

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



EL PASO COUNTY SCHOOL DISTRICT NO. 2-

HARRISON

1060 HARRISON ROAD

COLORADO SPRINGS, COLORADO 80905

(719) 579-2033



INTRODUCTORY SECTION

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

OF

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

For the Fiscal Year Ended June 30, 2023

Prepared By

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

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December 6, 2023

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 annual comprehensive financial report of El Paso County School District No. 2 – Harrison for the fiscal year ended June 30, 2023.

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 Plante Moran, a firm of licensed certified public accountants. Plante Moran has issued an unmodified (“clean”) opinion on the El Paso County School District No. 2 – Harrison’s financial statements for the year ended June 30, 2023. The independent auditor’s report is located on page 1-3 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 three 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, Atlas Preparatory School and The Vanguard School. Please see the accompanying notes to the financial statements for more detailed information.

During the 2022-2023 fiscal year the District served 12,674 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 three charter schools. The District's free and reduced lunch student count for 2022-2023 was 6,798 or 53.6% of student FTE. Projected student enrollment for the 2023-2024 school year is projected at flat enrollment. 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

It has been three years since the COVID-19 pandemic wreaked havoc on the world economy. The pandemic triggered quarantines, snarled supply chains, and forced many businesses to close. A sharp decline in aggregate demand, especially for energy products and in-person services, caused a fall in prices for many goods and services. To offset the rapid contraction, the federal government provided trillions of dollars of direct support to individuals, businesses, and state and local governments.

By early 2021, the U.S. economy showed signs of improvement as pandemic restrictions eased. However, revived consumer demand further strained global supply chains, awakening a broad-based rise in prices. Inflation built momentum, careening to its highest rate in 40 years. In February 2022, the war in Ukraine sent shock waves through the energy and agricultural markets, driving prices still higher. Last March, the Federal Reserve increased interest rates for the first time since 2018 with the Federal Reserve going on to increase rates six more times over the course of the year. Despite the aggressive monetary policy change, inflation remained near historical highs, though it began to cool over the latter half of 2022.

Though they have stabilized somewhat since the December forecast, the U.S. and Colorado economies continue to face many challenges. To this point, the ongoing monetary treatment regimen looks to be erring toward being too conservative, allowing the economy to continue to overheat. However, the probability of a soft landing has risen. This forecast anticipates continued growth, albeit slow growth, through 2023 and a return to a more moderate pace of expansion in 2024 and 2025. Expansion will be supported by falling inflation, a resilient labor market and continued improvement in real wages.

The primary risk to the economic expansion is the Federal Reserve's difficult balancing act: to rein in inflation by raising interest rates without triggering a recession. The intent of this monetary policy "tightening" is to suppress economy-wide demand. The Fed's approach risks both underreacting, in which case it would fail to contain inflation and overreacting, in which case it would depress demand so severely as to trigger a downturn. To this point, inflation and labor market data suggest that the probability of a near-term recession is receding, but the probability of continued inflation above the Fed's two percent target rate is high. Further, the significant monetary policy intervention will have lasting consequences. Real estate values will continue falling, with minimal affordability benefits for would-be homebuyers because of rising mortgage costs. Reducing demand likewise drains consumer and business confidence, which could worsen further as the pace of growth slows. While it has entered a less precarious phase than in 2022, the economy remains fragile. Any number of unforeseen outside shocks could push the economy off its path of growth.

Summary

Given all the headwinds throughout the year, the economy closed out 2022 with solid growth and momentum heading into 2023. Unemployment rates remain healthy, job openings remain plentiful and most other sources of household income were able to offset falling government transfers as COVID-era stimulus programs expired. Households have been able to sustain just enough consumer spending to keep the economic expansion afloat. Looking abroad, Europe appears to have averted an energy crisis over the winter, helped by above-normal

temperatures. Energy prices continue to fluctuate but are stabilizing, shoring up the level of household income available for other purposes. The Fed's approach to inflation management is working for now. Inflation has finally responded to interest rate hikes, but more aggressive action may be needed to cool the economy further, as current inflation remains far above the Fed's target rate. Even in the best-case scenario, the aggressive monetary policy intervention will have lasting consequences. Home prices are likely to continue falling as interest rates creep up, with minimal affordability benefits for would-be homebuyers because of rising mortgage costs. Suppressing inflation by motivating pullbacks of consumer and business capital has drained consumer and business confidence as the pace of expansion slows considerably. And the economy remains fragile; any number of unforeseen outside shocks could push the economy into a recession.

Risks to the Forecast

Several factors could result in either stronger or weaker economic activity than forecast. Risks to the forecast remain elevated and skewed to the downside with current, pervasive inflation; tighter monetary policy expected to suppress demand; financial disruptions; an ongoing housing market correction; the war in Ukraine; and ongoing pandemic-related uncertainty.

Inflation remains elevated and is contributing to current economic overheating across the United States. While inflationary pressures are moderating, the monetary policy regimen needed to keep them in check continues to pose risks to the economic outlook. Further, tight labor markets and high commodity prices may spark a wage-price spiral that could result in even stronger and more durable inflation than forecast. In this instance, more aggressive monetary policy tightening is likely, which could strangle economic growth. Anticipation of monetary policy missteps elevates the risk of financial market instability, dampening economic activity. Current economic vulnerabilities were highlighted by two recent bank failures. The extent of the shock to the financial system is uncertain at the time of publication and further elevates downside risks to the forecast. Fallout from these bank failures, or further shocks that disrupt commodities markets, debt products, lending and capitalization could quickly destabilize the economic outlook, likely triggering a recession.

The war in Ukraine continues to pose a sizable risk to price stability, particularly in energy and food markets. Countries in the Euro area remain highly vulnerable to disruptions in Russian energy imports and many countries rely on Ukrainian wheat and other commodities. Higher tensions with China may also pose a risk to the U.S. economy. Borrowing by the federal government reached the legal debt ceiling on January 19, 2023. In the months since, the U.S. Department of the Treasury has enacted temporary measures to avoid a default. This forecast assumes that Congress will negotiate a compromise that prevents a default later in the year, when short-term remedies will be exhausted. Failure to avert a default would have unpredictable, but significant, consequences for the Colorado, U.S. and global economies.

Energy prices have moderated since the last forecast and a sustained drop over the next year would ease inflationary concerns and reduce risks of more aggressive monetary policy responses. Further, a resolution to the war in Ukraine and accompanying drop in commodity prices pose an upside risk to the forecast, especially with more energy stability for European markets. Faster-than-expected resolution of labor market imbalances could enable a stronger economic recovery than expected. Over the longer term, pandemic related shifts toward remote work, technological change and simpler, more localized supply chains could result in stronger productivity gains and economic growth.

School Funding

The state has not fully funded the Colorado Public School Finance Act of 1994 (SFA) based on the full requirement of the state constitution's Amendment 23 since the national fiscal crisis in 2008. The budget

stabilization factor was initially adopted in 2008 by the state's General Assembly to reduce the overall statewide contribution to K–12 education since local funding of the SFA is primarily fixed. Colorado's state budget saw a recovery from the uncertainties in the prior year. The SFA for fiscal year 2022–2023 included a 3.67 percent budget stabilization factor, or a \$297 million statewide K–12 funding 3 reduction. This represents an annual loss of district program revenue when compared to the state fully funding the program revenue. For 2023–2024, the state has included inflation of 8.0 percent and set the budget stabilization factor to 1.6 percent. The state continues to focus on K–12 education funding. Each year comes with new challenges for the state to meet all the obligations of the state's general fund while making TABOR refunds to taxpayers.

Colorado public school districts educate over 875,000 students in preschool through 12th grade every year. Funding for public schools comes from three main sources of revenue: local property tax, state funding, and federal dollars. The state share is primarily from income and sales tax revenues flowing through the state and then to districts. While federal education law is well established and sets strong requirements for public education, federal dollars are typically a relatively small overall component of the annual funding of public schools. Since March of 2020, K-12 public education, like many sectors of the economy, has experienced dramatic changes in the delivery of services, labor force availability, and revenue fluctuations. Overall funding of education in Colorado as compared to the national average has declined since 1992, despite such actions as Amendment 23 to the Colorado constitution in 2000 and the passage of cannabis sales taxes to support education. Colorado spent between \$2,205 to \$3,033 less per pupil than the U.S. average in FY2018, according to data from the Census Bureau, Quality Counts, and NCES. Many school districts have turned to increasing local property taxes to support education, but due to the wildly disparate property values within school districts, the ability to generate revenue is a function of property values as well as the local voters' willingness to support public education with additional property tax dollars. These disparities are a result of residential development, nonresidential development, oil and gas resources, and the number of students in a district.

Statewide enrollment in 2023-24 is projected to decrease by over 5,000, or 0.6% students from 2022-23. This decrease continues a declining trend given the significant 3.3% enrollment drop recorded in October of 2020.

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 2: 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.

Major Initiatives

Beginning in January 2021, the District unveiled a new three-year strategic plan:

2021-2024 Strategic Plan The Journey Forward

Our Mission:

Graduate college and career ready students with the knowledge, skills, attitudes and behaviors to personally succeed and contribute to the common good.

Core Beliefs:

All students are capable of excellence.

Our purpose is to maximize student success.

The well-being of our students, staff, families and community is worthy of our investment.

District Priorities

Priority 1: Classroom

We are committed to meeting the academic & social-emotional needs of all students while providing equitable opportunities through:

- Ensuring our Pre-K through post-secondary curriculums focus on standards-based instruction
- Engaging students using research-based instructional strategies
- Addressing individual academic and social-emotional needs of all students

Priority 2: Culture

We are committed to a collaborative environment of trust, integrity, and transparency through:

- Creating systems of accountability
- Establishing high expectations
- Ensuring equity for all

Priority 3: Community

We are committed to developing and sustaining a community through:

- Communicating transparently and frequently
- Nurturing and sustaining school and district partnerships
- Facilitating community outreach and advocacy

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, 2022. This award certifies that the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, 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 ACFR for the fiscal year ended June 30, 2020. 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. El Paso County School District No. 2 – Harrison did not submit the ACFR to GFOA for the years June 30, 2021, and 2022, respectively. The District plans to submit the June 30, 2023 ACFR for GFOA for review.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. The ACFR 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 many years. 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 to ASBO for review to determine its eligibility for a certificate.

Acknowledgments

The preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of District staff. 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 Annual Comprehensive Financial Report.

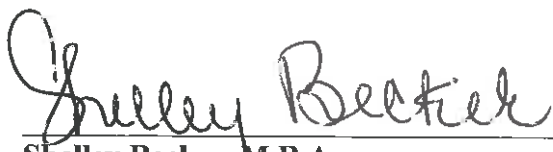
Without the leadership and support of the Board of Education of the El Paso County School District No. 2 - Harrison, preparation of this report would not have been possible.

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

Sincerely,



Dr. Wendy Birhanzel
Superintendent



Shelley Becker, M.B.A.
Assistant Superintendent of Business Services,
Chief Financial Officer



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Harrison School District Two

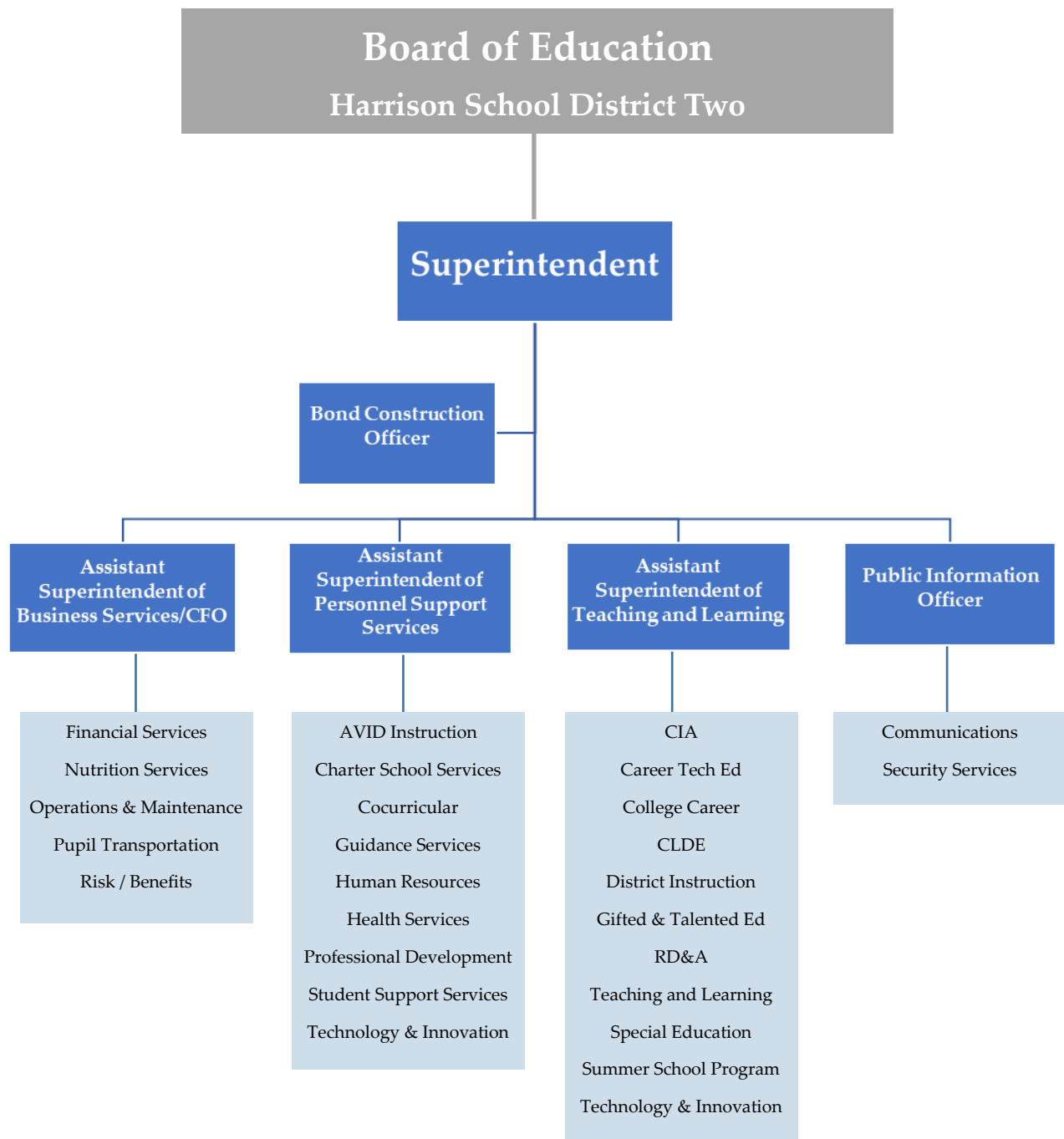
**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2022.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



John W. Hutchison
President

Siobhán McMahon, CAE
Chief Operations Officer/
Interim Executive Director



LIST OF PRINCIPAL OFFICIALS

BOARD OF EDUCATION

Corey Williams, President

Janice “JJ” Frazier, Vice-President

Michelle Wills-Hill, Secretary

Regina English, Treasurer

Joyce Salazar, Director

DISTRICT ADMINISTRATION

Dr. Wendy Birhanzel, Superintendent

Shelley Becker, MBA, Assistant Superintendent of Business Services / Chief
Financial Officer

Dr. Mike Claudio, Assistant Superintendent of Personnel Support Services

Rachel Laufer, Assistant Superintendent of Teaching and Learning

Christine O’Brien, Public Information Officer

FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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 (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying 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 El Paso County School District No. 2 - Harrison as of June 30, 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of James Irwin Charter Schools or Atlas Preparatory School, Inc., which represent 26 percent, 47 percent, and 22 percent of the assets, net position, and revenue, respectively, of El Paso County School District No. 2 - Harrison's governmental activities. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for James Irwin Charter Schools and Atlas Preparatory School, Inc., is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of James Irwin Charter Schools and Atlas Preparatory School, Inc. were not audited under *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements. The other supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 other supplementary 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.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Paso County School District No. 2 - Harrison's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District No. 2 - Harrison's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 6, 2023

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 Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. 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 \$69,831,617 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 \$87,700,490.
- The *Governmental Funds* reported total fund balance includes restricted fund balance of \$56,053,849 unassigned fund balance of \$14,354,300, committed fund balance of \$16,095,777, assigned fund balance of \$265,822 and non-spendable fund balance of \$930,742. All of the unassigned balances are reported in the General Fund.
- The District's total long-term liabilities increased by \$33,059,771 during the current fiscal year due to increase in the District's proportionate share of the PERA pension liability.

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 three 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 nine individual Governmental Funds, of which four are major and five are nonmajor. 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, Debt Service Fund, and Building Fund, all of which are considered to be major funds. Data from the five other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major Governmental Funds is provided in the form of *combining statements* elsewhere in the report.

The District adopts an annual appropriated budget for its Governmental Funds. A budgetary comparison statement has been provided for all the funds 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 Dental 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. As of June 30, 2023, the District determined to close the internal service fund as it is no longer self-insured for health and risk related activities. The District will account for the self-insurance dental activities within the General Fund.

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 \$69,831,617 resulting in a deficit net position at the close of the fiscal year ending June 30, 2023.
- \$36,608,354 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 of \$19,448,973 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 \$125,888,944.

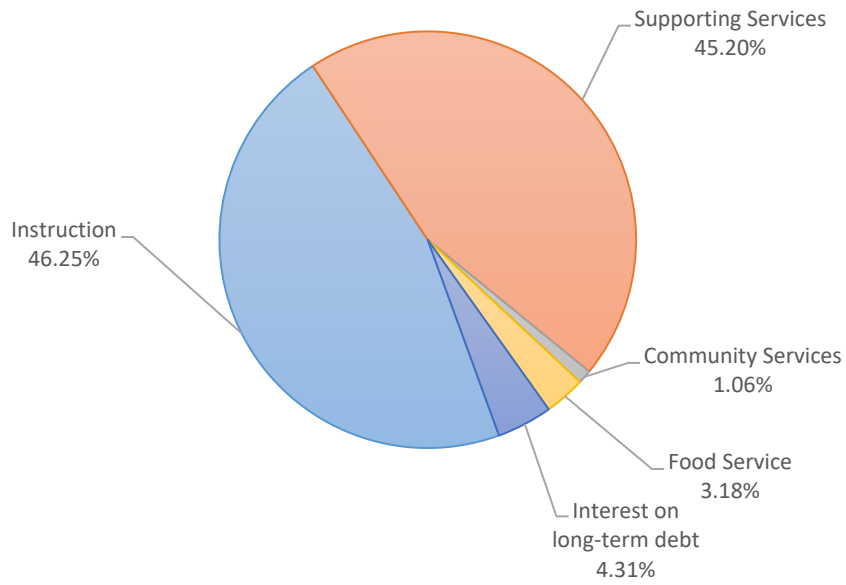
Governmental Activities

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

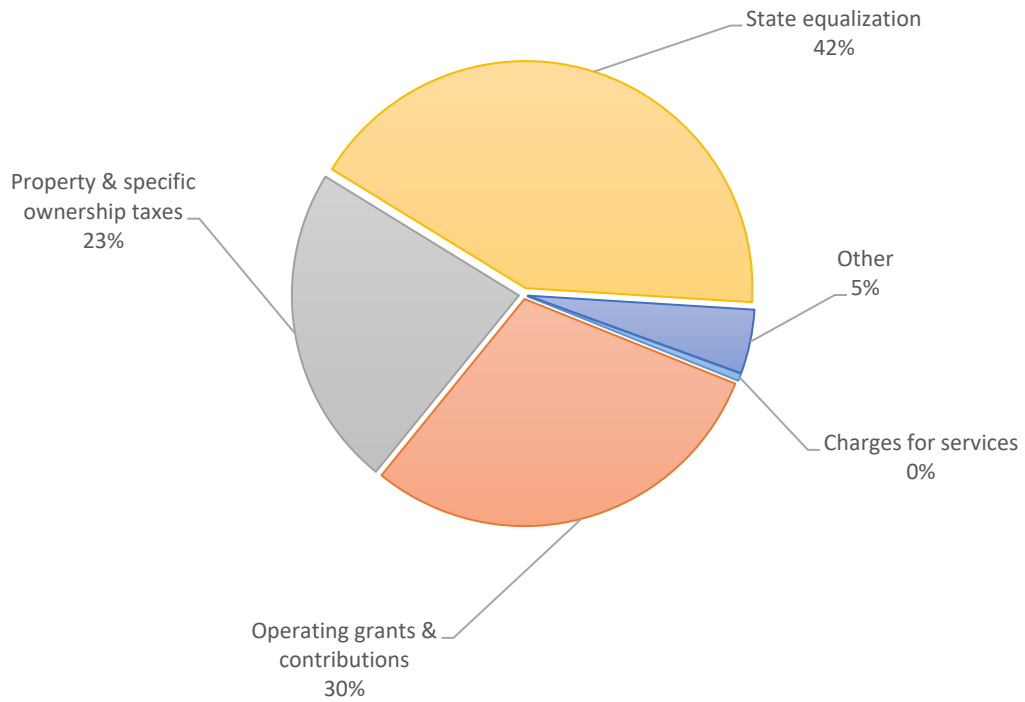
EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON NET POSITION		
	Governmental Activities	
	2022	2023
Current and other assets	\$152,140,856	\$114,714,575
Capital assets	176,372,029	213,557,391
Total assets	328,512,883	328,272,148
Deferred outflow of resources	31,983,573	37,538,492
Non-current liabilities	348,759,538	381,819,309
Other liabilities	24,487,638	26,617,582
Total liabilities	373,247,176	408,436,891
Deferred inflow of resources	64,965,184	27,205,366
Net position:		
Net investment in capital assets	39,963,225	36,608,354
Restricted	14,404,580	19,448,973
Unrestricted	(132,083,709)	(125,888,944)
Total net position (deficit)	\$ (77,715,904)	\$(69,831,617)

The total net position of the District decreased by \$7,884,287 during the current fiscal year.

