

**PEYTON SCHOOL DISTRICT 23JT
PEYTON, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2019**

PEYTON SCHOOL DISTRICT 23JT

PEYTON, COLORADO

ROSTER OF SCHOOL OFFICIALS

JUNE 30, 2019

BOARD OF EDUCATION

Jim Frohbieter - President

Bart Hanks - Vice President

Tracy Lee - Secretary

Jim Eckelberry - Treasurer

Julie Mannering - Director

ADMINISTRATIVE STAFF

Tim Kistler - Superintendent

Melissa Kirchner - Business Manager

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information - Unaudited)

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2019

The discussion and analysis of Peyton School District 23JT’s (the “District”) financial performance provides an overall review of the district’s financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District’s financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District’s financial performance.

Financial Highlights

The district’s budget continues to remain fairly constant. Any increases in revenue are generally used to offset the cost of salary and benefits for additional staff and/or programs. The District continues to maintain a sound fund balance in the General Fund. The District budgets sufficient contingencies greater than required by law to cover any unanticipated operational needs. Overall District net position increased \$2,071,504 to (\$9,684,747). General Fund equity decreased \$194,063 to \$1,619,948.

Using the Basic Financial Statements

The basic financial statements consist of the Management’s Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the District’s overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District’s operations in more detail. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the District as a Whole

The District’s total net position was (\$9,684,747) as of June 30, 2019.

The District’s Governmental net position increased by \$2,071,504 from 2018-2019. This is primarily due to the change in the Long-Term Pension (PERA) and OPEB related costs. The district’s liabilities for governmental activities, including long term debt and net pension liability, exceeds assets, including capital assets (land, buildings, and equipment), in fiscal year 2018-2019 by \$9,684,747 (deficit net position). The deficit is a result of the Governmental Accounting Standards Board (GASB) Statement 68 which requires all entities contributing to the Public Employees Retirement Association (PERA) to record their share of the net liability on the Statement of Net Position beginning the 2014-2015 fiscal year. More information on GASB Statement 68 can be found in the notes to the financial statements.

The remaining statements are Fund Financial Statements that focus on individual parts of the District's operations in more detail. The Governmental Fund statements tell how general District services were financed in the short term as well as what remains for future spending.

Fiduciary Fund Statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others whom the resources in question belong.

The District's total net position was (\$9,684,747) as of June 30, 2019. The District has a negative unrestricted net position of (\$16,631,889) this is a result of the inclusion of the PERA liability of \$11,364,471 and OPEB liability of \$567,586 as described in the Notes to the Financial Statements.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private businesses. The statements of net position include all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. The change in net position is important because it tells the reader that for the School District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and required educational programs.

In the Statement of Net position and the Statement of Activities, the District is divided into two distinct kinds of activities:

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation and extracurricular activities.

Most of the district's net position is invested in capital assets (buildings, land, and equipment). The remaining net position is a combination of restricted and unrestricted amounts. The restricted balances are primarily amounts legally restricted for TABOR emergencies, debt repayment and capital construction.

A condensed summary of the Districts Net position is as follows:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 4,122,909	\$ 3,853,028
Capital Assets	7,050,060	6,941,618
Total Assets	<u>11,172,969</u>	<u>10,794,646</u>
Deferred Outflows of Financial Resources	<u>4,869,614</u>	<u>7,603,123</u>
Current Liabilities	1,106,308	931,113
Long-Term Liabilities	<u>14,533,338</u>	<u>27,261,885</u>
Total Liabilities	<u>15,639,646</u>	<u>28,192,998</u>
Deferred Inflows of Financial Resources	<u>10,087,684</u>	<u>1,961,022</u>
Net Investment in Capital Assets	5,322,704	5,146,273
Restricted Net Position	1,624,438	1,549,341
Unrestricted Net Position	<u>(16,631,889)</u>	<u>(18,451,865)</u>
Total Net Position (Deficit)	<u>\$ (9,684,747)</u>	<u>\$ (11,756,251)</u>

The District's Governmental net position increased by \$2,071,504 from 2018 to 2019. The largest changes were described above. The Special Revenue net position reflects a decrease of \$12,578 from 2018 to 2019.

A condensed summary of the District's Statement of Activities:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Program Revenues:		
Charges for Services	\$ 338,567	\$ 322,546
Operating Grants	858,015	843,510
Capital Grants	<u>122,617</u>	<u>-</u>
Total Program Revenues	<u>1,319,199</u>	<u>1,166,056</u>
General Revenues:		
Taxes	1,479,950	1,466,134
State Equalization	4,299,711	4,277,211
Investment Income	68,650	42,513
Gain (Loss) on Capital Asset Disposals	400	300
Insurance Proceeds	22,416	36,648
Miscellaneous	<u>45,338</u>	<u>61,798</u>
Total General Revenues	<u>5,916,465</u>	<u>5,884,604</u>
Total Revenues	<u>7,235,664</u>	<u>7,050,660</u>
Expenses		
Instruction	2,903,325	6,371,729
Supporting Services	2,494,894	5,243,298
Debt Service Interest	<u>33,239</u>	<u>107,645</u>
Total Expenses	<u>5,431,458</u>	<u>11,722,672</u>
Change in Net Position	<u>1,804,206</u>	<u>(4,672,012)</u>
Net Position - Beginning	(11,756,251)	(6,539,745)
Prior Period Restatement	<u>267,298</u>	<u>(544,494)</u>
Net Position - Beginning (As Restated)	(11,488,953)	(7,084,239)
Net Position (Deficit) - Ending	<u>\$ (9,684,747)</u>	<u>\$ (11,756,251)</u>

Reporting the District's Most Significant Funds

The analysis of the District's major funds begins on page 6. Fund financial reports provide detailed information about the District's major funds. The District's major funds are the General, Capital Reserve, Bond Redemption, Building Funds.

Governmental Funds. Most of District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The District's governmental funds consist of the General, Capital Reserve, Bond Redemption, and Building Funds. The General Fund accounts for the majority of the District's instruction and support operations. The Capital Reserve Fund account for the District's statutorily required allocation of per pupil funding for capital needs. The Bond Redemption Fund accounts for the repayment of the District's bonded debt, and the Building Fund will accumulate costs related to the District's debt financed construction.

Special Revenue Funds. The Special Revenue Fund (the food service operation) accounts for the District's food service program.

Fiduciary Funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District's fiduciary fund is the Pupil Activity Agency Fund. The Pupil Activity Agency Fund accounts for student funded activities.

Fund Financial Statements

As of June 30, 2019, the District's governmental funds reported a combined fund balance of \$3,016,601 which is an increase of \$95,834 from the June 30, 2018 balance. The following is additional information by fund which contributed to the change.

General Fund equity decreased \$194,053 from 2018 to 2019. Overall revenues decreased by \$28,618 from the prior year while expenditures increased by \$472,203.

Capital Reserve Capital Project Fund equity increased by \$381,386 from 2018 to 2019. This was due to the financing of the LED Project.

Bond Redemption Fund equity decreased by \$78,921.

Capital Assets

As of June 30, 2019 the District had \$7,050,060 invested in a broad range of capital assets, including buildings and improvements, transportation and other equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$108,442 from last year. A summary of the District's Capital Assets is as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
GOVERNMENTAL ACTIVITIES:				
Capital Assets:				
Construction in Progress	\$ -	\$ 229,940	\$ -	\$ 229,940
Buildings	12,426,169	178,970	-	12,605,139
Equipment	66,235	-	-	66,235
Food Service Equipment	20,211	-	-	20,211
Transportation Equipment	1,212,749	-	-	1,212,749
Total Capital Assets	13,725,364	408,910	-	14,134,274
Less: Accumulated Depreciation				
Buildings	(6,112,674)	(239,498)	-	(6,352,172)
Equipment	(25,465)	(5,012)	-	(30,477)
Food Service Equipment	(20,211)	-	-	(20,211)
Transportation Equipment	(625,396)	(55,958)	-	(681,354)
Total Accumulated Depreciation	(6,783,746)	(300,468)	-	(7,084,214)
Net Capital Assets	\$ 6,941,618	\$ 108,442	\$ -	\$ 7,050,060

Debt Administration

As of June 30, 2019 the District had total outstanding long-term obligations as follows:

	Balance 6/30/2018	Advances	Payments	Balance 6/30/2019	Current Portion	Accrued Interest
General Obligation Bonds:						
Series 2011	\$ 1,635,000	\$ -	\$ 245,000	\$ 1,390,000	\$ 255,000	\$ 2,279
Certificates of Participation:						
Series 2017	685,000	-	40,000	645,000	40,000	1,614
Capital Leases	160,345	212,361	35,350	337,356	59,872	2,556
PERA Pension Liability	23,928,238	(12,563,767)	-	11,364,471	-	-
OPEB Liability	546,419	-	-	567,586	-	-
Compensated Absences	109,052	(25,708)	25,708	83,344	-	-
Total Long-Term Obligations	\$ 27,064,054	\$ (12,377,114)	\$ 346,058	\$ 14,387,757	\$ 354,872	\$ 6,449
Unamortized Bond Premiums	\$ 197,831	\$ -	\$ 58,699	\$ 139,132	\$ 48,997	

Additional information related to the District's debt can be found in Note 7 to the financial statements.

