

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2018**

PEYTON SCHOOL DISTRICT 23JT

PEYTON, COLORADO

ROSTER OF SCHOOL OFFICIALS

JUNE 30, 2018

BOARD OF EDUCATION

Jim Frohbieter - President

Bart Hanks - Vice President

Tracy Lee - Secretary

Julie Mannering - Director

Jim Eckelberry - Treasurer

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, 2018

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, 2018. 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 decreased \$5,216,506 to (\$11,756,251). General Fund equity increased \$378,767 to \$1,814,001.

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 (\$11,756,251) as of June 30, 2018.

The District's Governmental net position decreased by \$5,216,506 from 2017-2018. This is primarily due to the Wood's Manufacturing Program and increases to salaries and benefits. 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 2017-2018 by \$11,756,251 (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 (\$11,756,251) as of June 30, 2018. The District has a negative unrestricted net position of \$18,451,865 this is a result of the inclusion of the PERA liability of \$23,928,238 and OPEB liability of \$546,419 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:

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 3,853,028	\$ 4,235,184
Capital Assets	6,941,618	7,164,789
Total Assets	10,794,646	11,399,973
Deferred Outflows of Financial Resources	7,603,123	8,698,248
Current Liabilities	931,113	946,282
Long-Term Liabilities	27,261,885	25,801,701
Total Liabilities	28,192,998	26,747,983
Deferred Inflows of Financial Resources	1,961,022	(110,017)
Net Investment in Capital Assets	5,146,273	5,100,517
Restricted Net Position	1,549,341	1,945,758
Unrestricted Net Position	(18,451,865)	(13,586,020)
Total Net Position (Deficit)	\$ (11,756,251)	\$ (6,539,745)

A condensed Statement of Activities and Changes in Net position is as follows:

	Governmental Activities	
	2018	2017
Program Revenues:		
Charges for Services	\$ 322,546	\$ 282,552
Operating Grants	843,510	637,969
Capital Grants	-	15,839
Total Program Revenues	1,166,056	936,360
General Revenues:		
Taxes	1,466,134	1,374,743
State Equalization	4,277,211	3,713,609
Investment Income	42,513	22,843
Gain (Loss) on Capital Asset Disposals	300	12,154
Insurance Proceeds	36,648	63,237
Miscellaneous	61,798	132,111
Total General Revenues	5,884,604	5,318,697
Total Revenues	7,050,660	6,255,057
Expenses		
Instruction	6,371,729	6,094,855
Supporting Services	5,243,298	4,056,883
Debt Service Interest	107,645	56,242
Total Expenses	11,722,672	10,207,980
Change in Net Position	(4,672,012)	(3,952,923)
Net Position - Beginning	(6,539,745)	(2,586,822)
Prior Period Restatement	(544,494)	-
Net Position - Beginning (As Restated)	(7,084,239)	(2,586,822)
Net Position (Deficit) - Ending	\$ (11,756,251)	\$ (6,539,745)

The District's Governmental net position decreased by \$5,216,506 from 2017 to 2018. The largest changes were described above. The Special Revenue net position reflects an increase of \$23,155 from 2017 to 2018.

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 and Food Service 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.

Component Unit-The District's Charter School surrendered its Chartering Contract Agreement during fiscal year 2017-2018; therefore, the District no longer reports a Component Unit.

Special Revenue Funds. The Special Revenue Fund (the food service operation) has historically operated as an enterprise fund using the same basis of accounting as business-type activities; however, beginning June 2015 these statements changed to a Governmental-Type activity.

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, 2018, the District's governmental funds reported a combined fund balance of \$2,920,767 which is a decrease of \$364,658 from the June 30, 2017 balance. The following is additional information by fund which contributed to the change.

General Fund equity increased \$378,767 from 2017 to 2018. Overall revenues increased by \$1,057,829 from the prior year while expenditures increased by \$348,422.

Capital Reserve Capital Project Fund equity decreased by \$676,757 from 2017 to 2018. This was due to COPs (Certificates of Participation) expenditures for the remodel of The MiLL.

Bond Redemption Fund equity decreased by \$89,823.

Capital Assets

As of June 30, 2018 the District had \$6,941,618 invested in a broad range of capital assets, including buildings and improvements, transportation and other equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$233,171 from last year. A summary of the District's Capital Assets is as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	Balance			Balance
	6/30/17	Additions	Deletions	6/30/18
GOVERNMENTAL ACTIVITIES:				
Capital Assets:				
Buildings	\$ 12,361,351	\$ 64,818	\$ -	\$ 12,426,169
Equipment	61,125	5,110	-	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>13,655,436</u>	<u>69,928</u>	<u>-</u>	<u>13,725,364</u>
Less: Accumulated Depreciation				
Buildings	(5,882,173)	(230,501)	-	(6,112,674)
Equipment	(20,708)	(4,757)	-	(25,465)
Food Service Equipment	(20,211)	-	-	(20,211)
Transportation Equipment	<u>(567,555)</u>	<u>(57,841)</u>	<u>-</u>	<u>(625,396)</u>
Total Accumulated Depreciation	<u>(6,490,647)</u>	<u>(293,099)</u>	<u>-</u>	<u>(6,783,746)</u>
Net Capital Assets	<u>\$ 7,164,789</u>	<u>\$ (223,171)</u>	<u>\$ -</u>	<u>\$ 6,941,618</u>

Debt Administration

As of June 30, 2018 the District had total outstanding long-term obligations as follows:

	Restated			Balance	Current
	Balance	Advances	Payments	6/30/2018	Portion
	6/30/2017				
General Obligation Bonds:					
Series 2011	\$ 1,870,000	\$ -	\$ 235,000	\$ 1,635,000	\$ 245,000
Certificates of Participation:					
Series 2017	700,000	-	\$ 15,000	685,000	40,000
Capital Leases	194,272	-	33,927	160,345	42,123
PERA Pension Liability	22,710,934	1,217,304	-	23,928,238	-
OPEB Liability	562,142	-	(15,723)	546,419	-
Compensated Absences	<u>100,230</u>	<u>8,822</u>	<u>-</u>	<u>109,052</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 26,137,578</u>	<u>\$ 1,226,126</u>	<u>\$ 268,204</u>	<u>\$ 27,064,054</u>	<u>\$ 327,123</u>
Unamortized Bond Premiums	<u>\$ 226,265</u>	<u>\$ -</u>	<u>\$ 28,434</u>	<u>\$ 197,831</u>	<u>\$ 29,644</u>

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 \$5,983 more than the amount budgeted, with the main differences related to increased Specific Ownership Taxes and Other Local Revenue received.