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	
	2022	2023
Program Revenues		
Charges for services	\$ 1,611,846	\$830,984
Operating grants and contributions	35,170,991	47,975,992
Capital grants and contributions	751,767	0.00
General Revenues		
Property and specific ownership taxes	37,320,563	36,922,970
State equalization	65,615,964	68,023,510
Other	2,779,713	7,359,343
Total Revenues	143,250,844	112,305,823
Expenses:		
Instruction	38,691,031	70,867,405
Supporting services	36,072,078	69,268,372
Community services	1,695,199	1,618,522
Interest on long-term debt	12,062,431	6,607,703
Facilities acquisition and adult education	4,373,704	0.00
Food service	4,364,783	4,866,510
Total Expenses	97,259,226	152,228,512
Increase in net position	45,991,618	7,884,287
Beginning net position (deficit)	(123,707,521)	(77,715,904)
Ending net position (deficit)	\$ (77,715,903)	\$ (69,831,617)

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 \$87,700,490. In looking at this total, 16.37% of this 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, assigned, and committed fund balance of the General Fund was \$28,410,122 while total fund balance amounted to \$33,935,363. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned, fund balance represents 9.74% of total General Fund expenditures, while total fund balance represents 23.03% of that same amount. The fund balance of the General Fund grew due to the underspending of expenditures

mainly as a result of unfilled positions. The fund balance of the District's General Fund increased in the amount of \$1,324,737 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 \$23,384,406 and accounted for 89.73% of total revenue for this fund. At June 30, 2023, 30.26% or \$8,131,134 of revenues were expended to support instructional programs while 69.80% or \$18,737,114 were expended for other supporting services for students and capital outlay.

The Building Fund is used to account for and report the restricted bond proceeds from the various bond issuances and other financing sources that are restricted to expenditures in connection with renovating, remodeling, equipping, furnishing, and improving school district facilities.

- At June 30, 2023, capital outlay activity of \$42,205,910 and various supporting services expenses of \$912,209 were incurred related to various bond projects.

The Debt service fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

- Local revenues of \$14,681,406 were recognized and debt payments of \$14,436,200 were made related to the 2017, 2019, and 2021 bond obligations for the year ended June 30, 2023.

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 2022-2023 include:

- The statewide base per pupil funding was increased for inflation by 3.50%.
- After the application of the Budget Stabilization Factor, Total Program Funding for Harrison School District Two is estimated at \$128 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 2022-2023 is calculated at 3.68%, resulting in (\$4.80) million less in Total Program Funding for the District.
- Statewide Average Per Pupil Funding is \$7,478 for Fiscal Year 2022-2023. For Harrison School District Two, the per pupil revenue is \$9,624.

The changes in budgeted expenditures for Fiscal Year 2022-2023 from the Fiscal Year 2021-2022 budgeted expenditures mainly result from the following components:

Employee Compensation:

Salary increases have been provided for most employees with increases based on each specific group of employees and also affected by years of service. Salary raises range from 2 to 5 percent.

PERA Increase:

For Fiscal Year 2022-2023, PERA is 21.4 percent, up from Fiscal Year 2021-2022 of 20.9 percent.

District Medical Insurance Increase:

The benefit rate for medical insurance for employee only ranges from \$537.35 to \$539.67 per month which is an increase from the prior year of \$520.00 per month.

Expenditures:

Adequate levels of fund balance must be retained in each fund in order to provide financial stability. It is fiscally responsible to set aside funds to ensure the District can meet multi-year financial obligations, guard against unexpected revenue shortfalls and one-time expenditures, and to pay for items such as textbooks that have been ordered but not paid for at the end of the fiscal year. Fund balance also protects the District against revenue shortfalls caused by economic slowdowns and/or changes in state and federal legislation that affect District funding.

Historically, due to revenue shortfalls, the District's budget plan has included the use of fund balance to aid in balancing the General Fund budget. The intentional spend down of fund balance is to offset the reduction of revenue from the state.

The planned draw down of the General Fund's 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 – Governmental Activities

Capital assets - The investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$213,557,391 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The net increase in the governmental activities capital assets for the current fiscal year was \$37,185,422.

Additional information on the governmental activities capital assets can be found in Note 9 – Capital Assets.

Long-term Liabilities. At the end of the current fiscal year, the governmental activities had total non-current liabilities outstanding of \$381,819,309, of this amount, \$175,950,000 is due to general obligation bonds, \$3,850,476 is for compensated absences, \$37,073,271 is for net bond premiums, \$159,369,700 for net pension liability, and \$5,428,980 for net OPEB liability.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON LONG-TERM LIABILITIES		
	Governmental Activities	
	2022	2023
General obligation bonds	\$181,545,000	\$175,950,000
Bond premium-net	39,367,125	37,073,271
Compensated Absences	3,219,397	3,850,476
Leases	258,523	146,882
Net Pension Liability	118,630,241	159,369,700
Net OPEB Liability	5,739,252	5,428,980
Total	\$348,759,538	\$ 381,819,309

The District's total long-term liabilities increased \$33,059,771 during the current fiscal year. The main component of this increase is due to the net pension liability increase.

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 legal debt margin for 2023 is \$254,824,465. As of June 30, 2023, the District's total general obligation bonded debt (including that portion due or payable within one year) was \$175,950,000. Additional information on the District's long-term liabilities can be found in Note 10.

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

Given all the headwinds throughout the year, the economy closed out 2023 with solid growth and momentum heading into 2024. Unemployment rates remain healthy, job openings remain plentiful and most other sources of household income were able to offset falling government transfers as COVID-era stimulus programs expired. Households have been able to sustain just enough consumer spending to keep the economic expansion afloat. Looking abroad, Europe appears to have averted an energy crisis over the winter, helped by above-normal temperatures. Energy prices continue to fluctuate but are stabilizing, shoring up the level of household income available for other purposes.

The Fed's approach to inflation management is working for now. Inflation has finally responded to interest rate hikes, but more aggressive action may be needed to cool the economy further, as current inflation remains far above the Fed's target rate. Even in the best-case scenario, the aggressive monetary policy intervention will have lasting consequences. Home prices are likely to continue falling as interest rates creep up, with minimal affordability benefits for would-be homebuyers because of rising mortgage costs. Suppressing inflation by motivating pullbacks of consumer and business capital has drained consumer and business confidence as the pace of expansion slows considerably. And the economy remains fragile; any number of unforeseen outside shocks could push the economy into a recession.

Several factors could result in either stronger or weaker economic activity than forecast. Risks to the forecast remain elevated and skewed to the downside with current, pervasive inflation; tighter monetary policy expected to suppress demand; financial disruptions; an ongoing housing market correction; the war in Ukraine; and ongoing pandemic-related uncertainty.

Inflation remains elevated and is contributing to current economic overheating across the United States. While inflationary pressures are moderating, the monetary policy regimen needed to keep them in check continues to pose risks to the economic outlook. Further, tight labor markets and high commodity prices may spark a wage-price spiral that could result in even stronger and more durable inflation than forecast. In this instance, more aggressive monetary policy tightening is likely, which could strangle economic growth. Anticipation of monetary policy missteps elevates the risk of financial market instability, dampening economic activity.

Current economic vulnerabilities were highlighted by two recent bank failures. The extent of the shock to the financial system is uncertain at the time of publication and further elevates downside risks to the forecast. Fallout from these bank failures, or further shocks that disrupt commodities markets, debt products, lending and capitalization could quickly destabilize the economic outlook, likely triggering a recession.

The war in Ukraine continues to pose a sizable risk to price stability, particularly in energy and food markets. Countries in the Euro area remain highly vulnerable to disruptions in Russian energy imports and many countries rely on Ukrainian wheat and other commodities. Higher tensions with China may also pose a risk to the U.S. economy.

Borrowing by the federal government reached the legal debt ceiling on January 19, 2023. In the months since, the U.S. Department of the Treasury has enacted temporary measures to avoid a default. This forecast assumes that Congress will negotiate a compromise that prevents a default later in the year, when short-term remedies will be exhausted. Failure to avert a default would have unpredictable, but significant, consequences for the Colorado, U.S. and global economies.

Energy prices have moderated since the last forecast and a sustained drop over the next year would ease inflationary concerns and reduce risks of more aggressive monetary policy responses. Further, a resolution to the war in Ukraine and accompanying drop in commodity prices pose an upside risk to the forecast, especially with more energy stability for European markets. Faster-than-expected resolution of labor market imbalances could enable a stronger economic recovery than expected. Over the longer term, pandemic related shifts toward remote work, technological change and simpler, more localized supply chains could result in stronger productivity gains and economic growth.

State of Colorado Budget Outlook

FY 2021-2022

The General Fund ended FY 2021-22 with a reserve of \$3.20 billion, or 26.6 percent of appropriations, exceeding the statutorily required 13.4 percent reserve by \$1.59 billion. State revenue exceeded the Referendum C cap by \$3.73 billion, triggering a General Fund obligation to pay TABOR refunds during FY 2022-23.

FY 2022-2023

Following adoption of the supplemental budget package, the General Fund is expected to end FY 2022-23 with a 16.6 percent reserve, \$213.3 million above the statutorily required 15.0 percent reserve. Further adjustments to appropriations would change this amount. General Fund revenue collections are expected

to fall by \$532.2 million, or 3.0 percent, primarily as a result of policy changes enacted through ballot measures approved at the November 2022 general election. Despite the decrease in revenue, collections are expected to exceed the Referendum C cap by \$2.75 billion.

FY 2023-24 Unbudgeted

General Fund revenue is expected to exceed FY 2022-23 collections by 3.3 percent as economic growth continues to slow; however, the FY 2023-24 Referendum C cap will increase by 8.5 percent, reflecting inflation and population growth for calendar year 2022. The General Assembly is projected to have \$1.79 billion, or 9.8 percent, more available to spend or save relative to what is budgeted to be spent or saved in FY 2022-23 after the application of current law transfers, the 15.0 percent statutory reserve requirement and the supplemental budget package. This amount does not incorporate caseload growth, inflation, or other budgetary pressures. The General Fund Budget Overview section also presents the budget outlook in the context of Joint Budget Committee actions through March 10, 2023. Incorporating those actions, the General Fund would end FY 2023-24 with a \$628.3 million excess reserve. This amount may be appropriated, transferred, or held in the General Fund to contribute to the FY 2024-25 budget and beyond.

FY 2024-25 Unbudgeted

General Fund revenue is expected to grow 4.0 percent and total \$18.45 billion, with state revenue subject to TABOR exceeding the Referendum C cap by \$1.75 billion. The budget outlook for this year will depend on budgetary decision making for the year prior. Based on Joint Budget Committee actions through March 10, 2023, the General Fund is projected to end FY 2024-25 with an excess reserve of between \$383 million, if the entire amount of the FY 2023-24 excess reserve is spent and \$1.01 billion, if the entire amount of the FY 2023-24 excess reserve is carried forward into FY 2024-25.

Risks to the Budget Outlook

Rising costs for government services will put upward pressure on appropriations, limiting budget flexibility. Further, the revenue outlook carries significant uncertainty, with bidirectional risk. The outlook for income tax collections is especially uncertain. Risks arise both from an uncertain economy and an evolving tax policy environment.

Economic Outlook

Though they have stabilized somewhat since our December forecast, the U.S. and Colorado economies continue to face many challenges. Certain areas of the economy, including labor markets and business profits, show considerable strength, but entrenched inflation continues to erode many economic gains. However, this forecast identifies a rising chance for a soft landing. The outlook foresees continued growth, albeit slow growth, through 2023 and a return to a more moderate pace of expansion in 2024 and 2025. Expansion will be supported by falling inflation, a resilient labor market and continued improvement in real wages.

The primary risk to the economic expansion is the Federal Reserve's ability to rein in inflation without triggering a recession. The Fed's approach risks both underreacting, in which case it would fail to contain inflation and overreacting, in which case it would depress demand so severely as to trigger a downturn. To this point, inflation and labor market data suggest that the probability of a near-term recession is receding, but the probability of continued inflation above the Fed target rate is high. Further, the significant monetary policy intervention will have lasting consequences. Real estate values will continue falling, with minimal affordability benefits for would-be homebuyers because of rising mortgage costs. Reducing demand likewise drains consumer and business confidence, which could worsen further as the pace of

growth slows. And, while it has entered a less precarious phase than in 2022, the economy remains fragile. An unforeseen outside shock could push the economy off its path of growth.

State Education Fund Transfers

The Colorado Constitution requires the State Education Fund to receive one-third of 1 percent of taxable income. In FY 2022-23, the State Education Fund is expected to receive \$1.02 billion as a result of this requirement, with higher amounts in the following year resulting from growth in taxable income among Colorado taxpayers.

In addition, the General Assembly has at different times authorized additional transfers from the General Fund to the State Education Fund. House Bill 20-1420 included a transfer of \$113 million in FY 2020-21 and \$23 million in FY 2021-22 to the State Education Fund and Senate Bill 21-208 included a \$100 million transfer in FY 2021-22. Also, House Bill 22-1390 transferred \$290 million in FY 2022-23 from the General Fund to the State Education Fund. Money in the State Education Fund is required to be used to fund kindergarten through twelfth grade public education.

Finally, Proposition EE also transfers revenue from increased cigarette, tobacco and nicotine taxes to the State Education Fund for three fiscal years. Proposition EE transfers were \$4.9 million in FY 2020-21 and \$151.3 million in FY 2021-22 and are estimated at \$154.2 million in FY 2022-23.

District Budgetary Outlook

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 13.8 percent of the General Fund Revenue and are estimated to be \$22.4 million in Fiscal Year 2023-2024. Property taxes provide 99 percent of the funding for the Bond Redemption Fund, estimated to be \$14.8 million in Fiscal Year 2023-2024.

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 4.60 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 \$3.6 million in Fiscal Year 2023-2024.

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/Greeley/Lakewood consumer price index. The inflationary increase for Fiscal Year 2023-2024 is 8.0 percent. The projected per pupil revenue is \$10,708 which is an increase of \$1,084 per pupil from the prior fiscal year. The District estimates to receive \$121 million for Fiscal Year 2023-2024, with this funding source providing over 82 percent of the General Fund revenue.

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 an 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

The Vanguard School, Chief Financial Officer
1605 South Corona Avenue
Colorado Springs, CO 80905



DISTRICT
TWO HARRISON
SCHOOLS

BASIC FINANCIAL STATEMENTS

El Paso County School District No. 2 - Harrison

Statement of Net Position

June 30, 2023

	Primary Government Governmental Activities	Component Units
Assets		
Cash and investments (Notes 4 and 5)	\$ 44,363,757	\$ 54,678,675
Receivables:		
Property taxes receivable	1,009,552	-
Leases receivable	-	69,588
Other receivables	159,851	166,703
Due from other governments	14,189,409	4,026,695
Inventory	98,201	-
Prepaid expenses and other assets	832,541	290,949
Restricted assets (Note 6)	54,061,446	7,365,220
Capital assets:		
Assets not subject to depreciation (Note 9)	30,162,603	32,200,038
Assets subject to depreciation - Net (Note 9)	183,394,788	60,546,230
Total assets	328,272,148	159,344,098
Deferred Outflows of Resources		
Deferred charges on bond refunding (Note 10)	228,258	2,118,437
Deferred pension outflows (Note 13)	36,490,181	12,910,962
Deferred OPEB outflows (Note 14)	820,053	529,382
Total deferred outflows of resources	37,538,492	15,558,781
Liabilities		
Accounts payable	13,115,754	1,721,629
Accrued liabilities and other:		
Accrued salaries and wages	9,133,802	1,880,749
Accrued interest payable	717,519	570,477
Unearned revenue (Note 7)	3,650,507	168,984
Noncurrent liabilities:		
Due within one year (Note 10)	8,236,077	1,510,645
Due in more than one year (Note 10)	208,784,552	81,237,178
Net pension liability due in more than one year (Note 13)	159,369,700	53,123,603
Net OPEB liability due in more than one year (Note 14)	5,428,980	1,809,500
Total liabilities	408,436,891	142,022,765
Deferred Inflows of Resources		
Other deferred inflows - Leases	-	69,588
Deferred pension inflows (Note 13)	25,138,815	4,746,110
Deferred OPEB inflows (Note 14)	2,066,551	766,644
Total deferred inflows of resources	27,205,366	5,582,342
Net Position (Deficit)		
Net investment in capital assets	36,608,354	15,157,556
Restricted:		
Emergency reserves (TABOR)	4,700,000	1,767,200
Debt service	10,326,104	4,287,513
Capital projects	614,438	676,844
Nutrition Service Fund	3,808,431	30,400
Unrestricted	(125,888,944)	5,378,259
Total net position (deficit)	\$ (69,831,617)	\$ 27,297,772

El Paso County School District No. 2 - Harrison

Statement of Activities

Year Ended June 30, 2023

	Program Revenue				Governmental Activities	Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs						
Primary government - Governmental activities:						
Instruction	\$ 70,867,405	\$ 645,156	\$ 40,904,907	\$ -	\$ (29,317,342)	\$ -
Support services	69,268,372	-	2,484,681	-	(66,783,691)	-
Food services	4,866,510	185,828	4,586,404	-	(94,278)	-
Community services	1,618,522	-	-	-	(1,618,522)	-
Interest	6,607,703	-	-	-	(6,607,703)	-
Total primary government	<u>\$ 153,228,512</u>	<u>\$ 830,984</u>	<u>\$ 47,975,992</u>	<u>\$ -</u>	(104,421,536)	-
Component units:						
Atlas Prep	\$ 17,832,810	\$ 748,670	\$ 5,834,584	\$ 440,773	-	(10,808,783)
James Irwin	25,325,997	3,010,363	3,221,752	734,860	-	(18,359,022)
Vanguard	18,797,301	1,736,203	-	594,812	-	(16,466,286)
Total component units	<u>\$ 61,956,108</u>	<u>\$ 5,495,236</u>	<u>\$ 9,056,336</u>	<u>\$ 1,770,445</u>	-	(45,634,091)
General revenue (expenses):						
Taxes:						
Property taxes - Levied for general purposes					19,012,088	-
Property taxes - Levied for debt service					14,356,628	-
Specific ownership taxes					3,554,254	2,587,333
State equalization					68,023,510	47,186,950
Federal grants and contributions not restricted to specific purposes					511,867	3,127,944
Interest and investment earnings					2,695,063	1,174,772
Loss on sale of capital assets					-	(31,761)
Other					4,152,413	949,519
Total general revenue					112,305,823	54,994,757
Change in Net Position					7,884,287	9,360,666
Net Position (Deficit) - Beginning of year					(77,715,904)	17,937,106
Net Position (Deficit) - End of year					<u>\$ (69,831,617)</u>	<u>\$ 27,297,772</u>