General Fund Budget

The Board of Education adopts the District's budget in June of each year. Changes are then made in October when student enrollment is finalized. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received. The majority of changes to the General Fund budget are in the area of salary and benefits due to staff changes. Program funding is based upon student enrollment on October 1st of each year. This per pupil funding is a combination of Property Tax, State Equalization and Specific Ownership Tax.

General Fund revenues were \$388,284 less than the amount budgeted, with the main differences related to the PERA On Behalf Payments and Deferred Grant Revenue.

The Future of the District

Factors that will affect next year's budget will be the state mandated budget stabilization factor, fluctuating student enrollment and enrollment in our Career Technical Education Facility. While the economy is improving, the monies coming from the State are decreasing. Since 2011, the budget stabilization factor has taken over 6 million dollars from potential revenues to Peyton School District. In 2019, Peyton School District's portion of the state budget was decreased by over \$525,764. The Peyton Woods Manufacturing, Automotive and Hybrid Online School continue to expand and continue to attract students from area schools. By charging out of district students a portion of their home districts per pupil revenue, it helps the programs to become more self-sufficient. Our partnership with the Charter School was a drain on the budget; however, we were able to negotiate a separation from the group, so all the negative affects should be over at the end of the 2017-2018 school year. The Peyton School District has partnered with Widefield School District in opening a 46,000 square foot facility to house the National Woods Manufacturing Center. This facility houses over \$3,000,000 of high end CNC technology and other woods machinery, which was donated by Industry. High school students are being educated at the facility, while college, military and adults started classes 2018. The student count projection for the 2019-2020 school year was estimated to be the same as the previous year, so there won't be too many changes to the budget. Our primary grades are showing significant decrease in numbers so we are currently looking into combination classes and single class situations. Economically, our district is not projecting any growth. While homes have been selling in our area, it seems that families are not moving into Peyton.

Requests for Information

This financial report is designed to provide a general overview of the Peyton School District 23JT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 13990 Bradshaw Road, Peyton, Colorado 80831-9003.

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Education
Peyton School District 23JT
Peyton, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Peyton School District 23JT, Colorado, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Peyton School District 23JT, Colorado, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, the 2018 financial statements have been restated to reflect the inclusion of deferred outflows and inflows in the net proportion change for the PERA pension plan as well as restatements of beginning receivables and payables. These restatements impacted the governmental activities and Capital Reserve Projects Fund. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Peyton School District 23JT's 2018 financial statements, and we expressed a modified audit opinion on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M6 and pension schedules on 45 - 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 49-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, the combining and individual fund schedules on pages 52-57 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports on pages 58-61 are presented for state regulatory compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mayberry + Company, LLC

Englewood, CO
November 19, 2019

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all government-wide and fund level activity as of June 30, 2019.

PEYTON SCHOOL DISTRICT 23JT
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS	
ASSETS	
Current Assets	
Cash and Investments	\$ 3,881,710
Cash with Fiscal Agent	26,689
Taxes Receivable	38,657
Grants Receivable	123,258
Other Accounts Receivable	50,322
Inventory	2,273
Total Current Assets	4,122,909
Noncurrent Assets	
Capital Assets, not being depreciated	229,940
Capital Assets, being depreciated	6,820,120
Total Noncurrent Assets	7,050,060
TOTAL ASSETS	11,172,969
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
Net Deferred Outflows Pensions	4,834,401
Net Deferred Outflows OPEB	35,213
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	4,869,614
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 16,042,583
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 192,973
Accrued Salaries & Benefits	671,553
Unearned Revenue	5,478
Unearned Revenue - Grants	236,304
Total Current Liabilities	1,106,308
Noncurrent Liabilities	
Due Within One Year	410,318
Due In More Than One Year	14,123,020
Total Noncurrent Liabilities	14,533,338
TOTAL LIABILITIES	15,639,646
DEFERRED INFLOWS OF FINANCIAL RESOURCES	
Net Deferred Inflows Pensions	10,064,943
Net Deferred Inflows OPEB	22,741
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES	10,087,684
NET POSITION	
Net Investment in Capital Assets	5,322,704
Restricted Net Position	1,624,438
Unrestricted Net Position	(16,631,889)
TOTAL NET POSITION	(9,684,747)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 16,042,583

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

PEYTON SCHOOL DISTRICT 23JT
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Change in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary Government					
Governmental Activities					
Instruction	\$ 2,903,325	\$ 2,685	\$ 311,823	\$ -	\$ (2,588,817)
Supporting Services	2,494,894	335,882	546,192	122,617	(1,490,203)
Interest on Long Term Debt	33,239	-	-	-	(33,239)
Total Primary Government	<u>\$ 5,431,458</u>	<u>\$ 338,567</u>	<u>\$ 858,015</u>	<u>\$ 122,617</u>	<u>(4,112,259)</u>
General Revenues					
Property Taxes					1,315,521
Specific Ownership Taxes					164,429
State Equalization					4,299,711
Investment Earnings					68,650
Gain (Loss) on Capital Asset Disposals					400
Insurance Proceeds					22,416
Other Revenues					45,338
Total General Revenues and Transfers					<u>5,916,465</u>
Change in Net Position					<u>1,804,206</u>
Beginning Net Position					(11,756,251)
Prior Period Restatement					267,298
Beginning Net Position (As Restated)					<u>(11,488,953)</u>
Ending Net Position					<u>\$ (9,684,747)</u>

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

PEYTON SCHOOL DISTRICT 23JT
 Balance Sheet
 Governmental Funds
 June 30, 2019
 (With Comparative Totals for June 30, 2018)

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Totals	
		Bond Redemption Fund	Capital Reserve Project Fund		2019	2018
ASSETS						
Cash and Investments	\$ 2,635,102	\$ 984,319	\$ 238,717	\$ 23,572	\$ 3,881,710	\$ 3,666,460
Cash with Fiscal Agent	24,628	2,061	-	-	26,689	31,513
Taxes Receivable	31,920	6,737	-	-	38,657	43,229
Interfund Accounts Receivable	-	-	135,068	-	135,068	28,656
Grants Receivable	92,110	-	31,148	-	123,258	28,766
Other Accounts Receivable	49,654	-	-	668	50,322	79,367
Inventory	-	-	-	2,273	2,273	1,843
Prepaid Expenses	-	-	-	-	-	1,850
TOTAL ASSETS	\$ 2,833,414	\$ 993,117	\$ 404,933	\$ 26,513	\$ 4,257,977	\$ 3,881,684
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities						
Interfund Accounts Payable	\$ 135,068	\$ -	\$ -	\$ -	\$ 135,068	\$ 28,656
Accounts Payable	176,610	-	16,363	-	192,973	341,608
Accrued Salaries & Benefits	665,484	-	-	6,069	671,553	586,825
Unearned Revenue	-	-	-	5,478	5,478	3,553
Unearned Revenue - Grants	236,304	-	-	-	236,304	275
Total Liabilities	1,213,466	-	16,363	11,547	1,241,376	960,917
Fund Balance						
Nonspendable Fund Balance	-	-	-	2,273	2,273	3,693
Restricted Fund Balance						
Restricted for Debt Service	-	993,117	-	-	993,117	1,072,038
Restricted for TABOR Emergency	214,000	-	-	-	214,000	189,000
Restricted for Colorado Preschool Program	6,600	-	-	-	6,600	11,171
Restricted Mill Levy Override	203,087	-	-	-	203,087	138,566
Restricted Debt Service Proceeds	-	-	205,361	-	205,361	-
Committed Fund Balance						
Comitted for Fund Purposes	-	-	183,209	12,693	195,902	32,885
Unassigned Fund Balance	1,196,261	-	-	-	1,196,261	1,473,414
Total Fund Balance	1,619,948	993,117	388,570	14,966	3,016,601	2,920,767
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 2,833,414	\$ 993,117	\$ 404,933	\$ 26,513	\$ 4,257,977	\$ 3,881,684

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

PEYTON SCHOOL DISTRICT 23JT
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2019

Fund Balance - Governmental Funds		\$	3,016,601
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, not being depreciated	\$	229,940	
Capital assets, being depreciated		13,904,334	
Accumulated depreciation		<u>(7,084,214)</u>	7,050,060
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds			
PERA Pension			
Net pension deferred outflows		4,834,401	
Net pension liability		(11,364,471)	
Net pension deferred inflows		<u>(10,064,943)</u>	(16,595,013)
PERA Health Care Trust Fund (OPEB)			
Net OPEB deferred outflows		35,213	
Net OPEB liability		(567,586)	
Net OPEB deferred inflows		<u>(22,741)</u>	(555,114)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Bonds payable		(1,390,000)	
Capital leases payable		(337,356)	
Certificates of Participation		(645,000)	
Accrued interest payable		(6,449)	
Accrued compensated absences		<u>(83,344)</u>	<u>(2,462,149)</u>
Total Net Position - Governmental Activities			\$ <u>(9,684,747)</u>

