281)</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 22,615,756	\$ 12,805,534	\$ 364,487	\$ 918,860	\$ 37,190,458
State sources	71,881,692	-	-	902,202	73,631,724
Federal sources	333,082	-	-	12,596,925	20,705,167
Total revenues	<u>94,830,530</u>	<u>12,805,534</u>	<u>364,487</u>	<u>14,417,987</u>	<u>131,527,349</u>
EXPENDITURES					
Current:					
Instruction	53,079,337	-	-	5,547,209	64,085,370
Supporting services	22,175,137	-	-	2,628,179	27,431,495
Business support services	12,870,511	-	-	1,504,292	14,900,463
Building improvement services	690,495	-	23,031,670	841,043	24,946,799
Central support services	5,885,265	-	-	147,164	6,056,173
Food service operations	13,880	-	-	4,844,545	4,858,425
Community services	2,527	-	-	88,813	180,153
Debt service:					
Principal	10,765	2,890,000	-	14,676	2,915,441
Interest and other fiscal charges	-	2,957,760	695,607	244	3,653,611
Total expenditures	<u>94,727,917</u>	<u>5,847,760</u>	<u>23,727,277</u>	<u>15,616,165</u>	<u>149,027,930</u>
Excess (deficiency) of revenues over expenditures	<u>102,613</u>	<u>6,957,774</u>	<u>(23,362,790)</u>	<u>(1,198,178)</u>	<u>(17,500,581)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	100,000,000	-	100,000,000
Premium on bonds issued	-	-	16,430,889	-	16,430,889
Transfers in (out)	<u>(1,077,275)</u>	-	-	<u>1,077,275</u>	-
Total other financing sources (uses)	<u>(1,077,275)</u>	<u>-</u>	<u>116,430,889</u>	<u>1,077,275</u>	<u>116,430,889</u>
Net change in fund balances	(974,662)	6,957,774	93,068,099	(120,903)	98,930,308
Fund balances - beginning	<u>24,271,745</u>	<u>5,128,136</u>	<u>-</u>	<u>3,892,010</u>	<u>33,291,891</u>
Fund balances - ending	<u>\$ 23,297,083</u>	<u>\$ 12,085,910</u>	<u>\$ 93,068,099</u>	<u>\$ 3,771,107</u>	<u>\$ 132,222,199</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds: \$ 98,930,308

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 10,818,450	
Depreciation	<u>(3,401,038)</u>	7,417,412

The net effect of the disposal of assets is to decrease net position. (372,769)

Governmental funds do not present property tax revenues that are unavailable to pay current obligations. However, such revenues are reported in the statement of activities when earned. 826,059

Internal service funds are used by the management to charge the cost of certain activities to individual funds. The net revenue of the internal service funds are reported with governmental activities. (1,001,843)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

Issuance of debt	\$ (116,430,890)	
Repayment of principal	2,915,441	
Accrued interest	(403,388)	
Amortization of deferred on refunding	(102,277)	
Accretion of bond premium	<u>742,289</u>	(113,278,825)

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year. 395,625

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	\$ 23,379,667	
OPEB expenses	<u>(92,508)</u>	<u>23,287,159</u>

Change in net position of governmental activities \$ 16,203,126

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Local property taxes	\$ 16,314,037	\$ 16,249,037	\$ 16,525,024	\$ 275,987
Specific ownership taxes	2,430,000	2,430,000	3,271,758	841,758
Delinquent taxes and interest	65,000	65,000	47,858	(17,142)
Tuition	300,000	300,000	239,644	(60,356)
Charter school buy backs	975,000	975,000	1,112,242	137,242
Other local revenue	726,700	955,378	985,482	30,104
Interest on investments	304,000	304,000	433,748	129,748
Total local sources	<u>21,114,737</u>	<u>21,278,415</u>	<u>22,615,756</u>	<u>1,337,341</u>
State sources:				
State equalization	64,312,656	64,312,656	63,620,183	(692,473)
Vocational education	110,178	110,178	22,271	(87,907)
Exceptional Children	2,288,846	2,288,846	2,652,631	363,785
Transportation	633,822	633,822	727,281	93,459
Other state revenue	2,616,726	2,051,726	4,859,326	2,807,600
Total state sources	<u>69,962,228</u>	<u>69,397,228</u>	<u>71,881,692</u>	<u>2,484,464</u>
Federal sources:				
Impact aid	209,067	209,067	273,567	64,500
Other federal sources	50,663	50,663	59,515	8,852
Total federal sources	<u>259,730</u>	<u>259,730</u>	<u>333,082</u>	<u>73,352</u>
Total revenues	<u>\$ 91,336,695</u>	<u>\$ 90,935,373</u>	<u>\$ 94,830,530</u>	<u>\$ 3,895,157</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Instruction	\$ 52,636,716	\$ 52,636,716	\$ 53,079,337	\$ (442,621)
Supporting services:				
Students	5,095,891	5,095,891	5,916,829	(820,938)
Instructional staff	4,938,317	4,938,317	4,907,301	31,016
General administration	1,554,896	1,554,896	1,492,206	62,690
School administration	9,594,379	9,594,379	9,858,801	(264,422)
Business support services:				
Business services	979,973	979,973	1,265,335	(285,362)
Operations and maintenance	9,084,171	9,084,171	8,764,712	319,459
Student transportation	3,455,654	3,455,654	2,840,464	615,190
Building improvement services	550,099	550,099	690,495	(140,396)
Central support services:				
Central	6,443,711	6,497,984	5,856,066	641,918
Other	54,216	54,216	29,199	25,017
Food service operations	17,414	17,414	13,880	3,534
Community services	2,522	2,522	2,527	(5)
Debt service	-	-	10,765	(10,765)
Appropriated reserves	19,858,992	18,900,489	-	18,900,489
Total expenditures	<u>114,266,951</u>	<u>113,362,721</u>	<u>94,727,917</u>	<u>18,634,804</u>
Excess (deficiency) of revenues over expenditures	<u>(22,930,256)</u>	<u>(22,427,348)</u>	<u>102,613</u>	<u>22,529,961</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(2,327,275)</u>	<u>(1,844,114)</u>	<u>(1,077,275)</u>	<u>766,839</u>
Net change in fund balance	(25,257,531)	(24,271,462)	(974,662)	23,296,800
Fund balance - beginning	<u>25,276,731</u>	<u>24,271,745</u>	<u>24,271,745</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,200</u>	<u>\$ 283</u>	<u>\$ 23,297,083</u>	<u>\$ 23,296,800</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	Governmental Activities <hr/> Internal Service Fund <hr/>
ASSETS	
Current assets	
Cash and investments	\$ 1,888,813
Other receivables	23,719
Due from other funds	369,143
Total current assets	<hr/> 2,281,675 <hr/>
LIABILITIES	
Current liabilities	
Claims payable	645,639
Total current liabilities	<hr/> 645,639 <hr/>
NET POSITION	
Unrestricted	1,636,036
Total net position	<hr/> <hr/> \$ 1,636,036 <hr/> <hr/>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	
Employee benefit premiums	\$ 8,048,296
Total operating revenues	<u>8,048,296</u>
OPERATING EXPENSES	
Insurance claims and expenses	
Business support services	602
Central support services	<u>9,100,239</u>
Total operating expenses	<u>9,100,841</u>
Operating income (loss)	<u>(1,052,545)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	<u>50,702</u>
Change in net position	(1,001,843)
Net position - beginning	<u>2,637,879</u>
Net position - ending	<u><u>\$ 1,636,036</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from employee benefit premiums	\$ 8,046,506
Cash payments to service providers	(9,139,988)
Net cash provided (used) by operating activities	(1,093,482)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances from (to) other funds	271,482
Net cash provided (used) by non-capital financing activities	271,482
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	50,702
Net cash provided (used) by investing activities	50,702
Net increase (decrease) in cash and cash equivalents	(771,298)
Cash and cash equivalents - beginning	2,660,111
Cash and cash equivalents - ending	\$ 1,888,813

Cash and investments at year-end are comprised entirely of cash and cash equivalents.

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities
	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,052,545)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(1,790)
Increase (decrease) in:	
Claims payable	(39,147)
Total adjustments	(40,937)
Net cash provided (used) by operating activities	\$ (1,093,482)

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

	Agency Funds
ASSETS	
Cash and investments	\$ 909,084
Accounts Receivable	120
	909,204
Total assets	909,204
LIABILITIES	
Accounts payable	1,706
Payable to student organizations	695,669
Payable to scholarship recipients	209,795
Payable to primary government	2,034
	909,204
Total liabilities	909,204
NET POSITION	\$ -

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING STATEMENT OF NET POSITION
COMPONENTS UNITS
JUNE 30, 2019

	James Irwin Charter Schools	Atlas Preparatory Charter School	Total Component Units
ASSETS			
Cash and investments	\$ 9,437,383	\$ 8,101,196	\$ 17,538,579
Restricted cash and investments	7,470,262	1,159,659	8,629,921
Receivables	72,255	817,010	889,265
Due from other funds	-	298,934	298,934
Prepaid items	22,453	116,017	138,470
Capital assets, not being depreciated	4,908,644	3,965,652	8,874,296
Capital assets, net of depreciation	17,376,619	9,559,986	26,936,605
Total assets	39,287,616	24,018,454	63,306,070
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	764,648	-	764,648
Deferred pension outflows	7,731,904	3,511,205	11,243,109
Deferred OPEB outflows	121,743	34,202	155,945
Total deferred outflows of resources	8,618,295	3,545,407	12,163,702
LIABILITIES			
Accounts payable	360,300	506,657	866,957
Accrued salaries and benefits	449,240	20,321	469,561
Accrued interest payable	41,381	145,370	186,751
Unearned revenue	235,350	67,207	302,557
Long-term liabilities:			
Due with one year	628,400	225,000	853,400
Due in more than one year	24,745,715	11,047,529	35,793,244
Net pension liability	22,060,150	10,786,914	32,847,064
Net OPEB liability	1,101,770	538,741	1,640,511
Total liabilities	49,622,306	23,337,739	72,960,045
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	16,627,319	8,415,248	25,042,567
Deferred OPEB inflows	1,677	5,650	7,327
Total deferred inflows of resources	16,628,996	8,420,898	25,049,894
NET POSITION			
Net investment in capital assets	(2,324,204)	2,222,427	(101,777)
Restricted -TABOR	700,000	280,000	980,000
Restricted - Debt service	1,934,454	947,082	2,881,536
Restricted - other purposes	-	3,867,902	3,867,902
Unrestricted (deficit)	(18,655,641)	(11,512,187)	(30,167,828)
Total net position (deficit)	\$(18,345,391)	\$(4,194,776)	\$(22,540,167)

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2019

	James Irwin Charter Schools	Atlas Preparatory Charter School	Total Component Units
Expenses			
Governmental activities:			
Instruction	\$ 7,938,864	\$ 3,615,297	\$ 11,554,161
Supporting services	5,363,261	3,344,954	8,708,215
Food service operations	-	493,903	493,903
Business-type activities:			
Building Corporation	-	929,904	929,904
Foundation	1,864,608	-	1,864,608
Total expenses	<u>15,166,733</u>	<u>8,384,058</u>	<u>23,550,791</u>
Program Revenues			
Charges for services	500,651	61,368	562,019
Operating grants and contributions	419,311	3,509,240	3,928,551
Capital grants and contributions	6,875,670	286,822	7,162,492
Total program revenues	<u>7,795,632</u>	<u>3,857,430</u>	<u>11,653,062</u>
Net (Expense) Program Revenue	<u>(7,371,101)</u>	<u>(4,526,628)</u>	<u>(11,897,729)</u>
General Revenues			
Per pupil revenue	15,407,850	8,152,321	23,560,171
Grant and contributions not restricted	46,326	5,500,000	5,546,326
Unrestricted investment earnings	146,990	95,291	242,281
Other	221,679	69,738	291,417
Total general revenues and transfers	<u>15,822,845</u>	<u>13,817,350</u>	<u>29,640,195</u>
Changes in net position	<u>8,451,744</u>	<u>9,290,722</u>	<u>17,742,466</u>
Net position - beginning, as originally stated	(26,863,331)	(13,485,498)	(40,348,829)
Prior period adjustment	66,196	-	66,196
Net position - beginning (deficit)	<u>(26,797,135)</u>	<u>(13,485,498)</u>	<u>(40,282,633)</u>
Net position - ending (deficit)	<u><u>\$ (18,345,391)</u></u>	<u><u>\$ (4,194,776)</u></u>	<u><u>\$ (22,540,167)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District was established in 1874 and is organized under the Constitution of the State of Colorado. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The Board of Education maintains oversight for the District's thirty instructional facilities and support departments to provide services to meet the needs of 11,014.0 FTE students and other community members.