El Paso County School District No. 2 - Harrison

Governmental Funds Balance Sheet

June 30, 2023

	General Fund	Designated Purpose Grants Fund	Building Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Notes 4 and 5)	\$ 39,393,684	\$ -	\$ -	\$ -	\$ 4,970,073	\$ 44,363,757
Receivables:						
Property taxes receivable	577,166	-	-	432,386	-	1,009,552
Other receivables	159,851	-	-	-	-	159,851
Due from other governments	188,138	10,782,977	-	-	3,218,294	14,189,409
Due from other funds (Note 8)	3,618,993	-	-	-	-	3,618,993
Inventory	-	-	-	-	98,201	98,201
Prepaid expenses and other assets	825,241	-	-	-	7,300	832,541
Restricted assets (Notes 4 and 6)	-	-	43,271,175	10,790,271	-	54,061,446
Total assets	\$ 44,763,073	\$ 10,782,977	\$ 43,271,175	\$ 11,222,657	\$ 8,293,868	\$ 118,333,750
Liabilities						
Accounts payable	\$ 2,667,274	\$ 3,352,090	\$ 6,663,879	\$ 3,419	\$ 429,092	\$ 13,115,754
Due to other funds (Note 8)	-	2,334,779	-	-	1,284,214	3,618,993
Accrued liabilities and other	7,779,065	888,383	-	-	466,354	9,133,802
Unearned revenue (Note 7)	218,584	3,431,923	-	-	-	3,650,507
Total liabilities	10,664,923	10,007,175	6,663,879	3,419	2,179,660	29,519,056
Deferred Inflows of Resources -						
Unavailable revenue (Note 7)	162,787	775,802	-	175,615	-	1,114,204
Total liabilities and deferred inflows of resources	10,827,710	10,782,977	6,663,879	179,034	2,179,660	30,633,260
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	98,201	98,201
Prepays	825,241	-	-	-	7,300	832,541
Restricted:						
Debt service	-	-	-	11,043,623	-	11,043,623
Capital projects	-	-	36,607,296	-	-	36,607,296
Emergency reserve (TABOR) (Note 15)	4,700,000	-	-	-	-	4,700,000
Food service	-	-	-	-	3,702,930	3,702,930
Committed:						
Capital projects	-	-	-	-	1,834,775	1,834,775
Operational reserves	13,790,000	-	-	-	-	13,790,000
Pupil activities	-	-	-	-	471,002	471,002
Assigned:						
READ Act carryover	79,001	-	-	-	-	79,001
Risk management fund	186,821	-	-	-	-	186,821
Unassigned	14,354,300	-	-	-	-	14,354,300
Total fund balances	33,935,363	-	36,607,296	11,043,623	6,114,208	87,700,490
Total liabilities, deferred inflows of resources, and fund balances	\$ 44,763,073	\$ 10,782,977	\$ 43,271,175	\$ 11,222,657	\$ 8,293,868	\$ 118,333,750

El Paso County School District No. 2 - Harrison

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 87,700,490
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets (including right-of-use assets)	305,389,099
Accumulated depreciation and amortization	<u>(91,831,708)</u>
Net capital and lease assets used in governmental activities	213,557,391
Receivables that are not collected soon after year end are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds	1,114,204
Deferred inflows and outflows related to bond refundings are not reported in the funds	228,258
Bonds payable and lease liabilities are not due and payable in the current period and are not reported in the funds	(213,170,153)
Accrued interest is not due and payable in the current period and is not reported in the funds	(717,519)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(3,850,476)
Net pension liability and related deferred inflows and outflows	(148,018,334)
Retiree health care benefits and related deferred inflows and outflows	<u>(6,675,478)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (69,831,617)</u></u>

El Paso County School District No. 2 - Harrison

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	Designated Purpose Grants Fund	Building Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 27,807,154	\$ 104,405	\$ 1,245,846	\$ 14,681,406	\$ 1,083,261	\$ 44,922,072
State sources	80,326,805	2,597,099	-	-	31,476	82,955,380
Federal sources	241,868	23,384,406	-	-	8,663,100	32,289,374
Total revenue	108,375,827	26,085,910	1,245,846	14,681,406	9,777,837	160,166,826
Expenditures						
Current:						
Instruction	57,992,921	8,131,134	-	-	2,674,997	68,799,052
Support services	46,541,324	13,570,770	912,209	56,163	2,802,809	63,883,275
Food services	109,463	37,460	-	-	4,598,963	4,745,886
Community services	6,012	1,534,261	-	-	78,249	1,618,522
Debt service:						
Principal (Note 10)	111,641	-	-	5,595,000	-	5,706,641
Interest	12,926	-	-	8,841,200	-	8,854,126
Capital outlay	787,862	3,594,623	42,205,910	-	272,430	46,860,825
Total expenditures	105,562,149	26,868,248	43,118,119	14,492,363	10,427,448	200,468,327
Excess of Revenue Over (Under) Expenditures	2,813,678	(782,338)	(41,872,273)	189,043	(649,611)	(40,301,501)
Other Financing Sources (Uses)						
Transfers in (Note 8)	370,672	782,338	-	-	1,077,275	2,230,285
Transfers out (Note 8)	(1,859,613)	-	-	-	(6,744)	(1,866,357)
Total other financing (uses) sources	(1,488,941)	782,338	-	-	1,070,531	363,928
Net Change in Fund Balances	1,324,737	-	(41,872,273)	189,043	420,920	(39,937,573)
Fund Balances - Beginning of year	32,610,626	-	78,479,569	10,854,580	5,693,288	127,638,063
Fund Balances - End of year	<u>\$ 33,935,363</u>	<u>\$ -</u>	<u>\$ 36,607,296</u>	<u>\$ 11,043,623</u>	<u>\$ 6,114,208</u>	<u>\$ 87,700,490</u>

El Paso County School District No. 2 - Harrison

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ (39,937,573)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation and amortization:	
Capitalized capital outlay	43,216,622
Depreciation and amortization expense	(6,031,200)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	582,045
Repayment of bond and lease principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt and lease liabilities); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	7,924,408
Interest expense is recognized in the government-wide statements as it accrues	28,596
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	2,330,557
Internal service funds are included as part of governmental activities	(229,168)
Change in Net Position of Governmental Activities	\$ 7,884,287

El Paso County School District No. 2 - Harrison

Proprietary Fund - Internal Service Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2023

	Internal Service Fund
Operating Revenue - Charges for services	\$ 424,082
Operating Expenses - Cost of insurance claims	289,322
Operating Income - Before transfers	134,760
Transfers Out (Note 8)	(363,928)
Change in Net Position	(229,168)
Net Position - Beginning of year	229,168
Net Position - End of year	\$ -

El Paso County School District No. 2 - Harrison

Proprietary Fund - Internal Service Fund Statement of Cash Flows

Year Ended June 30, 2023

	Internal Service Fund
Cash Flows from Operating Activities	
Receipts from governmental funds	\$ 424,082
Claims paid	(289,322)
Other payments	(14,433)
Net cash provided by operating activities	120,327
Cash Flows Used in Noncapital Financing Activities - Transfers to other funds	(363,928)
Net Decrease in Cash and Cash Equivalents	(243,601)
Cash and Cash Equivalents - Beginning of year	243,601
Cash and Cash Equivalents - End of year	\$ -
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 134,760
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:	
Receivables	19,647
Due to and from other funds	(4,951)
Accounts payable	(29,129)
Total adjustments	(14,433)
Net cash and cash equivalents provided by operating activities	\$ 120,327

El Paso County School District No. 2 - Harrison

Component Units Combining Statement of Net Position Year Ended June 30, 2023

	James Irwin Charter Schools	Atlas Preparatory Charter School	The Vanguard School	Total Componet Units
Assets				
Cash and investments	\$ 23,228,371	\$ 21,446,528	\$ 10,003,776	\$ 54,678,675
Receivables:				
Lease receivable	-	69,588	-	69,588
Other receivables	39,186	127,517	-	166,703
Due from other governments	459,073	2,977,972	589,650	4,026,695
Prepaid expenses and other assets	132,472	158,477	-	290,949
Restricted assets	5,814,595	-	1,550,625	7,365,220
Capital assets:				
Assets not subject to depreciation	26,250,578	2,228,746	3,720,714	32,200,038
Assets subject to depreciation	22,991,674	21,593,191	15,961,365	60,546,230
Total assets	78,915,949	48,602,019	31,826,130	159,344,098
Deferred Outflow of Resrouces				
Deferred charges on bond refunding	815,875	685,315	617,247	2,118,437
Deferred pension outflows	4,738,646	3,433,379	4,738,937	12,910,962
Deferred OPEB outflow	159,255	220,540	149,587	529,382
Total deferred outflows of resource	5,713,776	4,339,234	5,505,771	15,558,781
Liabilities				
Accounts payable	1,389,432	208,534	123,663	1,721,629
Accrued interest	501,446	31,998	37,033	570,477
Accrued salaries and wages	572,994	138,933	1,168,822	1,880,749
Unearned revenue	146,484	-	22,500	168,984
Non current liabilities:				
Due within one year	565,068	312,509	633,068	1,510,645
Net pension liability due in more than one year	19,971,214	13,768,219	19,384,170	53,123,603
Net OPEB liability due in more than one year	680,448	468,759	660,293	1,809,500
Bonds payable	48,793,366	9,970,934	22,472,878	81,237,178
Total liabilities	72,620,452	24,899,886	44,502,427	142,022,765
Deferred Inflow of Resrouces				
Other deferred inflows	-	69,588	-	69,588
Deferred pension inflows	2,283,231	53,526	2,409,353	4,746,110
Deferred OPEB inflows	259,449	166,096	341,099	766,644
Total deferred outflows of resourc	2,542,680	289,210	2,750,452	5,582,342
Net Position (Deficit)				
Net investment in capital assets	3,740,367	14,223,809	(2,806,620)	15,157,556
Restricted:				
Property and equipment				
Emergency reserves (TABOR)	690,000	473,000	604,200	1,767,200
Debt service	2,773,921.00	-	1,513,592	4,287,513
Capital projects	-	676,844	-	676,844
Special education	30,400	-	-	30,400
Unrestricted	2,231,905	12,378,504	(9,232,150)	5,378,259
Total net position (deficit)	\$ 9,466,593	\$ 27,752,157	\$ (9,920,978)	\$ 27,297,772

El Paso County School District No. 2 - Harrison

Combining Statement of Activities Year Ended June 30, 2023

	James Irwin Charter Schools	Atlas Preparatory School, Inc.	The Vanguard School	Total Componet Units
Expenses				
Governmental activities:				
Instruction	\$ 12,013,402	\$ 7,657,905	\$ 10,395,760	\$ 30,067,067
Supporting services	10,463,544	9,731,980	7,500,810	27,696,334
Interest on long-term debt	2,849,051	442,925	900,731	4,192,707
Total expenses	<u>25,325,997</u>	<u>17,832,810</u>	<u>18,797,301</u>	<u>61,956,108</u>
Program Revenues				
Charges for services	3,010,363	748,670	1,736,203	5,495,236
Operating grants and contributions	3,221,752	5,834,584	-	9,056,336
Capital grants and contributions	734,860	440,773	594,812	1,770,445
Total program revenues	<u>6,966,975</u>	<u>7,024,027</u>	<u>2,331,015</u>	<u>16,322,017</u>
Net (Expense) Program Revenue	<u>(18,359,022)</u>	<u>(10,808,783)</u>	<u>(16,466,286)</u>	<u>(45,634,091)</u>
General Revenues				
State equalization	19,314,674	12,280,615	15,591,661	47,186,950
Specific ownership taxes	1,110,585	561,040	915,708	2,587,333
Federal grants and contributions not restricted to specific purposes	80,398	3,047,546	-	3,127,944
Unrestricted investment earnings	442,259	443,141	289,372	1,174,772
Loss on sale of assets	-	-	(31,761)	(31,761)
Other	252,169	144,472	552,878	949,519
Total general revenues	<u>21,200,085</u>	<u>16,476,814</u>	<u>17,317,858</u>	<u>54,994,757</u>
Changes in net position	2,841,063	5,668,031	851,572	9,360,666
Net position - beginning (deficit)	6,625,530	22,084,126	(10,772,550)	17,937,106
Net position - ending (deficit)	<u>\$ 9,466,593</u>	<u>\$ 27,752,157</u>	<u>\$ (9,920,978)</u>	<u>\$ 27,297,772</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1 - Nature of Business

El Paso County School District No. 2 - Harrison (the "School District") is a school district in the state of Colorado that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

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 School District's 30 instructional facilities and support departments to provide services to meet the needs of approximately 13,000 students and other community members.

The School District serves an area approximately 18 square miles. It encompasses the southern area of the city of Colorado Springs bordering the Fort Carson military complex. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

Discretely Presented Component Units

Charter Schools

The School District's charter schools consist of three separately authorized charters: The Vanguard School, James Irwin Charter Schools, and Atlas Preparatory School, Inc. Charter schools are public schools authorized by the State of Colorado to provide alternatives for parents, pupils, and teachers. The charter schools are organized as legal entities, each with a separate governing board. However, the School District must approve all charter school applications. Funding, as required by law, flows from the Colorado Department of Education through the School District to the charter schools on a monthly basis. The charter schools are discretely presented as component units because of the significance of their financial relationship with the School District and the services they provide to district students.

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 School District's website home page at www.hsd2.org. Click the financial transparency logo.

June 30, 2023

Note 2 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-basis presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. Revenue is recognized as soon as they are both measurable and available. Revenue is 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period, except for expenditure driven grants. Revenue not meeting this definition is classified as a deferred inflow of resources.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the School District.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

June 30, 2023

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Designated Purpose Grants Fund is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.
- The Building Fund is used to account for and report the restricted bond proceeds from the various bond issuances and other financing sources that are restricted to expenditures in connection with renovating, remodeling, equipping, furnishing, and improving school district facilities.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the Nutrition Service, Title I, and Pupil Activity funds. Revenue sources for the Nutrition Service Fund include sales to customer and dedicated grants from federal sources. The revenue source for the Title I Fund is federal funding. Revenue sources for the Pupil Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

Proprietary Funds

Proprietary funds include the internal service fund. The School District does not have any enterprise funds.

The School District's Internal Service Fund provides finance services to other funds on a cost-reimbursement basis and is maintained for risk related activities for dental insurance. At June 30, 2023, the School District determined to close this fund and operate the dental self-insurance through the General Fund.

June 30, 2023**Note 2 - Significant Accounting Policies (Continued)****Interfund Activity**

During the course of operations, the School District 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.

Furthermore, 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.

Specific Balances and Transactions**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the Building Fund required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the Debt Service Fund required to be set aside for future bond principal and interest payments

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Depreciable/ Amortizable Life - Years</u>
Buildings and improvements	20 to 50
Furniture and equipment	5 to 12
Buses and other vehicles	5 to 12
Land improvements	10 to 25
Lease assets - Equipment	5

June 30, 2023**Note 2 - Significant Accounting Policies (Continued)****Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and Debt Service Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

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

The School District reports deferred outflows related to deferred pension, OPEB, and bond refunding costs.

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

The School District reports deferred inflows related to unavailable revenue, deferred pension, and OPEB cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes 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 (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The School District will sometimes 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 School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

June 30, 2023

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The School District has a fund balance policy that was adopted by the Board of Education that requires the School District to maintain 13 percent of unassigned fund balance, as a percentage of General Fund expenditures.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the chief financial officer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification after the amounts for the nonspendable, restricted, committed, and assigned classifications have been identified. The General Fund is the only fund that may report a positive unassigned fund balance amount; it is not appropriate to report a positive unassigned fund balance in other governmental funds. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative assigned fund balance in that fund.

Property Tax Revenue

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 School District's property tax. School District property tax revenue are recognized when levied to the extent they result in current receivables. The School 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.

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

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Specific ownership taxes collected and held by the county at year end on behalf of the School District are also recognized as revenue.

June 30, 2023**Note 2 - Significant Accounting Policies (Continued)****Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension

The School District 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 (FNP), and additions to/deductions from the FNP 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.

Other Postemployment Benefit Costs

The School District 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. 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 FNP 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.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

June 30, 2023**Note 2 - Significant Accounting Policies (Continued)****Leases**

The School District is a lessee for noncancelable leases of copiers. The School District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the applicable governmental column in the government-wide financial statements. The School District recognizes lease assets and liabilities with an initial value of \$50,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Upcoming Accounting Pronouncement

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 6, 2023, which is the date the financial statements were available to be issued.

June 30, 2023

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for all funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function and is presented on the same basis in which the Board of Education has adopted the budgets. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Colorado law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. At June 30, 2023, the School District did not have any significant outstanding encumbrances.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

Cash and investments are reported in the financial statements as follows:
These amounts are classified into the following deposit and investment categories:

Deposits with financial institutions	\$ 28,798,465
Investments:	
Reported at cost - Debt securities	18,714,869
Reported at fair value:	
Investment pools	32,492,981
Mutual funds	16,698,861
Debt securities	1,720,027
Total	\$ 98,425,203

Colorado state statutes govern the entity's deposits of cash. The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories for public deposit. The PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligation of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102 percent of the uninsured deposits.

June 30, 2023

Note 4 - Deposits and Investments (Continued)

Investment policies are governed by Colorado state statutes and the School District's own investment policies and procedures. Investments of the School District may include:

- Time certificates of deposit
- Obligations of the United States and U.S. government agencies' securities
- International agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Certain commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The School District holds shares or interests in government pooled investment funds where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment fund as a practical expedient. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy established by generally accepted accounting principles.

Investments as of June 30, 2023 consist of the following:

	12 Months or Less	1 to 5 Years	Total Investments
Local government investment pools	\$ 32,492,981	\$ -	\$ 32,492,981
U.S. Treasury notes	18,325,617	1,720,027	20,045,644
Corporate bonds	389,252	-	389,252
Mutual funds	16,698,861	-	16,698,861
Total	<u>\$ 67,906,711</u>	<u>\$ 1,720,027</u>	<u>\$ 69,626,738</u>

The School District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the "Trust"). This is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST. The Trust operates similarly to a money market fund, and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rated commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard & Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

As of June 30, 2023, the School District invested in the Colorado Statewide Investment Program (CSIP), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing CSIP. CSIP operates similarly to a money market fund, and each share is equal in value to \$1.00. CSIP Liquid Portfolio is rated AAAM by Standard & Poor's and is valued at amortized cost. CSIP Term is rated AAAF by Fitch. It records investments at fair value, and the School District records investments in CSIP Term at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is a one-day redemption notice period. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

June 30, 2023

Note 4 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2023, the School District's cash includes deposits, all of which was covered by federal depository insurance or collateralized under PDPA.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment policies are governed by Colorado state statutes and the School District's own investment policies and procedures. At June 30, 2023, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District has a board-approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper, are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds organized according to Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from at least one nationally recognized rating agency. As of June 30, 2023, the School District's investments consist of the following by Standard & Poor's or Fitch rating.