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

PEYTON SCHOOL DISTRICT 23JT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Debt Service		Capital Projects		Totals	
	General Fund	Bond	Capital Reserve Project Fund	Other Governmental Funds	2019	2018
		Redemption Fund				
REVENUES						
Local Sources	\$ 1,698,773	\$ 226,579	\$ 24,215	\$ 55,060	\$ 2,004,627	\$ 2,034,680
Intermediate Sources	38	-	-	-	38	38
State Sources	4,753,139	-	229,029	2,329	4,984,497	4,779,682
Federal Sources	183,768	-	-	62,734	246,502	236,260
TOTAL REVENUES	<u>6,635,718</u>	<u>226,579</u>	<u>253,244</u>	<u>120,123</u>	<u>7,235,664</u>	<u>7,050,660</u>
EXPENDITURES						
Instruction	3,721,849	-	-	-	3,721,849	3,460,878
Pupil Support	322,657	-	-	-	322,657	292,122
Staff Support	72,538	-	-	-	72,538	65,083
General Administration	544,096	-	-	-	544,096	444,281
School Administration	351,026	-	-	-	351,026	294,457
Business Services	296,678	-	75	-	296,753	315,374
Operations and Maintenance	706,132	-	-	-	706,132	649,566
Transportation	434,080	-	-	-	434,080	431,366
Risk Management	83,494	-	-	-	83,494	105,155
Food Service	1,471	-	-	132,701	134,172	128,578
Facilities	-	-	368,595	-	368,595	808,064
Debt Service	-	305,500	103,019	-	408,519	420,392
TOTAL EXPENDITURES	<u>6,534,021</u>	<u>305,500</u>	<u>471,689</u>	<u>132,701</u>	<u>7,443,911</u>	<u>7,415,316</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>101,697</u>	<u>(78,921)</u>	<u>(218,445)</u>	<u>(12,578)</u>	<u>(208,247)</u>	<u>(364,656)</u>
OTHER FINANCING SOURCES (USES)						
Debt Proceeds	-	-	212,361	-	212,361	-
Transfer In (Out) - net	(295,750)	-	295,750	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(295,750)</u>	<u>-</u>	<u>508,111</u>	<u>-</u>	<u>212,361</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(194,053)</u>	<u>(78,921)</u>	<u>289,666</u>	<u>(12,578)</u>	<u>4,114</u>	<u>(364,656)</u>
BEGINNING FUND BALANCE	1,814,001	1,072,038	7,184	27,544	2,920,767	3,285,423
Prior Period Restatement	-	-	91,720	-	91,720	-
BEGINNING FUND BALANCE (As Restated)	<u>1,814,001</u>	<u>1,072,038</u>	<u>98,904</u>	<u>27,544</u>	<u>3,012,487</u>	<u>3,285,423</u>
ENDING FUND BALANCE	<u>\$ 1,619,948</u>	<u>\$ 993,117</u>	<u>\$ 388,570</u>	<u>\$ 14,966</u>	<u>\$ 3,016,601</u>	<u>\$ 2,920,767</u>

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

PEYTON SCHOOL DISTRICT 23JT
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2019

Change in Fund Balance - Governmental Funds		\$	4,114
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level			
Capitalized Asset Purchases	\$	408,910	
Depreciation Expense		<u>(300,468)</u>	108,442
Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.			
PERA Pension			
Change in deferred pension outflows		(2,748,231)	
Change in net pension liability		12,563,767	
Change in deferred pension inflows		<u>(8,306,685)</u>	1,508,851
PERA Health Care Trust Fund (OPEB)			
Change in deferred OPEB outflows		14,719	
Change in net OPEB liability		(21,167)	
Change in deferred OPEB inflows		<u>620</u>	(5,828)
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level			
Proceeds from debt issuances		(212,361)	
Principal payments on bonds payable		245,000	
Principal payments on capital leases		35,350	
Principal payments on certificates of participation		40,000	
Change in accrued interest payable		(3,769)	
Amortization of premiums and discounts		58,699	
Change in accrued compensated absences		<u>25,708</u>	<u>188,627</u>
Change in Net Position - Governmental Activities		\$	<u><u>1,804,206</u></u>

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

PEYTON SCHOOL DISTRICT 23JT
Statement of Fiduciary Net Position
Fiduciary Funds
Pupil Activity Fund
June 30, 2019
(With Comparative Totals for June 30, 2018)

	<u>Totals</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Investments	\$ <u>110,579</u>	\$ <u>88,296</u>
NET POSITION		
Restricted Net Position (Due to Student Groups)	\$ <u><u>110,579</u></u>	\$ <u><u>88,296</u></u>

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Peyton School District 23JT (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

For financial reporting purposes, the District includes all activities and funds for which the District exercises financial accountability. The school board members are elected by the public, have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Certain units of local government, over which the District exercises no financial accountability, such as the county, city, other independently elected special districts within the District, are excluded from the financial statements. These units are considered separate reporting entities and issue financial statements separate from that of the District. The District is not a component unit of any other entity.

In evaluating how to define the government, for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Codification Section 2100 "Defining the Financial Reporting Entity". Based upon the application of these criteria, there are no other entities that should be included in the District's financial statements as component units, nor is the District a component unit of another entity.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. General revenues consist of taxes and other sources not described above.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The fiduciary funds are presented separately.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service (Bond Redemption) Fund – This fund is used to account for the repayment of the District's general obligation indebtedness.

Capital Projects Fund (Capital Reserve Project Fund) – These funds are used to account for the completion of major capital projects. The capital reserve activity is funded through elective transfers from the General Fund.

The District reports the following non-major governmental funds:

Special Revenue Fund (Food Service Fund) – The Food Service Fund accounts for the District's food service program.

The District reports the following fiduciary fund:

Agency Fund (Pupil Activity Fund) – This fund is used to account for the money held in trust by the District for student organizations and for scholarships. These funds are custodial and do not measure the results of operations. There is no formal trust agreement related to this fund.

Measurement Focus and Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Government-Wide and Fiduciary Fund Financial Statements (Continued)

Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year end.
- Public hearings are conducted by the Board of Education to obtain comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the Board of Education.
- Encumbrance accounting is not utilized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

The expenditures in the Capital Reserve Projects Fund exceeded appropriations for the 2019 fiscal year due to unbudgeted capital lease activity. This may be a violation of Colorado statutes.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments – The District pools cash resources of its various funds in order to facilitate the management of cash. Cash is pooled in interest bearing accounts which are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. The amount contributed to the cash pool is recorded in each fund. Interest earnings from the pool are allocated monthly to each fund based on average daily balances of equity in the pool. For reporting purposes, the investment pool is stated at fair value.

For the purposes of the statement of cash flows, the District considers cash and cash equivalents to be all cash on hand, cash on demand deposit and highly liquid investments with a maturity of three months or less when purchased.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories – Inventories consist of expendable supplies and commodities held for consumption. Supplies inventories are stated at cost on a first-in, first-out basis. Commodities inventories are stated at the USDA's assigned values which approximate fair market value at the date of receipt on a first-in, first-out basis.

Expenditures for food items are also recorded when used. The federal government donates surplus commodities to supplement the National School Lunch Programs. Commodity contributions received by the District are recorded as revenues when consumed.

Due To and From Other Funds – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payables are classified as "Due From Other Funds", or "Due to Other Funds. In the government-wide financial statements, all internal balances have been substantially eliminated.

Capital Assets – Capital assets, which include sites, site improvements, buildings and improvements, transportation, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance
(Continued)

Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation as well as in the proprietary fund. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and Site Improvements	25-50 years
Vehicles	10-20 years
Other Equipment	5-10 years

Unearned Revenues – Unearned revenues are amounts that have been collected but have not met the requirements needed for revenue recognition.

Long-Term Debt – Governmental activities long-term obligations of the District are reported in the government-wide financial statements. These obligations are not reported in the governmental funds and are therefore listed as a reconciling item between the two presentations.

Accumulated unpaid sick and vacation pay and amounts due to other governments are serviced from other revenues in the General Fund. The unpaid sick and vacation pay are reflected in the government-wide statement and shown as long-term obligations as no significant portion will be paid with current resources.

Compensated Absences – The District's policy allows all certified employees to accumulate up to 50 days of sick leave that can be paid upon separation. These compensated absences are recognized as current salary costs when and when paid in the Governmental Fund Type. This obligation is shown in the non-current liability section of the government-wide Statement of Net Position.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category, all related to outstanding pension obligations and OPEB obligations further described in Notes 9 and 11.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance
(Continued)

This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows for prepaid student meal accounts and pension and OPEB related deferrals as further described in Notes 9 and 11.

Net Position/Fund Balances

In the government-wide financial statements and for the proprietary fund statements, net position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “non-spendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balances are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, and at their highest level of action are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund is presented as unassigned.