The Future of the District

Factors that will affect next year's budget include mandated Budget Stabilization Factor, fluctuating student enrollment and enrollment in our Career Technical Education Facility.

With the state's economy growing, the State has finally decreased the Budget Stabilization Factor by a little. This has helped the district to increase staff salaries. The district remains far behind in funding from where we should be since the incorporation of the Budget Stabilization Factor.

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 school districts' per pupil revenue, the programs are able to become more self-sufficient.

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 called the MiLL (Manufacturing industry Learning Labs). This facility houses over \$3,000,000 of high end CNC (Computer Numerated Control) Technology and other woods machinery, which was donated by partners in Industry. Currently, high school students are being educated at the facility. Red Rocks Community College has started their evening program at the MiLL with more classes being added at the beginning of 2019. The MiLL is currently offering a variety of learning opportunities which includes classes for college courses taught by Red Rocks Community College, classes to industry leaders, as well as classes for CTE teachers to receive deeper insight on improving their programs while receiving Nationally recognized Woods Certification.

The student count projection for our Career Technical Education programs for 2019-2020 school year are projected to increase, so we believe this will begin to help the program pay for itself.

Our primary grades are showing significant decrease in student enrollment, so we are currently looking into combination classes and single class situations. Our Middle and High School enrollment remains high as many students are coming from out of district to attend our programs.

Economically, our district is projecting some growth, but the district is not anticipating student growth from the construction of new homes until the 2020-2021 school year.

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.

Holscher, 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Peyton School District 23JT's 2017 financial statements, and we expressed a modified audit opinion on those audited financial statements in our report dated December 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2017 financial statements have been restated to reflect the adoption of GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of the standard required restatement of the beginning June 30, 2018 fiscal year net position. Our opinion is not modified with respect to this matter.

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.



Englewood, CO
December 4, 2018

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, 2018.

PEYTON SCHOOL DISTRICT 23JT
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
ASSETS	
Current Assets	
Cash and Investments	\$ 3,666,460
Cash with Fiscal Agent	31,513
Taxes Receivable	43,229
Grants Receivable	28,766
Other Accounts Receivable	79,367
Inventory	1,843
Prepaid Expenses	<u>1,850</u>
Total Current Assets	3,853,028
Noncurrent Assets	
Capital Assets, being depreciated	<u>6,941,618</u>
TOTAL ASSETS	<u>10,794,646</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
Net Pension Deferred Outflows	7,582,629
Net OPEB Deferred Outflows	<u>20,494</u>
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	<u>7,603,123</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 18,397,769</u>
LIABILITIES, DEFERRED INFLOWS OF FINANCIAL RESOURCES AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 341,608
Accrued Interest	2,680
Accrued Salaries & Benefits	<u>586,825</u>
Total Current Liabilities	<u>931,113</u>
Non-Current Liabilities	
Due Within One Year	326,055
Due In More Than One Year	<u>26,935,830</u>
Total Noncurrent Liabilities	<u>27,261,885</u>
TOTAL LIABILITIES	<u>28,192,998</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES	
Net Pension Deferred Inflows	1,933,833
Net OPEB Deferred Inflows	23,361
Deferred Inflows - Other	<u>3,828</u>
Total Deferred Inflows of Financial Resources	<u>1,961,022</u>
NET POSITION	
Net Investment in Capital Assets	5,146,273
Restricted Net Position	1,549,341
Unrestricted Net Position (Deficit)	<u>(18,451,865)</u>
TOTAL NET POSITION	<u>(11,756,251)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 18,397,769</u>

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

PEYTON SCHOOL DISTRICT 23JT
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 6,371,729	\$ 171,055	\$ 547,018	\$ (5,653,656)
Supporting Services	5,243,298	151,491	296,492	(4,795,315)
Interest on Long Term Debt	107,645	-	-	(107,645)
Total Primary Government	<u>\$ 11,722,672</u>	<u>\$ 322,546</u>	<u>\$ 843,510</u>	<u>(10,556,616)</u>
General Revenues				
Property Taxes				1,299,759
Specific Ownership Taxes				166,375
State Equalization				4,277,211
Investment Earnings				42,513
Gain (Loss) on Capital Asset Disposals				300
Insurance Proceeds				36,648
Other Revenues				61,800
Total General Revenues and Transfers				<u>5,884,606</u>
Change in Net Position				<u>(4,672,010)</u>
Beginning Net Position (Deficit)				<u>(6,539,745)</u>
Prior Period Restatement				<u>(544,496)</u>
Beginning Net Position (As Restated)				<u>(7,084,241)</u>
Ending Net Position (Deficit)				<u>\$ (11,756,251)</u>

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

PEYTON SCHOOL DISTRICT 23JT
 Balance Sheet
 Governmental Funds
 June 30, 2018
 (With Comparative Totals for June 30, 2017)

	General Fund	Debt Service	Capital Projects	Other
		Bond Redemption Fund	Capital Reserve Project Fund	Governmental Funds
ASSETS				
Cash and Investments	\$ 2,424,868	\$ 1,064,012	\$ 145,773	\$ 31,808
Cash with Fiscal Agent	28,412	3,101	-	-
Taxes Receivable	38,304	4,925	-	-
Interfund Accounts Receivable	-	-	28,656	-
Grants Receivable	23,676	-	-	5,089
Other Accounts Receivable	38,861	-	40,016	490
Inventory	-	-	-	1,843
Prepaid Expenses	1,850	-	-	-
TOTAL ASSETS	\$ 2,555,971	\$ 1,072,038	\$ 214,445	\$ 39,230
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Interfund Accounts Payable	\$ 28,656	\$ -	\$ -	\$ -
Accounts Payable	134,180	-	207,261	167
Accrued Salaries & Benefits	578,859	-	-	7,966
Total Liabilities	741,695	-	207,261	8,133
Deferred Inflows of Financial Resources				
Deferred Inflows of Resources	-	-	-	3,553
Grant Deferred Inflows	275	-	-	-
Total Deferred Inflows of Financial Resources	275	-	-	3,553
Fund Balance				
Nonspendable Fund Balance	1,850	-	-	1,843
Restricted Fund Balance				
Restricted for Debt Service	-	1,072,038	-	-
Restricted for TABOR Emergencies	189,000	-	-	-
Restricted by Mill Levy Override	277,132	-	-	-
Restricted for Colorado Preschool Program	11,171	-	-	-
Restricted for Capital Outlay	-	-	-	-
Committed Fund Balance				
Committed for Fund Purposes	-	-	7,184	25,701
Assigned Fund Balance				
Unassigned Fund Balance	1,334,848	-	-	-
Total Fund Balance	1,814,001	1,072,038	7,184	27,544
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 2,555,971	\$ 1,072,038	\$ 214,445	\$ 39,230