Investment	Aa3	AA+	AAAm	Not Rated
Primary Government				
Corporate bonds	\$ 389,252	\$ -	\$ -	\$ -
U.S. Treasury notes	-	20,045,644	-	-
Local government investment pools	-	-	32,492,981	-
Mutual funds	-	-	16,698,861	-
Total	\$ 389,252	\$ 20,045,644	\$ 49,191,842	\$ -

Investment	AAAf/S1	AAA	AAAm	Not Rated
Component Units				
COLOTRUST PLUS+	\$ -	\$ -	\$ 10,077,424	\$ -
COLOTRUST EDGE	4,054,676	-	-	-
U.S. Treasury	-	14,378,854	-	-
CD	-	-	-	2,963,717
Money market	-	-	14,660,982	-
Total	\$ 4,054,676	\$ 14,378,854	\$ 24,738,406	\$ 2,963,717

June 30, 2023

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District does not have any investments subject to concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The School District has the following recurring fair value measurements as of June 30, 2023:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2023				
	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Assets				
U.S. Treasury securities	\$ -	\$ 1,720,027	\$ -	\$ 1,720,027
Mutual funds	16,698,861	-	-	16,698,861
Corporate bond	389,252	-	-	389,252
Total	\$ 17,088,113	\$ 1,720,027	\$ -	18,808,140
Investments measured at NAV - Local government investment pools				<u>32,492,981</u>
Total assets				<u>\$ 51,301,121</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. Treasury securities at June 30, 2023 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares or interests in local governmental investment pools where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

El Paso County School District No. 2 - Harrison

Notes to Financial Statements

June 30, 2023

Note 5 - Fair Value Measurements (Continued)

As of June 30, 2023, the School District held \$32,492,981 in COLOTRUST Plus+ and CSIP. For additional information on local government investment pools, see Note 4.

Note 6 - Restricted Assets

At June 30, 2023, restricted assets are composed of the following:

Description	Governmental Activities	Component Units
Unspent bond proceeds	\$ 43,271,175	\$ -
Bond debt service reserve	10,790,271	-
Building corporation funds and foundation funds	-	7,365,220
Total	<u>\$ 54,061,446</u>	<u>\$ 7,365,220</u>

Note 7 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2023, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds			Component Units		
	Deferred Inflow - Unavailable	Liability - Unearned	Total	Deferred Inflow - Unavailable	Liability - Unearned	Total
Property taxes	\$ 338,402	\$ -	\$ 338,402	\$ -	\$ -	\$ -
Grant receivables unavailable for use in the current period	775,802	3,650,507	4,426,309	-	168,984	168,984
Total	<u>\$ 1,114,204</u>	<u>\$ 3,650,507</u>	<u>\$ 4,764,711</u>	<u>\$ -</u>	<u>\$ 168,984</u>	<u>\$ 168,984</u>

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Primary Government			
	Fund Due From			Total Primary Government
	General Fund	Designated Purpose Grants Fund	Nonmajor Funds	
General Fund	\$ -	\$ 2,334,779	\$ 1,284,214	\$ 3,618,993

Interfund balances represent amounts due to the General Fund for temporary cash flow assistance due to the School District's banking arrangement between funds.

June 30, 2023**Note 8 - Interfund Receivables, Payables, and Transfers (Continued)**

Interfund transfers reported in the fund financial statements are composed of the following:

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Capital Reserve Fund	\$ 1,077,275
	Designated Purpose Grants Fund	<u>782,338</u>
	Total General Fund	1,859,613
Title I Fund	General Fund	6,744
Internal Service Fund	General Fund	<u>363,928</u>
	Total	<u>\$ 2,230,285</u>

Transfers from the General Fund provided to the Capital Reserve Fund and Designated Purpose Grants Fund are for nonvoted bond and various capital projects and to fund the operating deficit. Transfers to the General Fund from the Internal Service Fund are related to the closure of the fund at June 30, 2023.

Funds from the Title I Fund were transferred to the General Fund due to excess fund balance.

El Paso County School District No. 2 - Harrison

Notes to Financial Statements

June 30, 2023

Note 9 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated or amortized:					
Land	\$ 4,795,044	\$ -	\$ -	\$ -	\$ 4,795,044
Construction in progress	29,443,156	(46,115,933)	42,040,336	-	25,367,559
Subtotal	34,238,200	(46,115,933)	42,040,336	-	30,162,603
Capital assets being depreciated or amortized:					
Buildings and improvements	214,832,254	45,990,658	349,706	-	261,172,618
Furniture and equipment	4,399,328	7,549	272,487	-	4,679,364
Buses and other vehicles	4,327,712	-	150,068	-	4,477,780
Land improvements	4,039,794	117,726	404,025	-	4,561,545
Lease assets - Equipment	335,189	-	-	-	335,189
Subtotal	227,934,277	46,115,933	1,176,286	-	275,226,496
Accumulated depreciation and amortization:					
Buildings and improvements	78,656,173	-	5,151,774	-	83,807,947
Furniture and equipment	2,463,989	-	236,435	-	2,700,424
Buses and other vehicles	2,474,714	-	410,927	-	2,885,641
Land improvements	2,121,835	-	148,267	-	2,270,102
Accumulated amortization - Lease assets - Equipment	83,797	-	83,797	-	167,594
Subtotal	85,800,508	-	6,031,200	-	91,831,708
Net capital assets being depreciated and amortized	142,133,769	46,115,933	(4,854,914)	-	183,394,788
Net governmental activities capital assets	\$ 176,371,969	\$ -	\$ 37,185,422	\$ -	\$ 213,557,391

El Paso County School District No. 2 - Harrison

Notes to Financial Statements

June 30, 2023

Note 9 - Capital Assets (Continued)

Capital asset activity for the School District's discretely component units for the year ended June 30, 2023 was as follows:

Component Units

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated or amortized:					
Land	\$ 11,804,181	\$ -	\$ -	\$ -	\$ 11,804,181
Construction in progress	12,116,908	(678,700)	8,957,649	-	20,395,857
Subtotal	23,921,089	(678,700)	8,957,649	-	32,200,038
Capital assets being depreciated and amortized:					
Buildings and improvements	80,661,835	-	925,842	-	81,587,677
Furniture and equipment	1,767,754	-	348,101	-	2,115,855
Vehicles	1,422,387	-	801,315	(5,000)	2,218,702
Lease assets	833,329	-	-	(31,761)	801,568
Subtotal	84,685,305	-	2,075,258	(36,761)	86,723,802
Accumulated depreciation and amortization:					
Buildings and improvements	21,591,098	-	2,569,563	-	24,160,661
Furniture and equipment	766,171	-	214,992	-	981,163
Vehicles	473,080	-	290,846	(5,000)	758,926
Accumulated amortization - Lease assets	154,987	-	121,835	-	276,822
Subtotal	22,985,336	-	3,197,236	(5,000)	26,177,572
Net capital assets being depreciated and amortized	61,699,969	-	(1,121,978)	(31,761)	60,546,230
Net capital assets	\$ 85,621,058	\$ (678,700)	\$ 7,835,671	\$ (31,761)	\$ 92,746,268

Depreciation and amortization expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 3,920,280
Support services	1,990,296
Food services	120,624
Total governmental activities	\$ 6,031,200

Construction Commitments

The School District's remaining commitments with contractors as of June 30, 2023 for the Building Fund totaled \$28,150,920.

El Paso County School District No. 2 - Harrison

Notes to Financial Statements

June 30, 2023

Note 10 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation bonds payable	\$ 181,545,000	\$ -	\$ (5,595,000)	\$ 175,950,000	\$ 5,825,000
Unamortized bond premiums	39,367,125	-	(2,293,854)	37,073,271	2,293,854
Total bonds payable	220,912,125	-	(7,888,854)	213,023,271	8,118,854
Leases	258,523	-	(111,641)	146,882	117,223
Compensated absences	3,219,397	631,079	-	3,850,476	-
Total governmental activities long-term debt	<u>\$ 224,390,045</u>	<u>\$ 631,079</u>	<u>\$ (8,000,495)</u>	<u>\$ 217,020,629</u>	<u>\$ 8,236,077</u>

Component Units

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General obligation bonds payable	\$ 63,340,180	\$ 25,575,000	\$ (8,171,069)	\$ 80,744,111	\$ 1,328,081
Unamortized bond premiums	617,009	827,308	(16,205)	1,428,112	31,759
Total bonds payable	63,957,189	26,402,308	(8,187,274)	82,172,223	1,359,840
Leases (Note 11)	715,315	-	(139,715)	575,600	153,088
Compensated absences	30,405	-	(30,405)	-	-
Total component unit long-term debt	<u>\$ 64,702,909</u>	<u>\$ 26,402,308</u>	<u>\$ (8,357,394)</u>	<u>\$ 82,747,823</u>	<u>\$ 1,512,928</u>

The School District and Component Units had deferred outflows of \$228,258 and \$2,118,437 related to deferred charges on bond refundings at June 30, 2023, respectively.

June 30, 2023

Note 10 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. General obligations outstanding at June 30, 2023 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing December 1	Outstanding
Governmental Activities				
\$14,190,000 qualified general obligation bonds (2017)	\$1,620,000 - \$1,820,000	2% - 5%	2026	\$ 6,830,000
\$100,000,000 qualified general obligation bonds (2019)	\$325,000 - \$10,100,000	3% - 5%	2038	82,180,000
\$90,630,000 qualified general obligation bonds (2021)	\$3,880,000 - \$13,860,000	5%	2041	86,940,000
Total governmental activities				<u>\$ 175,950,000</u>

Other Long-term Liabilities

Compensated absences is reported as incurred on 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.

Payment of general obligation bonds debt service, including bond principal, is made from the Debt Service Fund. The General Fund typically liquidates compensated absences and lease payments. The General Fund is also typically used to liquidate pension and OPEB liabilities, with remaining amounts liquidated in the other governmental funds.

Pension and OPEB Liabilities

See Notes 13 and 14 for further information regarding these liabilities. The net pension liability increased by \$40,739,459 from \$118,630,241 as of July 1, 2022 to \$159,369,700 as of June 30, 2023. The net OPEB liability decreased by \$310,272 from \$5,739,252 as of July 1, 2022 to \$5,428,980 as of June 30, 2023.

Component Units

James Irwin Charter Schools 2019 Revenue Note

On August 1, 2019, the Arizona Industrial Development Authority (AZIDA) issued \$24,580,313 of Arizona Industrial Development Authority Charter School Revenue Notes, Series 2019. Note proceeds were loaned to the foundation for the purpose of paying off the Colorado Educational and Cultural Facilities Authority Charter School Revenue Notes, Series 2015 and 2016. Interest accrues on the outstanding balances of the notes at 3.95 percent per annum. Monthly principal and interest payments are due beginning on September 1, 2019, with a final maturity of August 1, 2045.

June 30, 2023

Note 10 - Long-term Debt (Continued)

James Irwin Charter Schools 2022 Revenue Note

On September 1, 2022, the Colorado Educational and Cultural Facilities Authority (the "Authority") issued \$25,575,000 of Charter School Revenue Bonds, Series 2022. Note proceeds were loaned to the James Irwin Educational Foundation. Interest accrues on the outstanding balances of the notes at 5.00 percent per annum. The Series 2022 bonds bear interest payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2023, until maturity on September 1, 2062.

James Irwin Charter Schools First Interstate Bank Note Payable

On June 3, 2022, the First Interstate Bank issued \$6,897,500 in short-term financing for the PTEC facility. Interest accrues on the outstanding balances of the notes at 4.00 percent per annum. The note was paid off during the 2022-2023 school year.

Atlas Preparatory School, Inc. 2022 Building Loan

On May 11, 2022, the First Interstate Bank issued \$10,373,036 of General Obligation Bonds, Series 2022 to advance refund CECFA's outstanding Series 2015 bonds. Proceeds of bond issuances have been loaned to the building corporation for construction and improvement of the School District's educational facilities. The School District is obligated under a lease agreement to make monthly lease payments to the building corporation for using the facilities. The building corporation is required to make equal payments to the trustee for payment of the bonds. Interest accrues a rate of 3.8 percent and is due monthly. Principal payments are due monthly on the 1st through 2032.

The Vanguard School Revenue Bond

On May 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$25,120,000 of Charter School Refunding and Improvement Revenue Bonds, Series 2016. Proceeds of the Series 2016 bonds were loaned to the foundation to refund 2006 and 2007 bonds and to finance improvements to the School District's educational facilities. The School District is obligated under a lease agreement to make monthly lease payments to the foundation for using the facilities. The foundation is required to make equal payments to the trustee for payment of the bonds. Interest accrued at rates ranging from 3.00 to 5.00 percent and is due semiannually. Principal payments are due annually on June 15 through 2047.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds obligations are as follows:

Years Ending June 30	Governmental Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 5,825,000	\$ 8,610,225	\$ 14,435,225	\$ 1,328,081	\$ 3,422,865	\$ 4,750,946
2025	6,060,000	8,344,050	14,404,050	1,378,766	3,369,982	4,748,748
2026	6,355,000	8,037,075	14,392,075	1,435,669	3,309,328	4,744,997
2027	6,675,000	7,714,975	14,389,975	1,508,839	3,246,033	4,754,872
2028	7,000,000	7,376,750	14,376,750	1,573,325	3,179,547	4,752,872
2029-2033	40,605,000	31,131,125	71,736,125	15,923,648	14,511,236	30,434,884
2034-2038	51,830,000	19,631,250	71,461,250	8,748,991	11,812,129	20,561,120
2039-2043	51,600,000	5,317,500	56,917,500	10,535,220	10,007,737	20,542,957
Thereafter	-	-	-	38,311,572	19,427,315	57,738,887
Total	\$ 175,950,000	\$ 96,162,950	\$ 272,112,950	\$ 80,744,111	\$ 72,286,172	\$ 153,030,283

June 30, 2023

Note 10 - Long-term Debt (Continued)

Legal Debt Margin

Actual valuation	\$ 7,179,574,412
Debt limit - 6% of actual valuation	430,774,465
General obligation debt	<u>(175,950,000)</u>
Legal debt margin available	<u>\$ 254,824,465</u>

Note 11 - Leases

The School District leases copiers from a third party. Payments are generally fixed annually.

Lease asset activity of the School District is included in Note 9.

Future principal and interest payment requirements related to the School District's lease liability at June 30, 2023 are as follows:

Years Ending	Governmental Activities - Principal	Governmental Activities - Interest	Component Units - Principal	Component Units - Interest
2024	\$ 117,223	\$ 7,344	\$ 153,088	\$ 27,198
2025	29,659	1,483	160,648	19,638
2026	-	-	168,585	11,701
2027	-	-	83,596	3,377
2028	-	-	9,683	61
Total	<u>\$ 146,882</u>	<u>\$ 8,827</u>	<u>\$ 575,600</u>	<u>\$ 61,975</u>

Note 12 - Risk Management

Colorado School Districts Self-insurance Pool

The School District belongs to the Colorado School Districts Self-insurance Pool (CDSIP) that was formed in 1981 to give individual districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price and more control over the entire risk management function. The coverage provided by CDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. The board of directors is composed of seven persons who are district school board members, superintendents, or district business officials. CDSIP became self-administered in May 1997 and currently has 11 employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major risk categories.

Each member's premium contribution is determined by CDSIP based on factors including, but not limited to, aggregate CDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income, and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuary study, is conducted annually. These reports may be obtained by contacting the CDSIP's administrative offices at 6857 South Spruce Street, Centennial, CO 80112.

The School District maintains the following insurance coverage: Catastrophic coverage in the amount of \$539,545,136 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.

June 30, 2023

Note 12 - Risk Management (Continued)

The Health Insurance Fund, reported as an internal service fund, was utilized to provide 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. As of June 30, 2023, the School District no longer provides dental insurance coverage through the Health Insurance Fund. The changes in the claims liability for the year ended June 30, 2023 are insignificant to the School District.

Note 13 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

Eligible employees of the School District are provided with pensions through the 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 Annual Comprehensive Financial Report (ACFR), which can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2022

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
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factor

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and cannot exceed the maximum benefit allowed by the 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 five years of service credit has been obtained, and the benefit structure under which contributions were made.

June 30, 2023

Note 13 - Defined Benefit Pension Plan (Continued)

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive postretirement cost of living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00 percent unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of the 1.00 percent AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10 percent of PERA's annual increase reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach 5 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, 2023

Eligible employees of the School District 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 11.00 percent of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	July 1, 2022 through June 30, 2023
Employer contribution rate*	11.40 %
Amount of employer contribution apportioned to the Health Care Trust Fund, as specified in C.R.S. § 24-51-208(1)(f)*	(1.02)
Amount apportioned to the SCHDTF*	10.38
Amortization Equalization Disbursement (AED), as specified in C.R.S. § 24-51-411*	5.00
Supplemental Amortization Equalization Disbursement (SAED), as specified in C.R.S. § 24-51-411*	5.00
Total employer contribution rate to the SCHDTF	<u>20.38 %</u>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School District were \$13,590,119 for the year ended June 30, 2023.

Note 13 - Defined Benefit Pension Plan (Continued)

For the purpose of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. House Bill (HB) 22-1029 instructed the state treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars) upon enactment. The July 1, 2023 payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024 payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted on June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars) for a total of approximately \$49.5 million (actual dollars) to be contributed on July 1, 2023.

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, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022.

The School District's proportion of the net pension liability was based on the School District's contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the School District reported a liability of \$159,369,700 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School District 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 School District were as follows:

School District's proportionate share of the net pension liability	\$ 159,369,700
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School District	<u>46,441,932</u>
Total	<u>\$ 205,811,632</u>

At December 31, 2022, the School District's proportion was 0.08752 percent, which was a decrease of 0.144 percent from its proportion measured as of December 31, 2021.

June 30, 2023

Note 13 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2023, the School District recognized pension expense of \$2,172,986 and revenue of \$3,960,397 for support from the State as a nonemployer contributing entity. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,508,263	\$ -
Changes in assumptions or other inputs	2,822,878	-
Net difference between projected and actual earnings on pension plan investments	21,409,222	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,858,810	25,138,815
Contributions subsequent to the measurement date	6,891,008	-
Total	<u>\$ 36,490,181</u>	<u>\$ 25,138,815</u>

The \$6,891,008 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2024	\$ (8,243,818)
2025	(5,385,518)
2026	5,636,980
2027	12,452,714
Total	<u>\$ 4,460,358</u>

Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%-11.00%
Long-term investment rate of return - Net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Postretirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after December 31, 2006*	Financed by the AIR

*Postretirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and are subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

June 30, 2023

Note 13 - Defined Benefit Pension Plan (Continued)

Preretirement mortality assumptions were based upon the PubT-2010 Employee Table, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement nondisabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages, with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the 2020 experience analysis for the period from January 1, 2016 through December 31, 2019 and were reviewed and adopted by the PERA board at its November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the experience study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

June 30, 2023

Note 13 - Defined Benefit Pension Plan (Continued)

The PERA board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the PERA board reaffirmed the assumed rate of return at its November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-year Expected Geometric Real Rate of Return
Global equity	54.00 %	5.60 %
Fixed income	23.00	1.30
Private equity	8.50	7.10
Real estate	8.50	4.40
Alternatives	6.00	4.70
Total	100.00 %	

Note: 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 nominal rate of return assumption of 7.25 percent.

Discount Rate

The discount rate used to measure the TPL 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 3.00 percent.
- 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 and required adjustments resulting from the 2018 and 2020 AAP assessments. 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 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect 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.
- As specified in law, the State, as a nonemployer contributing entity, 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.

June 30, 2023

Note 13 - Defined Benefit Pension Plan (Continued)

- HB 22-1029, effective upon enactment in 2022, required the state treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023 direct distribution is reduced by \$109 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024 direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- 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 FNP, 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 FNP 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 SCHDTF's FNP 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 TPL. The discount rate determination does not use the municipal bond index rate, and, therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Proportionate share of the net pension liability	\$ 208,560,126	\$ 159,369,700	\$ 118,290,668

Pension Plan Fiduciary Net Position

Detailed information about the SCHDTF's FNP is available in PERA's ACFR, which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 14 - Defined Benefit Other Postemployment Benefits Plan

General Information about the OPEB Plan

Plan Description

Eligible employees of the School District 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, as amended, and sets forth a framework that grants authority to the PERA board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado state law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available Annual Comprehensive Financial Report, which can be obtained at www.copera.org/investments/pera-financial-reports.

June 30, 2023**Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)****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 health benefits program 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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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.