Net Position/Fund Balance Flow Assumptions

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Revenues and Expenditures/Expenses – Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues – Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on December 10. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November. Due to the funding nature of Colorado school districts, all uncollected property taxes milled for 2018 are deemed receivable at June 30, 2019. District property taxes are accounted for in the General and Bond Redemption Funds.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

NOTE 2: CASH AND INVESTMENTS

The District’s cash and investment balances are as follows as of June 30, 2019:

Cash in Bank	\$	2,831,080
Petty Cash		100
Investments		<u>1,161,108</u>
Total Cash and Investments	\$	<u>3,992,288</u>
Unrestricted - Government-wide	\$	3,739,345
Unrestricted - Agency		110,579
Restricted		<u>142,364</u>
Total	\$	<u>3,992,288</u>

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The District’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2019, all of the District’s deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not in District's name)	2,613,094	2,581,080
Petty Cash	-	100
Total	<u>\$ 2,863,094</u>	<u>\$ 2,831,180</u>

INVESTMENTS

The District’s June 30, 2019 investments consist of the following:

	<u>Total</u>	<u>Weighted Average Maturity</u>
Investment Pools - Bond Redemption	\$ 984,319	-
Investment Pools - Unrestricted	176,789	-
Total Investments	<u>\$ 1,161,108</u>	<u>-</u>

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Credit Risk. Colorado statutes specify which instruments units of local government may invest, which include:

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

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

During the year ended June 30, 2019, the District invested funds in Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. This fund is rated AAAM by the Standard and Poor's Corporation.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2019, the District's Bond Redemption investments were held in safekeeping.

NOTE 3: INVENTORIES

Food Service Fund inventory as of June 30, 2019 of \$2,273 consisted of purchased and donated commodities of \$2,155 and \$118 respectively. Purchase inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4: CAPITAL ASSETS

Activity for governmental activities capital assets which are capitalized by the District is summarized below:

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets:				
Construction in Progress	\$ -	\$ 229,940	\$ -	\$ 229,940
Buildings	12,426,169	178,970	-	12,605,139
Equipment	66,235	-	-	66,235
Food Service Equipment	20,211	-	-	20,211
Transportation Equipment	<u>1,212,749</u>	<u>-</u>	<u>-</u>	<u>1,212,749</u>
Total Capital Assets	<u>13,725,364</u>	<u>408,910</u>	<u>-</u>	<u>14,134,274</u>
Less: Accumulated Depreciation				
Buildings	(6,112,674)	(239,498)	-	(6,352,172)
Equipment	(25,465)	(5,012)	-	(30,477)
Food Service Equipment	(20,211)	-	-	(20,211)
Transportation Equipment	<u>(625,396)</u>	<u>(55,958)</u>	<u>-</u>	<u>(681,354)</u>
Total Accumulated Depreciation	<u>(6,783,746)</u>	<u>(300,468)</u>	<u>-</u>	<u>(7,084,214)</u>
Net Capital Assets	<u>\$ 6,941,618</u>	<u>\$ 108,442</u>	<u>\$ -</u>	<u>\$ 7,050,060</u>

Governmental activities depreciation is allocated in the Statement of Activities as follows:

Depreciation Allocation	
Instruction	\$ 159,228
Supporting Services	<u>141,240</u>
Total Depreciation	<u>\$ 300,468</u>

NOTE 5: INTERNAL ACTIVITY

The District had the following internal routine transfers for the year ending June 30, 2019:

General Fund:	
Transfer to Capital Reserve Projects Fund	\$ 295,750
Capital Reserve Projects Fund:	
Transfer from General Fund	<u>(295,750)</u>
Net Internal Transfers	<u>\$ -</u>

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5: INTERNAL ACTIVITY (Continued)

The District also had the following internal balances as of June 30, 2019:

General Fund Due to Other Funds	\$ (135,068)
Capital Reserve Project Fund Due from Other Funds	135,068
Net Internal Balances	<u>\$ -</u>

NOTE 6: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019, are \$671,553, accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund of \$665,484 and Food Service Fund of \$6,069

NOTE 7: LONG-TERM LIABILITIES

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

	Balance 6/30/2018	Advances	Payments	Balance 6/30/2019	Current Portion	Accrued Interest
General Obligation Bonds:						
Series 2011	\$ 1,635,000	\$ -	\$ 245,000	\$ 1,390,000	\$ 255,000	\$ 2,279
Certificates of Participation:						
Series 2017	685,000	-	40,000	645,000	40,000	1,614
Capital Leases	160,345	212,361	35,350	337,356	59,872	2,556
PERA Pension Liability	23,928,238	(12,563,767)	-	11,364,471	-	-
OPEB Liability	546,419	-	-	567,586	-	-
Compensated Absences	109,052	(25,708)	25,708	83,344	-	-
Total Long-Term Obligations	<u>\$ 27,064,054</u>	<u>\$ (12,377,114)</u>	<u>\$ 346,058</u>	<u>\$ 14,387,757</u>	<u>\$ 354,872</u>	<u>\$ 6,449</u>
Unamortized Bond Premiums	<u>\$ 197,831</u>	<u>\$ -</u>	<u>\$ 58,699</u>	<u>\$ 139,132</u>	<u>\$ 48,997</u>	

Bonds Payable

2011 General Obligation Bonds. In September, 2011, the District issued \$2,815,000 of General Obligation Bonds and \$25,000 of Capital Appreciation Bonds for the purpose of discharging the outstanding 1994 Bonds in the amount of \$400,000 and discharging the outstanding 2003 bonds that mature on and after December 2014 in the amount of \$2,440,000. The 2011 Bonds bear interest at rates varying from 1% to 4%. The bonds require annual principal payments on December 15 and semi-annual interest payments on June 15 and December 15. The Capital Appreciation Bonds were repaid during the 2015 fiscal year. The bonds are repaid through a general obligation tax mill collected and remitted through the District's Bond Redemption Fund. The District has remaining bond premiums related to this issuance outstanding as shown above.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7: LONG-TERM DEBT (Continued)

Summary of Debt Service Requirements. The annual requirement to amortize the bonds outstanding as of June 30, 2019, follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 255,000	\$ 50,500	\$ 305,500
2021	270,000	40,000	310,000
2022	275,000	29,100	304,100
2023	290,000	17,800	307,800
2024	300,000	6,000	306,000
Total	\$ 1,390,000	\$ 143,400	\$ 1,533,400

Capital Leases – Direct Borrowings

In 2016, the District entered into a capital lease arrangement for the purchase of two school buses. The lease was for \$140,850 and requires five annual payments through 2020 of \$30,938 including 4.34% interest. The District has capitalized assets of \$140,850, remaining basis of \$119,723, related to this lease. There was no additional collateral required. In the event of default, the lessor may pursue payment, repossess the property, sell the property or pursue any other legal remedy. Payments are expected to be made by the Capital Reserve Projects Fund.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 30,938
2021	30,938
Total Payments	61,876
Interest at 4.34%	(3,808)
Present Value of Payments	\$ 58,068

In 2016, the District entered into a capital lease arrangement for the purchase of HVAC equipment. The lease was for \$90,000 and requires ten annual payments through 2026 of \$11,185 including 4% interest. The District has capitalized assets of \$88,781, remaining basis of \$66,586, related to this lease. There was no additional collateral required. In the event of default, the lessor may repossess the property or pursue any other legal remedy. Payments are expected to be made by the Capital Reserve Projects Fund.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 11,185
2021	11,185
2022	11,185
2023	11,185
2024	11,185
2025-2026	22,370
Future Minimum Lease Payments	78,295
Interest at 4%	(11,394)
Present Value of Future Payments	\$ 66,901

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7: LONG-TERM DEBT (Continued)

Capital Leases – Direct Borrowings (Continued)

In 2019, the District entered into a capital lease arrangement for the purchase of LED lighting, a security system and fencing. The lease was for \$212,361 and requires ten annual payments through 2029 of \$26,024 including 3.75% interest. As of June 30, 2019, the District had utilized \$7,000 of the proceeds towards fencing which was reported as construction in progress at year end. There is an additional \$205,361 of remaining proceeds still available which is shown as restricted debt proceeds in the Capital Reserve Projects Fund. There was no additional collateral required. In the event of default, the lessor may repossess the property or pursue any other legal remedy. Payments are expected to be made by the Capital Reserve Projects Fund.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 26,024
2021	26,024
2022	26,024
2023	26,024
2024	26,024
2025-2029	<u>130,123</u>
Future Minimum Lease Payments	260,243
Interest at 3.75%	<u>(47,882)</u>
Present Value of Future Payments	<u><u>\$ 212,361</u></u>

Certificates of Participation – Direct Borrowing

In 2016 the District entered into a Certificate of Participation for the joint purchase and renovation of a building for the Peyton-Widefield Voc-ED Partnership (Note 15). The Certificates were for \$735,000 and requires 15 annual principal payments on December 1st of each year. The Certificate bears interest at 3.15% and interest payments are due June 1st and December 1st of each year. There was no additional collateral required. In the event of default, the lessor may terminate the lease and give notice to the District to vacate and surrender possession, lease or sublease the property, recover Base Rentals and Additional Rentals that have been appropriated, or pursue any other legal remedy. Payments are expected to be made from the Capital Reserve Projects fund. The annual requirement to amortize the Certificates outstanding at June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,000	\$ 23,201	\$ 73,201
2019	\$ 40,000	\$ 20,948	\$ 60,948
2020	40,000	19,688	59,688
2021	40,000	18,428	58,428
2022	45,000	17,089	62,089
2023	45,000	15,671	60,671
2024	45,000	14,254	59,254
2025-2029	255,000	47,959	302,959
2030-2031	<u>175,000</u>	<u>8,425</u>	<u>183,425</u>
Total	<u><u>\$ 645,000</u></u>	<u><u>\$ 141,514</u></u>	<u><u>\$ 786,514</u></u>

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: JOINTLY GOVERNED ORGANIZATIONS

The District is a participant in a jointly governed organization to operate the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. The District made contributions to the BOCES of \$126,304 for the year ended June 30, 2019. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 2883 South Circle Dr., Colorado Springs, CO 80906.

