

cPa DIXON, WALLER & CO., INC.

SHERIDAN SCHOOL

DISTRICT NUMBER 2

SHERIDAN, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2016

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**RECEIVED**

*By Justin L. Smith at 1:52 pm, Jan 04, 2017*

**DIXON, WALLER & CO., INC.**

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**FINANCIAL STATEMENTS**

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**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**ROSTER OF SCHOOL OFFICIALS**  
**June 30, 2016**

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**BOARD OF EDUCATION**

<b>Ronald Carter</b>	<b>President</b>
<b>Bernadette Saleh</b>	<b>Vice-President</b>
<b>Sally Daigle</b>	<b>Treasurer</b>
<b>Melissa Silvia</b>	<b>Secretary</b>

**SCHOOL OFFICIALS**

<b>Michael Clough</b>	<b>Superintendent</b>
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**FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

**Board of Education  
Sheridan School  
District Number 2  
Englewood, Colorado 80150**

**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 Sheridan School District Number 2, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District Number 2, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension trend data on pages i through ix and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheridan School District Number 2's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of Sheridan School District Number 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sheridan School District Number 2's internal control over financial reporting and compliance.

*Dunn, Waller & Co., Inc.*

November 30, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Sheridan School District #2  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

As management of the Sheridan School District, we offer readers of the Sheridan School District's financial statements this narrative and analysis of the financial activities of the Sheridan School District for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

**Financial Highlights**

- The District's financial status remains very strong, we had a \$136 thousand increase in our general fund balance. Our pension liability increased \$2.7 million over the prior year. Our net position decreased again this year by \$3.5 million.
- General revenues, primarily property taxes, specific ownership taxes and state equalization payments, account for approximately \$15.63 million or 75 percent of all revenues inclusive of the loss on our disposition of assets. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$7 million or 34 percent of total revenues of \$21 million.
- The District had \$22.4 million in expenses related to governmental activities; only \$6.6 million of these expenses were offset by program specific charges for services and operating grants and contributions. Another 407,000 was offset by capital grants and contributions. General revenues of \$13.8 million were not sufficient to provide for these programs.
- Outlays for capital assets were comprised of the remodel of our new alternative high school facility, completion of the new 3-8 school, the razing of Ft. Logan Elementary, bleachers and acoustical panels at the high school and the completion of the Denver Waterline project.
- We completed the razing of Ft. Logan Elementary and sold the property to Habitat for Humanity to build 64 duplex and triplex homes. The building had a remaining depreciable value of \$2.1 million. We had to recognize a loss on the disposition of the building asset.
- Of the \$29.5 million available for our new building project, we spent \$29.4 million through the end of fiscal year 2016. The project finished on budget and was closed out December, 2015. The district wrote and was approved for an additional grant to spend out the remaining \$22,500.
- The District was required to implement GASB 68 back in 2015. We had a net pension liability of \$37,539,888 of June 30, 2016, an increase of \$2.7 million from prior year. Under GASB 68 the District's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, is recorded as a liability of the District. At implementation beginning equity is restated as deferred inflows, outflows and the net pension liability are reported. Our net position of governmental activities decreased again this fiscal year by \$3.5 million with a negative position of 1.3 million.

## Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-and long-term financial information about the activities the District operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements, and includes a comparison to the District's budget for the year.

### District-wide Financial Statements

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

The statement of net position presents information on all of the Sheridan School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Sheridan School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Included in governmental activities are most of the District's basic services such as regular and special education, transportation, and administration.

The district-wide financial statements can be found on pages 3&4 of this report.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Sheridan School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

Sheridan School District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) general fund, (2) the technology fund and, (3) the governmental designated purpose grants fund because they are considered major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Also included in the supplementary information section is budget-to-actual information for the debt service fund as required by state statute.

*Proprietary funds:* The food services fund was switched to a special revenue fund for 2015, so there is no activity to report for proprietary funds for Sheridan School District.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the nutrition services fund as it is the sole proprietary fund.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as scholarship funds and student activity funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs.

## **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 10-39 of this report.

## **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes combining statements, mentioned earlier, in connection with non-major governmental funds as well as budget-to-actual information for all funds as dictated by state statute.

## Financial Analysis of the District as a Whole

Table 1 provides a summary of the district's net position for 2015 compared to 2016.

**Table 1**  
**Sheridan's Net Position**

	2015	2016	Change
<b>Assets</b>			
Current Assets	12,491,577	12,296,276	(195,301)
Non-Current Assets			
Capital Assets	49,717,019	46,688,524	(3,028,495)
<b>Total Assets</b>	<b>62,208,596</b>	<b>58,984,800</b>	<b>(3,223,796)</b>
<b>Deferred Outflow of Resources</b>	<b>3,442,449</b>	<b>6,299,293</b>	<b>2,856,844</b>
<b>Liabilities</b>			
Current Liabilities	5,297,812	4,229,771	(1,068,041)
Long-Term Liabilities	58,147,112	59,430,742	1,283,630
<b>Total Liabilities</b>	<b>63,444,924</b>	<b>63,660,513</b>	<b>215,589</b>
<b>Deferred Inflow of Resources</b>	<b>2,118</b>	<b>2,882,395</b>	<b>2,880,277</b>
<b>Net Position</b>			
Invested in Capital			
net of related debt	26,495,461	24,668,958	(1,826,503)
Restricted	3,966,151	3,604,739	(361,412)
Unrestricted (Deficit)	(28,257,609)	(29,518,800)	1,261,191
<b>Total Net Position</b>	<b>2,204,003</b>	<b>-1,258,815</b>	<b>(3,462,818)</b>

Table 2 shows the changes in revenues and expenditures for fiscal year 2015 compared to 2016. Following Table 2 is a specific discussion related to overall revenues and expenses.

**Table 2**  
**Changes in Net Assets from Operating Results**

	2015	2016	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	167,536	160,700	(6,836)
Operating grants and contributions	6,297,466	6,479,965	182,499
Capital grants/restricted investment earnings	13,733,051	406,866	(13,326,185)
General revenues			
Property taxes	5,931,290	6,390,634	459,344
State formula revenue	9,032,202	8,701,719	(330,483)
Other	822,484	786,128	(36,356)

Loss on Disposition of Assets	0	(2,083,025)	(2,083,025)
<b>Total Revenues</b>	35,984,029	20,842,987	(15,141,042)
<b>Expenses</b>			
Instruction	10,545,677	11,023,979	478,302
Support Services:			
Students	926,480	926,434	(46)
Instructional staff	1,787,755	1,895,786	108,031
General administration	433,009	396,731	(36,278)
School administration	1,349,263	1,366,135	16,872
Business	416,409	421,360	4,951
Operations and maintenance	2,652,997	2,328,583	(324,414)
Student transportation	504,026	549,867	45,841
Central	880,536	1,013,024	132,488
Community Service	108,911	88,534	(20,377)
Food service operations	1,073,239	979,979	(93,260)
Other	361	77	(284)
Debt service	699,038	745,975	46,937
Pension Expense	199,169	614,564	415,395
Capital Outlay	515,706	0	(515,706)
<b>Total Expenses</b>	22,092,576	22,351,028	258,452

Per pupil state formula revenue (state equalization) account for a large portion of the District's revenue, contributing about 42 cents each for every dollar raised (see Table 3). Operating Grants and Contributions contributed about 31 cents for every dollar raised and another 31 cents came from property taxes. Capital Grants and Contributions, fees charged for services, and miscellaneous sources make up the remainder of the district's revenue. We recognized a \$2 million loss on the disposition of our assets when we sold Fort Logan Elementary.

The District expenditures predominantly relate to instruction and support services, which includes support for students and instructional staff, administration, operations and maintenance, and transportation. Given that Sheridan School District is a service organization providing education services to students, the majority of expenses are paid in the form of compensation (salaries and benefits) to the District's employees. The large decrease in capital outlay was due to the completion of the BEST grant and new school in December. Most of the expenditures related to the project were incurred in 2015.

Detailed below in Tables 3 and 4 are charts displaying revenues by source and expenses by program for the total school district.

Table 3  
Sources of Revenue for Fiscal Year 2016

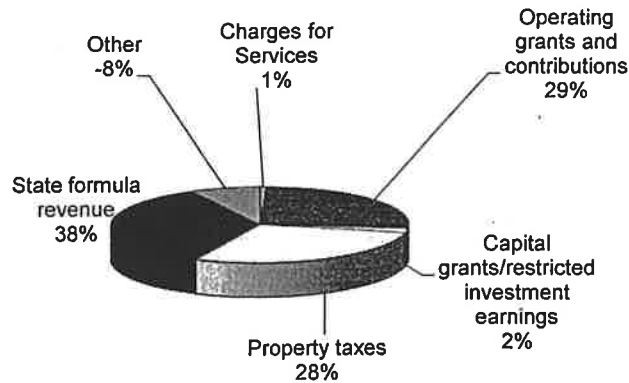
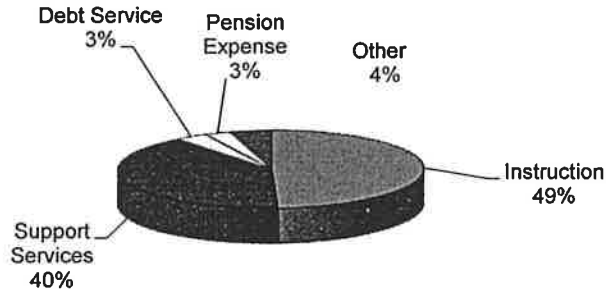


Table 4  
Expenditures for Fiscal Year 2016



### Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the district received \$8,466.93 per funded student after the negative factor. In fiscal year 2015-2016, our funded pupil count was 1,429.60, a decrease of 30 students from the previous fiscal year. Funding for the school finance act comes from property taxes, specific ownership taxes and state equalization. The district receives approximately 69 percent of this funding from state equalization, which is down three percent from last year, while the remaining amounts come from property taxes and specific ownership tax. State law allows school districts to obtain up to an additional 20 percent of funding from local property taxes. This

is accomplished by successfully passing a mill levy override ballot question. In 2000, the District passed a \$1 million mill levy override in perpetuity. Its main purpose was to increase employee's salaries to make them more competitive with surrounding districts and to fund some desperately needed capital improvements.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 5 reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these programs.