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

Totals

2018	2017
\$ 3,666,460	\$ 4,033,952
31,513	22,295
43,229	23,392
28,656	12,817
28,766	73,816
79,367	77,632
1,843	2,247
1,850	1,850
<u>\$ 3,881,684</u>	<u>\$ 4,248,001</u>
\$ 28,656	\$ 12,817
341,608	338,254
<u>586,825</u>	<u>604,964</u>
<u>957,089</u>	<u>956,035</u>
3,553	3,336
275	3,207
<u>3,828</u>	<u>6,543</u>
3,693	4,097
1,072,038	1,161,861
189,000	189,000
277,132	-
11,171	26,733
-	568,164
32,885	117,919
<u>1,334,848</u>	<u>1,217,649</u>
<u>2,920,767</u>	<u>3,285,423</u>
<u>\$ 3,881,684</u>	<u>\$ 4,248,001</u>

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PEYTON SCHOOL DISTRICT 23JT
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2018

Fund Balance - Governmental Funds		\$	2,920,767
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, being depreciated	13,725,364		
Accumulated depreciation	<u>(6,783,746)</u>		6,941,618
Deferred charges related to the issuance of debt that are amortized over the life of the issue, but are not reported in the funds			
Bond premiums - net of amortization			(197,831)
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	7,582,629		
Net pension liability	(23,928,238)		
Net pension deferred inflows	<u>(1,933,833)</u>		(18,279,442)
PERA Health Care Trust Fund (OPEB)			
Net OPEB deferred outflows	20,494		
Net OPEB liability	(546,419)		
Net OPEB deferred inflows	<u>(23,361)</u>		(549,286)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Bonds payable	(1,635,000)		
Certificates of Participation	(685,000)		
Capital leases payable	(160,345)		
Accrued interest payable	(2,680)		
Accrued compensated absences	<u>(109,052)</u>		(2,592,077)
Total Net Position - Governmental Activities		\$	<u><u>(11,756,251)</u></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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	General Fund	Debt Service Bond Redemption Fund	Capital Projects Capital Reserve Project Fund	Other Governmental Funds
REVENUES				
Local Sources	\$ 1,716,473	\$ 215,277	\$ 39,313	\$ 63,616
Intermediate Sources	38	-	-	-
State Sources	4,777,546	-	-	2,136
Federal Sources	170,278	-	-	65,982
TOTAL REVENUES	<u>6,664,335</u>	<u>215,277</u>	<u>39,313</u>	<u>131,734</u>
EXPENDITURES				
Instruction	3,460,878	-	-	-
Pupil Support	292,122	-	-	-
Staff Support	65,083	-	-	-
General Administration	444,281	-	-	-
School Administration	294,457	-	-	-
Business Services	313,810	-	1,564	-
Operations and Maintenance	649,566	-	-	-
Transportation	431,366	-	-	-
Risk Management	105,155	-	-	-
Food Service	-	-	-	128,579
Facilities	5,100	-	802,964	-
Debt Service	-	305,100	115,292	-
TOTAL EXPENDITURES	<u>6,061,818</u>	<u>305,100</u>	<u>919,820</u>	<u>128,579</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>602,517</u>	<u>(89,823)</u>	<u>(880,507)</u>	<u>3,155</u>
OTHER FINANCING SOURCES (USES)				
Debt Proceeds	-	-	-	-
Transfer In (Out) - net	(223,750)	-	203,750	20,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(223,750)</u>	<u>-</u>	<u>203,750</u>	<u>20,000</u>
CHANGE IN FUND BALANCE	378,767	(89,823)	(676,757)	23,155
BEGINNING FUND BALANCE	1,435,233	1,161,860	683,941	4,389
ENDING FUND BALANCE	<u>\$ 1,814,001</u>	<u>\$ 1,072,038</u>	<u>\$ 7,184</u>	<u>\$ 27,544</u>

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

Totals

2018	2017
\$ 2,034,680	\$ 1,877,401
38	34
4,779,682	4,101,260
236,260	245,212
7,050,660	6,223,907
3,460,878	3,345,379
292,122	202,857
65,083	63,175
444,281	321,238
294,457	326,068
315,374	375,435
649,566	569,582
431,366	438,188
105,155	116,212
128,580	129,869
808,064	353,955
420,392	369,102
7,415,318	6,611,060
(364,658)	(387,153)
-	735,000
-	-
-	735,000
(364,658)	347,847
3,285,423	2,937,576
\$ 2,920,767	\$ 3,285,423

PEYTON SCHOOL DISTRICT 23JT
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2018

Change in Fund Balance - Governmental Funds		\$	(364,658)
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level			
Capitalized Asset Purchases	69,928		
Depreciation Expense	<u>(293,099)</u>		(223,171)
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	(1,115,619)		
Change in net pension liability	(1,217,304)		
Change in deferred pension inflows	<u>(2,050,393)</u>		(4,383,316)
PERA Health Care Trust Fund (OPEB)			
Change in deferred OPEB outflows	2,845		
Change in net OPEB liability	15,724		
Change in deferred OPEB inflows	<u>(23,361)</u>		(4,792)
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			
Principal payments on bonds payable	235,000		
Principal payments on capital leases	33,927		
Principal payments on certificates of participation	15,000		
Change in accrued interest payable	386		
Amortization of premiums and discounts	28,434		
Change in accrued compensated absences	<u>(8,822)</u>		303,925
Changes in Net Position		\$	<u><u>(4,672,012)</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, 2018
(With Comparative Totals for June 30, 2017)

	<u>Totals</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ <u>88,296</u>	\$ <u>63,610</u>
NET POSITION		
Restricted Net Position	<u>\$ 88,296</u>	<u>\$ 63,610</u>

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

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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.

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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

- 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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 2017 are deemed receivable at June 30, 2018. 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, 2018:

Cash in Bank	\$ 2,518,101
Petty Cash	100
Investments	<u>1,236,555</u>
Total Cash and Investments	<u>\$ 3,754,756</u>
Unrestricted - Government-wide	\$ 3,666,460
Unrestricted - Agency	<u>88,296</u>
Total	<u>\$ 3,754,756</u>

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, 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.