NOTE 9: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The 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 and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) 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 factors.

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

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

Contributions provisions as of June 30, 2019: Eligible employees the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$674,972 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District proportion of the net pension liability was based on the District’s contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the District reported a liability of \$11,364,471 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the 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 the District were as follows:

District's proportionate share of the net pension liability	\$ (11,364,471)
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ (1,367,013)
Total	\$ (12,731,484)

At December 31, 2018, the District proportion was .06418% percent, which was decrease of .009817% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$991,013 and revenue of \$92,293 for support from the State as a nonemployer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 414,075	\$ -
Changes of assumptions or other inputs	\$ 2,487,618	\$ (7,067,478)
Net difference between projected and actual earnings on pension plan investments	\$ 1,573,805	\$ (1,060,537)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 918	\$ (1,936,928)
Contributions subsequent to the measurement date	\$ 357,985	\$ -
Total	\$ 4,834,401	\$ (10,064,943)

\$357,985 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2020	\$ (914,568)
2021	(3,008,730)
2022	(2,004,072)
2023	338,843
Total	\$ (5,588,527)

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	4.78%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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

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

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

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

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Sensitivity of the 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% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension asset (liability)	\$ (14,447,981)	\$ (11,364,471)	\$ (8,776,886)

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

NOTE 10: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2019 program members contributed \$35,707.

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

OPEB. The 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 ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the 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 (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$35,989 for the year ended June 30, 2019.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

At June 30, 2019, the District reported a liability of \$567,586 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District’s proportion of the net OPEB liability was based on the District’s contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District’s proportion was .04172% percent, which was a decrease of .000328% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$42,801. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 2,077	\$ (864)
Net difference between projected and actual earnings on pension plan investments	\$ 10,066	\$ (6,856)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (15,021)
Contributions subsequent to the measurement date	\$ 19,088	\$ -
Total	\$ 35,213	\$ (22,741)

\$19,088 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2020	\$ (2,149)
2021	(2,149)
2022	(2,149)
2023	136
2024	(301)
2025	(4)
Total	\$ (6,616)

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of pension plan 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	5.00%
Medicare Part A premiums	3.25 % for 2018, gradually rising to 5.00% in 2025
DPS Benefits Structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

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

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

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

Sensitivity of the 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 one percentage point lower or one percentage point higher than the current rates:

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Proportionate share of the net OPEB asset (liability)	\$ (551,913)	\$ (567,586)	\$ (585,613)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members
- assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the 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:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (635,079)	\$ (567,586)	\$ (509,885)

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

NOTE 12: RISK MANAGEMENT

Property and Liability Coverage. The District belongs to the Colorado School District Self Insurance Pool ("CSDSIP") that was formed in 1981 to give individual school 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 CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member's premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP 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 actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2019.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12: RISK MANAGEMENT (Continued)

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. The ultimate liability to the District resulting from claims not covered by the pool is not readily determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the District's financial statements.

Workers Compensation. The District carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

NOTE 13: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units and are subject to the various rules and regulations of the grantor agencies. Expenditures financed by grants are subject to audit and adjustment by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Tabor Amendment.

Fiscal year 1993 provided the basis for limits in future years to which may be applied allowable increases for inflation and assessed valuation. Revenue received in excess of the limitations may be required to be refunded unless the District's electorates vote to retain the revenue. The Tabor Amendment is subject to many interpretations, but the District believes it is in compliance with the Amendment.

The Tabor Amendment requires the District to establish a reserve for emergencies. At June 30, 2019, the District's reserve of \$214,000 was recorded as restricted fund balance in the General Fund.

In November 2014, the District's voters approved an election question which authorizes the District to retain and spend excess revenues from any source collected during 2014-2015 and for seven fiscal years thereafter, ending with the 2021-2022 fiscal year, from any source and use the excess revenue for capital expenditures.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 14: NET POSITION DEFICIT

The Governmental Activities has an overall net position deficit of \$(9,672,579) and an unrestricted net position deficit of \$(16,619,721), primarily due to the PERA net pension liability of \$11,364,471 and OPEB net liability of \$567,586, as further described in Notes 9 and 11. As the District has no control over pension and OPEB benefits or contribution rates, the District expects this deficit net position to continue for the foreseeable future.

NOTE 15: PARTNERSHIPS WITH OTHER DISTRICTS – JOINT VENTURE

On July 19, 2016, the District entered into an agreement with the Widefield School District No. 3 to form the Peyton-Widefield Voc-Ed Partnership (PWVEP) pursuant to CRS 29-1-203(4) to better provide Vocational/Career Technical Education to students. The Management Committee of the partnership is composed of four members, the superintendent from each district and one additional member selected by each district. Any assets transferred to PWVEP shall constitute a capital contribution by the District. PWVEP will keep the records of contributions by each school district, which will be maintained by the Widefield School District. If this Agreement were to be terminated any property will be reconveyed to the respective school district that contributed the property based on the percentage of each District's contributions.

Widefield contributed the property where the Manufacturing Industry Learning Lab ("MiLL") is located and housed (the "MiLL Building") to the Partnership. The MiLL Building needed certain remodeling and upgrading to maximize its suitability for the MiLL program. The District issued 2016 Certificates of Participation in the amount of \$735,000 (Note 7) as part of a financing plan to raise money that would be available for investment in the MiLL. These funds have been utilized as capital contributions described below. The partnership agreement is for an initial three-year period with automatic five-year extensions unless unanimously terminated by the management committee or unilaterally by one of the partners ("Members") with proper notice.

In general, the District operates a cabinetry program through the partnership while Widefield is providing a general building trades program. Each Member will be solely responsible for the capital expenditures, equipment, and operational costs of the MiLL programs and classes initiated and conducted by such partner. Widefield will pay the District for slots in the District's programs and classes, if and to the extent that Widefield students are enrolled in such programs and classes, and the District will pay Widefield for slots in Widefield programs and classes, if and to the extent the District's students are enrolled in such programs and classes. The amount of the payments for these classes will be negotiated each year and finalized in writing prior to the commencement of the MiLL school year; provided, however, that the negotiated amount of each Member's contribution will be proportionate to each Member's Per Pupil Revenue (PPR) based on Colorado Department of Education initial estimates each year.

Widefield bills the District for certain operating costs related to the facility as spelled out in Section 5 of the First Amendment to the partnership agreement. Widefield will pay all of the Section 5 costs, subject to reimbursement of the District's share on a periodic basis as to each cost item, the payment period (e.g., monthly, bi-monthly, quarterly, semi-annually) to be determined by Widefield. Initially, the District will reimburse Widefield for one-half (½) of each of the listed costs, until such time as the paint booth is operational for instructional purposes, after which time the District will reimburse Widefield for three-fourths (¾) of the utilities costs and continue to reimburse ½ of the other listed costs. The periodic invoices are sent to the District and paid to Widefield in a timely manner.

PEYTON SCHOOL DISTRICT 23JT
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 15: PARTNERSHIPS WITH OTHER DISTRICTS – JOINT VENTURE (Continued)

During the fiscal year, the District contributed \$735,045 to the partnership activities in capital contributions. As of June 30, 2019, the District had a 27.18% interest in the partnership assets totaling \$2,715,202. For the 2019 fiscal year, the District paid direct operating costs of \$12,830 and 50% of shared operating costs of \$96,265 for a total assessment of \$109,095 to Widefield School District.