**Table 5**  
**Net Cost of Governmental Activities (in dollars)**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	11,023,979	10,318,110	8,253,899	7,896,307
Students	926,434	926,480	656,022	616,985
Instructional Staff	1,895,786	1,787,755	538,538	398,663
General Administration	396,731	433,009	239,386	324,929
School Administration	1,366,135	1,349,263	1,182,115	1,124,316
Business	421,360	416,409	412,298	406,102
Operations and Maintenance	2,328,583	2,652,997	1,758,686	2,026,012
Student Transportation	549,867	504,026	380,886	344,080
Central	1,013,024	880,536	1,013,024	880,536
Community Service	88,534	108,911	(42,370)	(46,150)
Pension Expense	614,564	199,169	614,564	199,169
Food Service Operations	979,979	1,073,239	(42,660)	14,314
Unallocated Depreciation	0	227,567	227,567	227,567
Debt Service	745,975	699,038	745,975	699,038
Capital outlay	0	515,706	(406,866)	(13,217,345)
Other	77	0	0	0
Total	22,351,028	22,092,576	15,303,497	1,894,523

- The cost of all governmental activities this year was \$22.351 million.
- Some of the cost was financed by the users of the District's programs (.161 million). Revenues in this category include items such as athletic fees, and building rental income.
- Federal and State governments subsidized certain programs with grants and contributions amounting to \$6.887 million.
- This portion of governmental activities was financed with \$6.93 million in property and specific ownership taxes, \$8.702 million in state aid (equalization) based on the statewide formula for per pupil funding, and \$.244 million in investment earnings and other miscellaneous revenues not pertaining specifically to a program.

## Financial Analysis of the District's Funds

Information about the District's funds starts on page 40. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$22.908 million and expenditures of \$23.077 million. We had a \$242 thousand increase in our general fund balance. We also had an increase of \$16 thousand in our technology fund, a \$55 thousand decrease in our insurance reserve fund. We had a \$64 thousand increase in our lunch fund, a \$644 thousand increase in our capital projects fund, and a \$32 thousand decrease in our bond redemption fund. The large increase in the capital project fund was due to the sale of the Ft. Logan Elementary property. We had to recognize the enter value of the sale. In addition, some of these fund balances were used for safety and security purposes through our insurance reserve fund.

### General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In January, 2017, the District will revise the annual operating budget approved by the District's Board of Education in June, 2016. The primary reason for the issuance of a supplemental budget is updated ending fund balance figures, a more accurate student count, and more accurate information on the current year staff members and the subsequent step increases that were given at the beginning of the contract year.

The district's revenue was more than budgeted by three hundred and thirty thousand dollars. This was due to an increase in specific ownership taxes and additional special education revenues for high cost students. There were other fluctuations as well but they evened out. Instruction expenditures were under budget by three hundred thirty thousand. The District had budgeted \$4.056 million from fund balance for unplanned expenditures (contingency), and TABOR reserves. None of these funds were tapped into.

The fund balance as of June 30, 2016 (budgetary basis) was \$4.79 million, compared to \$5.03 million as of June 30, 2016, including approximately \$491 thousand for TABOR Amendment emergency reserves. The budgetary basis differs from generally accepted accounting principles (GAAP) in the treatment of accrued salaries, benefits and related liabilities. According to state statutes, the accrued salaries and related benefits do not need to be "funded" and, therefore, are not subtracted from budgetary basis fund balance.

### Capital Assets

By the end of the fiscal year 2016, the District had invested \$46.69 million in a broad range of governmental capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 6.)

	2015	2016	Change
Land	29,580,859	344,685	(29,236,174)
Building & Site Improvements	18,745,664	45,174,785	(1,163,554)
Equipment & Vehicles	1,388,482	1,169,054	(219,428)
Total	49,717,020	46,688,524	(3,028,496)

### Long-Term Debt

The District's general obligation bonds maintain an "AAA" rating from Standard and Poor's and an "Aaa" rating from Moody's. Colorado Revised Statute 22-42-104 states that a school district shall have a limit of bonded indebtedness determined by a specified formula. At year-end, the District

had approximately \$21.290 million in general obligation bonds, a decrease of .5% from last year, as shown in Table 7. We have one capital lease on the books for copy machines. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

	2015	2016	Change
Governmental Activities:			
Bonds Payable	22,407,427	21,290,271	(1,117,156)
Total	22,407,427	21,290,271	(1,117,156)

### **Economic Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future.

- Sheridan's student population had been relatively consistent over the past several years, however we did see a decline in our student enrollment for the 2016-2017 year. This will continue to impact future years since Sheridan has been averaging our funded count over the past decade.
- 
- The Governor submitted his budget proposal and it has additional revenue of approximately \$192,000 coming to Sheridan. The negative factor is still in place and the proposed budget has it increasing \$46 million next year. There will be changes as it moves through the legislature.
- Colorado's K-12 funding is 45<sup>th</sup> out of the 50 states. 2015-2016 marked the seventh consecutive year of legislative reductions to per pupil funding. In addition to the negative factor employer's contributions to the Public Employee's Retirement Association continue to increase annually until they will reach 20.15%. Health insurance costs continue to rise and we no longer have our rate cap with Kaiser. Our wages continue to fall behind those of our neighbors. With our three surrounding districts approving mill levy override to put into their salary schedule Sheridan has not done one since 2000. We are at a level where attracting and retaining quality staff becomes very onerous.
- The property at 3170 Knox Ct. was sold to Habitat for Humanity in March, 2016. The property sold for \$1 million. We property was sold in parcels. We will receive installments in March, 2017 and March 2018.
- The District settled its lawsuit with the Colorado Department of Education in January, 2016. There is no pending lawsuit moving forward.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Operations Officer's Office, Sheridan School District #2, 4150 S. Hazel Ct. Englewood, CO 80110.

**BASIC FINANCIAL STATEMENTS**

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

<u>ASSETS</u>	<u>Governmental</u>	<u>Total</u>
	<u>Activities</u>	
<u>Current Assets</u>		
Cash	4,208,518	4,208,518
Investments	5,612,930	5,612,930
Property Taxes Receivable	386,562	386,562
Accrued Revenue	1,242,899	1,242,899
Accounts Receivable	827,265	827,265
Inventories	<u>18,102</u>	<u>18,102</u>
<u>Total Current Assets</u>	<u>12,296,276</u>	<u>12,296,276</u>
<u>Capital Assets:</u>		
Land	344,685	344,685
Depreciable Assets	63,485,308	63,485,308
Accumulated Depreciation	<u>(17,141,469)</u>	<u>(17,141,469)</u>
<u>Capital Assets Net of Depreciation</u>	<u>46,688,524</u>	<u>46,688,524</u>
<b>TOTAL ASSETS</b>	<b>58,984,800</b>	<b>58,984,800</b>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Bond Refunding	1,634,034	1,634,034
Deferred Pension Cost – Plan	3,687,662	3,687,662
Deferred Pension Cost – Employer	-	-
Deferred Pension Cost - Contributions Subsequent to Pension Measurement Date	<u>977,597</u>	<u>977,597</u>
<u>Total Deferred Outflows of Resources</u>	<u>6,299,293</u>	<u>6,299,293</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	816,949	816,949
Accrued Salaries and Benefits	1,999,427	1,999,427
Accrued Interest	38,133	38,133
Unearned Grant Payments	12,467	12,467
Capital Leases Payable – Current	43,795	43,795
General Obligation Bonds – Current	1,188,724	1,188,724
Bond Premium – Current	<u>130,276</u>	<u>130,276</u>
<u>Total Current Liabilities</u>	<u>4,229,771</u>	<u>4,229,771</u>
<u>Noncurrent Liabilities:</u>		
Capital Leases Payable	38,798	38,798
General Obligation Bonds	20,748,249	20,748,249
Bond Premium	857,056	857,056
Compensated Absences	246,751	246,751
Net Pension Obligation	<u>37,539,888</u>	<u>37,539,888</u>
<u>Total Noncurrent Liabilities</u>	<u>59,430,742</u>	<u>59,430,742</u>
<b>TOTAL LIABILITIES</b>	<b>63,660,513</b>	<b>63,660,513</b>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Pension – Plan	532,068	532,068
Deferred Pension – Employer	<u>2,350,327</u>	<u>2,350,327</u>
<u>Total Deferred Outflows to Resources</u>	<u>2,882,395</u>	<u>2,882,395</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	24,668,958	24,668,958
Restricted for:		
Debt Service	1,037,410	1,037,410
TABOR	491,000	491,000
Technology	1,334,906	1,334,906
Preschool	151,877	151,877
Food Service	575,834	575,834
Unrestricted	<u>(29,518,800)</u>	<u>(29,518,800)</u>
<b>TOTAL NET POSITION</b>	<b>(1,258,815)</b>	<b>(1,258,815)</b>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position in Primary Government</u>
<u>FUNCTIONS/PROGRAMS</u>		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Governmental Activities</u>
<u>Primary Government:</u>				<u>Total</u>
<u>Governmental Activities</u>				
Instruction	11,023,979	-	2,770,080	(8,253,899)
Student Support	926,434	-	270,412	(656,022)
Instructional Staff	1,895,786	-	1,357,248	(538,538)
General Administration	396,731	-	157,345	(239,386)
School Administration	1,366,135	-	184,020	(1,182,115)
Business Support	421,360	-	9,062	(412,298)
Operation & Maintenance	2,328,583	1,955	567,942	(1,758,686)
Student Transportation	549,867	-	168,981	(380,886)
Central Support	1,013,024	-	-	(1,013,024)
Food Operation	979,979	45,807	976,832	42,660
Community Service	88,534	112,938	17,966	42,370
Other Support Services	77	-	77	-
Capital Outlay	-	-	406,866	406,866
Interest	745,975	-	-	(745,975)
Pension Expense	614,564	-	-	(614,564)
Total Governmental Activities	<u>22,351,028</u>	<u>160,700</u>	<u>6,479,965</u>	<u>(15,303,497)</u>
Total Primary Government	<u>22,351,028</u>	<u>160,700</u>	<u>6,479,965</u>	<u>(15,303,497)</u>
<u>General Revenues</u>				
Local Property Taxes			6,390,634	6,390,634
Specific Ownership Taxes			542,390	542,390
School Finance Act			8,346,109	8,346,109
Kindergarten Hold Harmless			355,610	355,610
Earnings on Investments			35,670	35,670
Other Revenue			208,068	208,068
Loss on Disposition of Assets			(2,083,025)	(2,083,025)
Total General Revenues			<u>13,795,456</u>	<u>13,795,456</u>
Change in Net Position			(1,508,041)	(1,508,041)
Net Position, Beginning			2,204,003	2,204,003
Prior Period Adjustment			(1,954,777)	(1,954,777)
Net Position, Ending			<u>(1,258,815)</u>	<u>(1,258,815)</u>