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School District were \$687,433 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$5,428,980 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School District's proportion of the net OPEB liability was based on School District contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the School District's proportion was 0.6649 percent, which was a decrease of 0.0006 percent from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School District recognized OPEB revenue of \$788,650. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 705	\$ 1,312,909
Changes of assumptions or other inputs	87,258	599,191
Net difference between projected and actual earnings on OPEB plan investments	331,592	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	62,588	154,451
Contributions subsequent to the measurement date	337,910	-
Total	<u>\$ 820,053</u>	<u>\$ 2,066,551</u>

The \$337,910 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2024	\$ (540,864)
2025	(526,285)
2026	(251,443)
2027	(78,250)
2028	(152,372)
Thereafter	(35,194)
Total	<u>\$ (1,584,408)</u>

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

Actuarial Assumptions

The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

	Local Government Division
Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation - Members other than state troopers	3.40%-11.00%
Long-term investment rate of return - Net of OPEB investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates - PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029

The TOL for the HCTF, as of the December 31, 2022 measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received; therefore, no disaffiliation dollars were reflected in the FNP as of the December 31, 2022 measurement date.

Beginning on January 1, 2022, the per capita health care costs are developed by plan option, based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-related Morbidity Assumptions		
Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

Sample Age	MAPD PPO #1 with Medicare Part A Retiree/Spouse		MAPD PPO #2 with Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,704	\$ 1,450	\$ 583	\$ 496	\$ 1,923	\$ 1,634
70	1,976	1,561	676	534	2,229	1,761
75	2,128	1,681	728	575	2,401	1,896

Sample Age	MAPD PPO #1 without Medicare Part A Retiree/Spouse		MAPD PPO #2 without Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,514	\$ 5,542	\$ 4,227	\$ 3,596	\$ 6,752	\$ 5,739
70	7,553	5,966	4,901	3,872	7,826	6,185
75	8,134	6,425	5,278	4,169	8,433	6,657

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, 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 used to measure the TOL are summarized in the table below:

Years	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50 %	3.75 %
2023	6.25	4.00
2024	6.00	4.00
2025	5.75	4.00
2026	5.50	4.25
2027	5.25	4.25
2028	5.00	4.25
2029	4.75	4.50
2030	4.50	4.50

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds, as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

Preretirement mortality assumptions for the State and Local Government Divisions (members other than state troopers) were based upon the PubG-2010 Employee Table, with generational projection using scale MP-2019.

Preretirement mortality assumptions for state troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The preretirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Preretirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for the State and Local Government Divisions (members other than state troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for state troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement nondisabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than state troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for state troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

The following health care costs assumptions were updated and used in the rollforward calculation for the trust fund:

- Per capita health care costs in effect as of the December 31, 2021 valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021 valuation utilizes premium information as of January 1, 2022 as the initial per capital health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA board's actuary, as discussed above.

Effective for the December 31, 2022 measurement date, the timing of the retirement decrement was adjusted to middle of year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021 actuarial valuation.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the 2020 experience analysis for the period from January 1, 2016, through December 31, 2019 and were reviewed and adopted by the PERA board at its November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the experience study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-year Expected Geometric Real Rate of Return
Global equity	54.00 %	5.60 %
Fixed income	23.00	1.30
Private equity	8.50	7.10
Real estate	8.50	4.40
Alternatives	6.00	4.70
Total	100.00 %	23.10 %

Note: 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 nominal rate of return assumption of 7.25 percent.

Sensitivity of the School District's 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 1 percentage point lower or 1 percentage point higher than the current rates:

	1 Percentage Point Decrease in Trend Rates	Current Trend Rates	1 Percentage Point Increase in Trend Rates
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50	4.50	5.00
Initial Medicare Part A trend rate	3.00	4.00	5.00
Ultimate Medicare Part A trend rate	3.50	4.50	5.50
Net OPEB liability	\$5,275,316	\$5,428,980	\$5,596,182

Discount Rate

The discount rate used to measure the TOL 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, 2021 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 3.00 percent.
- 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.

June 30, 2023

Note 14 - Defined Benefit Other Postemployment Benefits Plan (Continued)

- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and, therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School District's 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 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 6,293,796	\$ 5,428,980	\$ 4,689,283

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's FNP is available in PERA's ACFR, which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 15 - Constitutional TABOR Amendment

In the November 1992 general election, Colorado voters approved an amendment to the Colorado Constitution commonly known as TABOR. This amendment limits the ability of the state and local governments, such as the School District, to increase revenue, debt, and spending. In addition, TABOR requires that the state and local governments obtain voter approval to create any multiple fiscal year direct or indirect debt or other financial obligations without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years.

In the November 1998 general election, the School District's electorate authorized the School District to collect, retain, and expend all revenue and other funds collected during fiscal year 1999 and each subsequent year from any source, notwithstanding the TABOR limitations. The School District remains subject to TABOR with respect to general mill levy increase restrictions and to the issuance of any new debt without taxpayers' approval. The TABOR amendment is subject to many interpretations, but the School District believes it is in compliance. TABOR requires that an emergency reserve be established. Net position and fund balances of \$4,700,000 have been restricted for this emergency reserve at June 30, 2023.

June 30, 2023

Note 16 - Contingencies

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School District, any such adjustments will not have a material adverse effect on the financial position of the School District.

The School District is currently undergoing a state pupil count audit for fiscal years 2019-2023. The results of the audit could result in the School District being owed additional funds from the State or the School District owing the State for excess funds received. The School District has not recorded a loss accrual as it does not believe that any negative adjustments will be identified as a result of the audit. In the event that any positive adjustments are identified, the School District will not recognize the additional revenue until the fiscal year in which the audit adjustments are finalized by the State.

REQUIRED SUPPLEMENTARY INFORMATION

El Paso County School District No. 2 - Harrison

Required Supplementary Information Budgetary Comparison Schedule General Fund

	Year Ended June 30, 2023		
	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Local sources	\$ 24,300,195	\$ 27,807,154	\$ 3,506,959
State sources	120,447,299	80,326,805	(40,120,494)
Federal sources	145,371	241,868	96,497
Total revenue	144,892,865	108,375,827	(36,517,038)
Expenditures			
Current:			
Instruction	60,265,998	57,992,921	(2,273,077)
Support services	49,071,857	46,541,324	(2,530,533)
Food services	103,171	109,463	6,292
Community services	9,131	6,012	(3,119)
Debt service:			
Principal	-	111,641	111,641
Interest	-	12,926	12,926
Capital outlay	1,282,344	787,862	(494,482)
Interdistrict payments	41,219,977	-	(41,219,977)
Total expenditures	151,952,478	105,562,149	(46,390,329)
Excess of Revenue (Under) Over Expenditures	(7,059,613)	2,813,678	9,873,291
Other Financing Sources (Uses)			
Transfers in	2,020,000	370,672	(1,649,328)
Transfers out	(3,152,275)	(1,859,613)	1,292,662
Total other financing uses	(1,132,275)	(1,488,941)	(356,666)
Net Change in Fund Balance	(8,191,888)	1,324,737	9,516,625
Fund Balance - Beginning of year	32,610,626	32,610,626	-
Fund Balance - End of year	<u><u>\$ 24,418,738</u></u>	<u><u>\$ 33,935,363</u></u>	<u><u>\$ 9,516,625</u></u>

El Paso County School District No. 2 - Harrison

Required Supplementary Information Budgetary Comparison Schedule - Major Funds Designated Purpose Grants Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	(Under) Over Budget
Revenue			
Local sources	\$ 240,000	\$ 104,405	\$ (135,595)
State sources	1,784,000	2,597,099	813,099
Federal sources	26,313,000	23,384,406	(2,928,594)
Total revenue	28,337,000	26,085,910	(2,251,090)
Expenditures - Support services	28,337,000	26,868,248	(1,468,752)
Excess of Expenditures Over Revenue	-	(782,338)	(782,338)
Other Financing Sources - Transfers in	-	782,338	782,338
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

El Paso County School District No. 2 - Harrison

Required Supplementary Information Budgetary Comparison Schedule - Major Funds (Continued) Building Fund

Year Ended June 30, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Revenue - Local sources	\$ 399,000	\$ 1,245,846	\$ 846,846
Expenditures - Support services	<u>42,409,844</u>	<u>43,118,119</u>	<u>708,275</u>
Net Change in Fund Balance	(42,010,844)	(41,872,273)	138,571
Fund Balance - Beginning of year	<u>78,479,569</u>	<u>78,479,569</u>	-
Fund Balance - End of year	<u>\$ 36,468,725</u>	<u>\$ 36,607,296</u>	<u>\$ 138,571</u>

El Paso County School District No. 2 - Harrison

Required Supplementary Information Budgetary Comparison Schedule - Major Funds (Continued) Debt Service Fund

	Year Ended June 30, 2023		
	Original and Final Budget	Actual	(Under) Over Budget
Revenue - Local sources	\$ 14,989,148	\$ 14,681,406	\$ (307,742)
Expenditures			
Current - Support services	40,000	56,163	16,163
Debt service:			
Principal	5,595,000	5,595,000	-
Interest	8,841,200	8,841,200	-
Total expenditures	14,476,200	14,492,363	16,163
Net Change in Fund Balance - Excess of revenue over expenses	512,948	189,043	(323,905)
Fund Balance - Beginning of year	10,854,580	10,854,580	-
Fund Balance - End of year	<u><u>\$ 11,367,528</u></u>	<u><u>\$ 11,043,623</u></u>	<u><u>\$ (323,905)</u></u>

El Paso County School District No. 2 - Harrison

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net Pension Liability Colorado Public Employees' Retirement Association

	Last Ten Plan Years									
	Plan Years Ended December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
School District's proportion of the net pension liability	0.87520 %	1.01939 %	1.15786 %	1.04927 %	1.03427 %	1.18118 %	1.22658 %	1.23766 %	1.23381 %	1.24051 %
School District's proportionate share of the net pension liability	\$ 159,369,700	\$ 118,630,241	\$ 175,046,053	\$ 156,758,092	\$ 183,139,508	\$ 381,954,706	\$ 365,201,189	\$ 189,291,071	\$ 212,493,303	\$ 158,227,107
State's proportionate share of the net pension liability with the School District	46,441,932	13,599,442	-	19,882,770	25,041,784	-	-	-	-	-
Total	\$ 205,811,632	\$ 132,229,683	\$ 175,046,053	\$ 176,640,862	\$ 208,181,292	\$ 381,954,706	\$ 365,201,189	\$ 189,291,071	\$ 212,493,303	\$ 158,227,107
School District's covered-employee payroll	\$ 67,395,391	\$ 65,778,928	\$ 60,671,396	\$ 63,064,013	\$ 59,277,508	\$ 55,097,353	\$ 54,509,582	\$ 55,107,136	\$ 50,726,760	\$ 50,872,133
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	305.38 %	201.02 %	288.51 %	280.10 %	351.20 %	693.24 %	669.98 %	343.50 %	418.90 %	311.03 %
Plan fiduciary net position as a percentage of total pension liability	61.80 %	74.90 %	67.00 %	64.50 %	57.00 %	44.00 %	43.10 %	59.20 %	62.80 %	64.10 %

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

A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

El Paso County School District No. 2 - Harrison

Required Supplementary Information Schedule of Pension Contributions Colorado Public Employees' Retirement Association

	Last Ten Fiscal Years Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 13,590,119	\$ 13,079,851	\$ 12,061,474	\$ 12,221,806	\$ 11,339,787	\$ 10,402,380	\$ 10,018,861	\$ 9,770,495	\$ 8,565,677	\$ 8,129,367
Contributions in relation to the statutorily required contribution	13,590,119	13,079,851	12,061,474	12,221,806	11,339,787	10,402,380	10,018,861	9,770,495	8,565,677	8,129,367
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered-employee Payroll	\$ 67,395,391	\$ 65,778,928	\$ 60,671,396	\$ 63,064,013	\$ 59,277,508	\$ 55,097,353	\$ 54,509,582	\$ 53,936,857	\$ 51,687,955	\$ 50,009,032
Contributions as a Percentage of Covered-employee Payroll	20.17 %	19.88 %	19.88 %	19.38 %	19.13 %	18.88 %	18.38 %	18.11 %	16.57 %	16.26 %

El Paso County School District No. 2 - Harrison

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net OPEB Liability Colorado Public Employees' Retirement Association

	Last Seven Plan Years Plan Years Ended December 31						
	2022	2021	2020	2019	2018	2017	2016
School District's proportion of the net OPEB liability	0.66493 %	0.66557 %	0.66949 %	0.68565 %	0.67229 %	0.67115 %	0.69720 %
School District's proportionate share of the net OPEB liability	\$ 5,428,980	\$ 5,739,252	\$ 6,360,896	\$ 7,706,724	\$ 9,146,741	\$ 8,722,231	\$ 9,039,492
School District's covered-employee payroll	\$ 67,395,391	\$ 65,778,928	\$ 60,671,396	\$ 63,064,013	\$ 59,277,508	\$ 55,097,353	\$ 54,509,582
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.06 %	8.73 %	10.48 %	12.22 %	15.43 %	15.83 %	16.58 %
Plan fiduciary net position as a percentage of total OPEB liability	38.57 %	39.40 %	32.80 %	24.50 %	17.00 %	17.50 %	16.70 %

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

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

El Paso County School District No. 2 - Harrison

Required Supplementary Information Schedule of OPEB Contributions Colorado Public Employees' Retirement Association

	Last Seven Fiscal Years						
	Years Ended June 30						
	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 687,433	\$ 670,929	\$ 618,516	\$ 643,252	\$ 604,633	\$ 562,643	\$ 556,084
Contributions in relation to the statutorily required contribution	687,433	670,929	618,516	643,252	604,633	562,643	556,084
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered-employee Payroll	\$ 67,395,391	\$ 65,778,928	\$ 60,671,396	\$ 63,064,013	\$ 59,277,508	\$ 55,097,353	\$ 54,509,582
Contributions as a Percentage of Covered-employee Payroll	1.02 %	1.02 %	1.02 %	1.02 %	1.02 %	1.02 %	1.02 %

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

El Paso County School District No. 2 - Harrison

Notes to Required Supplementary Information

June 30, 2023

Pension Information

Benefit Changes

There were no significant changes of benefit terms for each of the reported plan years ended December 31.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended December 31, 2022 except for the following changes as compared to each respective previous plan year ended:

2021 - The assumption used to value the annual increases (AI) cap benefit provision was changed from 1.25 to 1.00 percent.

2020 - The assumption used for wage inflation was lowered from 3.50 to 3.00 percent. Additionally, the real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses, from 4.85 percent per year. The mortality assumptions were changed utilizing the PubT 2010 tables, with generational projections using scale MP-2019.

2019 - The assumption used to value the AI cap benefit provisions was changed from 1.50 to 1.25 percent.

2018 - The single equivalent interest rate (SEIR) was increased from 4.78 to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the fiduciary net position, thereby eliminating the need to apply the municipal bond index rate.

2017 - The SEIR was lowered from 5.26 to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate. Additionally, the municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

2016 - The assumption for investment return was lowered from 7.50 to 7.25 percent. The assumption used for wage inflation was lowered from 3.90 to 3.50 percent. Additionally, the SEIR was lowered from 7.50 to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date. The mortality assumptions were changed utilizing the RP-2014 tables.

2015 - Certain programming and methodology changes were made.

OPEB Information

Benefit Changes

There were no significant changes of benefit terms for each of the reported plan years ended December 31, 2022.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended December 31 except for the following changes as compared to each respective previous plan year ended:

2022 - The timing of the retirement decrement was adjusted to middle of year.

2020 - The assumption used for wage inflation was lowered from 3.50 to 3.00 percent. Additionally, the real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent. The mortality assumptions were changed utilizing the PubT 2010 tables, with generational projections using scale MP-2019.

2016 - The assumption used for investment return was lowered from 7.5 to 7.25 percent. Additionally, the assumption used for wage inflation was lowered from 3.90 to 3.50 percent. The mortality assumptions were changed utilizing the RP-2014 tables.

OTHER SUPPLEMENTARY INFORMATION

El Paso County School District No. 2 - Harrison

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds			Capital Project Funds		
	Nutrition Service Fund	Pupil Activity Fund	Title I Fund	Capital Reserve Fund	Land Acquisition Fund	Total
Assets						
Cash and investments	\$ 2,626,536	\$ 472,338	\$ -	\$ 1,388,537	\$ 482,662	\$ 4,970,073
Receivables	1,291,207	-	1,927,087	-	-	3,218,294
Inventory	98,201	-	-	-	-	98,201
Prepaid expenses and other assets	7,300	-	-	-	-	7,300
Total assets	\$ 4,023,244	\$ 472,338	\$ 1,927,087	\$ 1,388,537	\$ 482,662	\$ 8,293,868
Liabilities						
Accounts payable	\$ 10,128	\$ 1,336	\$ 381,204	\$ 36,424	\$ -	\$ 429,092
Due to other funds	-	-	1,284,214	-	-	1,284,214
Accrued liabilities and other	204,685	-	261,669	-	-	466,354
Total liabilities	214,813	1,336	1,927,087	36,424	-	2,179,660
Fund Balances						
Nonspendable:						
Inventory	98,201	-	-	-	-	98,201
Prepays	7,300	-	-	-	-	7,300
Restricted - Food service	3,702,930	-	-	-	-	3,702,930
Committed:						
Capital projects	-	-	-	1,352,113	482,662	1,834,775
Pupil activities	-	471,002	-	-	-	471,002
Total fund balances	3,808,431	471,002	-	1,352,113	482,662	6,114,208
Total liabilities and fund balances	\$ 4,023,244	\$ 472,338	\$ 1,927,087	\$ 1,388,537	\$ 482,662	\$ 8,293,868

El Paso County School District No. 2 - Harrison

Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2023

	Special Revenue Funds			Capital Project Funds		
	Nutrition Service Fund	Pupil Activity Fund	Title I Fund	Capital Reserve Fund	Land Acquisition Fund	Total
Revenue						
Local sources	\$ 291,317	\$ 429,128	\$ -	\$ 72,735	\$ 290,081	\$ 1,083,261
State sources	31,476	-	-	-	-	31,476
Federal sources	4,586,106	-	4,076,994	-	-	8,663,100
Total revenue	4,908,899	429,128	4,076,994	72,735	290,081	9,777,837
Expenditures						
Current:						
Instruction	-	473,866	2,201,131	-	-	2,674,997
Support services	-	-	1,676,394	1,126,409	6	2,802,809
Food services	4,598,963	-	-	-	-	4,598,963
Community services	-	-	78,249	-	-	78,249
Capital outlay	2,012	-	114,476	155,942	-	272,430
Total expenditures	4,600,975	473,866	4,070,250	1,282,351	6	10,427,448
Excess of Revenue Over (Under) Expenditures	307,924	(44,738)	6,744	(1,209,616)	290,075	(649,611)
Other Financing Sources (Uses)						
Transfers in	-	-	-	1,077,275	-	1,077,275
Transfers out	-	-	(6,744)	-	-	(6,744)
Total other financing (uses) sources	-	-	(6,744)	1,077,275	-	1,070,531
Net Change in Fund Balances	307,924	(44,738)	-	(132,341)	290,075	420,920
Fund Balances - Beginning of year	3,500,507	515,740	-	1,484,454	192,587	5,693,288
Fund Balances - End of year	\$ 3,808,431	\$ 471,002	\$ -	\$ 1,352,113	\$ 482,662	\$ 6,114,208

El Paso County School District No. 2 - Harrison

Other Supplementary Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Nutrition Service Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Local sources	\$ 220,000	\$ 291,317	\$ 71,317
State sources	-	31,476	31,476
Federal sources	3,980,000	4,586,106	606,106
Total revenue	4,200,000	4,908,899	708,899
Expenditures - Food service	4,836,134	4,600,975	(235,159)
Net Change in Fund Balance	(636,134)	307,924	944,058
Fund Balance - Beginning of year	3,500,507	3,500,507	-
Fund Balance - End of year	<u><u>\$ 2,864,373</u></u>	<u><u>\$ 3,808,431</u></u>	<u><u>\$ 944,058</u></u>