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

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

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B. REPORTING ENTITY

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

Blended Component Unit

The District has no blended component units.

Discretely Presented Component Units

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. REPORTING ENTITY (CONTINUED)

Discretely Presented Component Units (continued)

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

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

Atlas Preparatory School received approval on March 17, 2009. The contract period has been revised thru June 30, 2024. The charter school serves middle and high school students grades 5-12.

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

For the year ended June 30, 2019, James Irwin Charter Schools and Atlas Preparatory Charter School received \$15,407,850 and \$8,152,321 in per pupil funding, respectively.

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

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

C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

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

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

The District reports the following major governmental funds:

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

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

The *Building Fund* is used to account for all resources available for acquiring capital sites, buildings, and equipment.

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

Cash and investments

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

Receivables

Receivables at June 30, 2019, consisted of taxes, accounts (rent and fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories and prepaids

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

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

Restricted cash and investments

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

Capital Assets

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

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

Capital assets of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Health Care Trust Fund

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

Deferred outflows/inflows of resources

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

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

Long-term liabilities

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

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

Net position flow assumption

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance flow assumption

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

Fund balance classification

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Property Taxes

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2019 is 27.276 mills for general operating expenses and 21.057 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2019 is \$649,718,940.

Specific Ownership Taxes

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

Compensated Absences

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. ESTIMATES

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

Excess of Expenditures Over Appropriations

For the year ended June 30, 2019 expenditures exceeded appropriations in the Building Fund by \$927,277. These other expenditures were funded by bond proceeds received in fiscal year 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2019 is as follows:

Deposits	\$ 5,520,717
Investments	<u>143,686,836</u>
Total	<u>\$149,207,553</u>

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

Cash and investments	\$ 35,623,237
Restricted cash and investments	<u>113,584,316</u>
Total	<u>\$149,207,553</u>

Cash deposits with financial institutions

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Cash deposits with financial institutions (continued)

The carrying amount of the School's deposits at June 30, 2019 was \$5,520,717 and the bank balances were \$6,395,449. The balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance were uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act. Due to the aforementioned deposit structure, the District is not exposed to custodial credit risk.

Investments

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

The District has invested in various money market funds. These funds are rated AAA by Standard and Poors. These funds invest U.S. dollar-denominated money market securities of domestic and foreign issuers, U.S. government securities and repurchase agreements and may also enter into reverse repurchase agreements. These funds generally seek to maintain a dollar-weighted average maturity of 60 days or less. These funds seek to preserve the value of investment principal at \$1.00 per share, though it is possible to lose principal invested in these funds.

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

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

Concentration of Credit Risk: The district places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district’s investments are in ColoTrust, Corporate Bonds, and the CSIP Bonds. These investments are 17%, 28%, and 53% respectively, of the district’s total investments.

The investments for fiscal year ending June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
ColoTrust	\$ 24,113,750	Less than 60 days
Fidelity Inst MMF Prime Portfolio	2,163,038	Less than 60 days
Corporate Bonds	40,551,495	Less than 60 days
CSIP Money Market	36,858,553	Less than 60 days
CSIP Term	<u>40,000,000</u>	Up to one year
Total Fair Value	<u>\$ 143,686,836</u>	

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 – FAIR VALUE MEASUREMENT

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CSIP Term	\$ _____ -	\$ <u>40,000,000</u>	\$ _____ -	\$ <u>40,000,000</u>

NOTE 5 –RECEIVABLES

Receivables as of June 30, 2019 for the government’s individual major funds, non-major governmental funds in the aggregate, and internal service funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor and Internal Service Funds</u>	<u>Total</u>
Taxes	\$ 1,543,963	\$ 1,191,935	\$ -	\$ 2,735,898
Intergovernmental	450,298	-	2,113,917	2,564,215
Other	<u>129,680</u>	<u>-</u>	<u>83,372</u>	<u>213,052</u>
Total receivables	<u>\$ 2,123,941</u>	<u>\$ 1,191,935</u>	<u>\$ 2,197,289</u>	<u>\$ 5,513,165</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

The composition of interfund balances at June 30, 2019 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,617,390	\$ 17,685
Debt Service Fund	-	1,133,133
Building Fund	-	470,930
Nonmajor Funds	601,278	964,029
Internal Service Fund	369,143	-
Fiduciary Fund	<u>-</u>	<u>2,034</u>
Total	<u>\$ 2,587,811</u>	<u>\$ 2,587,811</u>

Interfund transfers

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

In the year ended June 30, 2019, the government made the following transfers:

A transfer from the General Fund to the Capital Reserve Fund in the amount of \$1,077,275 to fund board approved capital projects.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,654,040	\$ -	\$ -	\$ 4,654,040
Construction in progress	<u>282,222</u>	<u>9,438,047</u>	<u>(748,217)</u>	<u>8,972,052</u>
Total capital assets not being depreciated	<u>4,936,262</u>	<u>9,438,047</u>	<u>(748,217)</u>	<u>13,626,092</u>
Capital assets being depreciated:				
Buildings	130,431,458	748,217	-	131,179,675
Improvements	2,219,384	26,208	-	2,245,592
Furniture and equipment	6,830,497	674,142	(1,672,681)	5,831,958
Vehicles	<u>5,990,577</u>	<u>680,054</u>	<u>-</u>	<u>6,670,631</u>
Total capital assets being depreciated	<u>145,471,916</u>	<u>2,128,621</u>	<u>(1,672,681)</u>	<u>145,927,856</u>
Less accumulated depreciation	<u>(81,881,400)</u>	<u>(3,401,039)</u>	<u>(1,299,912)</u>	<u>(83,982,527)</u>
Total capital assets being depreciated, net	<u>63,590,516</u>	<u>(1,272,418)</u>	<u>(372,769)</u>	<u>61,945,329</u>
Governmental activities capital assets, net	<u>\$ 68,526,778</u>	<u>\$ 8,165,629</u>	<u>\$ (1,120,986)</u>	<u>\$ 75,571,421</u>

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

Governmental Activities

Instruction	\$ 3,032,931
Supporting services	42,213
Business support services	251,926
Central support services	2,080
Food services	62,875
Community services	<u>9,014</u>
Total depreciation expense	<u>\$ 3,401,039</u>

NOTE 8 – ACCRUED SALARIES AND BENEFITS

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period beginning in September, but are earned during a school year of nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019 are \$8,242,065. Accordingly, the accrued compensation is reflected as a liability of the respective funds in the accompanying financial statements and has been fully funded as of June 30, 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - LONG-TERM LIABILITIES

General Obligation Bonds

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

In accordance with Section 22-45-103, C.R.S., the District's bond redemption fund custodian for fiscal year ending 2019 is UMB Bank, a third party. The amount of \$10,700,787 was held by the custodian as of June 30, 2019.

General Obligation bonds payable at June 30, 2019 are as follows:

	<u>Principal Balance</u>
The 2010 refunding bonds (\$35,830,000 original issue) carry interest rates ranging from 2.00% to 5.00% and annual maturities ranging from \$250,000 to \$4,280,000 with final payment due in 2027. These bonds were used to refund remaining portions of the 1999 and 2002 bonds	\$ 16,085,000
The 2017 refunding bonds (\$14,190,000 original issue) carry interest rates ranging from 2.00% to 5.00% and annual maturities ranging from \$1,370,000 to \$1,820,000 with final payment due in 2026. These bonds were used to refund remaining portions of the 2007 bonds.	12,820,000
The 2019 GO bonds (\$100,000,000 original issue) carry interest rates ranging from 3.00% to 5.00% and annual maturities ranging from \$320,000 to \$10,100,000 with final payment due in 2038.	<u>100,000,000</u>
	<u>\$ 128,905,000</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,490,000	\$ 6,007,700	\$ 13,497,700
2021	9,340,000	5,644,750	14,984,750
2022	9,770,000	5,198,312	14,968,312
2023	3,595,000	4,911,500	8,506,500
2024	3,710,000	4,795,419	8,505,419
2025 – 2029	17,420,000	21,340,350	38,760,350
2030 – 2034	31,665,000	16,044,125	47,709,125
2035 – 2039	<u>45,915,000</u>	<u>5,963,125</u>	<u>51,878,125</u>
Total	<u>\$128,905,000</u>	<u>\$ 69,905,281</u>	<u>\$ 198,810,281</u>

The General Obligation Bonds will be repaid from funds in the Debt Service Fund. Based upon Financial Accounting Standards Board (FASB) Accounting Standards Codification 450, Contingencies, no material arbitrage liability exists at June 30, 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

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

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

Governmental Activities:	
Equipment	\$ 68,411
Less: Accumulated depreciation	<u>(68,411)</u>
Total	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments for capital leases as of June 30, 2019, were as follows:

<u>Year Ending June 30</u>	
2020	\$ <u>8,064</u>
Total minimum lease payments	8,064
Less: amount representing interest	<u>(192)</u>
Present value of minimum lease payments	<u>\$ 7,872</u>

Changes in Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the year ended June 30, 2019:

	<u>Balance</u> <u>06/30/18</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/19</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 31,795,000	\$ 100,000,000	\$ 2,890,000	\$ 128,905,000	\$ 7,490,000
Bond premiums	<u>3,306,976</u>	<u>16,430,889</u>	<u>742,289</u>	<u>18,995,576</u>	<u>-</u>
Total bonds payable	35,101,976	116,430,889	3,632,289	147,900,576	7,490,000
Capital lease obligations	33,313	-	25,441	7,872	7,872
Compensated absences	<u>2,754,381</u>	<u>1,357,749</u>	<u>1,840,345</u>	<u>2,271,785</u>	<u>146,540</u>
<i>Total Governmental Activities</i>	<u>\$ 37,889,670</u>	<u>\$ 117,788,638</u>	<u>\$ 5,498,075</u>	<u>\$ 150,180,233</u>	<u>\$ 7,644,412</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District accounts for and finances these risk related activities in the General Fund. Effective July 1, 2009, the District became a participant in the Colorado School Districts Self-Insurance Pool (CSDSIP) for the above noted risks of loss with the exception of workers compensation. The CSDSIP is a public entity risk pool currently operating as a common risk management and insurance program for school districts. Participation in CSDSIP is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to CSDSIP for its general property and liability insurance coverage. CSDSIP is self-sustaining through member premiums. Complete financial statements can be obtained from CSDSIP at 6857 South Spruce St. Centennial, CO 80112 or by telephone at 1-800-332-3556. The District purchases commercial insurance for workers compensation. Settled claims resulting from these risks have not exceeded the purchased commercial insurance coverage in any of the past three fiscal years.

The District maintains the following insurance coverage: Catastrophic coverage in the amount of \$307,286,659 for buildings and contents, which carries a \$5,000 deductible and workers' compensation coverage providing \$100,000 coverage for each accident, \$100,000 coverage for each employee. All losses within the deductible limits are paid for by the General Fund. A complete disclosure of insurance coverage may be found in the Statistical Section of this report Schedule 18-Schedule of Insurance in Force.

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

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

The Health Plan Fund, during the 2019 fiscal year, paid \$8,231,147 in settlement of claims costs. All claims against the District for its Health Fund are processed by a third-party administrator.