	Bank Balance	Carrying Balance
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not in District's name)	2,367,599	2,268,101
Petty Cash	-	100
Total	\$ 2,617,599	\$ 2,518,201

INVESTMENTS

The District’s June 30, 2018 investments consist of the following:

	Total	Weighted Average Maturity
Investment Pools - Bond Redemption	\$ 1,064,012	-
Investment Pools - Unrestricted	172,543	-
Total Investments	\$ 1,236,555	-

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the District invested funds in Colostrust. 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, 2018, the District's Bond Redemption investments were held in safekeeping.

NOTE 3: INVENTORIES

Food Service Fund inventory as of June 30, 2018 of \$1,843 consisted of purchased and donated commodities of \$1,715 and \$128 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, 2018

NOTE 4: CAPITAL ASSETS

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

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
GOVERNMENTAL ACTIVITIES:				
Capital Assets:				
Buildings	\$ 12,361,351	\$ 64,818	\$ -	\$ 12,426,169
Equipment	61,125	5,110	-	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>13,655,436</u>	<u>69,928</u>	<u>-</u>	<u>13,725,364</u>
Less: Accumulated Depreciation				
Buildings	(5,882,173)	(230,501)	-	(6,112,674)
Equipment	(20,708)	(4,757)	-	(25,465)
Food Service Equipment	(20,211)	-	-	(20,211)
Transportation Equipment	<u>(567,555)</u>	<u>(57,841)</u>	<u>-</u>	<u>(625,396)</u>
Total Accumulated Depreciation	<u>(6,490,647)</u>	<u>(293,099)</u>	<u>-</u>	<u>(6,783,746)</u>
Net Capital Assets	<u>\$ 7,164,789</u>	<u>\$ (223,171)</u>	<u>\$ -</u>	<u>\$ 6,941,618</u>

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

Depreciation Allocation	
Instruction	\$ 145,017
Supporting Services	<u>148,082</u>
Total Depreciation	<u>\$ 293,099</u>

NOTE 5: INTERNAL ACTIVITY

The District had the following internal routine transfers for the year ending June 30, 2018:

General Fund:	
Transfer to Capital Reserve Projects Fund	\$ (203,750)
Transfer to Food Service Fund	(20,000)
Food Service Fund:	
Transfer from General Fund	20,000
Capital Reserve Projects Fund:	
Transfer from General Fund	<u>203,750</u>
Net Internal Transfers	<u>\$ -</u>

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 5: INTERNAL ACTIVITY (Continued)

The District also had the following internal balances as of June 30, 2018:

General Fund Due to Other Funds	\$ (28,656)
Capital Reserve Project Fund Due from Other Funds	<u>28,656</u>
Net Internal Balances	<u><u>\$ -</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, 2018, are \$586,825, accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund of \$578,859 and Food Service Fund of \$7,966.

NOTE 7: LONG-TERM DEBT

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

	Restated Balance 6/30/2017	Advances	Payments	Balance 6/30/2018	Current Portion
General Obligation Bonds:					
Series 2011	\$ 1,870,000	\$ -	\$ 235,000	\$ 1,635,000	\$ 245,000
Certificates of Participation:					
Series 2017	700,000	-	\$ 15,000	685,000	40,000
Capital Leases	194,272	-	33,927	160,345	42,123
PERA Pension Liability	22,710,934	1,217,304	-	23,928,238	-
OPEB Liability	562,142	-	15,723	546,419	-
Compensated Absences	<u>100,230</u>	<u>8,822</u>	<u>-</u>	<u>109,052</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 26,137,578</u>	<u>\$ 1,226,126</u>	<u>\$ 299,650</u>	<u>\$ 27,064,054</u>	<u>\$ 327,123</u>

Bonds Payable

2011 General Obligation / Capital Appreciation 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.

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: LONG-TERM DEBT (Continued)

Summary of Debt Service Requirements. The annual requirement to amortize the bonds outstanding as of June 30, 2018, follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 245,000	\$ 60,500	\$ 305,500
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	\$ 1,635,000	\$ 203,900	\$ 1,838,900

Capital Leases.

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 related to this lease. 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>
2019	\$ 30,938
2020	30,938
2021	30,938
Total Payments	92,814
Interest at 4.34%	(7,510)
Present Value of Payments	\$ 85,304

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 \$90,000 related to this lease. 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>
2019	\$ 11,185
2020	11,185
2021	11,185
2022	11,185
2023	11,185
2024-2026	33,554
Future Minimum Lease Payments	89,479
Interest at 4%	(14,438)
Present Value of Future Payments	\$ 75,041

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: LONG-TERM DEBT (Continued)

Certificates of Participation

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 Certificate was 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. Payments are expected to be made from the Capital Reserve Projects fund. The annual requirement to amortize the Certificate outstanding at June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2024-2028	245,000	55,832	300,832
2029-2031	230,000	14,804	244,804
Total	\$ 685,000	\$ 162,460	\$ 847,460

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 \$168,081 for the year ended June 30, 2018. 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 fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies (Continued)

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public*

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

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 that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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.

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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.

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

January 1st through December 31st	2014¹	2015¹	2016¹	2017¹
Employer contribution rate	10.15%	10.15%	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%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%	5.00%
Total employer contribution rate to the SCHDTF	16.43%	17.33%	18.13%	18.63%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 District were \$635,922 for the plan year ended December 31, 2017 and \$647,026 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$23,928,238 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .07340%, which was a decrease of .002280% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$5,024,959. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 444,381	\$ -
Changes of assumptions or other inputs	\$ 6,240,880	\$ (39,941)
Net difference between projected and actual earnings on pension plan investments	\$ 486,220	\$ (1,414,050)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 76,564	\$ (479,842)
Contributions subsequent to the measurement date	\$ 334,584	\$ -
Total	\$ 7,582,629	\$ (1,933,833)

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

\$334,584 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	3,740,088
2020	1,989,408
2021	(61,771)
2022	(353,513)
2023	
Total	\$ 5,314,212

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

Actuarial cost method	Entry Age
Price inflation	2.40%
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	5.26%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

- **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 rate for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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:

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	10 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%.

Discount rate. The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions described 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 3.5%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions and the amount of total service costs for future plan members were based on a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increase financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projections test indicates that the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on or after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting is a discount rate of 4.78%.

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

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 4.78%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78%) or 1-percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionare share of the net pension asset (liability)	\$ (30,225,434)	\$ (23,928,238)	\$ (18,796,742)

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

At June 30, 2018, the District reported a liability of \$23,928,238 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

**Estimated Discount
Rate Calculated Using
Plan Provisions
Required by SB 18-200
(pro forma)**

7.25%

**Proportionate Share of the
Estimated Net Pension
Liability Calculated Using
Plan Provisions Required
by SB 18-200 (pro forma)**

\$10,810,571

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$11,169,851 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

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, 2018 program members contributed \$33,931.