El Paso County School District No. 2 - Harrison

Other Supplementary Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Pupil Activity Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	Under Budget
Revenue - Local sources	\$ 755,000	\$ 429,128	\$ (325,872)
Expenditures - Instruction	716,500	473,866	(242,634)
Net Change in Fund Balance	38,500	(44,738)	(83,238)
Fund Balance - Beginning of year	515,740	515,740	-
Fund Balance - End of year	<u><u>\$ 554,240</u></u>	<u><u>\$ 471,002</u></u>	<u><u>\$ (83,238)</u></u>

El Paso County School District No. 2 - Harrison

Other Supplementary Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Title I Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	(Under) Over Budget
Revenue - Federal sources	\$ 4,263,000	\$ 4,076,994	\$ (186,006)
Expenditures - Federal	4,263,000	4,070,250	(192,750)
Excess of Revenue Over Expenditures	-	6,744	6,744
Other Financing Uses - Transfers out	-	(6,744)	(6,744)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

El Paso County School District No. 2 - Harrison

Other Supplementary Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Capital Reserve Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
Revenue - Local sources	\$ 200	\$ 72,735	\$ 72,535
Expenditures - Support services	1,632,635	1,282,351	(350,284)
Excess of Expenditures Over Revenue	(1,632,435)	(1,209,616)	422,819
Other Financing Sources - Transfers in	1,182,635	1,077,275	(105,360)
Net Change in Fund Balance	(449,800)	(132,341)	317,459
Fund Balance - Beginning of year	1,484,454	1,484,454	-
Fund Balance - End of year	<u><u>\$ 1,034,654</u></u>	<u><u>\$ 1,352,113</u></u>	<u><u>\$ 317,459</u></u>

El Paso County School District No. 2 - Harrison

Other Supplementary Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Land Acquisition Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	Over (Under) Budget
Revenue - Local sources	\$ 45,113	\$ 290,081	\$ 244,968
Expenditures - Support services	45,000	6	(44,994)
Net Change in Fund Balance	113	290,075	289,962
Fund Balance - Beginning of year	192,587	192,587	-
Fund Balance - End of year	<u>\$ 192,700</u>	<u>\$ 482,662</u>	<u>\$ 289,962</u>

El Paso County School District No. 2 - Harrison

Other Supplementary Information Budgetary Comparison Schedule - Proprietary Fund

Year Ended June 30, 2023

	Original and Final Budget	Actual	(Under) Over Budget
Revenue - Charges for services	\$ 452,500	\$ 424,082	\$ (28,418)
Expenditures - Claims	487,556	289,322	198,234
Excess of Revenue (Under) Over Expenditures	(35,056)	134,760	169,816
Other Financing Sources (Uses) - Transfer in (out)	55,000	(363,928)	(418,928)
Net Change in Net Position	19,944	(229,168)	(249,112)
Net Position - Beginning of year	229,168	229,168	-
Net Position - End of year	<u><u>\$ 249,112</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (249,112)</u></u>

STATISTICAL SECTION

Introduction to Statistical Section

This part of the School District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the School District's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 36,608,354	\$ 39,963,225	\$ 35,291,825	\$ 29,120,792	\$ 29,296,499	\$ 33,391,489	\$ 33,824,163	\$ 28,606,143	\$ 28,312,028	\$ 24,648,165
Restricted	19,448,973	14,404,580	16,363,148	15,872,266	15,515,698	8,244,349	7,863,299	7,604,923	7,054,600	10,008,506
Unrestricted	<u>(125,888,944)</u>	<u>(132,083,708)</u>	<u>(175,362,494)</u>	<u>(222,030,264)</u>	<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>
Total Primary Government Net Position (Deficit)	<u>\$ (69,831,617)</u>	<u>\$ (77,715,903)</u>	<u>\$ (123,707,521)</u>	<u>\$ (177,037,206)</u>	<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>
Business-type activities										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 872,746
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>899,408</u>
Total Business-type Activities Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,772,154</u>
Primary government										
Net Investment in Capital Assets	\$ 36,608,354	\$ 39,963,225	\$ 35,291,825	\$ 29,120,792	\$ 29,296,499	\$ 33,391,489	\$ 33,824,163	\$ 28,606,143	\$ 28,312,028	\$ 25,520,911
Restricted	19,448,973	14,404,580	16,363,148	15,872,266	15,515,698	7,863,299	7,863,299	7,604,923	7,054,600	10,008,506
Unrestricted	<u>(125,888,944)</u>	<u>(132,083,708)</u>	<u>(175,362,494)</u>	<u>(222,030,264)</u>	<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>
Total Primary Government Net Position (Deficit)	<u>\$ (69,831,617)</u>	<u>\$ (77,715,903)</u>	<u>\$ (123,707,521)</u>	<u>\$ (177,037,206)</u>	<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>

Source: Prior years' Annual Comprehensive Financial Reports

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses										
Governmental Activities:										
Instruction	\$ 70,867,405	\$ 38,691,031	\$ 40,750,407	\$ 46,724,294	\$ 47,252,723	\$ 94,961,851	\$ 87,057,155	\$ 57,394,633	\$ 60,105,656	\$ 49,856,962
Supporting Services	69,268,372	36,072,078	14,631,216	20,032,989	18,277,173	38,638,556	36,168,327	23,250,745	24,454,433	19,691,966
Business Support Services	-	-	10,231,281	10,660,744	11,027,930	21,525,200	20,037,625	13,797,129	13,076,296	11,021,686
Central Support Services	-	-	7,457,075	2,506,679	6,040,118	10,563,944	9,099,556	13,512,853	5,874,570	4,994,329
Food Service	4,866,510	4,364,783	3,547,724	5,582,867	4,913,612	4,451,946	4,683,746	4,929,892	6,574,468	-
Community Services	1,618,522	1,695,199	68,141	4,795,740	98,187	95,804	71,870	145,945	157,989	185,398
Interest on Long-term Debt	6,607,703	12,062,431	4,572,873	148,611	3,403,400	1,311,050	1,623,419	1,746,854	1,694,097	3,005,941
Miscellaneous Support Services	-	4,373,704	3,226,406	4,935,839	14,715,655	796,352	2,920,094	3,072,676	1,234,972	852,211
Total Governmental Activities Expenses	<u>153,228,512</u>	<u>97,259,226</u>	<u>84,485,123</u>	<u>95,387,763</u>	<u>105,728,798</u>	<u>172,344,703</u>	<u>161,661,792</u>	<u>117,850,727</u>	<u>113,172,481</u>	<u>89,608,493</u>
Business-type Activities:										
Food Service	-	-	-	-	-	-	-	-	-	<u>4,757,797</u>
Total Primary Government Expenses	<u>\$ 153,228,512</u>	<u>\$ 97,259,226</u>	<u>\$ 84,485,123</u>	<u>\$ 95,387,763</u>	<u>\$ 105,728,798</u>	<u>\$ 172,344,703</u>	<u>\$ 161,661,792</u>	<u>\$ 117,850,727</u>	<u>\$ 113,172,481</u>	<u>\$ 94,366,290</u>
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction	\$ 645,156	\$ 1,480,813	\$ 295,034	\$ 1,187,207	\$ 358,500	\$ 164,422	\$ 361,062	\$ 807,263	\$ 50,847	\$ 34,700
Supporting Services	-	-	-	-	-	-	-	6,687,509	-	-
Business Support Services	-	-	1,042,255	1,070,838	1,175,020	93,220	1,043,380	1,620,927	1,301,095	1,014,770
Food Service	185,828	131,033	16,199	145,257	158,582	103,567	168,244	182,066	503,809	-
Operating Grants and Contributions	47,975,992	35,170,991	32,611,984	23,989,355	20,530,493	19,796,470	20,145,045	20,134,651	19,428,460	15,602,108
Capital Grants and Contributions	-	751,767	792,385	974,109	691,698	609,044	1,554,012	1,487,914	856,841	193,886
Total Governmental Activities Program Revenues	<u>48,806,976</u>	<u>37,534,604</u>	<u>34,757,857</u>	<u>27,366,766</u>	<u>22,914,293</u>	<u>20,766,723</u>	<u>23,271,743</u>	<u>30,920,330</u>	<u>22,141,052</u>	<u>16,845,464</u>
Business-type Activities:										
Charges for Services	-	-	-	-	-	-	-	-	-	663,749
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	4,089,487
Total Business-type Activities Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,236</u>
Total Primary Government Program Revenues	<u>\$ 48,806,976</u>	<u>\$ 37,534,604</u>	<u>\$ 34,757,857</u>	<u>\$ 27,366,766</u>	<u>\$ 22,914,293</u>	<u>\$ 20,766,723</u>	<u>\$ 23,271,743</u>	<u>\$ 30,920,330</u>	<u>\$ 22,141,052</u>	<u>\$ 21,598,700</u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$ (104,421,536)</u>	<u>\$ (59,724,622)</u>	<u>\$ (49,727,266)</u>	<u>\$ (68,020,997)</u>	<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>\$ (72,763,029)</u>
Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,561)</u>
Total Primary Government Net Expense	<u>\$ (104,421,536)</u>	<u>\$ (59,724,622)</u>	<u>\$ (49,727,266)</u>	<u>\$ (68,020,997)</u>	<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>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 33,368,716	\$ 33,601,341	\$ 31,798,043	\$ 30,493,095	\$ 30,072,004	\$ 21,291,198	\$ 20,633,466	\$ 20,396,406	\$ 19,988,451	\$ 22,551,614
Specific Ownership Taxes	3,554,254	3,719,222	3,937,072	3,757,267	3,271,758	2,762,211	2,571,521	2,296,117	2,322,398	2,360,463
State Equalization	68,023,510	65,615,964	65,884,180	70,042,776	63,620,183	59,413,461	58,357,656	57,540,544	54,222,478	48,518,083
Grants and contributions not restricted to a particular program	511,867	467,629	171,133	231,332	735,644	-	-	-	-	-
Earnings on Investments	2,695,063	314,032	564,022	3,179,585	1,058,127	465,335	254,558	104,165	27,824	32,317
Gain on Disposal of Capital Assets	-	118,040	-	-	-	-	-	-	-	-
Other Revenue	<u>4,152,413</u>	<u>1,880,012</u>	<u>702,501</u>	<u>318,348</u>	<u>259,915</u>	<u>1,934,602</u>	<u>547,405</u>	<u>265,022</u>	<u>414,633</u>	<u>283,541</u>
Total Governmental Activities	<u>112,305,823</u>	<u>105,716,240</u>	<u>103,056,951</u>	<u>108,022,403</u>	<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>
Business-type Activities:										
Earnings on Investments	-	-	-	-	-	-	-	-	-	323
Other Revenue	-	-	-	-	-	-	-	-	-	6,315
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,638</u>
Total Primary Government	<u>\$ 112,305,823</u>	<u>\$ 105,716,240</u>	<u>\$ 103,056,951</u>	<u>\$ 108,022,403</u>	<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>
Change in Net Position										
Governmental Activities	\$ 7,884,287	\$ 45,991,618	\$ 53,329,685	\$ 40,001,406	\$ 16,203,126	\$ (65,711,173)	\$ (56,025,443)	\$ (6,328,143)	\$ (14,055,645)	\$ 982,989
Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,077</u>
Total Primary Government	<u>\$ 7,884,287</u>	<u>\$ 45,991,618</u>	<u>\$ 53,329,685</u>	<u>\$ 40,001,406</u>	<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>

Source: Prior years' Annual Comprehensive Financial Reports

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting categories per GASB 54										
General Fund										
Nonspendable	\$ 825,241	\$ 152,822	\$ 205,277	\$ 5,670	\$ 10,784	\$ 8,352	\$ 10,826	\$ 10,392	\$ 12,512	\$ 7,539
Committed	13,790,000	8,900,000	8,900,000	8,900,000	12,100,000	12,370,000	15,413,943	2,513,659	2,732,904	2,808,705
Restricted	4,700,000	3,550,000	3,050,000	3,317,249	3,429,788	3,116,213	3,056,898	2,911,991	2,384,629	2,316,563
Assigned	265,822	3,539,456	3,690,414	3,821,521	2,575,317	3,085,727	-	-	-	-
Unassigned	14,354,300	16,468,348	17,673,964	10,724,297	5,181,194	5,691,453	7,961,189	19,430,216	19,980,036	18,064,196
Total General Fund	<u>\$ 33,935,363</u>	<u>\$ 32,610,626</u>	<u>\$ 33,519,655</u>	<u>\$ 26,768,737</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ 105,501	\$ 176,439	\$ 38,247	\$ 109,775	\$ 113,999	\$ 332,013	\$ 202,758	\$ 161,704	\$ -	\$ -
Committed	2,305,777	3,839,808	3,378,449	3,706,020	3,657,108	-	1,746,990	2,197,008	1,314,100	1,265,221
Restricted	51,353,849	89,334,149	34,712,883	77,378,657	105,154,009	5,128,136	4,806,401	4,692,932	4,674,768	7,691,943
Assigned	-	1,677,041	691,535	720,646	-	3,559,997	-	-	-	-
Unassigned	-	-	-	-	-	-	816,337	119,133	-	-
Total All Other Governmental Funds	<u>\$ 53,765,127</u>	<u>\$ 95,027,437</u>	<u>\$ 38,821,114</u>	<u>\$ 81,915,098</u>	<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>
Total Governmental Funds	<u>\$ 87,700,490</u>	<u>\$ 127,638,063</u>	<u>\$ 72,340,769</u>	<u>\$ 108,683,835</u>	<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>

Source: Prior years' Annual Comprehensive Financial Reports

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
REVENUES:										
Local Sources	\$ 44,922,072	\$ 40,331,050	\$ 41,607,491	\$ 40,059,299	\$ 37,190,458	\$ 26,593,678	\$ 25,966,847	\$ 25,486,596	\$ 25,206,534	\$ 26,673,589
State Sources	82,955,380	77,311,216	74,618,326	80,321,690	73,631,724	66,229,193	65,899,733	65,164,498	60,264,753	54,034,431
Federal Sources	32,289,374	28,930,357	24,152,706	15,588,251	20,705,167	12,571,408	13,645,909	14,131,047	13,844,825	9,812,209
Total Revenues	<u>160,166,826</u>	<u>146,572,623</u>	<u>140,378,523</u>	<u>135,969,240</u>	<u>131,527,349</u>	<u>105,394,279</u>	<u>105,512,489</u>	<u>104,782,141</u>	<u>99,316,112</u>	<u>90,520,229</u>
EXPENDITURES:										
Current:										
Instruction	68,799,052	63,799,543	63,143,897	60,809,874	64,085,370	53,421,818	51,047,855	51,455,578	49,336,922	46,590,424
Supporting Services	63,883,275	59,471,299	26,549,699	28,194,528	27,431,495	21,850,229	21,161,122	20,991,718	20,681,573	19,724,174
Business Support Services	-	-	16,098,821	14,194,670	14,900,463	14,108,543	13,311,497	13,169,943	11,643,641	11,093,820
Central Support Services	-	-	7,273,020	6,433,081	6,056,173	6,146,825	5,854,322	5,879,015	5,086,763	5,414,326
Food Service	4,745,886	4,305,842	3,472,055	4,927,458	4,858,425	4,299,529	4,435,892	4,633,834	5,707,347	-
Community Services	1,618,522	1,685,323	106,573	90,120	180,153	165,632	239,248	132,441	146,330	176,662
Debt Service:										
Principal	5,706,641	8,826,364	9,347,387	7,496,838	2,915,441	2,900,587	2,837,761	2,742,892	5,553,264	4,293,549
Interest on Long-term Debt	8,854,126	7,993,261	5,684,533	6,044,349	3,653,611	1,631,038	1,714,716	1,834,326	1,996,646	3,309,084
Capital Outlay	46,860,825	41,983,114	45,045,604	32,012,355	24,946,799	1,745,836	2,920,094	3,015,983	1,243,602	5,159,590
Total Expenditures	<u>200,468,327</u>	<u>188,064,746</u>	<u>176,721,589</u>	<u>160,203,273</u>	<u>149,027,930</u>	<u>106,270,037</u>	<u>103,522,507</u>	<u>103,855,730</u>	<u>101,396,088</u>	<u>95,761,629</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(40,301,501)</u>	<u>(41,492,123)</u>	<u>(36,343,066)</u>	<u>(24,234,033)</u>	<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>
OTHER FINANCING SOURCES (USES):										
Issuance of Bonds	-	-	-	-	100,000,000	15,767,307	-	-	-	-
Proceeds from the sale of bonds	-	90,630,000	-	-	-	-	-	-	-	-
Premium on Bonds (debt) Issued	-	25,941,084	-	-	16,430,889	-	-	-	-	-
Leases	-	335,189	-	-	-	-	-	-	60,223	56,150
Payments to Refunded Bond Escrow Agent	-	(13,316,856)	-	-	-	(15,615,000)	-	-	-	-
Contribution to charter schools	-	(5,500,000)	-	-	-	-	-	-	-	-
Transfers In	3,760,923	15,407,669	-	-	-	-	-	-	-	-
Transfers Out	(3,396,995)	(16,707,669)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>363,928</u>	<u>96,789,417</u>	<u>-</u>	<u>-</u>	<u>116,430,889</u>	<u>152,307</u>	<u>-</u>	<u>-</u>	<u>60,223</u>	<u>56,150</u>
Net Change in Fund Balance	<u>\$ (39,937,573)</u>	<u>\$ 55,297,294</u>	<u>\$ (36,343,066)</u>	<u>\$ (24,234,033)</u>	<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>
Debt Service as a percentage of noncapital expenditures	9.5%	11.5%	11.4%	10.6%	5.3%	4.3%	4.5%	4.5%	7.5%	8.4%

Source: Prior years' Annual Comprehensive Financial Reports

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, Agricultura 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	All Other Property
2023	\$ 536,937,530	\$ 410,340,400	\$76,045,500	\$ 30,918,750	\$ 1,054,242,180	\$ 9,791,146,132	36.486	10.8%	7.15	29.00
2022	\$ 390,585,880	\$ 342,475,600	\$78,188,310	\$ 25,547,930	\$ 836,797,720	\$ 7,811,678,182	40.799	10.7%	7.15	29.00
2021	\$ 313,705,400	\$ 292,795,630	\$64,710,250	\$ 22,651,720	\$ 693,863,000	\$ 6,266,723,670	48.394	11.1%	7.15	29.00
2020	\$ 309,210,040	\$ 301,513,320	\$81,828,220	\$ 24,814,760	\$ 717,366,340	\$ 6,341,861,207	47.227	11.3%	7.15	29.00
2019	\$ 244,904,720	\$ 272,308,650	\$105,323,460	\$ 21,242,980	\$ 643,779,810	\$ 5,377,005,775	48.333	12.0%	7.15	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%	7.20	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

Source: El Paso County Assessor Office - Preliminary August AV

(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
2022-23	15.720	6.961	0.644	17.474	40.799	4.809	3.929	3.512	13.834	0.000	0.000	0.000	18.608	0.887	16.339	12.000	3.300
2021-22	15.720	7.0181	0.528	17.758	41.024	6.696	3.929	3.490	13.083	0.000	0.000	0.000	18.570	0.839	10.239	12.000	3.300
2020-21	15.720	8.409	2.038	22.227	48.394	7.692	4.279	3.855	13.810	0.000	0.000	0.000	16.061	0.942	10.239	12.000	3.300
2019-20	15.720	8.041	2.209	21.257	47.227	7.035	4.279	3.731	13.251	0.000	0.000	4.000	19.71	0.902	10.239	12.000	3.300
2018-19	16.337	8.850	2.089	21.057	48.333	8.068	4.279	4.000	13.483	0.000	0.000	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

Source: (1) HSD2 Certification of Mill Levies (CDE website, Mill Levies & Overrides), (2) 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
For the Current Year and Nine Years Prior