Changes in the claims liability for the years ended June 30, 2019, and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Claims liability, beginning	\$ 684,785	\$ 573,202
Incurred claims	8,192,001	7,835,127
Payments	<u>(8,231,147)</u>	<u>(7,723,544)</u>
Claims liability, ending	<u>\$ 645,639</u>	<u>\$ 684,785</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONITUNED)

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

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

Contributions provisions as of June 30, 2019: Eligible employees, El Paso County School District No. 2 - Harrison and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total employer contribution rate to the SCHDTF	19.13%	19.13%

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 2 - Harrison is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 2 - Harrison were \$11,339,787 for the year ended June 30, 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The El Paso County School District No. 2 - Harrison proportion of the net pension liability was based on El Paso County School District No. 2 - Harrison contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the El Paso County School District No. 2 - Harrison reported a liability of \$183,139,508 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the El Paso County School District No. 2 - Harrison as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with El Paso County School District No. 2 - Harrison were as follows:

El Paso County School District No. 2 - Harrison proportionate share of the net pension liability	\$ 183,139,508
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the El Paso County School District No. 2 - Harrison	25,041,784
Total	\$ 208,181,292

At December 31, 2018, the El Paso County School District No. 2 - Harrison proportion was 1.0342742963 percent, which was a decrease of 0.1469152073 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the El Paso County School District No. 2 - Harrison recognized pension expense of \$12,039,880 and revenue of \$128,649 for support from the State as a nonemployer contributing entity. At June 30, 2019, the El Paso County School District No. 2 - Harrison reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,212,296	\$ -
Changes of assumptions or other inputs	34,183,789	113,893,075
Net difference between projected and actual earnings on pension plan investments	9,982,247	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	30,058,069
Contributions subsequent to the measurement date	5,743,565	N/A
Total	\$ 56,121,897	\$ 143,951,144

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$5,743,565 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2019:	
2020	\$ (20,018,279)
2021	(47,944,134)
2022	(31,070,881)
2023	5,460,482
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 232,830,555	\$ 183,139,508	\$ 141,440,340

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Health Care Trust Fund

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

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

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

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

PERA Benefit Structure

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 2 - Harrison is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 2 - Harrison were \$604,633 for the year ended June 30, 2019.

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

At June 30, 2019, the El Paso County School District No. 2 - Harrison reported a liability of \$9,146,741 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The El Paso County School District No. 2 - Harrison proportion of the net OPEB liability was based on El Paso County School District No. 2 - Harrison contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the El Paso County School District No. 2 - Harrison proportion was 0.6722865701 percent, which was an increase of 0.0011392491 from its proportion measured as of December 31, 2017.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

For the year ended June 30, 2019, the El Paso County School District No. 2 - Harrison recognized OPEB expense of \$697,140. At June 30, 2019, the El Paso County School District No. 2 - Harrison reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 33,198	\$ 13,923
Changes of assumptions or other inputs	64,163	-
Net difference between projected and actual earnings on OPEB plan investments	52,600	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	11,459	228,534
Contributions subsequent to the measurement date	306,244	N/A
Total	\$ 467,664	\$ 242,457

\$306,244 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2019:	
2020	\$ (31,497)
2021	(31,497)
2022	(31,484)
2023	5,035
2024	7,927
Thereafter	479

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 8,874,163	\$ 9,146,741	\$ 9,437,250

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 10,234,407	\$ 9,146,741	\$ 8,216,888

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The School District's financial activity for the 2018-2019 fiscal year provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and enrollment growth. Subsequent to 1992, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

TABOR also requires local governments to establish Emergency Reserves. These reserves must be 3% of the District's "spending limit." The District is not allowed to use the emergency reserves to compensate for economic condition, revenue shortfalls, or salary or benefit increases. The Statement of Net Position indicates that an amount of \$2,900,000 is restricted for constitutional amendment.

TABOR affects the School District's fiscal 2018-2019 financial statements because the limitations contained in TABOR may impact future financial activity. The School District believes it has complied with all aspects of the TABOR amendment.

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

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

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

**REQUIRED
SUPPLEMENTAL
INFORMATION**



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	1.0342742963%	1.1811895036%	1.2265829940%	1.2376581129%	1.2338139839%	1.2405130689%
District's proportionate share of the net pension liability (asset)	\$ 183,139,508	\$ 381,954,706	\$ 365,201,189	\$ 189,291,071	\$ 167,223,239	\$ 158,227,107
State's proportionate share of the net pension liability (asset) associated with the District	25,041,784	-	-	-	-	-
Total	<u>\$ 208,181,292</u>	<u>\$ 381,954,706</u>	<u>\$ 365,201,189</u>	<u>\$ 189,291,071</u>	<u>\$ 167,223,239</u>	<u>\$ 158,227,107</u>
District's covered payroll	\$ 56,859,613	\$ 54,486,876	\$ 55,051,241	\$ 53,936,857	\$ 51,687,955	\$ 50,009,032
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,339,787	\$ 10,402,380	\$ 10,018,861	\$ 9,770,495	\$ 8,562,677	\$ 8,129,367
Contributions in relation to the contractually required contribution	<u>(11,339,787)</u>	<u>(10,402,380)</u>	<u>(10,018,861)</u>	<u>(9,770,495)</u>	<u>(8,562,677)</u>	<u>(8,129,367)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,277,508	\$ 55,097,353	\$ 54,509,582	\$ 55,107,136	\$ 50,726,760	\$ 50,872,133
Contributions as a percentage of covered payroll	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.6722865701%	0.6711473210%	0.6972043544%
District's proportionate share of the net OPEB liability (asset)	\$ 9,146,741	\$ 8,722,231	\$ 9,039,492
District's covered payroll	\$ 56,859,835	\$ 54,486,872	\$ 55,051,233
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 604,633	\$ 562,643	\$ 556,084
Contributions in relation to the contractually required contribution	<u>(604,633)</u>	<u>(562,643)</u>	<u>(556,084)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 59,277,718	\$ 55,161,057	\$ 54,518,022
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See the accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment

DEBT SERVICE FUND

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources:			
Property taxes	\$ 18,542,700	\$ 12,658,037	\$ (5,884,663)
Delinquent taxes and interest	-	15,026	15,026
Investment income	27,000	132,471	105,471
	<u>18,569,700</u>	<u>12,805,534</u>	<u>(5,764,166)</u>
Total revenues	<u>18,569,700</u>	<u>12,805,534</u>	<u>(5,764,166)</u>
EXPENDITURES			
Debt Service:			
Principal	2,950,000	2,890,000	60,000
Interest	3,142,868	2,940,287	202,581
Other	5,000	17,473	(12,473)
	<u>6,097,868</u>	<u>5,847,760</u>	<u>250,108</u>
Total expenditures	<u>6,097,868</u>	<u>5,847,760</u>	<u>250,108</u>
Net change in fund balance	<u>12,471,832</u>	<u>6,957,774</u>	<u>(5,514,058)</u>
Fund balance - beginning	<u>5,128,136</u>	<u>5,128,136</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 17,599,968</u></u>	<u><u>\$ 12,085,910</u></u>	<u><u>\$ (5,514,058)</u></u>

See the accompanying independent auditors' report.

BUILDING FUND

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ -	\$ 364,487	\$ 364,487
Total revenues	-	364,487	364,487
EXPENDITURES			
Building improvement services	22,800,000	23,031,670	(231,670)
Debt service	-	695,607	(695,607)
Total expenditures	22,800,000	23,727,277	(927,277)
Excess (deficiency) of revenues over expenditures	(22,800,000)	(23,362,790)	(562,790)
OTHER FINANCING SOURCES (USES)			
Bonds issued	100,000,000	100,000,000	-
Premium on bonds issued	15,736,366	16,430,889	694,523
Total other financing sources (uses)	115,736,366	116,430,889	694,523
Net change in fund balances	92,936,366	93,068,099	131,733
Fund balance - beginning	-	-	-
Fund balance - ending	\$ 92,936,366	\$ 93,068,099	\$ 131,733

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Service Fund

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

Designated-Purpose Grants Fund

This fund is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

Title I, Part A Grants Fund

This fund accounts for the No Child Left Behind Title I Part A program of the District.

Capital Project Funds

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

Capital Reserve Fund

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

Land Acquisition Fund

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Designated Purpose Grants Fund	Title I, Part A Grants Fund	Capital Reserve Fund	Land Acquisition Fund	
ASSETS						
Cash and investments	\$ 2,330,855	\$ -	\$ -	\$ 1,312,590	\$ 384,251	\$ 4,027,696
Receivables	8,125	1,040,707	1,065,634	-	59,104	2,173,570
Due from other funds	-	595,698	-	-	5,580	601,278
Inventories	113,999	-	-	-	-	113,999
 Total assets	<u>\$ 2,452,979</u>	<u>\$ 1,636,405</u>	<u>\$ 1,065,634</u>	<u>\$ 1,312,590</u>	<u>\$ 448,935</u>	<u>\$ 6,916,543</u>
LIABILITIES						
Accounts payable	\$ 13,615	\$ 221,578	\$ 52,868	\$ 16,140	\$ -	\$ 304,201
Due to other funds	211,608	-	738,020	14,401	-	964,029
Accrued salaries and benefits	169,678	323,290	274,746	-	-	767,714
Unearned revenue	17,955	1,091,537	-	-	-	1,109,492
 Total liabilities	<u>412,856</u>	<u>1,636,405</u>	<u>1,065,634</u>	<u>30,541</u>	<u>-</u>	<u>3,145,436</u>
FUND BALANCES						
Nonspendable:						
Inventories	113,999	-	-	-	-	113,999
Committed:						
Capital projects	-	-	-	1,282,049	448,935	1,730,984
Food service	1,926,124	-	-	-	-	1,926,124
 Total fund balances	<u>2,040,123</u>	<u>-</u>	<u>-</u>	<u>1,282,049</u>	<u>448,935</u>	<u>3,771,107</u>
 Total liabilities and fund balances	<u>\$ 2,452,979</u>	<u>\$ 1,636,405</u>	<u>\$ 1,065,634</u>	<u>\$ 1,312,590</u>	<u>\$ 448,935</u>	<u>\$ 6,916,543</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		Total Nonmajor Governmental Funds
	Food Service Fund	Designated Purpose Grants Fund	Title I, Part A Grants Fund	Capital Reserve Fund	Land Acquisition Fund	
REVENUES						
Local sources	\$ 167,983	\$ 485,821	\$ -	\$ 68,715	\$ 196,341	\$ 918,860
State sources	54,372	847,830	-	-	-	902,202
Federal sources	4,821,765	3,604,769	4,170,391	-	-	12,596,925
Total revenues	<u>5,044,120</u>	<u>4,938,420</u>	<u>4,170,391</u>	<u>68,715</u>	<u>196,341</u>	<u>14,417,987</u>
EXPENDITURES						
Current:						
Instruction	-	2,328,796	3,130,028	88,385	-	5,547,209
Supporting services	-	1,890,051	738,128	-	-	2,628,179
Business support services	-	310,970	214,690	978,625	7	1,504,292
Building improvement services	-	383,591	-	437,069	20,383	841,043
Central support services	-	23,744	-	123,420	-	147,164
Food service operations	4,844,545	-	-	-	-	4,844,545
Community services	-	1,268	87,545	-	-	88,813
Debt service:						
Principal	-	-	-	14,676	-	14,676
Interest and other fiscal charges	-	-	-	244	-	244
Total expenditures	<u>4,844,545</u>	<u>4,938,420</u>	<u>4,170,391</u>	<u>1,642,419</u>	<u>20,390</u>	<u>15,616,165</u>
Excess (deficiency) of revenues over expenditures	<u>199,575</u>	<u>-</u>	<u>-</u>	<u>(1,573,704)</u>	<u>175,951</u>	<u>(1,198,178)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,077,275</u>	<u>-</u>	<u>1,077,275</u>
Net change in fund balances	199,575	-	-	(496,429)	175,951	(120,903)
Fund balances - beginning	<u>1,840,548</u>	<u>-</u>	<u>-</u>	<u>1,778,478</u>	<u>272,984</u>	<u>3,892,010</u>
Fund balances - ending	<u>\$ 2,040,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282,049</u>	<u>\$ 448,935</u>	<u>\$ 3,771,107</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 183,000	\$ 167,983	\$ (15,017)
State sources	-	54,372	54,372
Federal sources	4,717,408	4,821,765	104,357
	<u>4,900,408</u>	<u>5,044,120</u>	<u>143,712</u>
EXPENDITURES			
Current:			
Food service operations	5,358,292	4,844,545	513,747
	<u>5,358,292</u>	<u>4,844,545</u>	<u>513,747</u>
Net change in fund balances	(457,884)	199,575	657,459
Fund balance - beginning	1,840,548	1,840,548	-
Fund balance - ending	<u>\$ 1,382,664</u>	<u>\$ 2,040,123</u>	<u>\$ 657,459</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 479,046	\$ 485,821	\$ 6,775
State sources	1,816,198	847,830	(968,368)
Federal sources	8,704,756	3,604,769	(5,099,987)
 Total revenues	 11,000,000	 4,938,420	 (6,061,580)
EXPENDITURES			
Instruction	3,271,223	2,328,796	942,427
Supporting services:	2,287,271	1,890,051	397,220
Business support services:	245,905	310,970	(65,065)
Building improvement services	959,566	383,591	575,975
Central support services:	81,928	23,744	58,184
Community services	255,809	1,268	254,541
Contingency reserves	3,898,298	-	3,898,298
 Total expenditures	 11,000,000	 4,938,420	 6,061,580
 Net change in fund balance	 -	 -	 -
 Fund balance - beginning	 -	 -	 -
 Fund balance - ending	 \$ -	 \$ -	 \$ -