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

OPEB. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 \$34,817, for the year ended June 30, 2018 and \$35,016 for the fiscal year ended June 30, 2018.

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the District reported a liability of \$546,419 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.04205%, which was a decrease of .001312% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$39,808. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 2,584	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (9,142)
Changes of assumptions or other inputs	\$ -	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (14,219)
Contributions subsequent to the measurement date	\$ 17,910	\$ -
Total	\$ 20,494	\$ (23,361)

\$17,910 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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)

Year Ended June 30:	Fiscal Year Totals
2019	\$ (4,571)
2020	(4,571)
2021	(4,571)
2022	(4,572)
2023	(2,286)
2024	(206)
Total	\$ (20,777)

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

Actuarial cost method	Entry Age
Price inflation	2.40%
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	3.00 % for 2017, gradually rising to 4.25% in 2023

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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)

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

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

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

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

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

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

- **Males:** Mortality improved 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

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

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

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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)

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:

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Proportionate share of the net OPEB asset (liability)	\$ (531,385)	\$ (546,419)	\$ (564,527)

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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)	\$ (614,347)	\$ (546,419)	\$ (488,441)

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

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, 2018.

PEYTON SCHOOL DISTRICT 23JT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the District's reserve of \$189,000 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, 2018

NOTE 14: NET POSITION DEFICIT

The Governmental Activities has an overall net position deficit of \$(11,756,251) and an unrestricted net position deficit of \$(18,451,865), primarily due to the PERA net pension liability of \$23,928,238 and OPEB net liability of \$546,419, 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 ($\frac{1}{2}$) 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 ($\frac{3}{4}$) of the utilities costs and continue to reimburse $\frac{1}{2}$ 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, 2018

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

During the fiscal year, the District contributed \$725,214 to the partnership activities in capital contributions. As of June 30, 2018, the District had a 26.84% interest in the partnership assets totaling \$2,702,371. The District has also capitalized other specific improvements totaling \$9,000 at the MiLL facility specifically related to its programs.

NOTE 16: PRIOR PERIOD RESTATEMENT

For the fiscal year, the District adopted GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement places a long-term obligation, as well as related deferred outflows and inflows, on the Statement of Net Position related to future postemployment benefit obligations. The District has restated the beginning net position for the governmental activities for those balances that were applicable as of June 30, 2017. This restatement resulted in a net decrease in governmental activity net position of \$544,494.

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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>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
District's proportion of the net pension asset (liability)	0.073998%	0.069547%	0.071267%
District's proportionate share of the net pension asset (liability)	\$ (23,928,238)	\$ (20,706,852)	\$ (10,899,714)
District's covered payroll	\$ 3,413,428	\$ 3,087,339	\$ 3,105,780
District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	701.00%	670.70%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

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

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
0.073062%	0.073410%
\$ (9,902,369)	\$ (9,363,438)
\$ 3,060,778	\$ 2,959,395
323.52%	316.40%
62.84%	64.07%

PEYTON SCHOOL DISTRICT 23JT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
Contractually required contributions	\$ 635,922	\$ 559,735	\$ 538,232
Actual contributions	<u>\$ (635,922)</u>	<u>\$ (559,735)</u>	<u>\$ (538,232)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,413,428	\$ 3,087,339	\$ 3,105,780
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

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

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
\$ 502,886	\$ 459,595
<u>(502,886)</u>	<u>(459,595)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 3,060,778	\$ 2,959,395
16.43%	15.53%

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>06/30/18</u>	<u>06/30/17</u>
District's proportion of the net pension asset (liability)	0.042045%	0.043357%
District's proportionate share of the net pension asset (liability)	\$ (546,419)	\$ (562,143)
District's covered payroll	\$ 3,413,425	\$ 3,087,339
District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	16.01%	18.21%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.70%

Note: All amounts are as of plan calculation dates which are one fiscal year 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>06/30/18</u>	<u>06/30/17</u>
Contractually required contributions	\$ 34,817	\$ 31,491
Actual contributions	<u>(34,817)</u>	<u>(31,491)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,413,425	\$ 3,087,339
Contributions as a percentage of covered payroll	1.02%	1.02%

Note: All amounts are as of plan calculation dates which are one fiscal year 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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original	Final		Variance	2017
	Budget	Budget	Actual	with Final	Actual
REVENUES					
Local Sources					
Property Taxes	\$ 827,404	\$ 1,088,428	\$ 1,089,525	\$ 1,097	\$ 841,594
Specific Ownership Taxes	93,713	108,726	166,375	57,649	154,097
Delinquent Taxes	1,635	1,635	2,633	998	2,774
Other Taxes	50	50	7,836	7,786	-
Tuition From Individuals	221,750	29,750	20,967	(8,783)	130,403
Tuition Within the BOCES	24,641	24,641	80,288	55,647	48,545
Tuition Out of District	-	156,316	149,277	(7,039)	-
Transportation Fees	7,200	7,200	-	(7,200)	15,524
Investment Earnings	8,700	15,100	23,280	8,180	13,105
Rent Revenue	12,500	10,000	10,861	861	12,778
Donations	250	59,499	104,720	45,221	17,889
Sale of Capital Assets	-	-	300	300	5
Instructional Materials Fees	-	250	812	562	-
Services to Charter School	-	-	-	-	14,775
Insurance Proceeds	-	1,056	1,056	-	3,343
Other Local	10,000	45,713	58,543	12,830	82,865
Total Local Sources	1,207,843	1,548,364	1,716,473	168,109	1,337,697
Intermediate Sources					
Mineral Leases	34	38	38	-	34
State Sources					
State Equalization	4,172,025	4,281,617	4,277,211	(4,406)	3,713,609
Transportation	92,043	92,043	95,121	3,078	90,937
State Grants from CDE					
Capital Construction - Charter Schools	-	-	-	-	17,857
State ECEA	-	1,391	1,545	154	3,312
State ELPA	1,285	1,045	1,161	116	2,304
BOCES Grant Writing	-	-	-	-	82,046
Read Act	-	11,396	11,396	-	6,777
Library Grant	3,500	3,500	3,500	-	3,500
National Board Certified Teachers Grant	1,600	1,600	1,600	-	1,600
Small Rural Schools Grant	220,605	232,016	232,016	-	-
Addtl At-Risk Funding Grant	-	-	2,023	2,023	2,087
Career Success Pilot Program	-	7,194	7,194	-	-
State Vocational Education	120,000	140,000	144,779	4,779	158,375
State Grants Provided through BOCES	163,785	163,785	-	(163,785)	1,209
Total State Sources	4,774,843	4,935,587	4,777,546	(158,041)	4,083,613
Federal Sources					
Federal Grants from CDE					
NCLB Title I, Part A - Improving Basic Programs	96,654	84,252	82,096	(2,156)	105,612
NCLB Title VIII - Impact Aid	15,000	7,716	11,367	3,651	11,990
NCLB Title IV, Part A - Safe and Drug Free Schools	-	10,000	-	(10,000)	-
NCLB Title II, Part A - Teacher & Principal Training	16,000	30,650	19,104	(11,546)	14,917
Title IV	-	-	9,189	9,189	-
RTTT Early Child	-	219	219	-	18
Carl Perkins Vocational Education	-	4,605	11,382	6,777	14,085
Direct Federal Revenue					
NCLB Title VI, Part B - REAP/Rural Education	41,204	36,921	36,921	-	38,540
Total Federal Sources	168,858	174,363	170,278	(4,085)	185,162
TOTAL REVENUES	6,151,578	6,658,352	6,664,335	5,983	5,606,506