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

SHERIDAN SCHOOL DISTRICT NUMBER 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<u>General</u>	<u>Special Revenue Grant Fund</u>	<u>Capital Projects Technology Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Fund</u>
<b>ASSETS</b>					
Cash	3,433,138	-	-	775,380	4,208,518
Investments	3,103,588	-	1,408,550	1,100,792	5,612,930
Property Taxes Receivable	273,938	-	-	112,624	386,562
Accounts Receivable	39,931	-	-	787,334	827,265
Accrued Revenue	6,295	1,236,604	-	-	1,242,899
Due From Other Funds	829,184	-	-	-	829,184
Inventories	-	-	-	18,102	18,102
<b>Total Assets</b>	<u>7,686,074</u>	<u>1,236,604</u>	<u>1,408,550</u>	<u>2,794,232</u>	<u>13,125,460</u>
<b>LIABILITIES:</b>					
Accounts Payable	173,829	180,345	-	81,574	435,748
Intergovernmental Payable CDE	381,201	-	-	-	381,201
Accrued Salaries Payable	1,543,885	406,368	-	49,174	1,999,427
Due To Other Fund	-	637,424	73,644	118,116	829,184
Unearned Grant Payments	-	12,467	-	-	12,467
<b>Total Liabilities</b>	<u>2,098,915</u>	<u>1,236,604</u>	<u>73,644</u>	<u>248,864</u>	<u>3,658,027</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Property Tax	<u>184,749</u>	-	-	<u>75,956</u>	<u>260,705</u>
<b>FUND BALANCES:</b>					
<b>Nonspendable:</b>					
Inventories	-	-	-	18,102	18,102
<b>Restricted for:</b>					
TABOR (Emergencies)	491,000	-	-	-	491,000
Multi-Year Obligations	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Technology	-	-	1,334,906	-	1,334,906
Preschool	151,877	-	-	-	151,877
Debt Service	-	-	-	1,037,410	1,037,410
Food Service	-	-	-	557,732	557,732
<b>Committed for:</b>					
Risk Management	214,211	-	-	-	214,211
Capital Outlay	-	-	-	856,168	856,168
<b>Assigned for:</b>					
Capital Outlay	-	-	-	-	-
Unassigned	<u>4,545,322</u>	-	-	-	<u>4,545,322</u>
<b>Total Fund Balances</b>	<u>5,402,410</u>	-	<u>1,334,906</u>	<u>2,469,412</u>	<u>9,206,728</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>7,686,074</u>	<u>1,236,604</u>	<u>1,408,550</u>	<u>2,794,232</u>	<u>13,125,460</u>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
June 30, 2016**

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<b>TOTAL FUND BALANCE - GOVERNMENTAL FUNDS</b>	<b>9,206,728</b>
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.	260,705
Capital Assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	63,829,993
Accumulated Depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.	(17,141,469)
Accrued interest payable is not considered current financial resources and, therefore, not reported in the governmental funds.	(38,133)
Long-Term Liabilities for general obligation debt, capital leases and compensated absences are not due and payable in the current period and, therefore, not reported in the governmental funds.	
Bonds Payable	(21,936,973)
Capital Lease Payable	(82,593)
Compensated Absences	(246,751)
Bond Premium	(987,332)
Bond Refunding	<u>1,634,034</u>
	(21,619,615)
Net pension liability along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(37,539,888)
Deferred Pension Cost – Plan	3,155,594
Deferred Pension Cost – Contributions Subsequent to Pension Measurement Date	977,597
Deferred Pension Cost – Employer	<u>(2,350,327)</u>
<b><u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u></b>	<b><u>(1,258,815)</u></b>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	<u>General</u>	<u>Special Revenue Grant Fund</u>	<u>Capital Projects Technology Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Fund</u>
<b>REVENUES:</b>					
Taxes	4,976,335	-	-	1,824,936	6,801,271
Intergovernmental	9,735,300	4,482,586	-	1,319,889	15,537,775
Interest	15,910	-	16,489	3,271	35,670
Other	436,691	50,775	-	45,807	533,273
<b>Total Revenues</b>	<u>15,164,236</u>	<u>4,533,361</u>	<u>16,489</u>	<u>3,193,903</u>	<u>22,907,989</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Instruction	7,916,206	1,895,782	-	-	9,811,988
Student Support	656,022	270,412	-	-	926,434
Instructional Staff	538,538	1,357,248	-	-	1,895,786
General Administration	346,997	157,345	-	-	504,342
School Administration	1,182,115	184,020	-	-	1,366,135
Business Services	407,962	9,062	-	-	417,024
Operations & Maintenance	1,864,396	567,942	-	-	2,432,338
Student Transportation	488,281	9,698	-	-	497,979
Central Support	1,010,524	-	-	2,500	1,013,024
Food Services	-	63,809	-	894,466	958,275
Community Services	69,357	17,966	-	-	87,323
Other Support Services	-	77	-	-	77
Capital Outlay	-	-	-	1,262,296	1,262,296
<b>Debt Service:</b>					
Principal Retirements	40,964	-	-	1,161,028	1,201,992
Interest and Fiscal Charges	7,036	-	-	697,519	704,555
<b>Total Expenditures</b>	<u>14,528,398</u>	<u>4,533,361</u>	<u>-</u>	<u>4,017,809</u>	<u>23,079,568</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>635,838</u>	<u>-</u>	<u>16,489</u>	<u>(823,906)</u>	<u>(171,579)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Land Sale Proceeds	-	-	-	1,000,000	1,000,000
Operating Transfers In (Out)	(500,000)	-	-	500,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,000,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	135,838	-	16,489	676,094	828,421
<b>FUND BALANCES, Beginning</b>	5,266,572	-	1,318,417	1,793,318	8,378,307
<b>PRIOR YEAR ADJUSTMENT</b>	-	-	-	-	-
<b>FUND BALANCES, Ending</b>	<u>5,402,410</u>	<u>-</u>	<u>1,334,906</u>	<u>2,469,412</u>	<u>9,206,728</u>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

**GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES** **828,421**

Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. 260,705

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated used lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Gains or losses on the disposition of capital assets are reported in the Statement of Activities.

Capital Outlays more than \$5,000	1,614,346	
Depreciation Expense	(1,559,816)	
Loss on Disposition of Capital Assets	(2,083,025)	
Proceeds from Sale of Assets	(1,000,000)	(3,028,495)

Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. 2,452

Deferred Property taxes of the prior year – Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year net assets on the statement of activities (128,952)

Compensated absences do not use current financial resources and are not reported on the governmental fund financial statements but are recognized on the government-wide financial statements, Increase (Decrease). 14,272

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

Debt Principal Payments	1,201,992	
Interest Expense	<u>(43,872)</u>	1,158,120

The increase in net pension liability, along with the changes and amortizations of deferred flows associated with the net pension liability are not recorded at the fund level:

Change in net pension liability and related deferred flows	<u>(614,564)</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **(1,508,041)**

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
June 30, 2016**

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	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash	<u>122,337</u>
<u>Total Assets</u>	<u>122,337</u>
<b><u>LIABILITIES</u></b>	
Due to Student Groups	<u>122,337</u>
<u>Total Liabilities</u>	<u>122,337</u>
<b><u>NET POSITION</u></b>	<u>-</u>
<b><u>TOTAL LIABILITIES AND NET POSITION</u></b>	<u>122,337</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Sheridan School District No. 2 of Arapahoe County was organized through consolidation of three elementary school districts and a union high school district by a vote of qualified electorate on December 4, 1962, under the provisions of the Colorado School Organization Act of 1957.

The District operates under an elected Board of Education with four members and provides educational services to approximately 1,331 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Sheridan School District Number 2. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**A.    Reporting Entity**

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

SHERIDAN SCHOOL DISTRICT NUMBER 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Grants Special Revenue Fund, and Technology Capital Projects Fund) are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

SHERIDAN SCHOOL DISTRICT NUMBER 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

*Fiduciary funds* are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D.    Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- **Major Governmental Funds**

1. **General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.**
2. **Capital Projects – Technology Fund – this fund accounts for expenditures from bond proceeds for the improvement of District technology. The revenues and expenditures of this fund are controlled by state statute and the bond ordinance.**
3. **Designated Purpose Grants – Special Revenue Fund – used to account for restricted state and federal grants including, but not limited to, No Child Left Behind programs which must be expanded as designated by the grantor agency.**

- **Fiduciary Funds**

1. **Trust and Agency Funds – Trust and Agency funds are used to account for assets held in a trustee or agency capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.**

**Student Activity Fund – The Student Activity Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as Due to Student Groups. This fund accounts for the transaction of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body.**

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E.    Cash and Investments**

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**F.    Receivables**

Property taxes levied in 2015 but uncollected in 2016 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2016 are recorded as deferred inflows in the fund financial statements, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

**G.    Inventories**

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

**H.    Capital Assets**

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

SHERIDAN SCHOOL DISTRICT NUMBER 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H.    Capital Assets (Continued)**

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

**I.    Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and the Capital Reserve Capital Projects Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

**J.    Constitutional Amendment**

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 5, 1996 the registered voters approved a ballot resolution authorizing Sheridan School District Number 2 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J.      Constitutional Amendment (Continued)**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2016 the District reserved \$491,000 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

**K.      Property Taxes**

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2015 property tax calendar for Arapahoe County was as follows:

Levy Date	December 22, 2015
Lien Date	January 1, 2016
Tax Bills Mailed	January 1, 2016
First Installment Due	February 28, 2016
Second Installment Due	June 15, 2016
If Paid in Full, Due	April 30, 2016

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L.    Accumulated Leave**

District policy allows accumulation of leave to a maximum of 180 days. Payment for unused leave days is made upon an employee's retirement at the rate of ¼ of the salary amount for step "A" of the salary schedule the employee is on at the time, not to exceed ½ of the substitute teacher rate of pay.