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
TITLE I, PART A GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 4,750,000	\$ 4,170,391	\$ (579,609)
Total revenues	<u>4,750,000</u>	<u>4,170,391</u>	<u>(579,609)</u>
EXPENDITURES			
Instruction	2,929,105	3,130,028	(200,923)
Supporting services:	718,833	738,128	(19,295)
Business support services:	160,089	214,690	(54,601)
Community services	84,451	87,545	(3,094)
Contingency reserves	857,522	-	857,522
Total expenditures	<u>4,750,000</u>	<u>4,170,391</u>	<u>579,609</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 20,000	\$ 68,715	\$ 48,715
Total revenues	<u>20,000</u>	<u>68,715</u>	<u>48,715</u>
EXPENDITURES			
Current:			
Instruction	189,962	88,385	101,577
Business support services	1,035,846	978,625	57,221
Building improvement services	328,457	437,069	(108,612)
Central support services	135,105	137,008	(1,903)
Debt service	-	1,332	(1,332)
Contingency	860,785	-	860,785
Total expenditures	<u>2,550,155</u>	<u>1,642,419</u>	<u>907,736</u>
Excess (deficiency) of revenues over expenditures	<u>(2,530,155)</u>	<u>(1,573,704)</u>	<u>956,451</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>1,077,275</u>	<u>1,077,275</u>	<u>-</u>
Net change in fund balances	(1,452,880)	(496,429)	956,451
Fund balance - beginning	<u>1,778,478</u>	<u>1,778,478</u>	<u>-</u>
Fund balance - ending	<u>\$ 325,598</u>	<u>\$ 1,282,049</u>	<u>\$ 956,451</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
LAND ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 61,500	\$ 196,341	\$ 134,841
Total revenues	61,500	196,341	134,841
EXPENDITURES			
Current:			
Business support services	-	7	(7)
Building improvement services	100,000	20,383	79,617
Contingency	234,484	-	234,484
Total expenditures	334,484	20,390	314,094
Net change in fund balances	(272,984)	175,951	448,935
Fund balance - beginning	272,984	272,984	-
Fund balance - ending	\$ -	\$ 448,935	\$ 448,935

See the accompanying independent auditors' report.

INTERNAL SERVICE FUND

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

Health Insurance Fund

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
INTERNAL SERVICE FUND - HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services			
Employee benefit premiums	\$ 7,857,662	\$ 8,048,296	\$ 190,634
Total operating revenues	<u>7,857,662</u>	<u>8,048,296</u>	<u>190,634</u>
OPERATING EXPENSES			
Insurance claims and expenses			
Business support services	-	602	(602)
Central support services	8,614,662	9,100,239	(485,577)
Contingency	600,000	-	600,000
Total operating expenses	<u>9,214,662</u>	<u>9,100,841</u>	<u>113,821</u>
Operating income (loss)	<u>(1,357,000)</u>	<u>(1,052,545)</u>	<u>(304,455)</u>
NON-OPERATING REVENUES (EXPENSES)			
Other revenue	5,000	-	(5,000)
Investment earnings	20,000	50,702	30,702
Total non-operating revenue (expenses)	<u>25,000</u>	<u>50,702</u>	<u>25,702</u>
Change in net position	(1,332,000)	(1,001,843)	330,157
Net position - beginning	<u>2,637,879</u>	<u>2,637,879</u>	<u>-</u>
Net position - ending	<u>\$ 1,305,879</u>	<u>\$ 1,636,036</u>	<u>\$ 330,157</u>

See the accompanying independent auditors' report.

FIDUCIARY FUND

Agency Funds

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

Student Activity Agency Fund

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

Scholarship Fund

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
PUPIL ACTIVITY FUND				
ASSETS				
Cash and investments	\$ 660,680	\$ 1,042,920	\$ 1,006,287	\$ 697,313
Total assets	<u>\$ 660,680</u>	<u>\$ 1,042,920</u>	<u>\$ 1,006,287</u>	<u>\$ 697,313</u>
LIABILITIES				
Accounts payable	\$ 1,561	\$ 1,644	\$ 1,561	\$ 1,644
Payable to student organizations	659,119	1,041,276	1,004,726	695,669
Total liabilities	<u>\$ 660,680</u>	<u>\$ 1,042,920</u>	<u>\$ 1,006,287</u>	<u>\$ 697,313</u>
SCHOLARSHIP TRUST				
ASSETS				
Cash and investments	\$ 230,137	\$ 47,209	\$ 65,576	\$ 211,771
Other receivables	60	120	60	120
Total assets	<u>\$ 230,197</u>	<u>\$ 47,329</u>	<u>\$ 65,636</u>	<u>\$ 211,891</u>
LIABILITIES				
Accounts payable	\$ 26	\$ 62	\$ 26	\$ 62
Payable to scholarship recipients	228,708	45,233	64,146	209,795
Due to other funds	1,464	2,034	1,464	2,034
Total liabilities	<u>\$ 230,198</u>	<u>\$ 47,329</u>	<u>\$ 65,636</u>	<u>\$ 211,891</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 890,817	\$ 1,090,129	\$ 1,071,863	\$ 909,084
Other receivables	60	120	60	120
Total assets	<u>\$ 890,877</u>	<u>\$ 1,090,249</u>	<u>\$ 1,071,923</u>	<u>\$ 909,204</u>
LIABILITIES				
Accounts payable	\$ 1,587	\$ 1,706	\$ 1,587	\$ 1,706
Payable to student organizations	659,119	1,041,276	1,004,726	695,669
Payable to scholarship recipients	228,708	45,233	64,146	209,795
Due to other funds	1,464	2,034	1,464	2,034
Total liabilities	<u>\$ 890,878</u>	<u>\$ 1,090,249</u>	<u>\$ 1,071,923</u>	<u>\$ 909,204</u>

See the accompanying independent auditors' report.

STATISTICAL SECTION



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment

STATISTICAL SECTION

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

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

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities										
Net Investment in Capital Assets	\$ 29,296,499	\$ 33,391,489	\$ 33,824,163	\$ 28,606,143	\$ 28,312,028	\$ 24,648,165	\$ 18,805,949	\$ 20,379,316	\$ 17,387,284	\$ 14,736,428
Restricted	15,515,698	8,244,349	7,863,299	7,604,923	7,054,600	10,008,506	10,687,833	14,582,241	11,801,496	11,581,682
Unrestricted	<u>(262,546,478)</u>	<u>(275,573,245)</u>	<u>(201,149,614)</u>	<u>(139,636,102)</u>	<u>(136,404,704)</u>	<u>25,493,436</u>	<u>29,673,336</u>	<u>20,772,589</u>	<u>23,614,568</u>	<u>22,709,006</u>
Total Governmental Activities Net Position	<u>\$ (217,734,281)</u>	<u>\$ (233,937,407)</u>	<u>\$ (159,462,152)</u>	<u>\$ (103,425,036)</u>	<u>\$ (101,038,076)</u>	<u>\$ 60,150,107</u>	<u>\$ 59,167,118</u>	<u>\$ 55,734,146</u>	<u>\$ 52,803,348</u>	<u>\$ 49,027,116</u>
Business-type activities										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 872,746	\$ 767,740	\$ 712,492	\$ 636,485	\$ 552,577
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>899,408</u>	<u>1,118,149</u>	<u>1,073,045</u>	<u>1,626,006</u>	<u>1,700,378</u>
Total Business-type Activities Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,772,154</u>	<u>\$ 1,885,889</u>	<u>\$ 1,785,537</u>	<u>\$ 2,262,491</u>	<u>\$ 2,252,955</u>
Primary government										
Invested in capital assets, net of related debt	\$ 29,296,499	\$ 33,391,489	\$ 33,824,163	\$ 28,606,143	\$ 28,312,028	\$ 25,520,911	\$ 19,573,689	\$ 21,091,808	\$ 18,023,769	\$ 15,289,005
Restricted	15,515,698	7,863,299	7,863,299	7,604,923	7,054,600	10,008,506	10,687,833	14,582,241	11,801,496	11,581,682
Unrestricted	<u>(262,546,478)</u>	<u>(275,573,245)</u>	<u>(201,149,614)</u>	<u>(139,636,102)</u>	<u>(136,404,704)</u>	<u>26,392,844</u>	<u>30,791,485</u>	<u>21,845,634</u>	<u>25,240,574</u>	<u>24,409,384</u>
Total Primary Government Net Position	<u>\$ (217,734,281)</u>	<u>\$ (233,937,407)</u>	<u>\$ (159,462,152)</u>	<u>\$ (103,425,036)</u>	<u>\$ (101,038,076)</u>	<u>\$ 61,922,261</u>	<u>\$ 61,053,007</u>	<u>\$ 57,519,683</u>	<u>\$ 55,065,839</u>	<u>\$ 51,280,071</u>