	2022			2013		
	Assessed Value	Rank	% of Total Value	Assessed Value	Rank	% of Total Value
DPIX	12,404,540	1	1.20%	30,045,560	1	5.50%
ACE HARDWARE CORP	10,552,620	2	1.00%	7,172,960	3	1.30%
ZEPPELIN ROAD INDUSTRIAL	9,985,060	3	0.90%			0.00%
D I S COLORADO LLC	9,667,570	4	0.90%			0.00%
STAFFORD HOLDINGS LLC	7,158,080	5	0.70%			
SAP AMERICA INC	6,610,240	6	0.60%			0.00%
RS ANTERO BRAUBURGER LI	6,225,680	7	0.60%			
GRE BROADMOOR LLC	6,157,360	8	0.60%	6,259,890	4	1.10%
EXELIS INC	6,154,470	9	0.60%			
SWIRE PACIFIC HOLDINGS IN	5,267,050	10	0.50%			
Atmel Corporation				11,800,630	2	2.10%
Qwest Corporation				6,092,110	5	1.10%
RICKEMOH INC				4,641,890	6	0.80%
WMK Colorado Springs LLC				3,915,000	7	0.70%
GE Commercial Finance Bus.				3,479,990	10	0.60%
Walmart Properties				3,485,870	9	0.60%
Branson Hotel Corporation				3,643,220	8	0.70%
Total	<u>\$ 80,182,670</u>		<u>7.6%</u>	<u>\$ 80,537,120</u>		<u>14.5%</u>
Total Assessed Valuation (1)	<u>\$ 1,054,242,180</u>			<u>\$ 551,415,620</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>
2022-23	\$ 13,645,598	\$ 13,507,564	99.0%	\$ 1,303	\$ 13,508,867	99.0%
2021-22	\$ 13,518,287	\$ 13,258,597	98.1%	\$ 578	\$ 13,259,175	98.1%
2020-21	\$ 13,312,299	\$ 12,057,005	90.6%	\$ 28,161	\$ 12,085,166	90.8%
2019-20	\$ 12,809,578	\$ 12,291,026	96.0%	\$ 9,666	\$ 12,300,692	96.0%
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%

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

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

Fiscal Year	General Obligation Bonds	Governmental Activities		Total Primary Government	Ratio of Total Debt Estimated Actual Property Value (1)	Total Debt per Membership (2)	Percentage of Personal Income (3)
		Leased Assets	Capital Leases				
2023	\$ 213,023,271	\$ 146,882	\$ -	\$ 213,170,153	2.2%	\$ 16,910.21	4.71%
2022	\$ 220,912,125	\$ 258,523	\$ -	\$ 221,170,648	2.8%	\$ 17,011.82	5.11%
2021	\$ 128,695,992	\$ -	\$ -	\$ 128,695,992	2.1%	\$ 11,047.81	3.51%
2020	\$ 139,223,284	\$ -	\$ -	\$ 139,223,284	2.2%	\$ 11,517	4.02%
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%

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>
2023	\$ 213,023,271	\$ 11,043,623	\$ 201,979,648	2.1%	16,023	4.71%	288
2022	\$ 220,912,125	\$ 10,854,580	\$ 210,057,545	2.7%	16,157	5.11%	299
2021	\$ 128,695,992	\$ 13,313,148	\$ 115,382,844	1.8%	9,905	3.51%	178
2020	\$ 139,223,284	\$ 12,555,017	\$ 126,668,267	2.0%	10,478	4.02%	195
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

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, 2023

	<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	8,352,697,810	11,043,623	6.35%	\$ <u>701,270</u>
Subtotal Overlapping Debt				701,270
District Governmental Activities Direct Debt (1)				<u>213,023,271</u>
Total Direct and Overlapping Debt				<u>\$ 213,724,541</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-2022		\$	836,797,720
Actual Value-2022			7,179,574,412
Debt Limitation Calculation--Greater of:			
20% of Assessed Valuation	\$	167,359,544	
6% of Actual Value		430,774,465	
Debt Limit		\$	430,774,465
Total Bonded Debt			<u>175,950,000</u>
Legal Debt Margin		\$	<u><u>254,824,465</u></u>

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Limit	\$ 430,774,465	\$ 430,774,465	\$ 341,891,414	\$ 346,200,066	\$ 289,085,342	\$ 264,213,791	\$ 260,268,090	\$ 260,268,090	\$ 209,959,151	\$ 209,124,047
Total Gross Debt Applicable to Limit	<u>175,950,000</u>	<u>181,545,000</u>	<u>112,075,000</u>	<u>121,415,000</u>	<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>
Legal Debt Margin	<u>\$ 254,824,465</u>	<u>\$ 249,229,465</u>	<u>\$ 229,816,414</u>	<u>\$ 224,785,066</u>	<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>
Total Gross Debt Applicable to the Limit as a Percentage of Debt Limit	40.85%	42.14%	32.78%	35.07%	44.59%	12.03%	13.86%	14.91%	19.73%	24.16%

Source: El Paso County Assessor Office
School District Records

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>
2023	740,567	75,909	45,230,988	61,076	34.6	3.60%
2022	737,867	79,427	43,258,594	58,627	34.9	3.80%
2021	721,929	72,830	36,706,547	50,845	34.5	4.30%
2020	713,856	68,119	34,598,539	48,467	34.3	5.90%
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%

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
PRINCIPAL EMPLOYERS BY INDUSTRY
For the Current Year and Nine Years Prior

	2022			2013		
	<u>Employees</u>	Rank	<u>% of Total Employees</u>	<u>Employees</u>	Rank	<u>% of Total Employees</u>
Health Care and Social Assistance	50,168	1	16.81%	34,027	1	14.05%
Professional and Technical Services	33,284	2	11.16%	21,946	5	9.06%
Accommodation and Food Services	32,548	3	10.91%	25,486	4	10.53%
Retail Trade	31,790	4	10.65%	30,100	2	12.43%
Educational Services	28,275	5	9.48%	26,543	3	10.96%
Construction	17,148	6	5.75%	12,305	8	5.08%
Administrative and Waste Services	16,227	7	5.44%	17,289	6	7.14%
Public Administration	14,871	8	4.98%	12,939	7	5.34%
Manufacturing	12,056	9	4.04%	11,758	9	4.86%
Finance and Insurance	12,042	10	4.04%	11,609	10	4.79%
Other Services, Ex. Public Admin	11,462	11	3.84%	9,281	11	3.83%
Transportation and Warehousing	11,089	12	3.72%	4,652	14	1.92%
Wholesale Trade	6,598	13	2.21%	4,966	13	2.05%
Information	5,519	14	1.85%	7,180	12	2.97%
Arts, Entertainment, and Recreation	5,356	15	1.80%	4,224	15	1.74%
Real Estate and Rental and Leasing	5,172	16	1.73%	3,872	16	1.60%
Utilities	2,522	17	0.85%	2,444	17	1.01%
Management of Companies and Enterprises	1,782	18	0.60%	1,126	18	0.47%
Agriculture, Forestry, Fishing & Hunting	358	19	0.12%	204	19	0.08%
Mining	53	20	0.02%	98	20	0.04%
Unclassified	44	21	0.01%	78	21	0.03%
Totals	<u>298,364</u>		<u>100.0%</u>	<u>242,127</u>		<u>100.0%</u>

Source: Colorado Department of Labor

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities:										
Instruction:										
Teachers	619.99	597.11	641.91	652.10	667.54	680.14	637.24	660.42	632.25	596.96
Aides	171.45	140.05	153.92	161.18	164.53	186.69	128.88	137.33	116.30	99.73
Tutors	-	-	2.25	6.50	7.57	10.50	6.75	7.50	14.90	14.90
Speech Pathologists	10.50	14.50	11.63	10.64	10.64	13.80	11.06	9.00	6.90	6.90
Total Instruction	801.94	751.66	809.71	830.42	850.28	891.13	783.93	814.25	770.35	718.49
Supporting Services:										
Administrators	53.01	52.71	61.50	66.00	62.50	52.00	54.00	58.60	61.00	59.00
Athletic Directors	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Athletic Trainers	0.60	0.60	0.60	0.60	1.20	1.00	1.00	1.00	1.00	1.00
Nurses	5.00	2.00	4.00	3.00	5.00	7.50	5.00	4.23	5.75	5.75
Coordinators	32.60	29.93	24.92	40.43	46.42	34.40	28.50	23.00	20.00	20.00
Secretaries	57.44	56.44	66.06	63.00	70.88	70.75	68.55	71.25	65.75	64.75
Aides	5.58	9.76	7.00	4.68	2.88	1.23	1.00	1.80	-	-
Technicians	11.00	7.00	3.00	5.00	6.00	3.25	0.80	2.00	3.50	2.50
Teachers on Special Assignment	6.50	3.00	2.00	2.00	2.00	5.00	1.00	5.00	5.70	4.35
Counselors	29.74	25.73	26.50	28.50	31.00	28.50	39.40	29.00	29.00	29.00
Health Aides	13.88	13.63	17.12	14.30	16.00	21.46	16.69	16.68	16.63	16.63
Supervisors	1.00	-	-	-	-	-	-	-	1.00	1.00
Managers	5.00	6.00	-	-	-	-	3.20	4.60	2.00	1.00
Psychologists	13.00	12.00	9.60	11.00	13.00	15.00	12.00	10.50	12.00	5.40
Therapists	6.50	6.50	7.00	9.00	9.00	7.00	5.00	5.70	2.40	1.00
Audiologists	-	-	-	-	-	-	0.50	1.50	0.88	0.88
Social Workers	25.00	21.00	13.00	12.00	11.00	13.00	9.00	8.00	9.00	7.00
Library Technicians	13.31	13.13	14.31	16.56	17.31	18.06	17.45	16.76	12.38	12.38
Library Assistants	-	-	-	-	-	-	-	-	4.39	3.51
Total Supporting Services	281.16	260.43	258.61	278.07	296.19	280.15	265.09	261.62	254.38	237.15
Business Support Services:										
Administrators	4.00	4.00	6.00	7.00	5.00	3.00	3.00	2.20	2.50	2.50
Coordinators	-	1.00	1.00	1.00	1.00	3.10	2.00	2.00	2.00	1.00
Secretaries	3.00	4.00	4.00	4.00	3.50	4.00	3.00	4.00	6.00	4.50
Technicians	29.00	24.00	12.00	17.00	12.00	11.00	9.00	8.00	6.00	6.25
Supervisors	3.00	3.00	2.00	2.00	2.00	2.00	4.00	2.00	3.00	3.00
Managers	4.00	5.00	2.00	2.00	2.00	1.00	2.00	2.00	1.20	-
Custodians	89.00	89.00	81.00	76.00	72.00	87.00	80.00	92.00	90.00	90.00
Skilled Craftmen	14.00	12.00	11.00	12.00	15.00	17.00	6.00	6.00	6.00	6.00
Security Guards	12.00	12.00	14.50	12.00	14.00	17.50	13.00	15.76	15.76	15.51
Bus Drivers	36.44	31.19	34.62	40.38	45.63	54.44	38.00	31.00	28.50	27.50
Total Business Support Services	194.44	185.19	168.12	173.38	172.13	200.04	160.00	164.96	160.96	156.26
Central Support Services:										
Administrators	5.00	5.00	5.00	5.00	5.00	6.00	6.00	5.80	5.50	5.50
Coordinators	4.00	5.00	2.00	2.00	1.00	1.75	1.00	1.00	-	-
Secretaries	10.85	10.00	8.00	8.00	8.00	6.00	4.00	5.63	4.63	5.13
Assistants	2.00	2.00	1.00	2.00	1.00	1.00	3.00	4.00	4.00	4.00
Technicians	19.00	16.00	9.50	11.00	13.00	17.50	17.50	16.00	18.00	18.75
Managers	8.46	9.00	8.00	7.00	9.00	8.00	6.00	5.00	1.00	2.00
Total Central Support Services	49.31	47.00	33.50	35.00	37.00	40.25	37.50	37.43	33.13	35.38
Food Services:										
Secretaries	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Supervisors	3.00	3.00	1.00	1.00	1.00	2.00	1.00	1.00	1.00	1.00
Managers	19.75	15.43	17.16	20.38	19.18	19.94	18.94	20.00	19.80	19.69
Technicians	1.00	1.00	2.00	1.00	2.00	4.00	1.00	2.00	2.00	2.00
Assistants	36.38	26.42	30.06	33.94	37.44	42.26	42.56	52.18	43.19	43.19
Total Food Service	61.13	47.85	51.22	57.32	60.62	69.20	64.50	76.18	66.99	66.88
Total	1,387.98	1,292.13	1,321.16	1,374.17	1,416.22	1,480.77	1,311.02	1,354.44	1,285.81	1,214.16

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>
2023	12606	12544.5	13137.8	\$7,753	53.37%	9.44%	20.23
2022	13,001	12,981.0	13,138.0	\$7,492	51.58%	9.12%	21.74
2021	11,649	11,177.0	11,116.5	\$7,559	68.01%	5.84%	17.41
2020	12,089	11,543.0	11,576.5	\$8,264	65.71%	9.50%	17.70
2019	12,265	11,735.0	11,288.0	\$9,010	61.15%	12.06%	17.58
2018	12,319	11,771.0	11,361.5	\$14,641	62.72%	12.15%	16.70
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

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
SCHOOL BUILDING INFORMATION
LAST TEN YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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	56,186	56,186
Capacity	588	588	588	588	588	588	588	588	588	588	588	588
Enrollment	267	267	309	346	392	394	354	378	435	391	407	368
Centennial (1972)												
Square feet	57,670	57,670	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	651	651
Enrollment	343	343	367	439	515	526	527	564	560	571	512	486
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	41,872	41,872
Capacity	357	357	357	357	357	357	357	357	357	357	357	357
Enrollment	324	324	332	321	327	330	297	388	279	220	225	0
Giberson (1975)												
Square feet	59,245	59,245	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	651	651
Enrollment	325	325	352	385	420	384	376	405	444	397	345	344
Monterey (1969)												
Square feet	51,605	51,605	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	630	630
Enrollment	248	248	267	323	354	404	415	455	470	430	382	427
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	58,458	58,458
Capacity	567	567	567	567	567	567	567	567	567	567	567	567
Enrollment	190	190	212	208	236	255	291	342	325	320	316	328
Otero (1987)												
Square feet	55,500	55,500	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	567	567
Enrollment	283	283	283	317	337	345	365	380	405	353	442	443
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	51,135	51,135
Capacity	525	525	525	525	525	525	525	525	525	525	525	525
Enrollment	307	307	327	355	343	392	433	506	452	450	447	443
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	47,800	47,800
Capacity	546	546	546	546	546	546	546	546	546	546	546	546
Enrollment	213	213	197	188	218	233	264	312	302	296	299	322
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	56,893	56,893
Capacity	630	630	630	630	630	630	630	630	630	630	630	630
Enrollment	355	355	305	356	372	359	346	394	398	390	416	420

Source: School District Records

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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	55,500	55,500
Capacity	588	588	588	588	588	588	588	588	588	588	588	588
Enrollment	196	196	218	254	235	262	275	437	335	354	344	313
Wildflower (1983)												
Square feet	55,500	55,500	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	609	609
Enrollment	411	411	400	458	464	465	484	476	530	527	441	402
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	89,000	89,000
Capacity	693	693	693	693	693	693	693	693	693	693	693	693
Enrollment	576	576	548	550	587	621	616	610	561	554	484	645
Sand Creek (1996)												
Square feet	91,785	91,785	91,785	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128
Capacity	750	750	750	609	609	609	609	609	609	609	609	609
Enrollment	590	590	571	505	468	485	522	505	519	529	569	555
Carmel (2021)												
Square feet	100,405	100,405	100,405	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737
Capacity	600	600	600	840	840	840	840	840	840	840	840	840
Enrollment	331	331	311	346	369	368	400	445	396	415	407	427
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	58,104	58,104
Capacity	630	630	630	630	630	630	630	630	630	630	630	630
Enrollment	538	538	546	559	554	562	541	556	570	585	559	594
Middle												
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	131,015	131,015
Capacity	945	945	945	945	945	945	945	945	945	945	945	945
Enrollment	499	499	573	583	638	640	603	585	518	532	522	525
Panorama (1973)												
Square feet	139,527	139,527	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	1,260	1,260
Enrollment	469	469	562	619	610	538	486	488	545	493	493	518
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	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	1,533	1,533
Enrollment	1,129	1,129	1,108	1,075	1,049	995	965	965	905	815	840	856
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	4,000	4,000
Capacity	150	150	150	150	150	150	150	150	150	150	150	150
Enrollment	0	0	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	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	1,470	1,470
Enrollment	987	987	858	913	875	785	873	928	921	865	872	861
Other												
Gorman Education Center (1959) sold January 2013												
Square feet	0	0	0	0	0	0	0	0	0	0	0	99,250
Capacity	0	0	0	0	0	0	0	0	0	0	0	483
Enrollment	0	0	0	0	0	0	0	0	0	0	0	93

Source: School District Records

Total	8,581	8,581	8,646	9,100	9,363	9,343	9,433	10,119	9,870			
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EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
TEACHER SALARY INFORMATION BY FTE
FISCAL YEAR ENDING JUNE 30, 2023

<u>Step</u>	<u>Level</u>	<u>Salary</u>	<u>Teacher FTE</u>
1	BA	\$44,023	232.4
2	BA +12	\$44,904	40.9
3	BA +24	\$45,802	29.4
4	BA +36	\$46,718	20.5
5	BA +48	\$47,652	20.0
6	EdD/PhD	\$48,605	5.0
7	EdS/MA +36	\$49,577	9.0
8	MA	\$50,569	150.5
9	MA +12	\$51,580	43.1
10	MA +24	\$52,612	24.0
11	MA +48	\$53,664	4.0
12	MA +60	\$54,738	3.5
			<hr/> 582.2

Source: School District Records

COMPLIANCE SECTION

SINGLE AUDIT

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*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic 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 (the "District") as of and for the year ended June 30, 2023 and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2023. Our report includes a reference to other auditors who audited the financial statements of Atlas Preparatory School, Inc. and James Irwin Charter Schools as of and for the year ended June 30, 2023, as described in our report on El Paso County School District No. 2 - Harrison's financial statements. The financial statements of Atlas Preparatory School, Inc. and James Irwin Charter Schools as of and for the year ended June 30, 2023 were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Atlas Preparatory School, Inc. and James Irwin Charter Schools or that are reported on separately by those auditors who audited the financial statements of Atlas Preparatory School, Inc. and James Irwin Charter Schools.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2023-001, 2023-002, 2023-003, and 2023-004, that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The District's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 6, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited El Paso County School District No. 2 - Harrison's (the "District") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2023-005 to be a material weakness.

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 of those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on it.

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.