See the accompanying Independent Auditors' Report.
(Continued)

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
(Continued)					
EXPENDITURES					
Instruction					
Salaries	2,362,162	2,388,054	2,260,482	127,572	2,396,945
Benefits	708,216	687,862	617,060	70,802	606,340
PS - Professional	66,541	66,541	49,812	16,729	55,625
PS - Property	22,535	22,535	23,919	(1,384)	17,449
PS - Other	83,098	83,098	114,345	(31,247)	84,460
Supplies	131,204	143,000	208,686	(65,686)	123,668
Property	77,460	143,177	174,169	(30,992)	44,485
Other Expenses	7,000	144,250	12,405	131,845	6,669
Total Instruction	<u>3,458,216</u>	<u>3,678,517</u>	<u>3,460,878</u>	<u>217,639</u>	<u>3,335,641</u>
Supporting Services					
Pupil Support					
Salaries	194,549	231,140	231,503	(363)	160,126
Benefits	52,372	58,852	54,079	4,773	38,735
PS - Other	930	930	2,834	(1,904)	1,606
Supplies	4,226	4,226	3,707	519	2,330
Other Expenses	250	250	-	250	60
Total Pupil Support	<u>252,327</u>	<u>295,398</u>	<u>292,123</u>	<u>3,275</u>	<u>202,857</u>
Staff Support					
Salaries	40,342	40,342	39,927	415	38,907
Benefits	13,016	12,825	12,188	637	11,897
PS - Professional	890	890	2,277	(1,387)	1,000
PS - Other	1,100	1,100	728	372	700
Supplies	9,000	9,000	8,473	527	5,670
Property	2,500	2,500	1,490	1,010	5,001
Total Staff Support	<u>66,848</u>	<u>66,657</u>	<u>65,083</u>	<u>1,574</u>	<u>63,175</u>
General Administration					
Salaries	206,597	231,487	220,866	10,621	120,545
Benefits	78,112	53,222	59,863	(6,641)	54,496
PS - Professional	23,140	32,218	29,260	2,958	24,884
PS - Property	10,000	10,000	-	10,000	-
PS - Other	89,137	99,137	104,445	(5,308)	68,714
Supplies	6,300	6,300	9,913	(3,613)	8,041
Property	5,813	5,813	9,705	(3,892)	-
Other Expenses	14,630	14,630	10,229	4,401	9,558
Total General Administration	<u>433,729</u>	<u>452,807</u>	<u>444,281</u>	<u>8,526</u>	<u>286,238</u>
School Administration					
Salaries	213,616	198,652	205,593	(6,941)	235,690
Benefits	64,867	53,077	50,376	2,701	57,360
PS - Property	7,500	7,500	11,223	(3,723)	9,674
PS - Other	20,962	20,962	16,665	4,297	16,122
Supplies	12,500	12,500	10,600	1,900	6,172
Property	18,240	18,240	-	18,240	-
Other Expenses	1,120	1,120	-	1,120	1,050
Total School Administration	<u>338,805</u>	<u>312,051</u>	<u>294,457</u>	<u>17,594</u>	<u>326,068</u>

See the accompanying Independent Auditors' Report.

(Continued)

PEYTON SCHOOL DISTRICT 23JT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	90,155	98,340	107,615	(9,275)	96,840
Benefits	30,034	31,981	28,782	3,199	30,668
PS - Professional	2,250	2,250	4,361	(2,111)	2,411
PS - Other	263,530	264,030	170,193	93,837	241,645
Supplies	2,500	2,500	2,858	(358)	3,870
Total Business Services	<u>388,469</u>	<u>399,101</u>	<u>313,809</u>	<u>85,292</u>	<u>375,434</u>
Operations and Maintenance					
Salaries	236,455	236,455	227,459	8,996	215,498
Benefits	79,790	79,540	63,792	15,748	60,415
PS - Property	43,546	43,796	32,336	11,460	11,917
PS - Other	54,599	54,600	48,287	6,313	36,573
Supplies	223,174	223,174	276,486	(53,312)	241,440
Property	5,050	5,050	1,006	4,044	3,124
Other Expenses	-	-	200	(200)	615
Total Operations and Maintenance	<u>642,614</u>	<u>642,615</u>	<u>649,566</u>	<u>(6,951)</u>	<u>569,582</u>
Transportation					
Salaries	238,953	238,285	251,401	(13,116)	261,560
Benefits	80,588	80,588	79,271	1,317	81,095
PS - Property	12,946	12,946	15,432	(2,486)	9,083
PS - Other	4,250	4,250	3,191	1,059	3,140
Supplies	109,500	109,500	80,124	29,376	80,150
Property	16,250	16,250	1,341	14,909	3,040
Other Expenses	1,500	1,500	606	894	121
Total Transportation	<u>463,987</u>	<u>463,319</u>	<u>431,366</u>	<u>31,953</u>	<u>438,189</u>
Risk Management					
PS - Other	<u>125,938</u>	<u>124,122</u>	<u>105,155</u>	<u>18,967</u>	<u>116,212</u>
Facilities/Capital Outlay					
Equipment	-	5,100	5,100	-	-
Contingency	<u>1,322,769</u>	<u>1,422,769</u>	<u>-</u>	<u>1,422,769</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,493,702</u>	<u>7,862,456</u>	<u>6,061,818</u>	<u>1,800,638</u>	<u>5,713,396</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(1,342,124)	(1,204,104)	602,517	1,806,621	(106,890)
OTHER FINANCING SOURCES (USES)					
Transfers	<u>(220,000)</u>	<u>(223,750)</u>	<u>(223,750)</u>	<u>-</u>	<u>(180,000)</u>
CHANGE IN FUND BALANCE	<u>(1,562,124)</u>	<u>(1,427,854)</u>	<u>378,767</u>	<u>1,806,621</u>	<u>(286,890)</u>
BEGINNING FUND BALANCE	<u>1,562,124</u>	<u>1,438,523</u>	<u>1,435,234</u>	<u>(3,289)</u>	<u>1,722,124</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 10,669</u>	<u>\$ 1,814,001</u>	<u>\$ 1,803,332</u>	<u>\$ 1,435,234</u>