Source: School District Financial Records

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental Activities:										
Instruction	\$ 47,252,723	\$ 94,932,959	\$ 87,057,155	\$ 57,394,633	\$ 60,105,656	\$ 49,856,962	\$ 45,320,043	\$ 46,441,901	\$ 52,023,135	\$ 56,605,038
Supporting Services	18,277,173	38,638,556	36,168,327	23,250,745	24,454,433	19,691,966	18,393,054	17,415,968	19,374,869	20,468,345
Business Support Services	11,027,930	21,525,200	20,037,625	13,797,129	13,076,296	11,021,686	11,062,755	11,127,999	11,312,987	11,541,153
Central Support Services	6,040,118	10,563,944	9,099,556	13,512,853	5,874,570	4,994,329	4,955,660	4,653,884	4,244,239	5,612,200
Food Service	4,913,612	4,451,946	4,683,746	4,929,892	6,574,468	-	-	-	-	-
Community Services	98,187	95,804	71,870	145,945	157,989	185,398	230,663	186,066	637,881	497,649
Interest on Long-term Debt	3,403,400	1,311,050	1,623,419	1,746,854	1,694,097	3,005,941	1,979,745	2,118,935	1,318,612	3,254,813
Miscellaneous Support Services	14,715,655	796,352	2,920,094	3,072,676	1,234,972	852,211	2,041,997	577,760	99,518	112,857
Total Governmental Activities Expenses	<u>105,728,798</u>	<u>172,315,811</u>	<u>161,661,792</u>	<u>117,850,727</u>	<u>113,172,481</u>	<u>89,608,493</u>	<u>83,983,917</u>	<u>82,522,513</u>	<u>89,011,241</u>	<u>98,092,055</u>
Business-type Activities:										
Food Service	-	-	-	-	-	4,757,797	4,768,672	4,852,352	4,486,571	4,323,989
Total Primary Government Expenses	<u>\$ 105,728,798</u>	<u>\$ 172,315,811</u>	<u>\$ 161,661,792</u>	<u>\$ 117,850,727</u>	<u>\$ 113,172,481</u>	<u>\$ 94,366,290</u>	<u>\$ 88,752,589</u>	<u>\$ 87,374,865</u>	<u>\$ 93,497,812</u>	<u>\$ 102,416,044</u>
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction	\$ 358,500	\$ 164,422	\$ 361,062	\$ 807,263	\$ 50,847	\$ 34,700	\$ 40,507	\$ 50,774	\$ 35,242	\$ 60,032
Supporting Services	-	-	-	6,687,509	-	-	-	-	-	-
Business Support Services	1,175,020	93,220	1,043,380	1,620,927	1,301,095	1,014,770	1,736,906	1,693,630	1,677,206	1,607,296
Food Service	158,582	103,567	168,244	182,066	503,809	-	-	-	-	-
Operating Grants and Contributions	20,530,493	19,767,578	20,145,045	20,134,651	19,428,460	15,602,108	13,796,033	10,785,722	15,883,821	15,247,132
Capital Grants and Contributions	691,698	609,044	1,554,012	1,487,914	856,841	193,886	507,984	885,306	739,143	233,784
Total Governmental Activities Program Revenues	<u>22,914,293</u>	<u>20,737,831</u>	<u>23,271,743</u>	<u>30,920,330</u>	<u>22,141,052</u>	<u>16,845,464</u>	<u>16,081,430</u>	<u>13,415,432</u>	<u>18,335,412</u>	<u>17,148,244</u>
Business-type Activities:										
Charges for Services	-	-	-	-	-	663,749	598,262	648,898	726,343	717,769
Operating Grants and Contributions	-	-	-	-	-	4,089,487	4,101,826	3,714,051	3,760,619	3,921,562
Total Business-type Activities Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,236</u>	<u>4,700,088</u>	<u>4,362,949</u>	<u>4,486,962</u>	<u>4,639,331</u>
Total Primary Government Program Revenues	<u>\$ 22,914,293</u>	<u>\$ 20,737,831</u>	<u>\$ 23,271,743</u>	<u>\$ 30,920,330</u>	<u>\$ 22,141,052</u>	<u>\$ 21,598,700</u>	<u>\$ 20,781,518</u>	<u>\$ 17,778,381</u>	<u>\$ 22,822,374</u>	<u>\$ 21,787,575</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (82,814,505)	\$ (151,577,980)	\$ (138,390,049)	\$ (86,930,397)	\$ (91,031,429)	\$ (72,763,029)	\$ (67,902,487)	\$ (69,107,081)	\$ (70,675,829)	\$ (80,943,811)
Business-type Activities	-	-	-	-	-	(4,561)	(68,584)	(489,403)	391	315,342
Total Primary Government Net Expense	<u>\$ (82,814,505)</u>	<u>\$ (151,577,980)</u>	<u>\$ (138,390,049)</u>	<u>\$ (86,930,397)</u>	<u>\$ (91,031,429)</u>	<u>\$ (72,767,590)</u>	<u>\$ (67,971,071)</u>	<u>\$ (69,596,484)</u>	<u>\$ (70,675,438)</u>	<u>\$ (80,628,469)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 30,072,004	\$ 21,291,198	\$ 20,633,466	\$ 20,396,406	\$ 19,988,451	\$ 22,551,614	\$ 22,683,848	\$ 23,039,178	\$ 24,315,870	\$ 23,977,688
Specific Ownership Taxes	3,271,758	2,762,211	2,571,521	2,296,117	2,322,398	2,360,463	2,215,222	2,144,664	2,187,201	2,336,969
State Equalization	63,620,183	59,413,461	58,357,656	57,540,544	54,222,478	48,518,083	44,835,513	45,657,121	46,901,432	53,585,615
Grants and contributions not restricted to a particular program	735,644	-	-	-	-	-	-	-	-	-
Earnings on Investments	1,058,127	465,335	254,558	104,165	27,824	32,317	58,308	39,472	56,919	89,173
Gain on Disposal of Capital Assets	-	-	-	-	-	-	1,111,453	-	-	-
Other Revenue	259,915	1,934,602	547,405	265,022	414,633	283,541	889,515	1,157,444	990,639	659,567
Total Governmental Activities	<u>99,017,631</u>	<u>85,866,807</u>	<u>82,364,606</u>	<u>80,602,254</u>	<u>76,975,784</u>	<u>73,746,018</u>	<u>71,793,859</u>	<u>72,037,879</u>	<u>74,452,061</u>	<u>80,649,012</u>
Business-type Activities:										
Earnings on Investments	-	-	-	-	-	323	1,537	1,680	2,257	448
Other Revenue	-	-	-	-	-	6,315	167,399	10,769	6,888	27,720
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,638</u>	<u>168,936</u>	<u>12,449</u>	<u>9,145</u>	<u>28,168</u>
Total Primary Government	<u>\$ 99,017,631</u>	<u>\$ 85,866,807</u>	<u>\$ 82,364,606</u>	<u>\$ 80,602,254</u>	<u>\$ 76,975,784</u>	<u>\$ 73,752,656</u>	<u>\$ 71,962,795</u>	<u>\$ 72,050,328</u>	<u>\$ 74,461,206</u>	<u>\$ 80,677,180</u>
Change in Net Position										
Governmental Activities	\$ 16,203,126	\$ (65,711,173)	\$ (56,025,443)	\$ (6,328,143)	\$ (14,055,645)	\$ 982,989	\$ 3,891,372	\$ 2,930,798	\$ 3,776,232	\$ (294,799)
Business-type Activities	-	-	-	-	-	2,077	100,352	(476,954)	9,536	343,510
Total Primary Government	<u>\$ 16,203,126</u>	<u>\$ (65,711,173)</u>	<u>\$ (56,025,443)</u>	<u>\$ (6,328,143)</u>	<u>\$ (14,055,645)</u>	<u>\$ 985,066</u>	<u>\$ 3,991,724</u>	<u>\$ 2,453,844</u>	<u>\$ 3,785,768</u>	<u>\$ 48,711</u>

Source: School District Financial Records

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

Reporting categories per GASB 54	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nondisposable	\$ 10,784	\$ 8,352	\$ 10,826	\$ 10,392	\$ 12,512	\$ 7,539	\$ 11,426	\$ 23,403	\$ 36,832	\$ 17,469
Committed	12,100,000	12,370,000	15,413,943	2,513,659	2,732,904	2,808,705	3,106,389	3,432,578	3,930,667	4,531,040
Restricted	3,429,788	3,116,213	3,056,898	2,911,991	2,384,629	2,316,563	2,300,000	2,323,647	2,367,608	2,384,633
Assigned	2,575,317	3,085,727	-	-	-	-	-	29,100	-	-
Unassigned	5,181,194	5,691,453	7,961,189	19,430,216	19,980,036	18,064,196	17,816,403	16,919,279	16,239,648	15,798,623
Total General Fund	<u>\$ 23,297,083</u>	<u>\$ 24,271,745</u>	<u>\$ 26,442,856</u>	<u>\$ 24,866,258</u>	<u>\$ 25,110,081</u>	<u>\$ 23,197,003</u>	<u>\$ 23,234,218</u>	<u>\$ 22,728,007</u>	<u>\$ 22,574,755</u>	<u>\$ 22,731,765</u>
All Other Governmental Funds										
Nondisposable	\$ 113,999	\$ 332,013	\$ 202,758	\$ 161,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	3,657,108	-	1,746,990	2,197,008	1,314,100	1,265,221	5,717,366	652,213	1,395,007	1,017,721
Restricted	105,154,009	5,128,136	4,806,401	4,692,932	4,674,768	7,691,943	8,387,833	8,991,633	9,433,888	8,933,375
Assigned	-	3,559,997	-	-	-	-	-	-	-	-
Unassigned	-	-	816,337	119,133	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 108,925,116</u>	<u>\$ 9,020,146</u>	<u>\$ 7,572,486</u>	<u>\$ 7,170,777</u>	<u>\$ 5,988,868</u>	<u>\$ 8,957,164</u>	<u>\$ 14,105,199</u>	<u>\$ 9,643,846</u>	<u>\$ 10,828,895</u>	<u>\$ 9,951,096</u>
Total Governmental Funds	<u>\$ 132,222,199</u>	<u>\$ 33,291,891</u>	<u>\$ 34,015,342</u>	<u>\$ 32,037,035</u>	<u>\$ 31,098,949</u>	<u>\$ 32,154,167</u>	<u>\$ 37,339,417</u>	<u>\$ 32,371,853</u>	<u>\$ 33,403,650</u>	<u>\$ 32,682,861</u>

Source: School District Financial Records

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

(Prepared using the modified accrual basis of accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES:										
Local Sources	\$ 37,190,458	\$ 26,593,678	\$ 25,966,847	\$ 25,486,596	\$ 25,206,534	\$ 26,673,589	\$ 27,102,964	\$ 28,111,361	\$ 29,536,292	\$ 28,669,903
State Sources	73,631,724	66,229,193	65,899,733	65,164,498	60,264,753	54,034,431	49,150,133	49,561,565	51,217,305	57,605,824
Federal Sources	20,705,167	12,542,517	13,645,909	14,131,047	13,844,825	9,812,209	10,528,497	7,877,538	12,576,958	11,571,951
Total Revenues	<u>131,527,349</u>	<u>105,365,388</u>	<u>105,512,489</u>	<u>104,782,141</u>	<u>99,316,112</u>	<u>90,520,229</u>	<u>86,781,594</u>	<u>85,550,464</u>	<u>93,330,555</u>	<u>97,847,678</u>
EXPENDITURES:										
Current:										
Instruction	64,085,370	53,392,927	51,047,855	51,455,578	49,336,922	46,590,424	43,934,126	44,340,303	49,379,802	52,984,030
Supporting Services	27,431,495	21,850,229	21,161,122	20,991,718	20,681,573	19,724,174	18,549,302	17,424,626	19,294,166	20,437,519
Business Support Services	14,900,463	14,108,543	13,311,497	13,169,943	11,643,641	11,093,820	10,752,725	10,820,988	11,092,734	11,343,710
Building Improvement Services	24,946,799	1,745,836	2,920,094	3,015,983	1,243,602	5,159,590	3,660,348	1,659,885	449,244	1,318,167
Central Support Services	6,056,173	6,146,825	5,854,322	5,879,015	5,086,763	5,414,326	4,705,611	4,974,555	4,547,550	5,004,108
Food Service	4,858,425	4,299,529	4,435,892	4,633,834	5,707,347	-	-	-	-	-
Community Services	180,153	165,632	239,248	132,441	146,330	176,662	221,720	177,269	629,308	489,109
Debt Service:										
Principal	2,915,441	2,900,587	2,837,761	2,742,892	5,553,264	4,293,549	5,277,747	5,084,593	5,144,853	4,359,983
Interest on Long-term Debt	3,653,611	1,631,038	1,714,716	1,834,326	1,996,646	3,309,084	2,283,044	2,422,734	2,380,009	3,354,084
Total Expenditures	<u>149,027,930</u>	<u>106,241,146</u>	<u>103,522,507</u>	<u>103,855,730</u>	<u>101,396,088</u>	<u>95,761,629</u>	<u>89,384,623</u>	<u>86,904,953</u>	<u>92,917,666</u>	<u>99,290,710</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(17,500,581)</u>	<u>(875,758)</u>	<u>1,989,982</u>	<u>926,411</u>	<u>(2,079,976)</u>	<u>(5,241,400)</u>	<u>(2,603,029)</u>	<u>(1,354,489)</u>	<u>412,889</u>	<u>(1,443,032)</u>
OTHER FINANCING SOURCES (USES):										
Issuance of Bonds	100,000,000	15,767,307	-	-	-	-	-	-	39,348,456	-
Issuance of Capital Lease	-	-	-	-	60,223	56,150	126,843	322,692	-	-
Premium on Bonds Issued	16,430,889	-	-	-	-	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	(15,615,000)	-	-	-	-	-	-	(39,040,556)	-
Proceeds from Sale of Capital Asset net	-	-	-	-	-	-	7,443,750	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>116,430,889</u>	<u>152,307</u>	<u>-</u>	<u>-</u>	<u>60,223</u>	<u>56,150</u>	<u>7,570,593</u>	<u>322,692</u>	<u>307,900</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 98,930,308</u>	<u>\$ (723,451)</u>	<u>\$ 1,989,982</u>	<u>\$ 926,411</u>	<u>\$ (2,019,753)</u>	<u>\$ (5,185,250)</u>	<u>\$ 4,967,564</u>	<u>\$ (1,031,797)</u>	<u>\$ 720,789</u>	<u>\$ (1,443,032)</u>
Debt Service as a percentage of noncapital expenditures	4.4%	4.3%	4.4%	4.4%	7.5%	8.4%	8.7%	8.8%	8.2%	7.9%