Compensated absences are reported as non-current liabilities in the government-wide financial statements. As of June 30, 2016, the District has recorded an estimated liability of \$246,751 relating to accrued leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Accumulated Leave	<u>261,023</u>	<u>      -</u>	<u>14,272</u>	<u>246,751</u>

**M.    Use of Estimates**

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

**N.    Interest Expense**

All interest expense has been reported as unallocated in the Government-wide financial statements.

**O.    GASB Statement No. 54**

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O.    GASB Statement No. 54**

- 2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.**
- 3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).**
- 4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.**
- 5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.**

**Fund Balance Classification Policies and Procedures**

**Committed Fund Balance Policy:**

**The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.**

**Assigned Fund Balance Policy:**

**The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.**

**Order of Fund Balance Spending Policy**

**The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.**

**First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.**

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O.    GASB Statement No. 54 (Continued)**

**Fund Balance Classification by Fund:**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Food</u> <u>Services</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Bond</u> <u>Redemption</u> <u>Fund</u>	<u>Capital Projects</u> <u>Technology</u> <u>Fund</u>	<u>Capital</u> <u>Reserve</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>Nonspendable:</u></b>						
Inventories	-	18,102	-	-	-	18,102
<b><u>Restricted:</u></b>						
<b>TABOR</b>						
(Emergencies)	491,000	-	-	-	-	491,000
Preschool	151,877	-	-	-	-	151,877
Technology	-	-	-	1,334,906	-	1,334,906
Debt Service	-	-	1,037,410	-	-	1,037,410
Food Service	-	557,732	-	-	-	557,732
<b><u>Committed:</u></b>						
<b>Risk</b>						
Management	214,211	-	-	-	-	214,211
Capital Outlay	-	-	-	-	856,168	856,168
<b><u>Unassigned:</u></b>	<u>4,545,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,545,322</u>
<b><u>Total Fund</u></b>						
<b><u>Balances</u></b>	<u>5,402,410</u>	<u>575,834</u>	<u>1,037,410</u>	<u>1,334,906</u>	<u>856,168</u>	<u>9,206,728</u>

**P.    Deferred Outflows / Inflows of Resources**

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

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 2**

**RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

	Items Eliminated		
	Due From Other Funds	Due To Other Funds	Transfers In (Out)
General Fund	829,184	-	(500,000)
Grants - Special Revenue Fund	-	637,424	-
Bond Redemption – Debt Service Fund	-	118,116	-
Technology – Capital Projects Fund	-	73,644	-
Capital Reserve– Capital Projects Fund	-	-	500,000
Building – Capital Projects Fund	-	-	-
Food Services – Special Revenue Fund	-	-	-
<u>Totals</u>	<u>829,184</u>	<u>829,184</u>	<u>-</u>

**NOTE 3**

**BUDGETARY INFORMATION**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Fiduciary Funds.
6. Budgets for the General, Special Revenue, Debt Service, Capital Projects and Fiduciary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 3**      **BUDGETARY INFORMATION (Continued)**

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

**NOTE 4**      **CASH AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits.

At June 30, 2016, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>	<u>Bank &amp; Carrying Balance Certificates of Deposit</u>
Insured (FDIC)	268,848	268,848	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,576,999	1,723,419	2,121,871
Cash with County Treasurer	112,617	-	-
Cash on Hand	<u>520</u>	<u>-</u>	<u>-</u>
<b><u>Total Cash and Deposits</u></b>	<b><u>1,958,984</u></b>	<b><u>1,992,267</u></b>	<b><u>2,371,871</u></b>

As presented above, deposits with a bank balance of \$1,723,419 and \$2,121,871 and a carrying balance of \$1,576,999 and \$2,121,871 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 4**      **CASH AND INVESTMENTS (Continued)**

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of 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

**Investments**

At June 30, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>
COLO TRUST Plus	Under 60 Day Average	4,613,428	
FHLM Term Note	November 25, 2019	<u>999,502</u>	AA+
		<u>5,612,930</u>	

**Interest Rate Risk** – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

**Credit Risk** – State Law limits the type of investments allowable. The ratings by Standard & Poor for each investment are disclosed above.

**Concentration of Credit Risk** – the District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- ColoTrust Investment Pool of \$4,613,428 is valued using quoted market prices (Level 1 Inputs)
- FHLM Term Notes of \$999,502 are valued using quoted market prices (Level 1 Inputs)

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 5**      **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Governmental Activities**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b><u>Non-Depreciable Assets:</u></b>				
Land	344,685	-	-	344,685
Construction in Progress	<u>29,236,174</u>	<u>(29,236,174)</u>	-	<u>-</u>
<b>Total Non-Depreciable Assets</b>	<u>29,580,859</u>	<u>(29,236,174)</u>	<u>-</u>	<u>344,685</u>
<b><u>Depreciable Assets:</u></b>				
Buildings & Site Improvements	31,677,241	30,829,473	5,125,595	57,381,119
Equipment & Vehicles	5,587,052	21,047	-	5,608,099
Equipment – Food Services	<u>513,647</u>	<u>-</u>	<u>17,557</u>	<u>496,090</u>
<b>Total Depreciable Assets</b>	<u>37,777,940</u>	<u>30,850,520</u>	<u>5,143,152</u>	<u>63,485,308</u>
<b><u>Less Accumulated</u></b>				
<b><u>Depreciation for:</u></b>				
Building & Site Improvements	12,931,577	1,316,239	2,041,482	12,206,334
Equipment & Vehicles	4,391,402	221,873	4,140	4,609,135
Equipment – Food Services	<u>318,801</u>	<u>21,704</u>	<u>14,505</u>	<u>326,000</u>
<b>Total Accumulated Depreciation</b>	<u>17,641,780</u>	<u>1,559,816</u>	<u>2,060,127</u>	<u>17,141,469</u>
<b>Total Capital Assets, Net</b>	<u>49,717,019</u>	<u>54,530</u>	<u>3,083,025</u>	<u>46,688,524</u>

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

**Governmental Activities:**

Instruction	1,233,019
General Administration	6,119
Business Support	4,336
Transportation	51,888
Community Services	1,211
Food Services	21,704
Unallocated	<u>241,539</u>
<b>Total Depreciation Expense – Governmental Activities</b>	<u>1,559,816</u>

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 6      INTERFUND**

**RECEIVABLES AND PAYABLES**

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>	<u>Repayment Period</u>
General	829,184	-	Current Operations	Within 1 Year
Special Revenue:				
Grants	-	637,424	Current Operations	Within 1 Year
Capital Projects:				
Technology	-	73,644	Current Operations	Within 1 Year
Building	-	-	Current Operations	Within 1 Year
Capital Reserve	-	-	Current Operations	Within 1 Year
Debt Service:				
Bond Redemption	-	<u>118,116</u>	Current operations	Within 1 Year
	<u>829,184</u>	<u>829,184</u>		

**TRANSFERS**

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General	-	500,000	Capital Outlay
Capital Projects:			
Capital Reserve	<u>500,000</u>	-	Capital Outlay
	<u>500,000</u>	<u>500,000</u>	

**NOTE 7      GENERAL OBLIGATION BONDS PAYABLE**

**A. Series 2012, General Obligation Refunding Bonds**

General Obligation Refunding (\$1,355,000) Bonds (Series 2012) dated April 10, 2012 with a par value of \$5,000 each were issued on April 10, 2012. Interest at an average coupon rate of 2.5% is payable each June 1, and December 1. Bond principal is due beginning December 1, 2012, and each year thereafter. Property taxes collected by the Debt Service Fund will be used to retire this bond issue. The maturity date of the bonds is December 1, 2019. The purpose of the bond issue was to advance refund the outstanding 1997 General Obligation Bonds.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 7**      **GENERAL OBLIGATION BONDS PAYABLE**

**B. Series 2014, General Obligation Refunding Bonds**

On March 20, 2014 the District issued \$3,175,000 in General Obligation Refunding Bonds with interest at 2.00 to advance refund the outstanding 2004 General Obligation Refunding Bonds bearing interest rates ranging from 3.90% to 4.25%. Refunding proceeds of \$3,280,861 were deposited with an escrow agent to provide debt service payments of \$3,150,000 in principal and \$465,369 in interest on the 2004 Series bonds. As a result, the 2004 bonds are considered to be defeased and the liability for the issue has been removed from the District financial statements.

The District completed the advance refunding to reduce the total debt service payment over the next 6 years by \$237,546 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$231,256.

As a result of the difference between the reacquisition price and the carrying amount of the old debt (including unamortized premium), a deferred refunding was recorded in the amount of \$180,092. It will be amortized against the interest costs of 2014 refunding issue.

**C. Series 2015, General Obligation Refunding Bonds**

On March 12, 2015, the District issued \$5,000,000 in General Obligation Refunding Bonds with interest at 2.00% to 4.00% to advance refund the outstanding 2007 General Obligation Bonds bearing interest rates ranging from 4.10% to 4.25%. Refunding proceeds of \$5,547,675 were deposited with an escrow agent to provide debt service payments of \$5,015,000 in principal and \$1,706,841 in interest on the 2007 series bonds. As a result, the 2007 bonds are considered to be defeased and the liability for the issue has been removed from the District financial statements.

The District completed the advance refunding to reduce the total debt service payments over the next 9 years by \$268,350 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$241,492.

As a result of the difference between the reacquisition price and the carrying amount of the old debt (including unamortized premium of \$547,675), a deferred refunding was recorded in the amount of \$335,406. It will be amortized against the interest costs of the 2015 refunding issue.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 7**      **GENERAL OBLIGATION BONDS PAYABLE (Continued)**

**D. Series 2012 Best Matching Bond**

A General Obligation (\$6,490,426) Bond (Series 2012) dated December 6, 2012 with a par value of \$6,490,426, was issued December 6, 2012, to the State of Colorado for the purpose of matching a State of Colorado BEST Grant. Interest at a coupon rate of 3.005898% is payable each June 1 and December 1. Bond principal is due beginning December 1, 2013 and each year thereafter. Bonds of the issue maturing in the years 2022 and thereafter are redeemable at the option of the District, in whole but not in part, at a redemption price equal to the principal amount thereof and a premium of 3.0% of the principal amount so redeemed, plus accrued interest to the redemption date

The purpose of the bond is to pay matching monies to the State of Colorado under the Building Excellent Schools Today program. The combined funds will be used for the construction and improvement of District facilities.