Plante & Moran, PLLC

December 6, 2023

El Paso County School District No. 2 - Harrison
Schedule of Expenditures of Federal Awards

			Year Ended June 30, 2023
Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
Direct Programs:			
U.S. Department of Defense - Reserve Officer Training Corps (ROTC)	9001	12.001	\$ 60,270
U.S. Department of Education - Impact Aid	4041	84.041	179,662
Total Direct Programs			239,932
Clusters:			
Child Nutrition Cluster - U.S. Department of Agriculture:			
Passed through the State of Colorado Department of Education:			
School Breakfast Program	4553, 5553	10.553	783,376
National School Lunch Program	4555, 5555, 6555	10.555	3,314,916
Summer Food Service Program for Children	4559	10.559	49,908
Passed through the State of Colorado Department of Human Services - National School Lunch Program - Commodities and Entitlements	4555	10.555	431,955
Total Child Nutrition Cluster			4,580,155
Special Education Cluster - U.S. Department of Education -			
Passed through the State of Colorado Department of Education:			
Special Education (IDEA, Part B)	4027	84.027	2,305,369
COVID-19 Special Education ARPA Grants to States (IDEA, Part B)	6027	84.027X	202,433
Special Education (IDEA Preschool)	4173	84.173	107,243
COVID-19 Special Education & ARPA Preschool Grants (IDEA Preschool)	6173	84.173X	25,097
Total Special Education Cluster			2,640,142
Forest Service Schools and Roads Cluster - U.S. Department of Agriculture -			
Passed through El Paso County, Colorado -			
Schools and Roads - Grant to States (National Forest Land Payments)	7665	10.665	1,936
Total clusters			7,222,233
Other federal awards:			
U.S. Department of Health and Human Services -			
Passed through Colorado Department of Education -			
COVID-19 Cooperative Agreement for Emergency Response School Nurse Workforce	7354	93.354	97,281
U.S. Department of the Treasury:			
Passed through the State of Colorado Department of Education -			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (AELA - Adult Education and Literacy Act)	9019	21.027	136,062
Passed through the State of Colorado Department of Education -			
COVID-19 Pandemic EBT Administrative Costs	4649	10.649	5,950
U.S. Department of Education:			
Passed through the Colorado Community College System -			
Career and Technical Education (Perkins Grant)	4048	84.048	143,530
Passed through the State of Colorado Department of Education:			
Title I, Grants to Local Educational Agencies	4010, 6010, 7010, 9206, 9202, 9205, 9211	84.010	4,076,710
Title II, Part A, Supporting Effective Instruction State Grants	4367	84.367A	475,558
Title III, Part A, English Language Acquisition Language Grants	4365, 7365	84.365A	115,411
Title IV, Part A, Student Support & Academic Enrichment Grants	4421, 4422, 4424	84.424A	59,515
Total Title Grants			4,727,194
COVID-19 ARP - Homeless Children and Youth (ARP-HCY II)	8426	84.425W	80,247
Public Charter School Grant	5282	84.242A	245,634
Comprehensive Literacy Development	5371	84.371	350,255
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II Program)	4419, 4420, 4437	84.425D	5,625,281
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III Program)	4414, 9414, 4418, 9418, 4430, 4431, 4449, 4438	84.425U	13,113,848
Total ESSER Programs			18,739,129
Total noncluster programs			24,525,282
Total federal awards			\$ 31,987,447

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of El Paso County School District No. 2 - Harrison (the "District") under programs of the federal government for the year ended June 30, 2023. The information in the 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* (the "Uniform Guidance"). El Paso County School District No. 2 - Harrison budgeted approximately \$11,200,000 of federal funds for the 2023-2023 fiscal year to component units, but actual component expenditures of approximately \$4,300,000 are reported in the schedule of expenditures of federal awards for the year ended June 30, 2023, as those were expenditures incurred by the component units during the year. The remaining amounts will be reported on the District's SEFA in the subsequent year when expended by the component units. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same 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 and frequently asked questions as outlined in the Compliance Supplement. 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. The pass-through entity identifying numbers are presented where available, and no subrecipient payments were identified at June 30, 2023.

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

Note 3 - Noncash Assistance

The value of the noncash assistance, commodities donated to the District by the U.S. Department of Agriculture (USDA), was determined in accordance with the provisions of the Uniform Guidance and is reported on the schedule of expenditures of federal awards.

Schedule of Findings and Questioned Costs

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted?

 Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

 X Yes No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
84.425U, 84.425D 84.010	Education Stabilization Fund Title I	Unmodified Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$959,623

Auditee qualified as low-risk auditee?

 X Yes No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p>Finding Type - Material weakness</p> <p>Criteria - The District's internal control structure should allow for and the finance department should ensure that accounting data is properly calculated and reported in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the State of Colorado School Accounting Manual on a timely basis, in the normal course operations.</p> <p>Condition - The District's books and records for the 2023 fiscal year were not reconciled and closed in a timely manner. As a result, closing procedures took place throughout the duration of the audit, and several balances were identified as part of the audit process to be improperly recorded or not recorded at all. Several adjustments and reclassifications to the District's general ledger were discussed with and recorded by management during our audit process to reflect the appropriate balances. Similar conditions existed at the year ended June 30, 2022 (2022-001 and 2022-002).</p> <p>Context - Adjustments and reclassifications that were identified during the audit as a result of audit procedures impacted revenue, expenditures, assets, liabilities, and the proprietary and fiduciary funds within the District's governmental and government-wide funds. These adjustments and reclassifications were corrected by management and are reflected in the District's June 30, 2023 financial statements. The items listed below were the significant items identified during the audit process:</p> <ul style="list-style-type: none">• Accounts payable cutoff procedures were not in place to record liabilities in the appropriate period.• Capital assets were not reconciled.• A fiduciary fund was initially reported in the financial statements that should not have been.• Interfund entries were not properly recorded.• Arbitrage calculations were not performed in accordance with Internal Revenue Code and U.S. Treasury regulations and to determine whether a government-wide arbitrage liability existed for reporting purposes.• Leases and IT-based subscriptions were not analyzed for appropriate recording on the government-wide and fund-level statements.• Federal and state revenue was not reconciled or properly deferred (see Finding 2023-003).• An unsupported compensated absences balance at the fund level was initially recorded.• The District was not able to provide a balanced general ledger detail for the period under audit.

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-001 (cont.)	<p>Cause - Due to lack of supervision, training, resources, and time capacity within the business office, the District did not have the proper controls, processes, or personnel resources in place to analyze, adjust, or independently review account balances prior to the commencement of the audit. Based on the nature of the errors identified, it was determined that the director of finance did not have the appropriate skill, knowledge, or resources to oversee the department and to ensure that the financial statements were materially stated in accordance with U.S. GAAP.</p> <p>Effect - The District's books were not closed prior to the audit, and material adjustments were proposed by the auditors in order for the financial statements to be reported materially in compliance with U.S. GAAP.</p> <p>Recommendation - We recommend that the District review its business office personnel and accounting procedures to make certain that it has allocated the necessary time, resources, and supervision to ensure that all government-wide and fund-level balance sheet and income statement account reconciliations are completed accurately and timely during the closing process, prior to the commencement of the annual audit. The District should ensure that the individuals in the business office involved in these activities have the appropriate skill and knowledge to perform their job responsibilities.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Harrison School District 2 finance department has experienced turnover in key positions in 2022-2023 and into 2023-2024. The district accounting manager, who began in January 2023 to replace the retiring accounting manager, resigned in September 2023. As a result, other newly onboarded finance department staff have been assisting as ability allows. The District is undergoing a review of the finance department staffing levels to ensure the requisite knowledge and experience for positions are held.</p>

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-002	<p>Finding Type - Material weakness</p> <p>Criteria - Preparation of the bank reconciliation is an integral component of the District's internal control structure. Bank reconciliations should be accurately prepared and reviewed, on a monthly basis.</p> <p>Condition - The bank reconciliation for the District's primary operating account was not reconciled timely at year end. Furthermore, the auditors identified errors in the bank reconciliation that were not identified by the reviewer.</p> <p>Context - The June 2023 primary bank reconciliation was not delivered to the audit team until October 2023. Upon audit, it was determined that the accounts were not appropriately reconciled.</p> <p>Cause - Due to the District's lack of supervision, training, resources, and time capacity within the business office of the District, the bank reconciliation was not accurately prepared and reviewed properly at June 30, 2023.</p> <p>Effect - Timely and accurate information on general ledger cash balances was not available at year end due to the improper reconciliation of the bank account. In addition, the District posted several adjusting and reclassifying journal entries during the audit to correct for differences between the bank statement and the general ledger balance at June 30, 2023.</p> <p>Recommendation - We recommend that the business office review the bank reconciliation process to ensure accurate preparation and proper review of bank reconciliations, as well as verification of the validity of the reconciling items and the identification and proper resolution of all outstanding items.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The District was able to hire a new accounting manager who began with the District in November 2023. This individual maintains both a bachelor's and a master's degree in accounting, in addition to holding an active CPA license in the State of Colorado. The new accounting manager will be working with finance staff to ensure that all bank reconciliations are completed in the appropriate timely basis. In addition, a review of any outstanding reconciling items will be identified, researched, and resolved monthly as evidenced by a documented report out from the director of finance.</p>

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-003	<p>Finding Type - Material weakness</p> <p>Criteria - Appropriate reporting and internal controls surrounding the pupil count process and submission of the information to the Colorado Department of Education (CDE) are required to ensure that the correct amount of state funding is provided to the District.</p> <p>Condition - The District did not have the proper internal controls in place to report the October 2022 pupil count to the CDE.</p> <p>Context - During the school year, the October 2022 pupil count was improperly reported to the CDE.</p> <p>Cause - Internal controls related to the input process and submission of the pupil count did not operate effectively.</p> <p>Effect - The District is currently undergoing a state pupil count audit for fiscal years 2019-2023. The results of the audit could result in the District being owed additional funds from the State or the District owing the State for excess funds received. The District has not recorded a loss accrual as it does not believe that any negative adjustments will be identified as a result of the audit. In the event that any positive adjustments are identified, the District will not recognize the additional revenue until the fiscal year in which the audit adjustments are finalized by the State.</p> <p>Recommendation - We recommend that internal controls related to the reporting and submission of the pupil count be implemented by the District.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The District made changes in personnel effective January 2023 regarding the duties of the October pupil count process. In addition, the appropriate checks and balances and follow-up procedures have been put in place effective on July 1, 2023.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-004	<p>Finding Type - Material weakness</p> <p>Criteria - The District's internal control structure should ensure that accounting data is properly calculated and reported in accordance with accounting principles generally accepted in the United States of America.</p> <p>As described in Section 200.510(b) and Section 500.508(b) of Title 2, Subtitle A, Chapter II, Part 200, Subpart F, auditees must complete the schedule of expenditures of federal awards (SEFA) and include assistance listing numbers provided in federal awards/subawards and associated expenditures.</p> <p>Condition - The District's general ledger contained several material errors within accounts receivable, revenue, and deferred inflows of resources accounts. Several adjustments were discussed with and recorded by management during our audit process to adjust the District's general ledger to the appropriate balances.</p> <p>These adjustments impacted several components of the SEFA. Material corrections were proposed by the auditor in order to properly state the SEFA.</p> <p>Context - The SEFA was not materially stated upon our initial audit of the schedule.</p> <p>Cause - The District did not have an individual with the appropriate skill and knowledge in place to properly reconcile and record accounts receivable, revenue, and deferred inflows of resources or ensure that the SEFA was accurately prepared and reviewed. These responsibilities are ultimately that of the finance director.</p> <p>Effect - Expenditures were overstated by approximately \$650,000 primarily due to overspending within the grant and recording expenditures but not submitting a request for funds (RFF). Expenditures were also understated by approximately \$200,000 across various grants. The District's general ledger related to federal revenue and expenditures did not equal but should have given that the programs are all reimbursement based. This resulted in revenue being overstated in various grants by approximately \$620,000 and understated in other grants by approximately \$440,000. Additionally, there was approximately \$1,500,000 of reclass entries identified between grants. A final adjustment was identified of approximately \$775,000 related to deferred inflows of resources for grant revenue that was collected more than 120 days after the end of the current fiscal period. These items were corrected by management during the audit process and the SEFA and supporting records were updated to reflect all identified entries.</p> <p>Recommendation - We recommend that the business office implement proper cutoff procedures to ensure that all accounts receivable, deferred unearned revenue, and deferred inflows of resources balances are properly recorded and reconciled. In addition, the District should review its grant management controls and implement procedures to ensure that the SEFA is complete and accurate and is reviewed as part of the year-end closing process.</p>

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-004 (cont.)	Views of Responsible Officials and Planned Corrective Actions - This finding was due to the District having turnover in multiple key personnel prior to and during the financial audit, as well as non-adherence to policies and procedures related to grant records, grant accounting, and year-end close process. The District will perform periodic grant reconciliations throughout the fiscal year between grant records and the general ledger. The District will ensure related policies and procedures are updated, staff trained, and documented evidence is maintained. The District's staff will systematically review ledger balances to ensure the adjustments are made timely and accurately, in accordance with the District's accounting policies and procedures, and the director of finance will document review of the ledger, adjustments, and SEFA as part of the year-end close process.

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
2023-005	<p>Assistance Listing Number, Federal Agency, and Program Name - 84.010 Title 1 Grants to Local Educational Agencies</p> <p>Federal Award Identification Number and Year - S010A220006 2022/2023</p> <p>Pass-through Entity - Colorado Department of Education</p> <p>Finding Type - Material weakness</p> <p>Repeat Finding - No</p> <p>Criteria - Secondary reviews and approval processes surrounding Title I cash management reporting and the request for reimbursement submitted to drawdown funds for this grant are a vital part of internal control that reduce the risk of administrative errors and inaccuracy of reporting Title I expenditures.</p> <p>Condition - During the testing of internal controls surrounding the Title I program reporting, it was identified that review of Title 1 expenditures, final expenditure reporting, and reimbursement requests was not properly taking place.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - The District is required to submit reimbursement requests to the Colorado Department of Education for Title I expenditures. In addition, once grants are fully spent, the District is required to complete final expenditure reports. These requests are how the District spends down Title I funds that are allocated to the District from the Colorado Department of Education. The District did not perform sufficient or document review over the reimbursement requests and final expenditure reports.</p> <p>Cause and Effect - Due to the lack overall review of reimbursement requests and final expenditure reports, the District had recorded approximately \$343,000 in indirect costs in the general ledger related to Title I funds that was never submitted to the State for reimbursement. These costs were ultimately reclassified out of Title 1 in the general ledger as management determined not to resubmit the request for reimbursement for the year ended June 30, 2023.</p> <p>Recommendation - The District should implement procedures to review and document the approval of the reimbursement requests, as well as the final expenditure reports, to ensure accuracy of amounts requested for the grants are in accordance with the general ledger and budgeted amounts.</p>	None

El Paso County School District No. 2 - Harrison

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding	Questioned Costs
2023-005 (cont.)	Views of Responsible Officials and Corrective Action Plan - While the District performs a secondary review on an AFR before submission, the District is lacking the documentation that such secondary review occurred. The District will be putting into place official documentation that a secondary review has occurred and is appropriately reviewed and signed off by the director of finance.	



EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON

June 30, 2023

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:

2022-001

Fiscal Year in Which the Finding Initially Occurred:

2022

Federal Program, Assistance Listing Number and Name:

N/A

Original Finding Description:

We noted significant transaction classes that included activities that were incomplete and were not reconciled to supporting schedules at or near year-end, including charter school account reconciliations, grant reconciliations, and capital asset schedules.

Status/Partial Corrective Action (as applicable):

Finding is not corrected and is finding 2023-001 in the June 30, 2023 audit.

Planned Corrective Action:

The Harrison School District Two Finance Department has experienced turnover in staffing during 2022-2023. The District Accounting Manager that began in January 2023, to replace the retiring Accounting Manager, resigned in September 2023. As a result, other newly onboarded Finance Department staff have been assisting as ability allows. The District is undergoing a review of the District Finance Department staffing levels to ensure the appropriateness of positions and separation of fiscal duties is prioritized and addressed.

Prior Year Finding Number:

2022-002

Fiscal Year in Which the Finding Initially Occurred:

2022

Federal Program, Assistance Listing Number and Name:

N/A

Original Finding Description:

Current year additions to and deletions from the capital asset subledger were incomplete and the district finance staff was unable to provide a complete listing until more than five months after year-end. The finance staff was unable to generate a detailed schedule of capital assets.

Status/Partial Corrective Action (as applicable):

Finding is not corrected and is finding 2023-001 in the June 30,2023 audit.

Planned Corrective Action:

The District engaged in a thorough review and process update on capital assets with an external CPA firm during October and November 2023. This capital assets review and process project has been completed and submitted for the FY 2022-2023 independent annual financial audit. With guidance and expertise from the external CPA firm, the capital asset process has been communicated to the District Finance team in moving forward to ensure capital assets are regularly reviewed and updated.



El Paso County School District No. 2 - Harrison

June 30, 2023

Corrective Action Plan

Finding Number: 2023-001

Condition: The School District's books and records for the 2023 fiscal year were not reconciled and closed in a timely manner. As a result, closing procedures took place throughout the duration of the audit, and several balances were identified as part of the audit process to be improperly recorded or not recorded at all. Several adjustments and reclassifications to the School District's general ledger were discussed with and recorded by management during our audit process to reflect the appropriate balances. Similar conditions existed at the year ended June 30, 2022 (2022- 001 and 2022-002).

Planned Corrective Action: The Harrison School District Two Finance Department has experienced turnover in key positions in 2022-2023 and into 2023-2024. The District Accounting Manager, that began in January 2023 to replace the retiring Accounting Manager, resigned in September 2023. As a result, other newly onboarded Finance Department staff have been assisting as ability allows. The District is undergoing a review of the District Finance Department staffing levels to ensure the requisite knowledge and experience for positions is held. In addition, due to the challenging accounting / financial staffing market, the District is struggling to attract and recruit qualified candidates and is currently working with a financial recruiter.

Contact person responsible for corrective action: Shelley Becker, CFO

Anticipated Completion Date: February 1, 2024

Finding Number: 2023-002

Condition: The bank reconciliation for the School District's primary operating account was not reconciled timely at year end. Furthermore, the auditors identified errors in the bank reconciliation that were not identified by the reviewer.

Planned Corrective Action: The District was able to hire a new Accounting Manager that began with the District November 2023. This individual maintains both a bachelor's and a master's degree in accounting, in addition to holding an active CPA license in the State of Colorado. The new Accounting Manager will be working with finance staff to ensure that all bank reconciliations are completed in the appropriate timely basis. In addition, a review of any outstanding reconciling items will be identified, researched, and resolved monthly as evidenced by a documented report out from the Director of Finance.

Contact person responsible for corrective action: Shelley Becker, CFO

Anticipated Completion Date: January 1, 2024

Finding Number: 2023-003

Condition: The School District did not have the proper internal controls in place to report the October 2022 pupil count to the CDE.

Planned Corrective Action: The District made changes in personnel effective January 2023 regarding the duties of the October Pupil Count process. In addition, the appropriate checks and balances and follow-up procedures have been put in place effective July 1, 2023.

Contact person responsible for corrective action: Michael Claudio, Assistant Superintendent of Personnel and Support Services

Anticipated Completion Date: July 1, 2023

Finding Number: 2023-004

Condition: The School District's general ledger contained several material errors within accounts receivable, revenue, and deferred inflows of resources accounts. Several adjustments were discussed with and recorded by management during our audit process to adjust the School District's general ledger to the appropriate balances.

These adjustments impacted several components of the SEFA. Material corrections were proposed by the auditor in order properly state the SEFA.

Planned Corrective Action: Due to the loss of District Finance staff, the District engaged with an external CPA firm during October and November 2023 to review and process the SEFA and general ledger balances. This process has been completed and submitted for the FY 2022-2023 independent annual financial audit. With guidance and expertise from the external CPA firm, this process has been discussed and communicated to the current District Finance team moving forward to ensure the SEFA is accurate and promptly completed. In addition, the SEFA will be reviewed by the Director of Finance as part of the year end closing process and provide a documented report out of such review.

Contact person responsible for corrective action: Shelley Becker, CFO

Anticipated Completion Date: December 1, 2023

Finding Number: 2023-005

Condition: During the testing of internal controls surrounding the Title I program reporting, it was identified that review of Title 1 expenditures, final expenditure reporting and reimbursement requests was not properly taking place.

Planned Corrective Action: While the District performs a secondary review on an AFR before submission, the District is lacking the documentation that such secondary review occurred. The District will be putting into place official documentation that a secondary review has occurred and is appropriately reviewed and signed off on by the Director of Finance.

Contact person responsible for corrective action: Shelley Becker, CFO

Anticipated Completion Date: January 1, 2024



Colorado Department of Education
Auditors Integrity Report
District: 0980 - Harrison 2
Fiscal Year 2022-23
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	32,526,273	103,831,354	102,701,376	33,656,250
18 Risk Mgmt Sub-Fund of General Fund	165,040	2,074,589	2,052,808	186,822
19 Colorado Preschool Program Fund	-80,687	2,401,585	2,228,608	92,290
Sub- Total	32,610,626	108,307,528	106,982,792	33,935,362
11 Charter School Fund	33,382,632	100,526,251	70,475,156	63,433,727
20,26-29 Special Revenue Fund	0	4,070,249	4,070,249	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	3,500,507	4,908,893	4,600,969	3,808,431
22 Govt Designated-Purpose Grants Fund	0	26,841,853	26,841,853	0
23 Pupil Activity Special Revenue Fund	515,740	429,128	473,863	471,004
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	10,854,580	14,681,406	14,492,364	11,043,622
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	78,673,947	1,535,927	43,118,118	37,091,756
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,484,454	1,150,010	1,282,351	1,352,113
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	161,022,487	262,451,244	272,337,715	151,136,015
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	229,168	-363,579	-134,411	0
Totals	229,168	-363,579	-134,411	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL



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

**1060 Harrison Road
Colorado Springs, Colorado 80905**

December 2023