Source: School District Financial Records

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial, Agricultural and Natural Resources Property	Vacant Land and Public Utilities Property	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value	Assessment Rate Residential Property	Assessment Rate All Other Property
2019	\$ 244,904,720	\$ 272,308,650	\$105,323,460	\$ 21,242,980	\$ 643,779,810	\$ 5,377,005,775	48.333	12.0%	7.96	29.00
2018	\$ 241,910,230	\$ 264,377,280	\$110,111,390	\$ 21,663,340	\$ 638,062,240	\$ 5,324,931,020	33.118	12.0%	7.96	29.00
2017	\$ 231,271,620	\$ 238,597,390	\$72,865,160	\$ 20,521,560	\$ 563,255,730	\$ 4,640,269,232	36.278	12.1%	7.96	29.00
2016	229,423,610	232,431,110	71,190,000	32,174,060	565,218,780	4,581,894,510	36.414	12.3%	7.96	29.00
2015	209,847,890	230,577,690	70,162,150	32,336,250	542,923,980	3,499,319,175	36.997	15.5%	7.96	29.00
2014	208,329,110	232,612,120	75,194,090	33,379,810	549,515,130	3,485,400,775	41.334	15.8%	7.96	29.00
2013	212,483,180	233,275,240	72,479,410	33,177,790	551,415,620	3,543,955,290	41.344	15.6%	7.96	29.00
2012	211,521,480	237,849,650	75,216,260	36,355,350	560,942,740	3,542,914,801	41.147	15.8%	7.96	29.00
2011	234,179,860	263,302,600	64,402,650	40,503,950	602,389,060	3,892,273,872	40.476	15.5%	7.96	29.00
2010	233,783,590	254,348,250	54,471,590	40,566,150	583,169,580	3,896,035,345	41.434	15.0%	7.96	29.00

Source: El Paso County Assessor Office - Final Nov

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

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

Tax Year/ Collection Year	Harrison School District (1)					Overlapping Rates (2)											
	General Fund	Mill Levy Override	S.B. 184 (1)	Bond Fund	Total	El Paso County	City of Colorado Springs	Library District	Fire District Stratmoor Hills	Sanitation District Stratmoor Hills	Water District Stratmoor Hills	Springs Creek Special District	Garden Valley Sanitation & Water 1/2	Southeastern Colorado Water Conservancy	City of Fountain	Fountain GID #1	EPC Stratmoor Valley Streetlight PID
2018-19	16.337	8.850	2.089	21.057	48.333	8.068	4.279	4.000	13.483	0.000	0	6.000	12.766	0.944	10.239	12.000	3.300
2017-18	16.337	8.869	0.338	7.574	33.118	7.965	4.279	3.812	12.582	0.583	2.071	12.000	15.39	0.939	10.239	12.000	3.300
2016-17	17.977	10.022	0.279	8.000	36.278	7.589	4.279	3.957	12.811	0.578	2.105	20.000	15.492	0.940	10.239	12.000	3.300
2015-16	18.092	10.173	0.149	8.000	36.414	7.869	4.279	3.857	12.768	0.587	2.086	20.000	15.511	0.941	10.239	12.000	3.300
2014-15	18.092	10.590	0.315	8.000	36.997	7.791	4.279	4.000	12.686	0.578	1.974	20.000	14.791	0.940	10.290	12.000	3.300
2013-14	18.092	10.490	0.252	12.500	41.334	7.714	4.279	4.000	12.002	0.578	2.055	20.000	15.533	0.940	0.000	0.000	0.000
2012-13	18.092	10.427	0.325	12.500	41.344	7.663	4.279	4.000	12.423	0.573	2.088	20.000	13.972	0.944	0.000	0.000	0.000
2011-12	18.092	10.250	0.305	12.500	41.147	7.597	4.279	3.999	12.423	0.549	2.000	20.000	14.117	0.947	0.000	0.000	0.000
2010-11	18.092	9.545	0.339	12.500	40.476	7.717	4.279	3.556	12.423	0.549	2.000	20.000	17.000	0.947	0.000	0.000	0.000
2009-10	18.818	9.859	0.257	12.500	41.434	7.531	4.279	3.468	12.423	0.621	2.224	20.000	7.000	0.940	0.000	0.000	0.000

Source: El Paso County Assessor; ABSTRACT OF ASSESSMENT

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
PRINCIPAL TAXPAYERS
JUNE 30, 2019 and JUNE 30, 2010

	2019			2010		
	Assessed Value	Rank	% of Total Value	Assessed Value	Rank	% of Total Value
Microchip Technology Inc	\$ 23,177,030	1	3.6%	\$ 16,089,740	1	2.8%
DPIX LLC	17,403,230	2	2.7%			
SAP America Inc	11,629,970	3	1.8%			
Ace Hardware	8,986,960	4	1.4%	7,257,670	2	1.2%
GRE Broadmoor LLC	6,343,450	5	1.0%	7,250,190	3	1.2%
RICKEMOH INC	4,658,600	6	0.7%	4,641,890	6	0.8%
CO Newport Hotels LLC	4,489,720	7		4,206,090	8	0.7%
Exelis Inc	4,439,100	8	0.7%			
Qwest Corporation	4,415,700	9	0.7%	6,939,800	4	1.2%
Wal-Mart Real Estate	3,907,680	10	0.6%			
GE Commercial Finance Bus.				5,981,970	5	1.0%
Aquiport Colorado Springs LLC				4,640,000	7	0.8%
Branson Hotel Corporation				3,644,580	9	0.6%
Skywest Airlines				2,385,000	10	0.4%
Total	<u>\$ 89,451,440</u>		<u>13.2%</u>	<u>\$ 63,036,930</u>		<u>10.7%</u>
Total Assessed Valuation (1)	<u>\$ 643,779,810</u>			<u>\$ 583,169,580</u>		

Source: El Paso County Treasurer Office-Property Tax Statements

(1) See Schedule 5 for District property tax data

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

<u>Tax Year/ Collection Year</u>	<u>Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Levy</u>	<u>Prior Years Delinquent Tax Collections</u>	<u>Total Tax Collection</u>	<u>Percent of Total Tax Levy</u>
2018-19	\$ 11,971,721	\$ 11,119,848	92.9%	\$ 22,762	\$ 11,142,610	93.1%
2017-18	\$ 10,811,395	\$ 10,034,533	92.8%	\$ 2,047	\$ 10,036,580	92.8%
2016-17	\$ 10,474,416	\$ 10,386,680	99.2%	\$ 15,003	\$ 10,401,683	99.3%
2015-16	\$ 10,284,323	\$ 10,151,083	98.7%	\$ 498	\$ 10,151,582	98.7%
2014-15	\$ 9,967,537	\$ 9,925,870	99.6%	\$ 1,240	\$ 9,927,110	99.6%
2013-14	\$ 10,054,326	\$ 9,796,345	97.4%	\$ 1,128	\$ 9,797,473	97.4%
2012-13	\$ 10,155,421	\$ 10,010,412	98.6%	\$ 13,629	\$ 10,024,041	98.7%
2011-12	\$ 10,319,662	\$ 9,878,823	95.7%	\$ 8,055	\$ 9,886,878	95.8%
2010-11	\$ 11,102,631	\$ 10,812,339	97.4%	\$ 9,195	\$ 10,821,534	97.5%
2009-10	\$ 11,123,959	\$ 10,617,021	95.4%	\$ 2,134	\$ 10,619,155	95.5%

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

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

Fiscal Year	General Obligation Bonds	Governmental Activities		Total Primary Government	Ratio of Total Debt		Percentage of Personal Income (3)
		Certificates of Participation	Capital Leases		Estimated Actual Property Value (1)	Total Debt per Membership (2)	
2019	\$ 147,900,576	\$ -	\$ 7,872	\$ 147,908,448	2.8%	\$ 12,059	4.55%
2018	\$ 35,101,976	\$ -	\$ 33,313	\$ 35,135,289	0.7%	\$ 2,852	1.11%
2017	\$ 38,880,507	\$ -	\$ 82,351	\$ 38,962,858	0.8%	\$ 3,171	1.27%
2016	\$ 41,883,745	\$ -	\$ 176,318	\$ 42,060,063	0.9%	\$ 3,391	1.46%
2015	\$ 44,771,983	\$ -	\$ 287,029	\$ 45,059,012	1.3%	\$ 3,738	1.61%
2014	\$ 50,527,532	\$ -	\$ 327,952	\$ 50,855,484	1.5%	\$ 4,333	1.86%
2013	\$ 55,033,081	\$ -	\$ 357,337	\$ 55,390,418	1.6%	\$ 4,912	2.10%
2012	\$ 57,689,802	\$ -	\$ 298,099	\$ 57,987,901	1.6%	\$ 5,220	2.32%
2011	\$ 62,871,987	\$ -	\$ -	\$ 62,871,987	1.6%	\$ 5,640	2.50%
2010	\$ 68,234,220	\$ -	\$ 49,854	\$ 68,284,074	1.8%	\$ 6,037	2.84%
2009	\$ 72,579,299	\$ -	\$ 164,029	\$ 72,743,328	1.9%	\$ 6,661	3.22%

Source: El Paso County Assessor Office
School District Records

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

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

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Estimated Actual Value (1)</u>	<u>Net Bonded Debt per Membership (2)</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (4)</u>
2019	\$ 147,900,576	\$ 12,085,910	\$ 135,814,666	2.5%	11,073	4.55%	212
2018	\$ 35,101,976	\$ 5,128,136	\$ 29,973,840	0.6%	2,433	1.11%	49
2017	\$ 38,880,507	\$ 4,806,401	\$ 34,074,106	0.7%	2,773	1.27%	56
2016	\$ 41,883,745	\$ 4,692,932	\$ 37,190,813	0.8%	2,998	1.45%	61
2015	\$ 44,771,983	\$ 4,669,971	\$ 40,102,012	1.1%	3,327	1.60%	66
2014	\$ 50,524,532	\$ 7,691,943	\$ 42,832,589	1.2%	3,649	1.84%	76
2013	\$ 55,033,081	\$ 8,387,833	\$ 46,645,248	1.3%	4,137	2.08%	85
2012	\$ 57,689,802	\$ 8,991,633	\$ 48,698,169	1.4%	4,384	2.31%	91
2011	\$ 62,871,987	\$ 9,433,888	\$ 53,438,099	1.4%	4,794	2.50%	100
2010	\$ 68,234,220	\$ 8,933,375	\$ 59,300,845	1.5%	5,243	2.83%	113

Source: El Paso County Assessor Office
School District Records

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2019**

	<u>Assessed Valuation</u>	<u>Debt Outstanding</u>	<u>Percent Applicable to School Dist.(2)</u>	<u>Gross Direct and Overlapping Debt</u>
Debt repaid with property taxes:				
Southeastern Colorado Water Cons. Dist	7,918,830,712	23,426,225	7.23%	1,693,716
Garden Valley Water and Sanitation Dist	4,268,780	142,496	100.0%	142,496
Colorado Springs-Spring Creek GID	\$ 16,355,750	\$ 1,010,000	100.0%	<u>\$ 1,010,000</u>
Subtotal Overlapping Debt				2,846,212
District Governmental Activities Direct Debt (1)				<u>35,135,289</u>
Total Direct and Overlapping Debt				<u>\$ 37,981,501</u>

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

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

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

Assessed Valuation-2019 (1)	\$ 655,702,400
Actual Value-2019 (1)	4,818,089,027
Debt Limitation Calculation--Greater of:	
20% of Assessed Valuation	\$ 131,140,480
6% of Actual Value	289,085,342
Debt Limit	\$ 289,085,342
Total Bonded Debt	128,905,000
Legal Debt Margin	<u>\$ 160,180,342</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt Limit	\$ 289,085,342	\$ 264,213,791	\$ 260,268,090	\$ 260,268,090	\$ 209,959,151	\$ 209,124,047	\$ 212,637,317	\$ 212,574,888	\$ 233,536,432	\$ 248,510,972
Total Gross Debt Applicable to Limit	<u>128,905,000</u>	<u>31,795,000</u>	<u>36,070,000</u>	<u>38,810,000</u>	<u>41,435,000</u>	<u>50,527,532</u>	<u>55,033,081</u>	<u>57,689,802</u>	<u>62,871,987</u>	<u>68,234,220</u>
Legal Debt Margin	<u>\$ 160,180,342</u>	<u>\$ 232,418,791</u>	<u>\$ 224,198,090</u>	<u>\$ 221,458,090</u>	<u>\$ 168,524,151</u>	<u>\$ 158,596,515</u>	<u>\$ 157,604,236</u>	<u>\$ 154,885,086</u>	<u>\$ 170,664,445</u>	<u>\$ 180,276,752</u>
Total Gross Debt Applicable to the Limit as a Percentage of Debt Limit	44.59%	12.03%	13.86%	14.91%	19.73%	24.16%	25.88%	27.14%	26.92%	27.46%