NOTE 16: PRIOR PERIOD RESTATEMENT

The District has restated beginning deferred outflows and inflows related to proportion changes for the PERA pension plan. The District has restated these balances to reflect the change in proportion of plan level deferrals that had previously not been material in addition to plan level liabilities. This restatement increased governmental activities net position in the amount of \$175,578. Net restatements for Governmental Activities, including amounts described below are as follows:

	Governmental Activities
Ending Net Position - 6/30/18	\$ (11,756,251)
Adjustment to Change in Proportion - Pension	175,578
Capital Reserve Fund Accounts Payable	131,736
Capital Reserve Fund Accounts Receivable	(40,016)
Beginning Net Position - 7/1/18	<u>\$ (11,488,953)</u>

At the end of fiscal year 2017, the District incurred expenses and recorded payables of \$131,736 in the Capital Reserve Projects Fund. The amount was paid during fiscal year 2018 but was not reversed from expenses. An insurance proceeds receivable of \$40,016 related to the hail damage was similarly recorded in 2017 and not reversed for 2018. Net restatements in the Capital Reserve Projects Fund are as follows:

	Capital Reserve Project Fund
Ending Net Position - 6/30/18	\$ 7,184
Restate Accounts Payable	131,736
Restate Accounts Receivable	(40,016)
Beginning Net Position - 7/1/18	<u>\$ 98,904</u>

NOTE 17: BUDGET VIOLATIONS

The District's expenditures in the Capital Reserve Fund exceeded appropriations by \$135,624 which may be a violation of Colorado Statutes.

REQUIRED SUPPLEMENTARY INFORMATION
(Pension and OPEB Schedules - Unaudited)

PEYTON SCHOOL DISTRICT 23JT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾

<u>Fiscal Year</u>	<u>District's proportion of the net pension asset (liability)</u>	<u>District's proportionate share of the net pension asset (liability)</u>	<u>Non-employer contributing entity's total proportionate share of the net pension asset (liability)</u>	<u>Total proportionate share associated with District's covered payroll</u>	<u>District's covered payroll</u>	<u>District's proportionate share of the net pension asset (liability) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
June 30, 2014	0.072007%	\$ (9,363,438)	\$ -	\$ (9,363,438)	\$ 2,959,401	316.40%	64.07%
June 30, 2015	0.073065%	\$ (9,902,369)	\$ -	\$ (9,902,369)	\$ 3,060,779	323.52%	62.84%
June 30, 2016	0.076230%	\$ (10,899,714)	\$ -	\$ (10,899,714)	\$ 3,105,782	350.95%	59.16%
June 30, 2017	0.076278%	\$ (20,706,852)	\$ -	\$ (20,706,852)	\$ 3,087,341	670.70%	43.13%
June 30, 2018	0.073998%	\$ (23,928,238)	\$ -	\$ (23,928,238)	\$ 3,413,430	701.00%	43.96%
June 30, 2019	0.064180%	\$ (11,364,471)	\$ (1,367,013)	\$ (12,731,484)	\$ 3,528,343	322.09%	57.01%

Note: All amounts are as of plan calculation dates which is for the immediately preceding calendar prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PEYTON SCHOOL DISTRICT 23JT

SCHEDULE OF DISTRICT CONTRIBUTIONS

**PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2014	\$ 459,595	\$ (459,595)	\$ -	\$ 2,959,401	15.53%
June 30, 2015	\$ 502,886	\$ (502,886)	\$ -	\$ 3,060,779	16.43%
June 30, 2016	\$ 538,232	\$ (538,232)	\$ -	\$ 3,105,782	17.33%
June 30, 2017	\$ 559,735	\$ (559,735)	\$ -	\$ 3,087,341	18.13%
June 30, 2018	\$ 635,922	\$ (635,922)	\$ -	\$ 3,413,430	18.63%
June 30, 2019	\$ 674,972	\$ (674,972)	\$ -	\$ 3,528,343	19.13%

Note: All amounts are as of plan calculation dates which is for the immediately preceding calendar prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PEYTON SCHOOL DISTRICT 23JT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years⁽¹⁾**

<u>Fiscal Year</u>	<u>District's proportion of the net pension asset (liability)</u>	<u>District's proportionate share of the net pension asset (liability)</u>	<u>District's covered payroll</u>	<u>District's proportionate share of the net pension asset (liability) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
June 30, 2017	0.043357%	\$ (562,143)	\$3,087,341	18.21%	16.70%
June 30, 2018	0.042045%	\$ (546,419)	\$3,413,430	16.01%	17.53%
June 30, 2019	0.041718%	\$ (567,586)	\$3,528,343	16.09%	17.03%

Note: All amounts are as of plan calculation dates which is for the immediately preceding calendar prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PEYTON SCHOOL DISTRICT 23JT

SCHEDULE OF DISTRICT CONTRIBUTIONS
 PERA Health Care Trust Fund
 Last 10 Fiscal Years⁽¹⁾

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2017	\$ 31,491	\$ (31,491)	\$ -	\$ 3,087,341	1.02%
June 30, 2018	\$ 34,817	\$ (34,817)	\$ -	\$ 3,413,430	1.02%
June 30, 2019	\$ 35,989	\$ (35,989)	\$ -	\$ 3,528,343	1.02%

Note: All amounts are as of plan calculation dates which is for the immediately preceding calendar prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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REQUIRED SUPPLEMENTARY INFORMATION
(Budgetary Comparison Schedules)

PEYTON SCHOOL DISTRICT 23JT
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	2019				
	Original	Final		Variance	2018
	Budget	Budget	Actual	with Final	Actual
REVENUES					
Local Sources					
Property Taxes	\$ 1,103,725	\$ 1,111,334	\$ 1,110,476	\$ (858)	\$ 1,089,525
Specific Ownership Taxes	111,988	115,362	164,429	49,067	166,375
Delinquent Taxes	1,700	1,700	1,542	(158)	2,633
Other Taxes	50	50	136	86	7,836
Tuition From Individuals	2,700	2,800	2,685	(115)	2,700
Tuition Other Districts/BOCES	281,850	272,712	259,104	(13,608)	247,831
Transportation Fees	7,200	-	-	-	-
Investment Earnings	16,200	44,500	42,097	(2,403)	23,280
Rent Revenue	12,600	21,600	14,504	(7,096)	10,861
Donations	4,000	42,863	48,995	6,132	104,721
Sale of Fixed Assets/Insurance Proceeds	-	-	400	400	300
Overhead Cost Revenue	-	-	9,214	9,214	-
Insurance Proceeds	-	-	1,541	1,541	1,056
Other Local	20,000	40,700	43,650	2,950	59,356
Total Local Sources	1,562,013	1,653,621	1,698,773	45,152	1,716,474
Intermediate Sources					
Mineral Leases	40	38	38	-	38
State Sources					
State Share (Equalization)	4,507,583	4,478,028	4,299,711	(178,317)	4,277,211
State Transportation	90,000	92,981	90,602	(2,379)	95,121
State Grants from CDE					
State ELPA: Professional Development and Student Support	1,500	1,986	1,986	-	1,545
State ELPA	1,200	1,955	1,955	-	1,161
Small Rural Schools Additional Funding	221,791	255,283	66,986	(188,297)	232,016
Additional At-Risk Funding	-	-	1,055	1,055	2,023
Early Literacy Grant	-	43,235	43,373	138	-
READ Act	-	8,348	5,963	(2,385)	11,396
State Grants to Libraries	3,500	3,500	3,500	-	3,500
National Board of Certified Teachers	1,600	1,600	1,600	-	1,600
Career Success Pilot Program Incentives	-	17,045	110	(16,935)	7,194
State Grants from Other Agencies					
State Vocational Education	180,000	121,000	96,264	(24,736)	144,779
State PERA Contribution	-	-	92,293	92,293	-
Other Agency State Grants	-	13,902	15,671	1,769	-
State Grants Provided through BOCES	163,785	170,447	32,070	(138,377)	-
Total State Sources	5,170,959	5,209,310	4,753,139	(456,171)	4,777,546
Federal Sources					
Federal Grants from CDE					
NCLB Title I, Part A - Improving Basic Programs Operated by Schools	77,061	77,061	71,393	(5,668)	82,096
Impact Aid	9,000	21,622	23,280	1,658	11,367
NCLB Title II, Part A - Teacher & Principal Training	15,761	15,761	15,766	5	19,104
ESSA, Title IV-A: Student Support and Academic Enrichment Grants	10,000	10,000	4,253	(5,747)	9,189
Race to the Top - Early Childhood Readiness Assessment	200	200	-	(200)	219
Federal Grants from Other State Agencies					
Carl Perkins Vocational & Applied Technology Education Act, Title I, Vocational Education	-	-	32,687	32,687	11,382
Direct Federal Revenue					
NCLB, Title VI, Part B, Sub-part I: REAP: Rural Education Initiatives	32,000	36,389	36,389	-	36,921
Total Federal Sources	144,022	161,033	183,768	22,735	170,278
TOTAL REVENUES	6,877,034	7,024,002	6,635,718	(388,284)	6,664,336