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

PEYTON SCHOOL DISTRICT 23JT
 Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018
 (With Comparative Totals for June 30, 2017)

	Special Revenue	Totals	
	Food Service Fund	2018	2017
ASSETS			
Cash and Investments	\$ 31,808	\$ 31,808	\$ 13,755
Grants Receivable	5,089	5,089	-
Other Accounts Receivable	490	490	216
Inventory	1,843	1,843	2,247
TOTAL ASSETS	<u>\$ 39,230</u>	<u>\$ 39,230</u>	<u>\$ 16,218</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 167	\$ 167	\$ 167
Accrued Salaries & Benefits	7,966	7,966	8,326
Total Liabilities	<u>8,133</u>	<u>8,133</u>	<u>8,493</u>
Deferred Inflows of Financial Resources			
Deferred Inflows of Resources	<u>3,553</u>	<u>3,553</u>	<u>3,336</u>
Fund Balance			
Nonspendable Fund Balance	1,843	1,843	2,247
Restricted Fund Balance			
Committed for Fund Purposes	<u>25,701</u>	<u>25,701</u>	<u>2,142</u>
Total Fund Balance	<u>27,544</u>	<u>27,544</u>	<u>4,389</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 39,230</u>	<u>\$ 39,230</u>	<u>\$ 16,218</u>

See accompanying Independent Auditors' Report.

PEYTON SCHOOL DISTRICT 23JT
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Special Revenue	Totals	
	Food Service Fund	2018	2017
REVENUES			
Local Sources	\$ 63,616	\$ 63,616	\$ 61,289
State Sources	2,136	2,136	1,808
Federal Sources	65,982	65,982	60,050
TOTAL REVENUES	<u>131,734</u>	<u>131,734</u>	<u>123,147</u>
EXPENDITURES			
Food Service	<u>128,579</u>	<u>128,579</u>	<u>129,869</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>3,155</u>	<u>3,155</u>	<u>(6,722)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In (Out) - net	<u>20,000</u>	<u>20,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>23,155</u>	<u>23,155</u>	<u>(6,722)</u>
BEGINNING FUND BALANCE	<u>4,389</u>	<u>4,389</u>	<u>11,111</u>
ENDING FUND BALANCE	<u>\$ 27,544</u>	<u>\$ 27,544</u>	<u>\$ 4,389</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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
REVENUES					
Local Sources					
Food Service Revenue	\$ 63,500	\$ 63,500	\$ 60,341	\$ (3,159)	\$ 60,526
Donations	-	-	20	20	23
Other Local	500	500	3,255	2,755	739
Total Local Sources	<u>64,000</u>	<u>64,000</u>	<u>63,616</u>	<u>(384)</u>	<u>61,288</u>
State Sources					
State Grants from CDE					
State Match - Child Nutrition	1,500	1,500	1,379	(121)	1,376
State K-2 Reduced Lunch	650	650	757	107	432
Total State Sources	<u>2,150</u>	<u>2,150</u>	<u>2,136</u>	<u>(14)</u>	<u>1,808</u>
Federal Sources					
Federal Grants from CDE					
Special Milk Program	230	230	382	152	336
National School Lunch Program	42,000	48,282	53,621	5,339	46,894
Federal Grants from Other State Agencies					
Commodities	-	-	11,979	11,979	12,820
Total Federal Sources	<u>42,230</u>	<u>48,512</u>	<u>65,982</u>	<u>17,470</u>	<u>60,050</u>
TOTAL REVENUES	<u>108,380</u>	<u>114,662</u>	<u>131,734</u>	<u>17,072</u>	<u>123,146</u>
EXPENDITURES					
Supporting Services					
Food Service					
Salaries	54,000	54,000	52,977	1,023	51,265
Benefits	13,744	11,394	11,863	(469)	10,630
PS - Other	4,009	4,009	1,542	2,467	886
Supplies	3,000	3,000	5,499	(2,499)	6,183
Food	50,828	52,078	43,425	8,653	44,821
Commodities	12,000	12,000	12,553	(553)	12,800
Property	1,250	1,250	-	1,250	2,635
Other Expenses	1,320	1,320	720	600	648
TOTAL EXPENDITURES	<u>140,151</u>	<u>139,051</u>	<u>128,579</u>	<u>10,472</u>	<u>129,868</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(31,771)	(24,389)	3,155	27,544	(6,722)
OTHER FINANCING SOURCES (USES)					
Transfers	20,000	20,000	20,000	-	-
CHANGE IN FUND BALANCE	(11,771)	(4,389)	23,155	27,544	(6,722)
BEGINNING FUND BALANCE	11,771	4,389	4,389	-	11,111
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,544</u>	<u>\$ 27,544</u>	<u>\$ 4,389</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, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
REVENUES					
Local Sources					
Property Taxes	\$ 262,000	\$ 79,000	\$ 199,305	\$ 120,305	\$ 375,120
Specific Ownership Taxes	1,500	1,500	-	(1,500)	208
Delinquent Taxes	100	500	460	(40)	950
Investment Earnings	7,250	9,000	15,512	6,512	8,285
TOTAL REVENUES	<u>270,850</u>	<u>90,000</u>	<u>215,277</u>	<u>125,277</u>	<u>384,563</u>
EXPENDITURES					
Debt Service					
Principal	230,000	235,000	235,000	-	230,000
Interest	81,700	74,800	70,100	4,700	78,250
Total Debt Service	<u>311,700</u>	<u>309,800</u>	<u>305,100</u>	<u>4,700</u>	<u>308,250</u>
Contingency	<u>1,044,698</u>	<u>942,061</u>	<u>-</u>	<u>942,061</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,356,398</u>	<u>1,251,861</u>	<u>305,100</u>	<u>946,761</u>	<u>308,250</u>
CHANGE IN FUND BALANCE	(1,085,548)	(1,161,861)	(89,823)	1,072,038	76,313
BEGINNING FUND BALANCE	<u>1,085,548</u>	<u>1,161,861</u>	<u>1,161,861</u>	<u>-</u>	<u>1,085,548</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,038</u>	<u>\$ 1,072,038</u>	<u>\$ 1,161,861</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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		2017	
	Final Budget	Actual	Variance with Final Budget	Actual
REVENUES				
Local Sources				
Investment Earnings	\$ 3,002	\$ 3,721	\$ 719	\$ 1,453
Donations	-	-	-	3,000
Sale of Fixed Assets	-	-	-	16,002
Insurance Proceeds	35,592	35,592	-	59,895
Other Local	-	-	-	13,505
Total Local Sources	38,594	39,313	719	93,855
State Sources				
Best Capital Construction Program	15,839	-	(15,839)	15,838
TOTAL REVENUES	54,433	39,313	(15,120)	109,693
EXPENDITURES				
Instruction				
PS - Professional	-	-	-	9,738
Supporting Services				
General Administration				
PS - Professional	-	-	-	35,000
Business Services				
PS - Professional	-	1,565	(1,565)	-
Facilities/Capital Outlay				
Land and Improvements	716,196	652,712	63,484	297,615
Equipment	45,745	42,226	3,519	56,339
Site Improvements	70,589	108,025	(37,436)	-
Total Facilities/Capital Outlay	832,530	802,963	29,567	353,954
Debt Service				
Principal	86,102	83,862	2,240	54,749
Interest	18,431	31,430	(12,999)	6,103
Total Debt Service	104,533	115,292	(10,759)	60,852
Contingency				
	5,804	-	5,804	-
TOTAL EXPENDITURES	942,867	919,820	23,047	459,544
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(888,434)	(880,507)	7,927	(349,851)
OTHER FINANCING SOURCES (USES)				
Transfers	203,750	203,750	-	180,000
Capital Lease Proceeds	743	-	(743)	-
COP and other Debt Proceeds	-	-	-	735,000
TOTAL OTHER FINANCING SOURCES (USES)	204,493	203,750	(743)	915,000
CHANGE IN FUND BALANCE - BUDGET BASIS	(683,941)	(676,757)	7,184	565,149
BEGINNING FUND BALANCE	683,941	683,941	-	118,792
ENDING FUND BALANCE	\$ -	\$ 7,184	\$ 7,184	\$ 683,941

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017
	Final Budget	Actual		
ADDITIONS				
Local Sources	\$ 150,000	\$ 173,086	\$ 23,086	\$ 163,693
DEDUCTIONS				
Instruction	150,000	148,400	1,600	188,791
Contingency	63,610	-	63,610	-
CHANGE IN NET POSITION	(63,610)	24,686	88,296	(25,098)
BEGINNING NET POSITION	63,610	63,610	-	88,708
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 88,296</u>	<u>\$ 88,296</u>	<u>\$ 63,610</u>

See accompanying Independent Auditors' Report.

STATE COMPLIANCE



Colorado Department of Education
Auditors Integrity Report
 District: 1060 - PEYTON 23 JT
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
	+		-	=
Governmental				
10 General Fund	1,435,233	6,440,586	6,061,817	1,814,001
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,435,233	6,440,586	6,061,817	1,814,001
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	4,389	151,734	128,579	27,544
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	1,161,860	215,278	305,100	1,072,038
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	683,941	243,063	919,820	7,184
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,285,423	7,050,661	7,415,316	2,920,768
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	63,610	173,086	148,400	88,296
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	63,610	173,086	148,400	88,296

FINAL



Colorado Department of Education

Bolded Balance Sheet Report

District: 1060 - PEYTON 23 JT

Fiscal Year 2017-18

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)	2,424,868	0	0	0	0	31,808	1,064,012	145,773	0	0	0	88,296	0	3,754,756	
Cash with Fiscal Agent (8105)	28,412	0	0	0	0	0	3,101	0	0	0	0	0	0	31,514	
Taxes Receivable (8121,8122)	38,304	0	0	0	0	0	4,925	0	0	0	0	0	0	43,229	
Interfund Loans Receivable (8131,8132)	0	0	0	0	0	0	0	28,656	0	0	0	0	0	28,656	
Grants Accounts Receivable (8142)	23,676	0	0	0	0	5,090	0	0	0	0	0	0	0	28,765	
Other Receivables (8151-8154,8161)	38,861	0	0	0	0	490	0	40,016	0	0	0	0	0	79,367	
Inventories (8171,8172,8173)	0	0	0	0	0	1,843	0	0	0	0	0	0	0	1,843	
Prepaid Expenses 8181,8182)	1,850	0	0	0	0	0	0	0	0	0	0	0	0	1,850	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	2,555,971	0	0	0	0	39,231	1,072,038	214,445	0	0	0	88,296	0	3,969,981	

The accompanying notes are an integral part of this schedule

Governmental

Proprietary

Fiduciary

	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	
LIABILITIES & FUND EQUITY																
LIABILITIES																
Interfund Payables (7401,7402)	28,656	0	0	0	0	0	0	0	0	0	0	0	0	0	28,656	
Other Payables (7421-7423)	134,180	0	0	0	0	167	0	207,261	0	0	0	0	0	0	341,608	
Accrued Expenses (7461)	578,859	0	0	0	0	7,966	0	0	0	0	0	0	0	0	586,825	
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Current Liabilities (7491,7492,7499)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred Inflow (7800)	0	0	0	0	0	3,553	0	0	0	0	0	0	0	0	3,553	
Deferred Inflow Grants (7801)	275	0	0	0	0	0	0	0	0	0	0	0	0	0	275	
Total Liabilities	741,970	0	0	0	0	11,687	0	207,261	0	0	0	0	0	0	960,918	

The accompanying notes are an integral part of this schedule

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	1,850	0	0	0	0	1,843	0	0	0	0	0	0	0	0	3,693
Restricted Fund Balance 6720	277,132	0	0	0	0	0	1,072,038	0	0	0	0	0	0	0	1,349,170
TABOR 3% Emergency Reserve 6721	189,000	0	0	0	0	0	0	0	0	0	0	0	0	0	189,000
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	11,171	0	0	0	0	0	0	0	0	0	0	0	0	0	11,171
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	25,701	0	7,184	0	0	0	0	0	0	32,886
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	1,334,848	0	0	0	0	0	0	0	0	0	0	0	88,296	0	1,423,144
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	0	0	0	0	0	0	0	0
Total Fund Equity	1,814,001	0	0	0	0	27,544	1,072,038	7,184	0	0	0	0	88,296	0	3,009,063

	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	2,555,971	0	0	0	0	39,231	1,072,038	214,445	0	0	0	0	88,296	0	3,969,981
Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The accompanying notes are an integral part of this schedule