Source: El Paso County Assessor Office
School District Records

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
PRINCIPAL EMPLOYERS BY INDUSTRY
JUNE 30, 2019 and JUNE 30, 2010

	2019			2010		
	<u>Employees</u>	Rank	<u>% of Total Employees</u>	<u>Employees</u>	Rank	<u>% of Total Employees</u>
Health Care and Social Assistance	43,656	1	15.78%	29,720	1	13.03%
Retail Trade	31,351	2	11.33%	27,603	2	12.10%
Accommodation and Food Services	30,434	3	11.00%	22,688	4	9.95%
Education Services	28,577	4	10.33%	26,000	3	11.40%
Professional and Technical	26,325	5	9.52%	21,678	5	9.51%
Administrative and Waste Services	17,930	6	6.48%	16,900	6	7.41%
Construction	16,806	7	6.08%	10,971	9	4.81%
Public Administration	13,703	8	4.95%	12,053	8	5.29%
Finance and Insurance	12,762	9	4.61%	10,795	10	4.73%
Manufacturing	11,569	10	4.18%	12,443	7	5.46%
Other Services, Ex. Public Admin	11,415	11	4.13%	8,741	11	3.83%
Information	6,234	12	2.25%	7,414	12	3.25%
Wholesale Trade	5,739	13	2.07%	4,835	14	2.12%
Transportation and Warehousing	5,617	14	2.03%	4,851	13	2.13%
Arts, Entertainment and Recreation	5,342	15	1.93%	3,508	16	1.54%
Real Estate, Rental and Leasing	4,788	16	1.73%	3,966	15	1.74%
Utilities	2,447	17	0.88%	2,647	17	1.16%
Management of Companies and	1,279	18	0.46%	885	18	0.39%
Agriculture, Forestry, Fishing &	556	19	0.20%	171	19	0.07%
Mining	52	20	0.02%	123	20	0.05%
Unclassified	11	21	0.00%	51	21	0.02%
Totals	<u>276,593</u>		<u>100.0%</u>	<u>228,043</u>		<u>100.0%</u>

Source: Colorado Department of Labor

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Median Household Income</u>	<u>Personal Income</u>	<u>Personal Per-Capita</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2019	699,232	65,370	32,522,267	46,511	34.4	3.40%
2018	712,327	63,882	31,668,303	44,458	33.9	3.70%
2017	688,284	60,782	30,565,961	44,409	33.6	3.10%
2016	686,908	60,109	28,830,216	41,971	33.8	6.30%
2015	678,319	59,446	27,980,799	41,250	33.7	5.10%
2014	668,353	57,098	27,388,891	40,980	33.6	6.20%
2013	644,964	55,217	26,408,772	39,994	33.9	8.00%
2012	636,963	54,797	24,986,786	38,405	33.8	9.80%
2011	626,928	51,458	25,145,358	38,662	34.8	9.60%
2010	604,542	55,700	24,077,000	38,448	34.8	8.80%

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities:										
Instruction:										
Teachers	667.54	680.14	637.24	660.42	632.25	596.96	567.00	611.20	685.65	731.59
Aides	164.53	186.69	128.88	137.33	116.30	99.73	96.73	91.16	110.21	111.47
Tutors	7.57	10.50	6.75	7.50	14.90	14.90	0.00	0.00	0.00	0.00
Speech Pathologists	10.64	13.80	11.06	9.00	6.90	6.90	7.90	8.10	5.00	6.10
Total Instruction	850.28	891.13	783.93	814.25	770.35	718.49	671.63	710.46	800.86	849.16
Supporting Services:										
Administrators	62.50	52.00	54.00	58.60	61.00	59.00	57.10	56.60	58.00	60.05
Athletic Directors	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Athletic Trainers	1.20	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nurses	5.00	7.50	5.00	4.23	5.75	5.75	5.00	6.88	7.75	5.75
Coordinators	46.42	34.40	28.50	23.00	20.00	20.00	16.00	13.50	9.60	9.35
Secretaries	70.88	70.75	68.55	71.25	65.75	64.75	66.01	68.13	74.00	74.94
Aides	2.88	1.23	1.00	1.80	0.00	0.00	0.00	0.00	0.00	0.00
Technicians	6.00	3.25	0.80	2.00	3.50	2.50	2.50	1.75	2.00	2.50
Teachers on Special Assignment	2.00	5.00	1.00	5.00	5.70	4.35	5.00	3.00	4.13	21.49
Counselors	31.00	28.50	39.40	29.00	29.00	29.00	29.50	29.80	37.00	38.00
Health Aides	16.00	21.46	16.69	16.68	16.63	16.63	16.63	16.19	16.19	14.44
Supervisors	0.00	0.00	0.00	0.00	1.00	1.00	2.75	4.75	2.00	3.50
Managers	0.00	0.00	3.20	4.60	2.00	1.00	0.00	0.00	0.00	1.00
Psychologists	13.00	15.00	12.00	10.50	12.00	5.40	6.80	10.50	12.95	4.50
Therapists	9.00	7.00	5.00	5.70	2.40	1.00	5.68	3.00	3.00	4.60
Audiologists	0.00	0.00	0.50	1.50	0.88	0.88	0.00	0.00	0.00	1.55
Social Workers	11.00	13.00	9.00	8.00	9.00	7.00	7.60	9.00	9.00	9.00
Library Technicians	17.31	18.06	17.45	16.76	12.38	12.38	12.38	12.37	12.38	11.50
Library Assistants	0.00	0.00	0.00	0.00	4.39	3.51	3.50	4.39	5.25	7.00
Librarians	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	5.00	5.00
Total Supporting Services	296.19	280.15	265.09	261.62	254.38	237.15	239.45	245.86	261.25	277.17
Business Support Services:										
Administrators	5.00	3.00	3.00	2.20	2.50	2.50	2.50	2.50	2.50	2.50
Coordinators	1.00	3.10	2.00	2.00	2.00	1.00	0.00	0.00	1.00	1.00
Secretaries	3.50	4.00	3.00	4.00	6.00	4.50	4.50	3.50	4.00	5.00
Technicians	12.00	11.00	9.00	8.00	6.00	6.25	8.25	8.00	8.00	9.00
Supervisors	2.00	2.00	4.00	2.00	3.00	3.00	4.00	4.00	6.00	6.00
Managers	2.00	1.00	2.00	2.00	1.20	0.00	0.00	0.00	1.00	1.00
Social Workers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Custodians	72.00	87.00	80.00	92.00	90.00	90.00	90.00	91.00	94.00	92.00
Skilled Craftmen	15.00	17.00	6.00	6.00	6.00	6.00	6.00	7.00	6.00	5.00
Security Guards	14.00	17.50	13.00	15.76	15.76	15.51	15.25	16.25	15.13	14.88
Bus Drivers	45.63	54.44	38.00	31.00	28.50	27.50	25.50	26.00	26.50	23.50
Total Business Support Services	172.13	200.04	160.00	164.96	160.96	156.26	156.00	158.25	164.13	159.88
Central Support Services:										
Administrators	5.00	6.00	6.00	5.80	5.50	5.50	4.50	4.50	4.50	4.50
Coordinators	1.00	1.75	1.00	1.00	0.00	0.00	1.00	1.00	1.00	1.00
Secretaries	8.00	6.00	4.00	5.63	4.63	5.13	4.00	4.50	5.50	5.00
Assistants	1.00	1.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Technicians	13.00	17.50	16.00	16.00	18.00	18.75	20.00	19.25	18.00	18.00
Supervisors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Managers	9.00	8.00	6.00	5.00	1.00	2.00	1.00	1.00	1.00	1.00
Total Central Support Services	37.00	40.25	37.50	37.43	33.13	35.38	34.50	34.25	34.00	33.50
Community Services:										
Supervisors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secretaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Group Leaders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Central Support Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Food Services:										
Secretaries	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Supervisors	1.00	2.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Managers	19.18	19.94	18.94	20.00	19.80	0.00	0.00	0.00	0.00	0.00
Technicians	2.00	4.00	1.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00
Assistants	37.44	42.26	42.56	52.18	43.19	0.00	0.00	0.00	0.00	0.00
Total Food Service	60.62	69.20	64.50	76.18	66.99	0.00	0.00	0.00	0.00	0.00
Business-type Activities:										
Food Service										
Secretaries	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Supervisors	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Managers	0.00	0.00	0.00	0.00	0.00	19.69	19.69	19.69	19.69	19.63
Technicians	0.00	0.00	0.00	0.00	0.00	2.00	2.00	1.00	1.00	1.00
Assistants	0.00	0.00	0.00	0.00	0.00	43.19	43.19	43.19	43.19	34.19
Total Food Service	0.00	0.00	0.00	0.00	0.00	66.88	66.88	65.88	65.88	56.82
Total	1,416.22	1,480.77	1,311.02	1,354.44	1,285.81	1,214.16	1,168.46	1,214.70	1,326.12	1,376.53

Source: School District Financial Records

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

<u>Fiscal Year</u>	<u>District Membership (1)</u>	<u>School Enrollment (2)</u>	<u>Funded Pupil Count (3)</u>	<u>Cost per Enrollment</u>	<u>% Membership Free Lunch</u>	<u>% Membership Reduced Lunch</u>	<u>Student Teacher Ratio (4)</u>
2019	12,265	11,735.0	11,288.0	\$7,222	61.15%	12.06%	17.58
2018	12,319	11,771.0	11,361.5	\$14,639	62.72%	12.15%	17.31
2017	12,286	11,746.0	11,370.0	\$13,763	65.07%	11.00%	18.43
2016	12,328	11,371.5	11,466.9	\$10,364	62.32%	9.15%	17.22
2015	12,054	11,057.0	10,974.3	\$10,235	64.69%	9.77%	17.49
2014	11,737	10,759.0	10,847.9	8,771	65.02%	9.06%	18.02
2013	11,276	10,306.0	10,396.9	8,612	63.48%	10.02%	18.18
2012	11,108	10,260.5	10,355.1	8,516	63.56%	9.37%	16.79
2011	11,147	10,248.5	10,358.0	9,123	64.69%	9.92%	14.95
2010	11,310	10,286.0	10,367.3	9,957	63.57%	10.74%	14.06

Source: School District Financial Records

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities:										
Instruction	\$ 131,241,531	\$ 131,714,490	\$ 131,713,745	\$ 129,831,765	\$ 127,560,965	\$ 127,050,822	\$ 126,699,369	\$ 135,793,770	\$ 134,057,765	\$ 133,842,769
Supporting Services	3,103,920	2,083,191	2,137,298	2,117,297	2,198,752	2,339,326	2,352,196	3,103,008	3,192,681	3,239,726
Business Support Services	8,812,930	8,875,073	8,271,956	7,755,744	7,345,914	7,101,618	7,126,931	6,971,150	7,026,460	7,095,154
Central Support Services	6,076,911	6,119,989	6,174,301	8,873,436	8,878,170	8,854,496	5,353,934	4,321,115	4,530,281	4,193,206
Food Service	1,332,734	1,344,502	1,333,315	1,194,659	1,177,663	-	-	-	-	-
Business-type Activities:										
Food Service		-	-	-	-	1,910,871	1,796,053	1,749,585	1,727,939	1,566,077
Total	<u>\$ 150,568,026</u>	<u>\$ 150,137,245</u>	<u>\$ 149,630,615</u>	<u>\$ 149,772,901</u>	<u>\$ 147,161,464</u>	<u>\$ 147,257,133</u>	<u>\$ 143,328,483</u>	<u>\$ 151,938,628</u>	<u>\$ 150,535,126</u>	<u>\$ 149,936,932</u>