(Continued)
 See the accompanying Independent Auditors' Report

PEYTON SCHOOL DISTRICT 23JT
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	2019				
	Original	Final		Variance	2018
	Budget	Budget	Actual	with Final	Actual
(Continued)					
EXPENDITURES					
Instruction					
Salaries	2,498,641	2,467,723	2,533,127	(65,404)	2,260,482
Benefits	713,329	693,066	675,338	17,728	617,060
PS - Professional	16,541	52,136	70,685	(18,549)	49,812
PS - Property	23,535	23,535	20,124	3,411	23,919
PS - Other	86,223	84,616	152,152	(67,536)	114,345
Supplies	132,974	189,195	210,698	(21,503)	213,786
Property	58,256	63,830	50,315	13,515	174,169
Other Expenses	7,000	7,000	9,411	(2,411)	12,405
Total Instruction	<u>3,536,499</u>	<u>3,581,101</u>	<u>3,721,850</u>	<u>(140,749)</u>	<u>3,465,978</u>
Supporting Services					
Pupil Support					
Salaries	243,963	258,252	243,223	15,029	231,503
Benefits	63,169	62,938	61,778	1,160	54,079
PS - Other	3,130	3,130	5,607	(2,477)	2,834
Supplies	5,226	5,226	2,790	2,436	3,707
Other Expenses	250	250	9,259	(9,009)	-
Total Pupil Support	<u>315,738</u>	<u>329,796</u>	<u>322,657</u>	<u>7,139</u>	<u>292,123</u>
Staff Support					
Salaries	42,536	42,592	43,778	(1,186)	39,927
Benefits	13,609	13,609	12,895	714	12,188
PS - Professional	890	890	5,986	(5,096)	2,277
PS - Other	1,100	1,100	728	372	728
Supplies	9,000	9,000	7,366	1,634	8,473
Property	2,500	2,500	1,785	715	1,490
Total Staff Support	<u>69,635</u>	<u>69,691</u>	<u>72,538</u>	<u>(2,847)</u>	<u>65,083</u>
General Administration					
Salaries	245,061	240,136	240,711	(575)	220,866
Benefits	68,731	70,410	69,538	872	59,863
PS - Professional	30,140	22,190	12,533	9,657	29,260
PS - Property	10,000	10,000	-	10,000	-
PS - Other	100,837	98,837	94,676	4,161	104,445
Supplies	6,300	6,301	9,766	(3,465)	9,913
Property	5,813	5,813	12,708	(6,895)	9,705
Other Expenses	14,630	12,630	104,164	(91,534)	10,229
Total General Administration	<u>481,512</u>	<u>466,317</u>	<u>544,096</u>	<u>(77,779)</u>	<u>444,281</u>
School Administration					
Salaries	228,966	238,427	240,640	(2,213)	205,593
Benefits	62,331	61,507	59,123	2,384	50,376
PS - Property	7,500	7,500	11,156	(3,656)	11,223
PS - Other	20,962	20,962	19,947	1,015	16,665
Supplies	10,000	10,000	9,421	579	10,600
Property	5,740	3,240	10,230	(6,990)	-
Other Expenses	1,120	1,120	509	611	-
Total School Administration	<u>336,619</u>	<u>342,756</u>	<u>351,026</u>	<u>(8,270)</u>	<u>294,457</u>

(Continued)
 See the accompanying Independent Auditors' Report

PEYTON SCHOOL DISTRICT 23JT
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2019
 (With Comparative Totals for the Year Ended June 30, 2018)

	2019				
	Original	Final		Variance	2018
	Budget	Budget	Actual	with Final	Actual
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	101,339	114,209	114,376	(167)	107,615
Benefits	32,218	30,717	32,286	(1,569)	28,782
PS - Professional	3,450	2,354	4,763	(2,409)	4,361
PS - Other	264,030	264,030	128,246	135,784	170,193
Supplies	2,500	2,500	17,007	(14,507)	2,858
Total Business Services	<u>403,537</u>	<u>413,810</u>	<u>296,678</u>	<u>117,132</u>	<u>313,809</u>
Operations and Maintenance					
Salaries	257,788	255,383	257,113	(1,730)	227,459
Benefits	86,065	82,669	74,284	8,385	63,792
PS - Professional	1,400	1,400	-	1,400	-
PS - Property	57,032	61,266	65,009	(3,743)	32,336
PS - Other	62,115	67,952	42,730	25,222	48,287
Supplies	289,826	279,811	263,082	16,729	276,486
Property	5,050	6,128	3,913	2,215	1,006
Other Expenses	200	200	-	200	200
Total Operations and Maintenance	<u>759,476</u>	<u>754,809</u>	<u>706,131</u>	<u>48,678</u>	<u>649,566</u>
Transportation					
Salaries	274,853	285,621	269,812	15,809	251,401
Benefits	96,779	89,764	74,561	15,203	79,271
PS - Property	12,946	12,946	7,845	5,101	15,432
PS - Other	4,250	4,250	3,120	1,130	3,191
Supplies	109,500	109,500	76,503	32,997	80,124
Property	16,250	16,250	2,121	14,129	1,341
Other Expenses	1,500	1,500	118	1,382	606
Total Transportation	<u>516,078</u>	<u>519,831</u>	<u>434,080</u>	<u>85,751</u>	<u>431,366</u>
Risk Management					
PS - Other	<u>142,191</u>	<u>122,191</u>	<u>83,494</u>	<u>38,697</u>	<u>105,155</u>
Food Service					
Salaries	-	1,450	1,450	-	-
Benefits	-	21	21	-	-
Total Food Service	<u>-</u>	<u>1,471</u>	<u>1,471</u>	<u>-</u>	<u>-</u>
Contingency	<u>1,560,018</u>	<u>1,951,251</u>	<u>-</u>	<u>1,951,251</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,121,303</u>	<u>8,553,024</u>	<u>6,534,021</u>	<u>2,019,003</u>	<u>6,061,818</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(1,244,269)	(1,529,022)	101,697	1,630,719	602,518
OTHER FINANCING SOURCES (USES)					
Transfers	(315,750)	(305,750)	(295,750)	10,000	(223,750)
CHANGE IN FUND BALANCE	(1,560,019)	(1,834,772)	(194,053)	1,640,719	378,768
BEGINNING FUND BALANCE	<u>1,560,019</u>	<u>1,814,001</u>	<u>1,814,001</u>	<u>-</u>	<u>1,435,233</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ (20,771)</u>	<u>\$ 1,619,948</u>	<u>\$ 1,640,719</u>	<u>\$ 1,814,001</u>

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

PEYTON SCHOOL DISTRICT 23JT
Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(With Comparative Totals for June 30, 2018)

	<u>Special Revenue</u>	<u>Totals</u>	
	<u>Food Service</u>		
	<u>Fund</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash and Investments	\$ 23,572	\$ 23,572	\$ 31,808
Grants Receivable	-	-	5,089
Other Accounts Receivable	668	668	490
Inventory	<u>2,273</u>	<u>2,273</u>	<u>1,843</u>
TOTAL ASSETS	<u>\$ 26,513</u>	<u>\$ 26,513</u>	<u>\$ 39,230</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ 167
Accrued Salaries & Benefits	6,069	6,069	7,966
Unearned Revenue	<u>5,478</u>	<u>5,478</u>	<u>3,553</u>
Total Liabilities	<u>11,547</u>	<u>11,547</u>	<u>11,686</u>
Fund Balance			
Nonspendable Fund Balance	2,273	2,273	1,843
Committed Fund Balance			
Committed for Fund Purposes	<u>12,693</u>	<u>12,693</u>	<u>25,701</u>
Total Fund Balance	<u>14,966</u>	<u>14,966</u>	<u>27,544</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 26,513</u>	<u>\$ 26,513</u>	<u>\$ 39,230</u>

See accompanying Independent Auditors' Report.

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	<u>Special Revenue</u>	<u>Totals</u>	
	<u>Food Service</u>		
	<u>Fund</u>	<u>2019</u>	<u>2018</u>
REVENUES			
Local Sources	\$ 55,060	\$ 55,060	\$ 63,616
State Sources	2,329	2,329	2,136
Federal Sources	62,734	62,734	65,982
TOTAL REVENUES	<u>120,123</u>	<u>120,123</u>	<u>131,734</u>
EXPENDITURES			
Food Service	<u>132,701</u>	<u>132,701</u>	<u>128,579</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(12,578)	(12,578)	3,155
OTHER FINANCING SOURCES (USES)			
Transfer In (Out) - net	-	-	20,000
CHANGE IN FUND BALANCE	(12,578)	(12,578)	23,155
BEGINNING FUND BALANCE	<u>27,544</u>	<u>27,544</u>	<u>4,389</u>
ENDING FUND BALANCE	<u>\$ 14,966</u>	<u>\$ 14,966</u>	<u>\$ 27,544</u>

See accompanying Independent Auditors' Report.

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SPECIAL REVENUE FUND

This fund accounts for all financial activities associated with the District school lunch program.