**E. Series 2013, General Obligation Refunding Bonds**

On April 25, 2013, the District issued \$9,025,065 in General Obligation Refunding Bonds with interest from 2.00 % to 3.5% to advance refund a portion of the outstanding 2007 General Obligation Refunding Bonds bearing interest rates ranging from 4.10% to 5.00%. Refunding proceeds of \$9,444,258 were deposited with an escrow agent to provide debt service payments of \$7,850,000 in principal and \$822,750 in interest on the 2007 Series bonds. As a result, that portion of the 2007 bonds is considered to be defeased and the liability for the issue has been removed from the District financial statements.

The District completed the advance refunding to reduce the total debt service payment over the next 7 years by \$718,443 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$549,783.

As a result of the difference between the reacquisition price and the carrying amount of the old debt (including unamortized premium), a deferred refunding was recorded in the amount of \$1,414,800. It will be amortized against the interest costs of 2013 refunding issue.

Below is a schedule of debt service requirements to maturity:

	Beginning Balance			Ending Balance June 30, 2016	Due Within One Year
	July 1, 2015	Additions	Deletions		
Series 2012 G.O. Bonds	990,000	-	185,000	805,000	195,000
Series 2012 G.O. Bonds BEST Grant	5,997,936	-	256,028	5,741,908	263,724
Series 2013 G.O. Refunding Bonds	8,625,065	-	105,000	8,520,065	105,000
Series 2014 G.O. Refunding Bonds	2,530,000	-	615,000	1,915,000	625,000
Series 2015 G.O. Refunding Bonds	<u>4,955,000</u>	-	-	<u>4,955,000</u>	-
<b>Total G.O. Bonds Payable</b>	<b>23,098,001</b>	<b>-</b>	<b>1,161,028</b>	<b>21,936,973</b>	<b>1,188,724</b>
<b>Deferred Amounts:</b>					
Bond Premium	1,127,071	-	139,739	987,332	130,276
Deferred Refunding	<u>(1,817,645)</u>	-	<u>(183,611)</u>	<u>(1,634,034)</u>	<u>(170,845)</u>
<b>Totals</b>	<b><u>22,407,427</u></b>	<b><u>-</u></b>	<b><u>1,117,156</u></b>	<b><u>21,290,271</u></b>	<b><u>1,148,155</u></b>

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 7    GENERAL OBLIGATION BONDS PAYABLE (Continued)**

Annual debt service requirements to maturity for general government taxable and tax exempt bonds, including detached "B" interest coupons (PCAB's), are as follows:

<u>General Obligation Bonds</u>	<u>Fiscal Year</u>	<u>Interest Payable</u>	<u>Principal Payable</u>
<b>General Obligation Refunding Bonds, Series 2014 Interest payable June 1 and December 1, Original amount \$3,175,000.</b>			
	2017	38,300	625,000
	2018	25,800	640,000
	2019	<u>13,000</u>	<u>650,000</u>
	<b>Totals</b>	<b><u>77,100</u></b>	<b><u>1,915,000</u></b>
<b>General Obligation Refunding Bonds, Series 2015, Interest Payable June 1 and December 1, Original amount \$5,000,000</b>			
	2017	182,650	-
	2018	182,650	5,000
	2019	182,550	5,000
	2020	182,450	755,000
	2021	159,800	780,000
	2022-2025	<u>347,600</u>	<u>3,410,000</u>
	<b>Totals</b>	<b><u>1,237,700</u></b>	<b><u>4,955,000</u></b>
<b>General Obligation Refunding Bonds, Series 2012, Interest payable June 1 and December 1, Original amount \$1,355,000.</b>			
	2017	21,225	195,000
	2018	15,300	200,000
	2019	9,300	200,000
	2020	<u>3,150</u>	<u>210,000</u>
	<b>Totals</b>	<b><u>48,975</u></b>	<b><u>805,000</u></b>

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 7    GENERAL OBLIGATION BONDS PAYABLE (Continued)**

**General Obligation Matching Money Bonds**

	<u>Fiscal Year</u>	<u>Interest Payable</u>	<u>Principal Payable</u>
<b>General Obligation Bonds, Series 2012, Interest payable June 1 and December 1, Original amount \$6,490,426.</b>			
	2017	168,632	263,724
	2018	160,586	271,651
	2019	152,298	279,817
	2020	143,760	288,227
	2021	134,966	296,891
	2022-2026	533,385	1,623,808
	2027-2031	270,320	1,882,977
	2032-2033	<u>25,279</u>	<u>834,813</u>
	<b>Totals</b>	<b><u>1,589,226</u></b>	<b><u>5,741,908</u></b>

	<u>Fiscal Year</u>	<u>Interest Payable</u>	<u>Principal Payable</u>	<u>PCAB's Payable</u>
<b>General Obligation Refunding Bonds, Series 2013, Interest Payable June 1 and December 1, Original amount \$9,025,065</b>				
	2017	251,975	105,000	-
	2018	248,825	110,000	-
	2019	245,525	110,000	-
	2020	242,225	115,000	-
	2021	238,775	120,000	-
	2022-2026	1,469,806	620,000	645,719
	2027-2031	1,122,404	4,900,000	529,346
	2032	<u>44,275</u>	<u>1,265,000</u>	-
	<b>Totals</b>	<b><u>3,863,810</u></b>	<b><u>7,345,000</u></b>	<b><u>1,175,065</u></b>

Following is a summary of debt service requirements to maturity of all bond issues.

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>PCAB's</u>	<u>Total</u>
2017	662,782	1,188,724	-	1,851,506
2018	633,161	1,226,651	-	1,859,812
2019	602,673	1,244,817	-	1,847,490
2020	571,585	1,368,227	-	1,939,812
2021	533,541	1,196,891	-	1,730,432
2022-2026	2,350,791	5,653,808	645,719	8,650,318
2027-2031	1,392,724	6,782,977	529,346	8,705,047
2032-2033	<u>69,554</u>	<u>2,099,813</u>	-	<u>2,169,367</u>
<b>Total</b>	<b><u>6,816,811</u></b>	<b><u>20,761,908</u></b>	<b><u>1,175,065</u></b>	<b><u>28,753,784</u></b>

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 7**      **GENERAL OBLIGATION BONDS PAYABLE (Continued)**

**Advance Refunding**

During prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2016, \$17,460,000 of bonds outstanding are considered defeased.

**NOTE 8**      **CAPITAL LEASES PAYABLE**

A summary of changes in Capital Leases Payable are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>General Governmental:</b>				
Copiers	<u>123,557</u>	<u>      -</u>	<u>40,964</u>	<u>82,593</u>

During fiscal year 2013, the District entered into a capital lease to purchase 17 copiers. Notwithstanding the fact that the District may elect not to renew the agreement in any year, it is the present intention of the District that the agreement will be renewed annually until full rights to the copiers are acquired. The annual interest rate is 6.70% with monthly payments of \$3,999.97. The balance due as of June 30, 2016 was \$82,593. Annual debt service requirements to maturity for the capital lease are as follows:

	<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>Payment</u>	<u>Principal</u>	<u>Interest</u>
	2017	48,000	43,795	4,205
	2018	<u>40,000</u>	<u>38,798</u>	<u>1,202</u>
<b>Total Minimum Payments</b>		<b>88,000</b>	<b><u>82,593</u></b>	<b><u>5,407</u></b>
<b>Less Amount representing Interest</b>		<b><u>(5,407)</u></b>		
<b>Net Present Value of Future Minimum Payments</b>			<b><u>82,593</u></b>	

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 9**      **PENSION PLAN**

**Defined Benefit Pension Plan**

**Summary of Significant Accounting Policies**

**Pensions.** Sheridan School District Number 2 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.

**General Information about the Pension Plan**

**Plan description.** Eligible employees of the Sheridan School District Number 2 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/investment/pera-financial-reports](http://www.copera.org/investment/pera-financial-reports).

**Benefits provided.** 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. 24-51-601, 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.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 9**      **PENSION PLAN (Continued)**

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

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.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE 9**      **PENSION PLAN (Continued)**

**Contributions.** Eligible employees and Sheridan School District Number 2 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.

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
<b>Employer Contribution Rate</b>	10.15 %	10.15 %
<b>Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)</b>	(1.02)%	(1.02)%
<b>Amount Apportioned to the SCHDTF</b>	9.13%	9.13%
<b>Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411</b>	4.20%	4.50%
<b>Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411</b>	4.00%	4.50%
<b>Total Employer Contribution Rate to the SCHDTF</b>	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Sheridan School District Number 2 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Sheridan School District Number 2 were \$1,899,959 for the year ended June 30, 2016.

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

At June 30, 2016, the Sheridan School District Number 2 reported a liability of \$37,539,888 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Sheridan School District Number 2 proportion of the net pension liability was based on Sheridan School District Number 2 contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Sheridan School District Number 2 proportion was 0.2455 percent, which was a decrease of 0.0114 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Sheridan School District Number 2 recognized pension expense of \$614,564. At June 30, 2016, the Sheridan School District Number 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 9**      **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	495,719	(1,564)
Changes of assumptions or other inputs	0	(530,504)
Net difference between projected and actual earnings on pension plan investments	3,191,943	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(2,350,327)
Contributions subsequent to the measurement date	977,597	N/A
<b>Total</b>	<b>4,665,259</b>	<b>(2,882,395)</b>

\$977,597 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, 2016. 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, 2016	
2017	(316,359)
2018	(98,886)
2019	565,964
2020	654,548
2021	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage Inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 9**      **PENSION PLAN (Continued)**

Mortality rates were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuations are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
  
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 9**      **PENSION PLAN (Continued)**

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
<b>Total</b>	<b>100.00%</b>	

**\*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 7.50%.**

***Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:**

- **Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to increase annually at a rate of 3.9%.**
- **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, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.**
- **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.**

SHERIDAN SCHOOL DISTRICT NUMBER 2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 9**      **PENSION PLAN (Continued)**

- 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 increases 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 actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the Sheridan School District Number 2 proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	48,662,666	37,539,888	28,287,811

*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](http://www.copera.org/investments/pera-financial-reports).

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 9**

**PENSION PLAN (Continued)**

**Defined Contribution Pension Plan**

**Voluntary Investment Program**

*Plan Description* – Employees of the Sheridan School District Number 2 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](http://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. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$146,971.

**Other Post-Employment Benefits**

**Health Care Trust Fund**

*Plan Description* – The Sheridan School District Number 2 contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Sheridan School District Number 2 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Sheridan School District Number 2 are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014, the Sheridan School District Number 2 contributions to the HCTF were \$109,700, \$109,647 and \$110,339, respectively equal to their required contributions for each year.

**NOTE 10**

**RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 10**     **RISK MANAGEMENT (Continued)**

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 11**     **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime and other coverage. The Board of Directors is composed of nine persons; who are appointed by the existing Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2016.

An audited summary of the Colorado School District's Pool financial information at December 31, 2015 (latest information available) follows:

Total Assets	<u>46,958,320</u>
Total Liabilities	<u>22,633,311</u>
Total Equity	<u>24,325,009</u>
Revenue	13,432,892
Underwriting Expenses	<u>16,484,758</u>
Underwriting Gain (Loss)	(3,051,866)
Net Investment Income	663,509
Other Income	<u>-</u>
Net Income (Loss) Before Dividend	(2,388,357)
Dividend	<u>-</u>
Net Income	(2,388,357)
Transfer of Capital contributions	-
Change in Non Admitted Assets	<u>95,339</u>
Capital Contributions from Members	<u>-</u>
Unassigned Surplus	<u>24,325,009</u>

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 12**    **LITIGATION**

None.

**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. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

**NOTE 14**    **PRIOR PERIOD ADJUSTMENT**

In the fiscal year ended June 30, 2015, no deferred inflow was recorded for the change in proportion of the District's contributions to PERA in relation to their portion of the net pension liability originally recorded during the implementation of GASB Statements No. 68 and 71. The amount of deferred inflow at June 30, 2015 that should have been recorded was \$1,954,777. The Statement of Activities reflects the corresponding reduction to entity-wide net position as of that date as a prior period adjustment.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISONS**

**PENSION TREND DATA**

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **General Fund**

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

### **Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Grants Fund – This fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

### **Pension Trend Data**

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the year Ended June 30, 2016**

<u>REVENUES</u>	<u>Budgeted Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Local Sources</u>			
Property Taxes	4,483,026	4,425,299	(57,727)
Specific Ownership Taxes	440,000	542,390	102,390
Earnings on Investments	12,500	15,910	3,410
Delinquent Taxes & Interest	-	8,646	8,646
Tuition	101,250	112,938	11,688
Other	150,000	323,753	173,753
<u>State Sources</u>			
Equalization	8,349,291	8,346,109	(3,182)
Kindergarten Hold Harmless	358,869	355,610	(3,259)
Transportation	90,000	159,283	69,283
Vocational Education	72,550	79,876	7,326
Special Education	318,000	476,738	158,738
Additional At Risk Funding	-	17,833	17,833
State ELPA	-	127,699	127,699
ELPA	209,250	85,860	(123,390)
Gifted and Talented	33,600	32,845	(755)
Read Act	61,800	53,447	(8,353)
<b>Total Revenues</b>	<b><u>14,680,136</u></b>	<b><u>15,164,236</u></b>	<b><u>484,100</u></b>
<u>EXPENDITURES</u>			
<u>Instruction</u>	<u>8,408,227</u>	<u>7,916,206</u>	<u>492,021</u>
<u>Supporting Services:</u>			
Students	665,285	656,022	9,263
Instructional Staff	623,759	538,538	85,221
General Administration	396,280	346,997	49,283
School Administration	1,150,646	1,182,115	(31,469)
Business Services	427,884	407,962	19,922
Operations and Maintenance	1,995,824	1,864,396	131,428
Student Transportation	545,941	488,281	57,660
Central Support	1,035,448	1,010,524	24,924
Community Services	50,000	69,357	(19,357)
Debt Service	-	48,000	(48,000)
<b>Total Supporting Services</b>	<b><u>6,891,067</u></b>	<b><u>6,612,192</u></b>	<b><u>278,875</u></b>
<u>Appropriated Reserves</u>	<u>4,147,416</u>	<u>-</u>	<u>4,147,416</u>
<b>Total Expenditures</b>	<b><u>19,446,710</u></b>	<b><u>14,528,398</u></b>	<b><u>4,918,312</u></b>
<u>Revenues Over (Under) Expenditures</u>	<u>(4,766,574)</u>	<u>635,838</u>	
<u>Other Financing Sources (Uses)</u>			
Transfers (Out)	(500,000)	(500,000)	=====
<u>Revenues and Other Financing Sources Over (Under)</u>			
<u>Expenditures and Other Uses</u>	<u>(5,266,574)</u>	<u>135,838</u>	
<b>FUND BALANCE, Beginning</b>	<b><u>5,266,574</u></b>	<b><u>5,266,572</u></b>	
<b>FUND BALANCE, Ending</b>	<b><u>-</u></b>	<b><u>5,402,410</u></b>	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)**  
**GRANTS – SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Variance with</u>
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>Final Budget- Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Local Sources	-	50,775	50,775
State Sources	-	651,224	651,224
Federal Sources	7,000,000	3,831,362	(3,168,638)
<b><u>Total Revenues</u></b>	<b>7,000,000</b>	<b>4,533,361</b>	<b>(2,466,639)</b>
<b>EXPENDITURES:</b>			
<b><u>Instruction</u></b>	<b>7,000,000</b>	<b>1,895,782</b>	<b>5,104,218</b>
<b><u>Supporting Services:</u></b>			
Student Support	-	270,412	(270,412)
Instructional Staff	-	1,357,248	(1,357,248)
General Administration	-	157,345	(157,345)
School Administration	-	184,020	(184,020)
Business Services	-	9,062	(9,062)
Operations & Maintenance	-	567,942	(567,942)
Student Transportation	-	9,698	(9,698)
Food Services	-	63,809	(63,809)
Community Services	-	17,966	(17,966)
Adult Education	-	77	(77)
<b><u>Total Supporting Services</u></b>	<b>-</b>	<b>2,637,579</b>	<b>(2,637,579)</b>
<b><u>Total Expenditures</u></b>	<b>7,000,000</b>	<b>4,533,361</b>	<b>2,466,639</b>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	-	-	
<b><u>FUND BALANCE, Beginning</u></b>	-	-	
<b><u>FUND BALANCE, Ending</u></b>	-	-	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.2455%	0.2568%	0.2778%	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$37,539,888	\$34,810,369	\$35,438,567	-	-	-	-	-	-	-
District's covered-employee payroll	\$10,754,911	\$10,749,750	\$10,817,510	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	349%	324%	328%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.80%	64.06%	-	-	-	-	-	-	-

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$1,899,959	\$1,806,221	\$1,728,454	\$1,740,308	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(1,899,959)</u>	<u>\$(1,806,221)</u>	<u>\$(1,728,454)</u>	<u>\$(1,740,308)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
District's covered-employee payroll	\$10,754,911	\$10,749,750	\$10,817,510	\$11,499,037	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.67%	16.80%	15.98%	15.13%	-	-	-	-	-	-

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

**OTHER SUPPLEMENTARY INFORMATION**

## COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

### Capital Projects Funds

**Technology Fund – This fund accounts for expenditures from bond proceeds for the improvement of district technology. The revenues and expenditures of this fund are controlled by state statute and the bond ordinance.**

## NON MAJOR GOVERNMENTAL FUNDS

### Special Revenue Fund

**Special revenue funds account for revenues that are legally restricted to expenditures for specified purposes.**

**Food Service Fund – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.**

### Debt Service Fund

### Bond Redemption Fund

**Bond Redemption Debt Service Fund – Use to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.**

### Capital Projects Funds

**Building Fund – This fund accounts for the construction and improvement of district buildings. Bond proceeds are used to finance these projects.**

**Capital Reserve Capital Projects Fund – This fund accounts for the acquisition of sites, buildings, equipment and vehicles.**

### Fiduciary Fund Types

**Agency Fund – Student Activity Fund – This fund is used to account for amounts held in a fiduciary capacity for organizations.**

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)  
TECHNOLOGY – CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2016**

	<b>Budget Amounts</b>		<b>Variance with</b>
	<b>Original &amp; Final</b>	<b>Actual</b>	<b>Final Budget- Favorable (Unfavorable)</b>
<b><u>REVENUES:</u></b>			
Earnings on Investments	11,000	16,489	5,489
<u>Total Revenues</u>	11,000	16,489	5,489
<b><u>EXPENDITURES:</u></b>			
Equipment	28,575	-	28,575
Contingency Reserve	1,300,841	-	1,300,841
<u>Total Expenditures</u>	1,329,416	-	1,329,416
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	(1,318,416)	16,489	
<b><u>FUND BALANCE, Beginning</u></b>	<b><u>1,318,416</u></b>	<b><u>1,318,417</u></b>	
<b><u>FUND BALANCE, Ending</u></b>	<b><u>          -</u></b>	<b><u>1,334,906</u></b>	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	<u>Special Revenue Food Services Fund</u>	<u>Debt Service Bond Redemption Fund</u>	<u>Capital Projects Building Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	523,687	18,066	6,525	227,102	775,380
Investments	-	1,100,792	-	-	1,100,792
Accounts Receivable	87,334	-	-	700,000	787,334
Property Taxes Receivable	-	112,624	-	-	112,624
Due From Other Funds	-	-	-	-	-
Inventories	<u>18,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,102</u>
<b>Total Assets</b>	<b><u>629,123</u></b>	<b><u>1,231,482</u></b>	<b><u>6,525</u></b>	<b><u>927,102</u></b>	<b><u>2,794,232</u></b>
<b><u>LIABILITIES:</u></b>					
Accounts Payable	4,115	-	6,525	70,934	81,574
Due To Other Funds	-	118,116	-	-	118,116
Accrued Salaries Payable	<u>49,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,174</u>
<b>Total Liabilities</b>	<b><u>53,289</u></b>	<b><u>118,116</u></b>	<b><u>6,525</u></b>	<b><u>70,934</u></b>	<b><u>248,864</u></b>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>					
Deferred Property Tax	<u>-</u>	<u>75,956</u>	<u>-</u>	<u>-</u>	<u>75,956</u>
<b><u>FUND BALANCES:</u></b>					
Nonspendable:					
Inventories	18,102	-	-	-	18,102
Restricted for:					
Debt Service	-	1,037,410	-	-	1,037,410
Food Service	557,732	-	-	-	557,732
Committed for:					
Capital Outlay	-	-	-	856,168	856,168
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balances</b>	<b><u>575,834</u></b>	<b><u>1,037,410</u></b>	<b><u>-</u></b>	<b><u>856,168</u></b>	<b><u>2,469,412</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>					
	<b><u>629,123</u></b>	<b><u>1,155,526</u></b>	<b><u>6,525</u></b>	<b><u>927,102</u></b>	<b><u>2,718,276</u></b>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	<u>Special Revenue Food Services Fund</u>	<u>Debt Service Bond Redemption Fund</u>	<u>Capital Projects Building Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>					
Local Sources	45,807	1,828,207	-	-	1,874,014
State Sources	14,133	-	406,866	-	420,999
Federal Sources	898,890	-	-	-	898,890
<u>Total Revenues</u>	<u>958,830</u>	<u>1,828,207</u>	<u>406,866</u>	<u>-</u>	<u>3,193,903</u>
<b>EXPENDITURES:</b>					
Central Support	-	2,500	-	-	2,500
Food Services	894,466	-	-	-	894,466
Debt Services:					
Principal	-	1,161,028	-	-	1,161,028
Interest and Fiscal Charges	-	697,519	-	-	697,519
Capital Outlay	-	-	406,866	855,430	1,262,296
<u>Total Expenditures</u>	<u>894,466</u>	<u>1,861,047</u>	<u>406,866</u>	<u>855,430</u>	<u>4,017,809</u>
<b><u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>64,364</u>	<u>(32,840)</u>	<u>-</u>	<u>(855,430)</u>	<u>(823,906)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Land Sale Proceeds	-	-	-	1,000,000	1,000,000
Transfers In (Out)	-	-	-	500,000	500,000
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
<b><u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u></b>	<u>64,364</u>	<u>(32,840)</u>	<u>-</u>	<u>644,570</u>	<u>676,094</u>
<b><u>FUND BALANCES, Beginning</u></b>	<u>511,470</u>	<u>1,070,250</u>	<u>-</u>	<u>211,598</u>	<u>1,793,318</u>
<b><u>FUND BALANCES, Ending</u></b>	<u>575,834</u>	<u>1,037,410</u>	<u>-</u>	<u>856,168</u>	<u>2,469,412</u>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOOD SERVICES – SPECIAL REVENUE FUND  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<b><u>REVENUES</u></b>			
<b><u>Local Sources</u></b>			
Food Sales	50,000	45,807	(4,193)
<b><u>State Sources</u></b>			
State Match	12,500	7,664	(4,836)
Smart Start	-	2,817	2,817
PK-2 Reduced Breakfast	-	3,652	3,652
<b><u>Federal Sources</u></b>			
School Lunches	850,000	835,325	(14,675)
Commodities	<u>50,000</u>	<u>63,565</u>	<u>13,565</u>
<b>Total Revenues</b>	<u>962,500</u>	<u>958,830</u>	<u>(3,670)</u>
<b><u>EXPENDITURES</u></b>			
Salaries	288,970	248,820	40,150
Employee Benefits	103,556	93,104	10,452
Purchased Services – Professional	80,000	75,663	4,337
Purchased Services – Property	-	4,502	(4,502)
Purchased Services - Other	-	1,962	(1,962)
Food and Milk	380,000	419,501	(39,501)
Supplies and Materials	105,000	50,914	54,086
Other	35,000	-	35,000
Appropriated Reserves	<u>481,444</u>	<u>-</u>	<u>481,444</u>
<b>Total Expenditures</b>	<u>1,473,970</u>	<u>894,466</u>	<u>579,504</u>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	(511,470)	64,364	
<b><u>FUND BALANCE, Beginning</u></b>	<u>511,470</u>	<u>511,470</u>	
<b><u>FUND BALANCE, Ending</u></b>	<u>-</u>	<u>575,834</u>	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)**  
**BOND REDEMPTION DEBT SERVICE FUND**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
<b><u>REVENUES</u></b>			
Property Taxes	1,856,530	1,821,284	(35,246)
Delinquent Taxes and Interest	-	3,652	3,652
Earnings on Investment	<u>1,100</u>	<u>3,271</u>	<u>2,171</u>
<b><u>Total Revenues</u></b>	<b><u>1,857,630</u></b>	<b><u>1,828,207</u></b>	<b><u>(29,423)</u></b>
<b><u>EXPENDITURES</u></b>			
Central Support	-	2,500	(2,500)
Principal Expense	1,161,028	1,161,028	-
Interest Expense	689,768	689,769	(1)
Other Expense	5,750	7,750	(2,000)
Contingency Reserve	<u>1,071,333</u>	<u>-</u>	<u>1,071,333</u>
<b><u>Total Expenditures</u></b>	<b><u>2,927,879</u></b>	<b><u>1,861,047</u></b>	<b><u>1,066,832</u></b>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	<b>(1,070,249)</b>	<b>(32,840)</b>	
<b><u>FUND BALANCES, Beginning</u></b>	<b><u>1,070,249</u></b>	<b><u>1,070,250</u></b>	
<b><u>FUND BALANCES, Ending</u></b>	<b><u>-</u></b>	<b><u>1,037,410</u></b>	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)  
BUILDING – CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2016**

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	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b><u>REVENUES</u></b>			
State Source Best Grant	<u>1,066,811</u>	<u>406,866</u>	<u>(659,945)</u>
<u>Total Revenues</u>	<u>1,066,811</u>	<u>406,866</u>	<u>(659,945)</u>
<b><u>EXPENDITURES:</u></b>			
Building Construction	<u>1,066,811</u>	<u>406,866</u>	<u>659,945</u>
<u>Total Expenditures</u>	<u>1,066,811</u>	<u>406,866</u>	<u>659,945</u>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>          -</u>	<u>          -</u>	
<b><u>FUND BALANCES, Beginning</u></b>	<u>          -</u>	<u>          -</u>	
<b><u>FUND BALANCES, Ending</u></b>	<u>          -</u>	<u>          -</u>	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)**  
**CAPITAL RESERVE – CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b><u>REVENUES:</u></b>			
Other	-	-	-
<u>Total Revenue</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXPENDITURES:</u></b>			
Purchased Services - Professional	-	61,675	(61,675)
Purchased Services - Property	-	82,076	(82,076)
Purchased Services – Other	828,247	-	828,247
Supplies & Materials	-	2,615	(2,615)
Buildings	-	581,160	(581,160)
Equipment	50,000	114,856	(64,856)
Vehicle	-	13,048	(13,048)
Operating Reserve	<u>133,351</u>	<u>-</u>	<u>133,351</u>
<u>Total Expenditures</u>	<u>1,011,598</u>	<u>855,430</u>	<u>156,168</u>
<b><u>EXCESS REVENUE EXPENDITURES</u></b>	<b><u>(1,011,598)</u></b>	<b><u>(855,430)</u></b>	
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Land Sale Proceeds	300,000	1,000,000	700,000
Transfers In (Out)	<u>500,000</u>	<u>500,000</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>800,000</u>	<u>1,500,000</u>	<u>700,000</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b><u>(211,598)</u></b>	<b><u>644,570</u></b>	
<b><u>FUND BALANCE, BEGINNING</u></b>	<b><u>211,598</u></b>	<b><u>211,598</u></b>	
<b><u>FUND BALANCE, ENDING</u></b>	<b><u>-</u></b>	<b><u>856,168</u></b>	

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2016**

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	<u>Balance</u> <u>07-01-2015</u>	<u>Agency Fund</u>		<u>Balance</u> <u>06-30-2016</u>
		<u>Additions</u>	<u>Deductions</u>	
<b><u>ASSETS</u></b>				
Cash	<u>104,171</u>	<u>192,339</u>	<u>174,173</u>	<u>122,337</u>
<b><u>LIABILITIES</u></b>				
Deposits Held for Others	<u>104,171</u>	<u>192,339</u>	<u>174,173</u>	<u>122,337</u>

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2016**

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	<u>Agency Funds</u>		<b>Variance with Final Budget- Favorable (Unfavorable)</b>
	<u>Original and Final Budget</u>	<u>Actual</u>	
<b><u>ADDITIONS</u></b>			
Local Receipts	<u>150,000</u>	<u>192,339</u>	<u>42,339</u>
<b><u>DEDUCTIONS</u></b>			
Disbursements & Reserve	<u>254,171</u>	<u>174,173</u>	<u>79,998</u>
<b><u>CHANGES IN DUE TO STUDENT GROUPS</u></b>	(104,171)	18,166	
<b><u>DUE TO STUDENT GROUPS, Beginning</u></b>	<u>104,171</u>	<u>104,171</u>	
<b><u>DUE TO STUDENT GROUPS, Ending</u></b>	<u>—</u>	<u>122,337</u>	

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

**STATE REQUIRED SCHEDULES**

**Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)**

**Bolded Balance Sheet**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0123 - SHERIDAN 2  
 Fiscal Year 2015-16  
 Colorado School District 800CES

**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
<b>Governmental</b>							
10 General Fund	4,793,897		13,764,818		11,532,293		5,036,322
12 Risk Mgmt Sub-Fund of General Fund	269,542		480,305		535,476		214,210
19 Colorado Preschool Program Fund	203,094		419,111		470,328		151,877
Sub-Total	5,266,572		14,664,234		14,538,097		5,402,410
11 Charter School Fund	0		0		0		0
20 2C-23 Special Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	511,471		958,039		884,466		575,834
22 Govt Designated-Purpose Grants Fund	0		4,533,361		4,533,361		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	1,070,250		1,438,207		1,861,047		1,037,410
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		406,866		406,866		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	1,510,015		1,516,485		853,329		2,191,074
<b>Totals</b>	<b>6,376,306</b>		<b>23,907,965</b>		<b>23,079,585</b>		<b>9,206,726</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0		0		0		0
63 (63) Risk-Related Activity Fund	0		0		0		0
60 65-69 Other Internal Service Funds	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Fiduciary</b>							
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	104,171		192,339		174,173		122,337
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>104,171</b>		<b>192,339</b>		<b>174,173</b>		<b>122,337</b>
<b>FINAL</b>							

\*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.



**Colorado Department of Education**  
**Balanced Budget Report**  
 District: 0123 - SHERIDAN 2  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

	Governmental						Proprietary					Fiduciary		Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	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		
<b>ASSETS</b>														
Cash and Investments (8100-8104,8111)	6,244,313	0	197,861	523,687	0	1,100,792	1,642,177	0	0	0	122,337	0	9,831,167	
Cash with Fiscal Agent (8105)	94,551	0	0	0	0	18,066	0	0	0	0	0	0	112,617	
Taxes Receivable (8121,8122)	273,938	0	0	0	0	112,624	0	0	0	0	0	0	386,563	
Interfund Loans Receivable (8131,8132)	829,184	0	0	0	0	0	0	0	0	0	0	0	829,184	
Grants Accounts Receivable (8142)	6,295	0	0	87,247	1,236,604	0	0	0	0	0	0	0	1,330,145	
Other Receivables (8151-8154,8161)	39,931	0	0	88	0	0	700,000	0	0	0	0	0	740,019	
Inventories (8171,8172,8173)	0	0	0	18,102	0	0	0	0	0	0	0	0	18,102	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Assets</b>	<b>7,488,213</b>	<b>0</b>	<b>197,861</b>	<b>629,123</b>	<b>1,236,604</b>	<b>1,231,482</b>	<b>2,342,177</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>122,337</b>	<b>0</b>	<b>13,247,797</b>	

	Governmental						Proprietary				Fiduciary	
	General Funds 10, 12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	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
<b>LIABILITIES &amp; FUND EQUITY</b>												
Interfund Payables (7401,7402)	0	0	0	0	637,424	118,116	73,644	0	0	0	0	829,184
Intergovernmental Payables (7411)	381,201	0	0	0	0	0	0	0	0	0	0	381,201
Other Payables (7421-7423)	173,617	0	212	4,115	180,345	0	77,459	0	0	0	0	435,748
Contracts Payable (7431-7433)	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses (7461)	1,498,114	0	45,772	49,174	406,368	0	0	0	0	0	0	1,999,427
Unearned Revenue (7481)	184,750	0	0	0	0	75,956	0	0	0	0	0	260,706
Grants Deferred Revenue (7482)	0	0	0	0	12,467	0	0	0	0	0	0	12,467
Deferred Inflow (7800)	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,237,681</b>	<b>0</b>	<b>45,984</b>	<b>53,289</b>	<b>1,236,604</b>	<b>194,072</b>	<b>151,103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,918,732</b>

Fiduciary

Proprietary

Governmental

FUND EQUITY

	Governmental					Proprietary					Fiduciary			Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
Non-spendable Fund Balance 6710	0	0	0	18,102	0	0	0	0	0	0	0	0	18,102	
Restricted Fund Balance 6720	0	0	0	557,732	0	1,037,410	1,334,906	0	0	0	0	0	2,930,048	
TABOR 3% Emergency Reserve 6721	491,000	0	0	0	0	0	0	0	0	0	0	0	491,000	
TABOR Multi-Year 6722	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	
Colorado Preschool Program (CPP) Reserve 6724	0	0	151,877	0	0	0	0	0	0	0	0	0	151,877	
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	
Risk-Related / Restricted Capital Reserve 6776	0	0	0	0	0	0	0	0	0	0	0	0	0	
BEST Capital Reserve 6777	0	0	0	0	0	0	0	0	0	0	0	0	0	
Committed Fund Balance 6750	214,210	0	0	0	0	0	856,168	0	0	0	0	0	1,070,379	
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	
Unassigned Fund Balance 6770	4,545,322	0	0	0	0	0	0	0	0	122,337	0	0	4,667,659	
Invested in Capital Assets, Net of Related Debt 6790	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	
Unrestricted Net Assets 6792	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	
<b>Total Fund Equity</b>	<b>5,250,532</b>	<b>0</b>	<b>151,877</b>	<b>575,834</b>	<b>0</b>	<b>1,037,410</b>	<b>2,191,074</b>	<b>0</b>	<b>0</b>	<b>122,337</b>	<b>0</b>	<b>0</b>	<b>9,329,065</b>	

	Governmental					Proprietary					Fiduciary			Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	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	7,488,213	0	197,861	629,123	1,236,604	1,231,482	2,342,177	0	0	0	122,337	0	13,247,797	

	Governmental					Proprietary					Fiduciary			Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	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	
Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

For Each Fund Type  
Do Assets=Liability+Fund Equity

**SINGLE AUDIT SECTION**

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

**To the Board of Education  
Sheridan School District Number 2  
Englewood, Colorado 80150**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sheridan School District Number 2 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Sheridan School District Number 2's basic financial statements, and have issued our report thereon dated November 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sheridan School District Number 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheridan School District Number 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheridan School District Number 2's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Dixon, Waller & Co., Inc.*

November 30, 2016

164 E. MAIN  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Board of Education  
Sheridan School District Number 2  
Englewood, Colorado 80150

**Report on Compliance for Each Major Federal Program**

We have audited Sheridan School District Number 2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sheridan School District Number 2's major federal programs for the year ended June 30, 2016. Sheridan School District Number 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Sheridan School District Number 2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sheridan School District Number 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sheridan School District Number 2's compliance.

## Opinion on Each Major Federal Program

In our opinion, Sheridan School District Number 2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of Sheridan School District Number 2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sheridan School District Number 2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sheridan School District Number 2's internal control over compliance.

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

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

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

Dyer, Waller & Co., Inc.

November 30, 2016

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

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**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:**

**FINANCIAL STATEMENTS**

**Auditor's Report**

An unmodified opinion has been issued on the financial statements of Sheridan School District Number 2.

**Internal Control Over Financial Reporting**

No significant deficiencies was disclosed by the audit; there were no material weaknesses identified.

**Noncompliance Material to Financial Statements**

No instances of noncompliance in amounts material to the financial statements of Sheridan School District Number 2 were disclosed by the audit.

**FEDERAL AWARDS**

**Internal Control Over Major Programs**

No significant deficiencies or material weaknesses were identified.

**Auditor's Report on Compliance for Major Programs**

An unmodified opinion has been issued on Sheridan School District Number 2 compliance for major programs.

**Audit Findings**

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

**Major Programs**

Headstart 93.600

**Dollar Threshold to Distinguish Type A and Type B Programs**

\$ 750,000.

**Qualification as low-risk auditee**

The District qualified as a low-risk auditee for fiscal year ended June 30, 2016.

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2016**

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**(Continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SHERIDAN SCHOOL DISTRICT NUMBER 2  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Year Ended June 30, 2016**

---

**There are no prior audit findings requiring disclosure.**

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

<u>Federal Grantor/Pass through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>State Code</u>	<u>Expenditures</u>
<b><u>Child Nutrition Cluster - Cluster</u></b>			
<b><u>U.S. Department of Agriculture</u></b>			
<b>(Passed through Colorado Department of Education)</b>			
School Breakfast Program	10.553	4553	<u>271,908</u>
National School Lunch Program	10.555	4555	<u>549,756</u>
National School Lunch Program – Commodities	10.555	4555	<u>63,565</u>
<b><u>Total National School Lunch Program</u></b>			<b><u>613,321</u></b>
Summer Food Service Program for Children	10.559	4559	<u>13,661</u>
<b><u>Total U.S. Department of Agriculture</u></b>			<b><u>898,890</u></b>
<b><u>Total Child Nutrition Cluster – Cluster</u></b>			<b><u>898,890</u></b>
<b><u>Special Education Cluster (IDEA) - Cluster</u></b>			
<b><u>Department of Education</u></b>			
<b>(Passed through Colorado Department of Education)</b>			
Special Education – Grants to States	84.027	4027	<u>307,434</u>
Special Education – Preschool Grants	84.173	4173	<u>12,623</u>
<b><u>Total Department of Education</u></b>			<b><u>320,057</u></b>
<b><u>Total Special Education Cluster (IDEA) – Cluster</u></b>			<b><u>320,057</u></b>
<b><u>Other Programs</u></b>			
<b>(Passed through Colorado Department of Education)</b>			
Race to the Top Early Childhood Readiness Assessment	84.412	5412	<u>1,079</u>
Title I Grants to Local Educational Agencies	84.010	4010	<u>942,034</u>
Title I Grants to Local Educational Agencies – Reallocation	84.010	5010	<u>65,874</u>
<b><u>Total Title I Grants to Local Educational Agencies</u></b>			<b><u>1,007,908</u></b>
Migrant Education – State Grant Program	84.011	4011	<u>13,700</u>
Rehabilitation Services – Vocational Rehabilitation			
Grants to States	84.126	5126	<u>27,843</u>
Education for Homeless Children and Youth	84.196	5196	<u>24,384</u>
Twenty-First Century Community Learning Centers	84.287	5287	<u>95,935</u>
English Language Acquisition State Grants – Set Aside	84.365	5365	<u>91,000</u>
English Language Acquisition state Grants	84.365	4365	<u>37,337</u>
<b><u>Total English Language Acquisition State Grants</u></b>			<b><u>128,337</u></b>
Improving Teacher Quality State Grants	84.367	4367	<u>78,027</u>
School Improvement Grants	84.377	7377	<u>110,773</u>
<b><u>Total Department of Education</u></b>			<b><u>1,486,907</u></b>
<b><u>Department of Health and Human Services</u></b>			
<b>(Direct Payment)</b>			
Headstart	93.600	8600	<u>2,023,319</u>
<b><u>Total Department of Health and Human Services</u></b>			<b><u>2,023,319</u></b>
<b><u>Total Other Programs</u></b>			<b><u>3,511,305</u></b>
<b><u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u></b>			<b><u>4,730,252</u></b>

The accompanying notes are an integral part of this schedule.

**SHERIDAN SCHOOL DISTRICT NUMBER 2**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

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**NOTE 1**    **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sheridan School District Number 2 and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**NOTE 2**    **INDIRECT COST RATES**

The Colorado Department of Education calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The District has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.