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED JUNE 30, 2019

Company	Policy Number	Policy Period		Coverage	Liability Limits	Deductible	Annual Premium
		From	To				
Colorado School Districts Self Insurance Pool	2167-18-00207	07/01/18	07/01/19	School Entity Liability (SEL) Includes General Liability, Errors & Omissions & Employment Practices Liability Coverages Also includes sublimated coverage for Employee Benefits Liability Coverage	occurrence/\$10,000,000 aggregate	\$5,000	\$146,169
	Same as Above			Property Coverage	\$307,286,659 Total Insured Value	\$5,000	\$263,568
				Buildings & Contents	Included	Same as Property	Included
				Wind and Hail	Included	Same as Property	Included
				Inland Marine			
				Computer Equip./Software	Included	Same as Property	Included
				Musical Instruments	Included	Same as Property	Included
				Audio Visual/Cameras	Included	Same as Property	Included
				Radio & TV Antennas	Included	Same as Property	Included
				Signs	Included	Same as Property	Included
				Fine Arts	Included	Same as Property	Included
				Band Uniforms	Included	Same as Property	Included
				District Owned Contractor Equipment	Included	Same as Property	Included
				Valuable Papers	Included	Same as Property	Included
				Fire Damage	\$500,000	Same as Property	Included
				Auto Physical Damage (APD)	Per Vehicle Schedule	\$1,000	\$13,589
				Auto Terminal Coverage	Per Vehicle Schedule	\$500/\$1,000	\$5,658
				Garage Operations Coverage	\$100,000	\$250/\$500	\$322
				Builders Risk Extension - Property	\$1,000,000	\$5,000	Included
	Same as Above			Boiler/Machinery (B/M)	\$250,000,000	\$1,000	\$23,901
				Extra Expense	Included	Same as B/M	Included
				Food Spoilage	Included	Same as B/M	Included
				Builders Risk Extension - Equip	\$5,000,000	Same as B/M	Included
	Same as Above			Business Auto Liability	\$2,000,000	\$1,000	\$45,722
				Auto Medical Payment Coverage	\$5,000 per person	\$0	Included
	Same as Above			Primary Crime Coverage	\$100,000	\$500	\$627
The Hanover Insurance Company	BD41851441	07/01/18	07/01/19	Excess Crime Coverage	\$900,000	Included Above	\$0
Pinnacle Assurance	4132463	07/01/18	07/01/19	Workers' Compensation	\$100,000/\$500,000/\$100,000	\$16,500	\$303,874
Cigna Health and Life Insurance Company	3340855	07/01/18	07/01/19	Stop Loss Coverage		\$0	Admin Fees
Cigna Health OAP Plan	3340855	07/01/18	07/01/19	Self Insured OAP			
Cigna Health OAPIN Plan	3340855	07/01/18	07/01/19	Self Insured OAP "In-network"			
Delta Dental PPO	01207	07/01/18	07/01/19	Dental Coverage			
Delta Dental EPO	6719	07/01/18	07/01/19	Dental Coverage			
Mutual of Omaha	G000B6L4	07/01/18	07/01/19	Long Term Disability			
Mutual of Omaha	G000B6L4	07/01/18	07/01/19	Life Insurance			
Vision Service Plan	12064471	07/01/18	07/01/19	Voluntary Group Vision Plan			

Source: School District Financial Records

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Elementary										
Bricker (1980)										
Square feet	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186
Capacity	588	588	588	588	588	588	588	588	588	588
Enrollment	392	394	354	378	435	391	407	368	392	394
Centennial (1972)										
Square feet	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670
Capacity	651	651	651	651	651	651	651	651	651	651
Enrollment	515	526	527	564	560	571	512	486	430	412
Chamberlin Academy (1957)										
Square feet	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872
Capacity	357	357	357	357	357	357	357	357	357	357
Enrollment	327	330	297	388	279	220	225	0	149	151
Giberson (1975)										
Square feet	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245
Capacity	651	651	651	651	651	651	651	651	651	651
Enrollment	420	384	376	405	444	397	345	344	345	389
Monterey (1969)										
Square feet	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	354	404	415	455	470	430	382	427	466	460
Oak Creek (1983)										
Square feet	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458
Capacity	567	567	567	567	567	567	567	567	567	567
Enrollment	236	255	291	342	325	320	316	328	356	344
Otero (1987)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	567	567	567	567	567	567	567	567	567	567
Enrollment	337	345	365	380	405	353	442	443	398	425
Pikes Peak (1964)										
Square feet	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	343	392	433	506	452	450	447	443	441	427
Sand Creek (1996)										
Square feet	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128
Capacity	609	609	609	609	609	609	609	609	609	609
Enrollment	468	485	522	505	519	529	569	555	531	539
Soaring Eagles (2003)										
Square feet	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	554	562	541	556	570	585	559	594	612	544
Stratmoor Hills (1963)										
Square feet	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800
Capacity	546	546	546	546	546	546	546	546	546	546
Enrollment	218	233	264	312	302	296	299	322	282	300
Stratton Meadows (1953)										
Square feet	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	372	359	346	394	398	390	416	420	375	369

Source: School District Records

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Elementary (continued)										
Turman (1987)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	588	588	588	588	588	588	588	588	588	588
Enrollment	235	262	275	437	335	354	344	313	315	371
Wildflower (1983)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	609	609	609	609	609	609	609	609	609	609
Enrollment	464	465	484	476	530	527	441	402	373	379
K-8										
Mountain Vista (2005)										
Square feet	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000
Capacity	693	693	693	693	693	693	693	693	693	693
Enrollment	587	621	616	610	561	554	484	645	639	579
Middle										
Carmel (1970)										
Square feet	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737
Capacity	840	840	840	840	840	840	840	840	840	840
Enrollment	369	368	400	445	396	415	407	427	416	444
Fox Meadow (2004)										
Square feet	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015
Capacity	945	945	945	945	945	945	945	945	945	945
Enrollment	638	640	603	585	518	532	522	525	500	509
Panorama (1973)										
Square feet	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527
Capacity	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260
Enrollment	610	538	486	488	545	493	493	518	559	622
High										
Harrison (1966)										
Square feet	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060
Capacity	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533
Enrollment	1,049	995	965	965	905	815	840	856	956	992
Harrison Athletic Fieldhouse (2007)										
Square feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Capacity	150	150	150	150	150	150	150	150	150	150
Enrollment	0	0	0	0	0	0	0	0	0	0
Sierra (1985)										
Square feet	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750
Capacity	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470
Enrollment	875	785	873	928	921	865	872	861	887	983
Other										
Gorman Education Center (1959) sold January 2013										
Square feet	0	0	0	0	0	0	0	99,250	99,250	99,250
Capacity	0	0	0	0	0	0	0	483	483	483
Enrollment	0	0	0	0	0	0	0	93	214	348

Source: School District Records

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
TEACHER SALARY INFORMATION BY FTE
FISCAL YEAR ENDING JUNE 30, 2019**

<u>Step</u>	<u>Level</u>	<u>Salary</u>	<u>Teacher FTE</u>
1	Novice	\$37,132	126.0
2	Progressing I	\$40,314	110.0
3	Progressing II a	\$42,436	95.0
4	Progressing II b	\$46,680	18.0
5	Proficient I	\$50,923	190.9
6	Proficient II	\$56,732	77.6
7	Proficient III	\$63,036	18.0
8	Exemplary I	\$73,542	8.0
9	Exemplary II	\$83,224	-
10	Master	\$93,627	-
11	Non E&R	\$44,772	45.1
			<u>688.6</u>

Source: School District Records

SINGLE AUDIT SECTION



SCHOOL DISTRICT TWO
HARRISON
Character Through Diversity, Challenge & Accomplishment

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
School Breakfast Program	10.553	4553	\$ -	\$ 1,077,229
National School Lunch Program	10.555	4555		3,305,892
Summer Food Service Program for Children	10.559	4559		38,667
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		394,866
Summer Food Service Program for Children	10.559	4559		400
<i>Total Child Nutrition Cluster</i>				4,817,054
Passed Through Colorado Department of Public Health & Environment				
Child and Adult Care Food Program	10.558	4558		4,711
<i>Forest Service Schools and Roads Cluster</i>				
Passed Through El Paso County, Colorado				
National Forest Land Payments	10.665	7665		669
<i>Total Forest Service Schools and Roads Cluster</i>				669
Total U.S. Department of Agriculture				4,822,434
U.S. Department of Defense				
Direct Programs				
Reserve Officer Training Corps (ROTC)	12.Unknown			58,846
Total Department of Defense				58,846
U.S. Department of Education				
Direct Programs				
Impact Aid	84.041			273,567
Teacher Incentive Fund	84.374			87,481
				361,048
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States (IDEA Part B)	84.027	4027		2,033,100
Special Education: Preschool Grants	84.173	4173		87,051
<i>Total Special Education Cluster</i>				2,120,151
Title I Grants to LEAs, Title I, Part A	84.010	4010, 6010, 7010		4,180,108
English Language Acquisition Grants, Title III, Part A	84.365	4365, 7365		199,616
Supporting Effective Instruction, Title II, Part A	84.367	4367		701,670
Student Support and Academic Enrichment Program	84.424	4424		148,738
Passed through Colorado Community College System				
Vocational Education - Carl Perkins	84.048	4048		130,688
Total U.S. Department of Education				7,842,019
Total Federal Awards			\$ -	\$ 12,723,299

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District No. 2 - Harrison under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Paso County School District No. 2 - Harrison, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Paso County School District No. 2 - Harrison.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2019, El Paso County School District No. 2 - Harrison received \$395,266 in non-cash assistance in the form of food commodities. Commodities are valued at fair market value at the time of receipt.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, and have issued our report thereon dated November 12, 2019. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
November 12, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited El Paso County School District No. 2 - Harrison's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Paso County School District No. 2 - Harrison's major federal programs for the year ended June 30, 2019. El Paso County School District No. 2 - Harrison's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, El Paso County School District No. 2 - Harrison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
November 12, 2019

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 10.553, 10.555, 10.559 CFDA 84.367	Child Nutrition Cluster Supporting Effective Instruction, Title II, Part A

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the El Paso County School District No. 2 - Harrison Schedule of Findings and Questioned Costs for the year ended June 30, 2018. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2019 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

There were no prior year audit findings.

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



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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2019, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, and our report thereon dated November 12, 2019, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents. Other auditors audited the financial statements of the discretely presented component units, as described in our report on the District's financial statements.

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
November 12, 2019

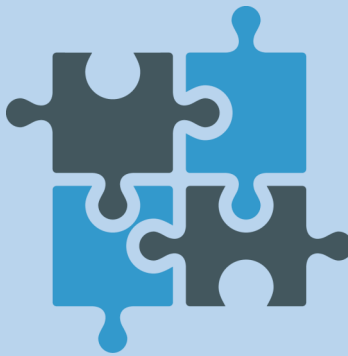


Colorado Department of Education
Auditors Integrity Report
 District: 0980 - Harrison 2
 Fiscal Year 2018-19
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	24,105,693	90,919,315	91,780,369	23,244,639
18 Risk Mgmt Sub-Fund of General Fund	166,052	1,063,282	1,178,068	51,267
19 Colorado Preschool Program Fund	0	1,770,657	1,769,480	1,177
Sub- Total	24,271,745	93,753,255	94,727,917	23,297,083
11 Charter School Fund	9,675,137	22,052,382	19,797,187	11,930,332
20,26-29 Special Revenue Fund	0	4,170,391	4,170,391	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	1,840,548	5,044,119	4,844,545	2,040,123
22 Govt Designated-Purpose Grants Fund	0	6,112,204	6,112,204	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	5,128,136	12,805,534	5,847,760	12,085,910
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	272,984	123,353,067	24,753,674	98,872,378
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,778,478	1,145,990	1,642,419	1,282,049
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	42,967,029	268,436,943	161,896,097	149,507,875
Proprietary				
50 Other Enterprise Funds	-1,065,514	6,730,000	123,694	5,540,792
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	2,637,879	50,702	1,052,545	1,636,036
Totals	1,572,365	6,780,702	1,176,239	7,176,828
Fiduciary				
70 Other Trust and Agency Funds	228,708	45,233	64,146	209,795
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	659,119	1,041,276	1,004,726	695,669
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	-1,721,495	1,643,262	1,864,608	-1,942,841
Totals	-833,669	2,729,772	2,933,481	-1,037,378

FINAL



Harrison School District Two

Character Through Diversity, Challenge & Accomplishment

HARRISON SCHOOL DISTRICT TWO

1060 Harrison Road

Colorado Springs, Colorado 80905

www.hsd2.org