Food Service Fund

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Food Service Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019		Variance with Final Budget	2018 Actual
	Final Budget	Actual		
REVENUES				
Local Sources				
Food Service Revenue	\$ 63,500	\$ 53,060	\$ (10,440)	\$ 60,341
Donations	300	311	11	20
Other Local	2,500	1,689	(811)	3,255
Total Local Sources	<u>66,300</u>	<u>55,060</u>	<u>(11,240)</u>	<u>63,616</u>
State Sources				
State Grants from CDE				
State Matching Child Nutrition	1,500	1,447	(53)	1,379
School Lunch Protection Program: Free and Reduced for Pre-K th 2	650	882	232	757
Total State Sources	<u>2,150</u>	<u>2,329</u>	<u>179</u>	<u>2,136</u>
Federal Sources				
Federal Grants from CDE				
Special Milk Program for Children	230	408	178	382
National School Lunch Program	44,598	50,819	6,221	53,621
Federal Grants from Other State Agencies				
National School Lunch Program - Commodities	-	11,507	11,507	11,979
Total Federal Sources	<u>44,828</u>	<u>62,734</u>	<u>17,906</u>	<u>65,982</u>
TOTAL REVENUES	<u>113,278</u>	<u>120,123</u>	<u>6,845</u>	<u>131,734</u>
EXPENDITURES				
Supporting Services				
Food Service				
Salaries	57,000	56,058	942	52,977
Benefits	13,312	13,315	(3)	11,863
PS - Other	4,791	878	3,913	1,542
Supplies	3,000	4,639	(1,639)	5,499
Food	54,828	44,192	10,636	43,425
Commodities	12,000	11,694	306	12,553
Property	1,250	1,744	(494)	-
Other Expenses	2,570	181	2,389	720
TOTAL EXPENDITURES	<u>148,751</u>	<u>132,701</u>	<u>16,050</u>	<u>128,579</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(35,473)	(12,578)	22,895	3,155
OTHER FINANCING SOURCES (USES)				
Transfers	10,000	-	(10,000)	20,000
CHANGE IN FUND BALANCE	(25,473)	(12,578)	12,895	23,155
BEGINNING FUND BALANCE	-	27,544	27,544	4,389
ENDING FUND BALANCE	<u>\$ (25,473)</u>	<u>\$ 14,966</u>	<u>\$ 40,439</u>	<u>\$ 27,544</u>

See accompanying Independent Auditors' Report.

DEBT SERVICE FUND

Debt Service Funds are used to service the general obligation debt of the District.

The District has the following debt service fund:

Bond Redemption Fund

This fund is used to account for the accumulation of resources and for the payment of principal, interest and other costs associated with the District's general obligation debt.

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Bond Redemption Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019		Variance with Final Budget	2018
	Final Budget	Actual		Actual
REVENUES				
Local Sources				
Property Taxes	\$ 80,500	\$ 203,076	\$ 122,576	\$ 199,305
Delinquent Taxes	500	291	(209)	460
Investment Earnings	16,000	23,212	7,212	15,512
TOTAL REVENUES	<u>97,000</u>	<u>226,579</u>	<u>129,579</u>	<u>215,277</u>
EXPENDITURES				
Debt Service				
Principal	245,000	245,000	-	235,000
Interest	65,400	60,500	4,900	70,100
Total Debt Service	310,400	305,500	4,900	305,100
TOTAL EXPENDITURES	<u>310,400</u>	<u>305,500</u>	<u>4,900</u>	<u>305,100</u>
CHANGE IN FUND BALANCE	(213,400)	(78,921)	134,479	(89,823)
BEGINNING FUND BALANCE	-	1,072,038	1,072,038	1,161,861
ENDING FUND BALANCE	<u>\$ (213,400)</u>	<u>\$ 993,117</u>	<u>\$ 1,206,517</u>	<u>\$ 1,072,038</u>

See accompanying Independent Auditors' Report.

CAPITAL PROJECTS FUND

Capital Project Funds are used to account for the construction of District facilities.

The District has the following capital project fund:

Capital Reserve Projects Fund

This fund is used to account for the majority of the District's capital improvements.

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Reserve Project Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019		Variance with Final Budget	2018 Actual
	Final Budget	Actual		
REVENUES				
Local Sources				
Investment Earnings	\$ 3,002	\$ 3,341	\$ 339	\$ 3,721
Insurance Proceeds	8,791	20,874	12,083	35,592
Total Local Sources	11,793	24,215	12,422	39,313
State Sources				
State Grants from CDE				
Small Rural Schools Additional Funding	-	106,412	106,412	-
Best Capital Construction Program	-	122,617	122,617	-
Total State Sources	-	229,029	229,029	-
TOTAL REVENUES	11,793	253,244	241,451	39,313
EXPENDITURES				
Supporting Services				
Business Services				
PS - Professional	-	75	(75)	1,565
Facilities/Capital Outlay				
Buildings	242,347	365,452	(123,105)	785,226
Equipment	2,000	3,143	(1,143)	17,737
Total Facilities/Capital Outlay	244,347	368,595	(124,248)	802,963
Debt Service				
Principal	75,102	75,350	(248)	83,862
Interest	16,616	27,669	(11,053)	31,430
Total Debt Service	91,718	103,019	(11,301)	115,292
TOTAL EXPENDITURES	336,065	471,689	(135,624)	919,820
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(324,272)	(218,445)	105,827	(880,507)
OTHER FINANCING SOURCES (USES)				
Transfers	295,750	295,750	-	203,750
Debt Proceeds	-	212,361	212,361	-
TOTAL OTHER FINANCING SOURCES (USES)	295,750	508,111	212,361	203,750
CHANGE IN FUND BALANCE	(28,522)	289,666	318,188	(676,757)
BEGINNING FUND BALANCE	-	7,184	7,184	683,941
PRIOR PERIOD RESTATEMENT	-	91,720	91,720	-
BEGINNING FUND BALANCE (As Restated)	-	98,904	98,904	683,941
ENDING FUND BALANCE	\$ (28,522)	\$ 388,570	\$ 417,092	\$ 7,184

See accompanying Independent Auditors' Report.

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private and student groups.

The District has established an agency fund to account for various student activity groups and contributions from private organizations. The agency funds are custodial in nature and do not involve measurement of results of operations.

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenses and Changes in Fiduciary Net Position
Budget and Actual
Fiduciary Funds
Pupil Activity Agency Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019		Variance with Final Budget	2018 Actual
	Final Budget	Actual		
	Budget	Actual		
ADDITIONS				
Local Sources	\$ 155,000	\$ 155,776	\$ 776	\$ 173,086
DEDUCTIONS				
Instruction	155,000	133,493	21,507	148,400
CHANGE IN NET POSITION	-	22,283	22,283	24,686
BEGINNING NET POSITION	-	88,296	88,296	63,610
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 110,579</u>	<u>\$ 110,579</u>	<u>\$ 88,296</u>

See accompanying Independent Auditors' Report.

STATE COMPLIANCE



Colorado Department of Education
Auditors Integrity Report
 District: 1060 - Peyton 23 Jt
 Fiscal Year 2018-19
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	1,814,001		6,339,968		6,534,021		1,619,948
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
Sub- Total	1,814,001		6,339,968		6,534,021		1,619,948
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0
21 Food Service Spec Revenue Fund	27,544		120,123		132,702		14,966
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	1,072,038		226,579		305,500		993,117
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	98,904		761,355		471,690		388,570
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	3,012,487		7,448,025		7,443,912		3,016,600
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	88,296		155,777		133,493		110,579
79 GASB 34:Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	88,296		155,777		133,493		110,579

FINAL



Colorado Department of Education

Bolded Balance Sheet Report

District: 1060 - Peyton 23 Jt

Fiscal Year 2018-19

Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	2,635,102	0	0	0	0	23,572	984,319	238,717	0	0	0	110,579	0	3,992,288	
Cash with Fiscal Agent (8105)	24,628	0	0	0	0	0	2,061	0	0	0	0	0	0	26,689	
Taxes Receivable (8121,8122)	31,920	0	0	0	0	0	6,737	0	0	0	0	0	0	38,657	
Interfund Loans Receivable (8131,8132)	0	0	0	0	0	0	0	135,068	0	0	0	0	0	135,068	
Grants Accounts Receivable (8142)	92,110	0	0	0	0	0	0	31,148	0	0	0	0	0	123,258	
Other Receivables (8151-8154,8161)	49,654	0	0	0	0	668	0	0	0	0	0	0	0	50,322	
Inventories (8171,8172,8173)	0	0	0	0	0	2,273	0	0	0	0	0	0	0	2,273	
Prepaid Expenses 8181,8182)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	2,833,414	0	0	0	0	26,513	993,117	404,933	0	0	0	110,579	0	4,368,556	

See accompanying Independent Auditors' Report.

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	2,273	0	0	0	0	0	0	0	0	2,273
Restricted Fund Balance 6720	203,087	0	0	0	0	0	993,117	205,361	0	0	0	0	0	0	1,401,565
TABOR 3% Emergency Reserve 6721	214,000	0	0	0	0	0	0	0	0	0	0	0	0	0	214,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	6,600	0	0	0	0	0	0	0	0	0	0	0	0	0	6,600
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	12,692	0	91,489	0	0	0	0	0	0	104,181
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	1,196,261	0	0	0	0	0	0	0	0	0	0	0	110,579	0	1,306,840
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	91,720	0	0	0	0	0	0	91,720
Total Fund Equity	1,619,948	0	0	0	0	14,966	993,117	388,570	0	0	0	0	110,579	0	3,127,180

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	2,833,414	0	0	0	0	26,513	993,117	404,933	0	0	0	0	110,579	0	4,368,556

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes