

cPa DIXON, WALLER & CO., INC.

SHERIDAN SCHOOL

DISTRICT NUMBER 2

SHERIDAN, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

BOARD OF EDUCATION

Bernadette Saleh	President
Sally Daigle	Vice-President
Karla Najera	Secretary
Daniel Strange	Treasurer
Juanita Camacho	Board Member

SCHOOL OFFICIALS

Patrick Sandos	Superintendent
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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, 2018, 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, 2018, 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 and other post employment benefits trend data on pages i through x and 50 through 55 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 29, 2018, 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.

Dixon, Waller & Co., P.C.

November 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2018

As management of the Arapahoe County School District #2 (Sheridan School District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Sheridan Schools for the fiscal year ended June 30, 2018. 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

- Beginning June 30, 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, which established new financial reporting requirements for most governments that provide pension benefits through a multiple-employer cost-sharing, defined-benefit pension plan. District employees are in a program administered by the Public Employee's Retirement Association of Colorado (PERA). Statement No. 68 requires the district to record a proportionate share of PERA's unfunded pension liability. The district has no legal obligation to fund any shortfall, nor do they have any liability to affect funding, benefits, or annual required contribution decisions made by PERA.

The District was required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$1,812,917. Under GASB 75 the District's proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the District. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. Beginning net position of governmental activities decreased as a result of this change.

Upon implementation of GASB 75, the beginning net position of governmental activities decreased \$(1,741,509) to \$(13,966,606) from \$(12,225,097) at the end of the previous fiscal year. Fiscal year 2017 financial information has not been restated because some of the comparable information is not available.

- The liabilities and deferred inflows of resources of the district, the primary government, exceeded assets and deferred outflows of resources at June 30, 2018, by \$27.8 million, primarily due to the net pension and other post employment benefits liabilities, noted above, of \$79.4 and 1.8 million, respectively.
- The financial position of the primary government decreased as the total net position decreased by \$266,544, net of \$13.5 million employer contribution expenditures due to the requirement of GASB Statement No. 68. It also includes the \$1.8 million employer liabilities for net other post employment benefits liability required by GASB 75.
- The total cost of basic programs increased \$3.4 million to \$36.1 million due to the requirement of GASB Statement No. 68.
- Revenues decreased \$37,000 to \$15.8 million. This was due to a decline in program funding from the state due to the loss of students.
- The net cost of governmental activities increased \$13.8 million primarily due to the inclusion of the pension expense of \$13.5 million per the requirement of GASB Statement No. 68.

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.

Government-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 six 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 three 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 10-49 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

The district's net position of the governmental activities on June 30, 2018, decreased \$13.8 million to a negative \$27.8 million from what it was the previous year (see Table 1) primarily as a result of the impact of GASB Statement No. 68.

Assets, deferred outflows of resources, liabilities and deferred inflows of resources changed from the prior year for the following reasons:

- Current and other assets increased by \$457,000, primarily from increased investments.
- Capital assets decreased \$1.6 million, the result of depreciation expense on our assets.
- Deferred outflows related to pension decreased \$3.5 million. Deferred outflows related to charges on refunding decreased \$157,450 due to amortization expense.
- Deferred outflows related to other post employment benefits is a new requirement under GASB 75 and is listed at \$69,658.
- The net pension liability increased \$6.5 million due to GASB Statement No. 68 to record a proportionate share of PERA's unfunded pension liability.
- Net position decreased \$15.6 million.

Table 1 presents a two-year, condensed statement of the district's net position.

Table 1
Sheridan's Net Position

	2017	2018	Change
Assets			
Current Assets	12,451,932	12,908,677	456,745
Non-Current Assets			
Capital Assets	44,969,689	43,326,962	(1,642,727)
Total Assets	57,421,621	56,235,639	(1,185,982)
Deferred Outflow of Resources	29,492,698	25,909,946	(3,585,752)
Liabilities			
Current Liabilities	4,212,404	4,384,768	172,364
Long-Term Liabilities	93,318,031	100,443,121	7,125,090
Total Liabilities	97,530,435	104,827,889	7,297,454
Deferred Inflow of Resources	1,608,981	5,168,082	3,559,101
Net Position			
Invested in Capital			
net of related debt	24,182,642	23,711,187	(471,455)
Restricted	3,456,553	3,393,080	(63,473)
Unrestricted (Deficit)	(39,864,292)	(54,954,653)	(15,090,361)
Total Net Position	(12,225,097)	(27,850,386)	(15,625,289)

The district's change in financial position is related to operating results (see Table 2), which are highlighted as follows:

- Expenses of \$36 million exceeded revenues of \$22.2 million, resulting in the \$13.9 million decrease in net position. Total revenue increased \$451,000 over revenues of the prior year and total expenses increased \$3.4 million. This was primarily due to the \$2.9 million increase in pension expense.

Table 2 presents a two-year summary of revenues and expenditures.

Table 2
Changes in Net Assets from Operating Results

	2017	2018	Change
Revenues			
Program Revenues			
Charges for Services	154,948	157,555	2,607
Operating grants and contributions	5,664,978	6,150,628	485,650
Capital grants/restricted investment earnings	0	0	0
General revenues			
Property taxes	6,337,025	7,769,162	1,432,137
State formula revenue	8,804,435	7,873,144	(931,291)
Other	758,340	220,705	(537,635)
Total Revenues	21,719,726	22,171,194	451,468
Expenses			
Instruction	11,531,896	11,073,205	(458,691)
Support Services:			
Students	844,142	941,084	96,942
Instructional staff	1,821,464	2,224,271	402,807
General administration	352,917	550,195	197,278
School administration	1,470,591	1,533,924	63,333
Business	464,816	454,695	(10,121)
Operations and maintenance	1,992,662	2,098,984	106,322
Student transportation	616,875	617,638	763
Central	875,090	864,218	(10,872)
Community Service	103,145	156,523	53,378
Food service operations	1,084,737	1,046,577	(38,160)
Other	6,667	32,080	25,413
Debt service	707,554	675,802	(31,752)
Pension Expense	10,690,607	13,545,828	2,855,221
Capital Outlay	122,845	239,950	117,105
Total Expenses	32,686,008	36,054,974	3,368,966

Table 3
Sources of Revenue for Fiscal Year 2018

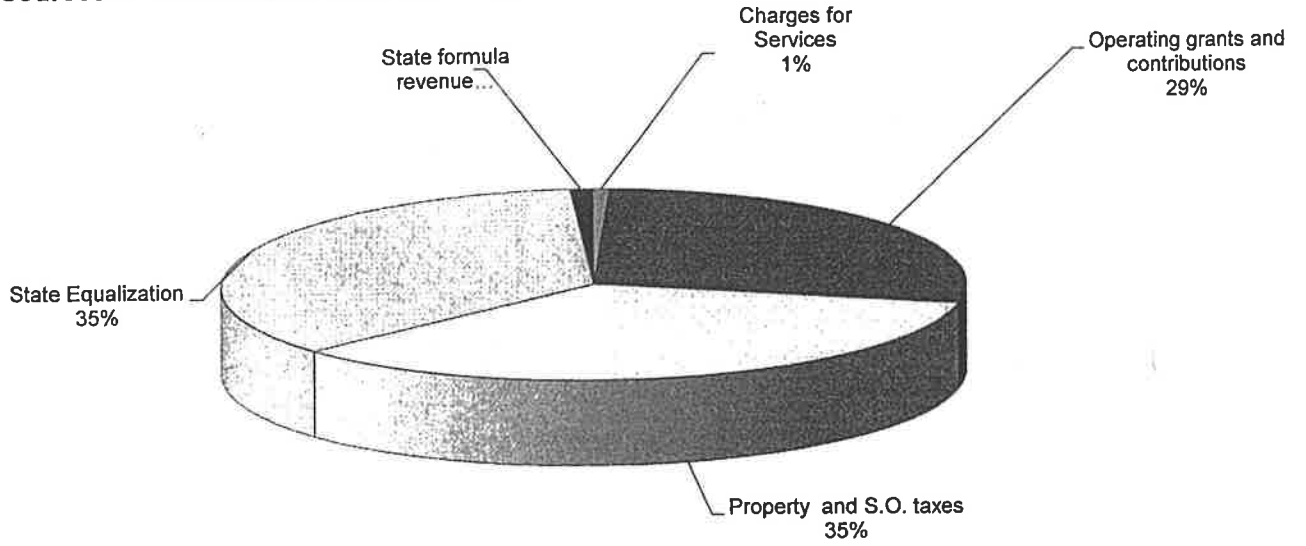
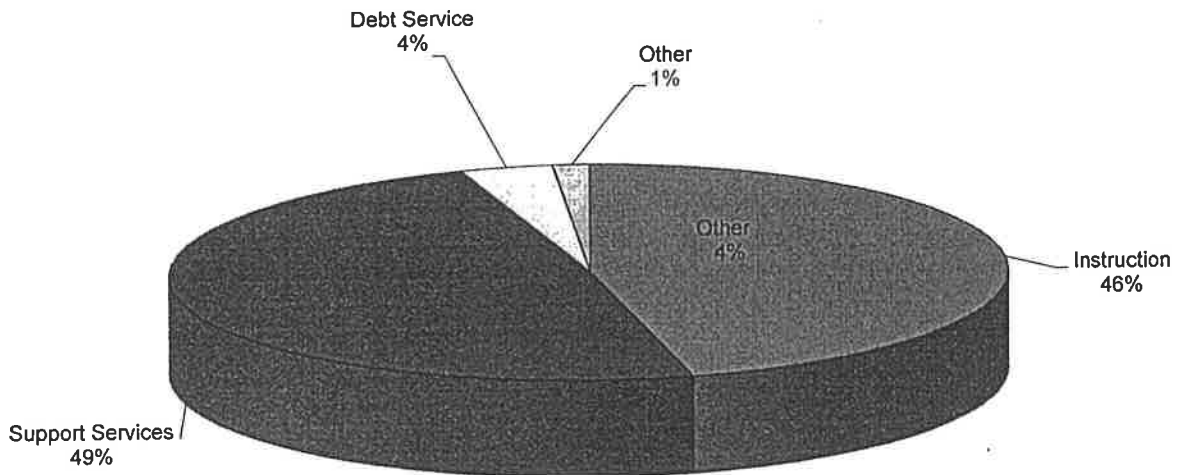


Table 4
Expenditures for Fiscal Year 2018



Governmental Activities

Revenues increased by \$451,468, or 2%, to \$22.2 million. Total expenses and transfers increased \$3.4 million to \$36.1 million as a result of the pension expense of \$13.5 million employer contribution expenditures due to GASB Statement No. 68, increases in capital outlay, and inflationary pressures. Expenses exceeded revenues resulting in \$13.9 million decrease in net position.

Table 5 summarizes the net cost of governmental activities, as presented in the statement of activities in the government-wide financial statements. The table also shows each activity's net cost (total cost less fees generated by the activities and other aid provided for specific programs). The net cost shows the financial burden placed on local and state taxpayers for each of the functions. Program revenues of \$6.3 million are a much smaller funding source for public school district governmental activities, representing only 28.5 percent of total revenues of \$22.2 million.

Table 5
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	11,531,896	11,073,205	8,864,540	8,424,839
Students	844,142	941,084	645,716	721,368
Instructional Staff	1,821,464	2,224,271	599,045	529,561
General Administration	352,917	550,195	226,145	429,969
School Administration	1,470,591	1,533,924	1,318,769	1,365,539
Business	464,816	454,695	452,777	445,652
Operations and Maintenance	1,992,662	2,098,984	1,903,683	1,931,898
Student Transportation	616,875	617,638	444,251	457,852
Central	875,090	864,218	875,090	863,675
Community Service	103,145	156,523	(42,088)	16,241
Pension Expense	10,690,607	13,545,828	10,690,607	13,545,828
Food Service Operations	1,084,737	1,046,577	79,840	66,537
Unallocated Depreciation	0	0	0	0
Interest	707,554	675,802	707,554	675,802
Capital outlay	122,845	239,950	100,153	239,950
Other	6,667	32,080	0	32,080
Total	32,686,008	36,054,974	26,866,082	29,746,791

Other items of note about the governmental activities from the statement of activities are as follows:

- The cost of all governmental activities this year was \$36.1 million.
- Some of the cost was financed by the users of the District's programs, \$158,000.

- Federal and State governments subsidized certain programs with grants and contributions amounting to \$6.15 million.
- Most of the net cost \$29.75 million, was financed by state and local taxpayers with general revenues.
- Net cost of governmental services increased \$2.9 million, or 11 percent, from \$26.86 million in the previous year to \$29.75 million.
- General revenues of \$15.9 million, consisting of \$7.5 million in property and specific ownership taxes; \$7.9 million in state equalization aid; and \$221,000 in interest earnings and other revenue.

Financial Analysis of the District's Funds

Information about the District's funds starts on page 5. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of 22.26 million and expenditures of \$22.18 million. We had a \$133 thousand increase in our general fund balance. We also had an increase of \$93.5 thousand in our capital projects fund. We had an \$6,000 increase in our technology fund, an increase of \$67 thousand in our insurance reserve fund, a decrease of \$50 thousand in our CPP fund, and a decrease of \$41 thousand in our lunch fund. We continue to use funds from the technology endowment fund to fund our Robotics class at Fort Logan Northgate. Our transfer to our insurance reserve fund increased due to the 32% rate increase in premium for our property insurance. The spending down of CPP and our lunch fund were intentional as we had excess cash on hand at the end of last fiscal year.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In January, 2019, the District will revise the annual operating budget approved by the District's Board of Education in June, 2018. The primary reason for the issuance of a supplemental budget is updated ending fund balance figures, an accurate student count, and more accurate information on the current year staff members and the salary and step increases that were given at the beginning of the contract year.

The district's revenue in the general fund was more than budgeted by three hundred twenty six thousand dollars. This was due to an increase in specific ownership taxes and an increase in indirect costs from additional grant funds that were received during the year. We also received high cost dollars for special needs students. There were other fluctuations as well but they evened out. Instruction expenditures were under budget by five hundred forty thousand.

The minor unspent expenditure budget at the end of the 2017-2018 year is mostly due to underspending of the final budget that will be rolled into the subsequent year. The fund balance as of June 30, 2017 was \$5.23 million, compared to \$5.34 million as of June 30, 2018. The final budget reported reserves of \$4 million, which represents 21 percent of budgeted expenditures. Revenues of the general fund amounted to 102 percent of budgeted revenues.

Capital Assets

As shown in Table 6, total primary government capital assets, net of depreciation, decreased a net \$1.6 million from the previous year. This was the result of \$1.8 million in depreciation expense. Additions consisted of building and site improvements and one equipment.

**Table 6
Capital Assets (net of depreciation)**

	2017	2018	Change
Land	344,685	344,685	0
Building & Site Improvements	43,659,634	42,096,173	(1,563,461)
Equipment & Vehicles	965,370	886,104	(79,266)
Total	44,969,689	43,326,962	(1,642,727)

Long-Term Debt

As of year-end, the district had \$19 million in general obligation bonds and other long-term debt outstanding, a decrease of \$1.2 million, as shown in Table 7. The outstanding general obligation bonds at June 30, 2018 consisted of the 2012 bonds and bonds for BEST grants of \$5.2 million, 2013 general obligation refunding bonds of \$8.3 million, 2014 general obligation refunding bonds of \$650,000, and 2015 general obligation refunding bonds of \$4.95 million.

More detailed information about the District's long-term liabilities is presented in Note 7, General Obligation Bonds Payable, of the financial statements.

**Table 7
Outstanding Long-Term Debt**

	2017	2018	Change
Governmental Activities:			
Bonds Payable	20,142,114	18,952,908	(1,189,206)
Total	20,142,114	18,952,905	(1,189,206)

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District contemplated the following factors 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 significant decline in our student enrollment for the 2017-2018 year of 120 students or 8%. This will continue to impact future years since Sheridan has been averaging our funded count over the past decade.
- The District was successful in the November, 2018 election and were able to pass a \$3,000,000 override that will be in perpetuity. This will help offset the reduction in revenue due to our declining enrollment.

- The public employee's Retirement Association (PERA) of Colorado is the pension plan that covers all district employees. PERA employer contribution rates will increase .25% for the school division effective July 1, 2019. The District's contribution will be 20.4% for the 2019-2020 fiscal year.
- The District contributes an agreed upon monthly amount for each eligible employee enrolled in the Kaiser group insurance plan. Rising healthcare costs continue to be a concern and a budgetary challenge as the increases in benefit costs continue to exceed the increase in Cost of Living Adjustment. The District eliminated the sick leave bank and signed all employees up for short term disability for the 2018-2019 year. Employees must exhaust all of their personal sick leave before the short term disability plan is activated. This will continue to cost the district a sizable amount of money.

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, 2018

	<u>Governmental</u>	<u>Total</u>
	<u>Activities</u>	
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	3,274,146	3,274,146
Investments	8,209,088	8,209,088
Property Taxes Receivable	444,368	444,368
Accrued Revenue	868,040	868,040
Accounts Receivable	91,112	91,112
Inventories	<u>21,923</u>	<u>21,923</u>
<u>Total Current Assets</u>	<u>12,908,677</u>	<u>12,908,677</u>
<u>Capital Assets:</u>		
Land	344,685	344,685
Depreciable Assets	63,832,586	63,832,586
Accumulated Depreciation	<u>(20,850,309)</u>	<u>(20,850,309)</u>
<u>Capital Assets Net of Depreciation</u>	<u>43,326,962</u>	<u>43,326,962</u>
TOTAL ASSETS	<u>56,235,639</u>	<u>56,235,639</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Bond Refunding	1,305,741	1,305,741
Pension	24,534,547	24,534,547
Other Post Employment Benefits	<u>69,658</u>	<u>69,658</u>
<u>Total Deferred Outflows of Resources</u>	<u>25,909,946</u>	<u>25,909,946</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	911,385	911,385
Accrued Salaries and Benefits	2,051,703	2,051,703
Accrued Interest	35,611	35,611
Unearned Grant Payments	15,119	15,119
Capital Leases Payable – Current	16,659	16,659
General Obligation Bonds – Current	1,244,817	1,244,817
Bond Premium – Current	<u>109,474</u>	<u>109,474</u>
<u>Total Current Liabilities</u>	<u>4,384,768</u>	<u>4,384,768</u>
<u>Noncurrent Liabilities:</u>		
Capital Leases Payable	77,518	77,518
General Obligation Bonds	18,276,781	18,276,781
Bond Premium	627,577	627,577
Compensated Absences	258,074	258,074
Net Pension Liability	79,390,254	79,390,254
Net Other Post Employment Benefits Liability	<u>1,812,917</u>	<u>1,812,917</u>
<u>Total Noncurrent Liabilities</u>	<u>100,443,121</u>	<u>100,443,121</u>
TOTAL LIABILITIES	<u>104,827,889</u>	<u>104,827,889</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pension	5,137,752	5,137,752
Other Post Employment Benefits	<u>30,330</u>	<u>30,330</u>
<u>Total Deferred Outflows to Resources</u>	<u>5,168,082</u>	<u>5,168,082</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	23,711,187	23,711,187
Restricted for:		
BEST Grant Reserve	55,700	55,700
Debt Service	1,038,062	1,038,062
TABOR	461,500	461,500
Technology	1,322,943	1,322,943
Preschool	55,733	55,733
Food Service	459,142	459,142
Unrestricted	<u>(54,954,653)</u>	<u>(54,954,653)</u>
TOTAL NET POSITION	<u>(27,850,386)</u>	<u>(27,850,386)</u>

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, 2018**

	<u>Expenses</u>	<u>Program Revenues</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 & Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Primary Government:</u>					<u>Total</u>
<u>Governmental Activities</u>					
Instruction	11,073,205	-	2,648,366	-	(8,424,839)
Student Support	941,084	-	219,716	-	(721,368)
Instructional Staff	2,224,271	-	1,694,710	-	(529,561)
General Administration	550,195	-	120,226	-	(429,969)
School Administration	1,533,924	-	168,385	-	(1,365,539)
Business Support	454,695	-	9,043	-	(445,652)
Operation & Maintenance	2,098,984	10,725	156,361	-	(1,931,898)
Student Transportation	617,638	-	159,786	-	(457,852)
Central Support	864,218	-	543	-	(863,675)
Food Operation	1,046,577	32,467	947,573	-	(66,537)
Community Service	156,523	114,363	25,919	-	(16,241)
Other Support Services	-	-	-	-	-
Capital Outlay	239,950	-	-	-	(239,950)
Interest	675,802	-	-	-	(675,802)
Pension Expense	13,545,828	-	-	-	(13,545,828)
Other Post Employment Benefit Cost	32,080	-	-	-	(32,080)
<u>Total Governmental Activities</u>	<u>36,054,974</u>	<u>157,555</u>	<u>6,150,628</u>	<u>-</u>	<u>(29,746,791)</u>
<u>Total Primary Government</u>	<u>36,054,974</u>	<u>157,555</u>	<u>6,150,628</u>	<u>-</u>	<u>(29,746,791)</u>
 <u>General Revenues</u>					
Local Property Taxes					7,128,536
Specific Ownership Taxes					640,626
School Finance Act					7,533,159
Kindergarten Hold Harmless					339,985
Earnings on Investments					128,000
Other Revenue					92,705
<u>Total General Revenues</u>					<u>15,863,011</u>
<u>Change in Net Position</u>					<u>(13,883,780)</u>
<u>Net Position, Beginning (as Restated)</u>					<u>(13,966,606)</u>
<u>Net Position, Ending</u>					<u>(27,850,386)</u>

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<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>
ASSETS					
Cash	478,511	-	-	2,795,635	3,274,146
Investments	6,643,357	-	1,560,604	5,127	8,209,088
Property Taxes Receivable	316,006	-	-	128,362	444,368
Accounts Receivable	7,191	-	-	83,921	91,112
Accrued Revenue	13,578	854,462	-	-	868,040
Due From Other Funds	520,343	-	-	-	520,343
Inventories	-	-	-	21,923	21,923
Total Assets	<u>7,978,986</u>	<u>854,462</u>	<u>1,560,604</u>	<u>3,034,968</u>	<u>13,429,020</u>
LIABILITIES:					
Accounts Payable	202,945	308,357	-	18,882	530,184
Intergovernmental Payable CDE	381,201	-	-	-	381,201
Accrued Salaries Payable	1,604,988	366,420	-	80,295	2,051,703
Due To Other Fund	-	164,566	237,661	118,116	520,343
Unearned Grant Payments	-	15,119	-	-	15,119
Total Liabilities	<u>2,189,134</u>	<u>854,462</u>	<u>237,661</u>	<u>217,293</u>	<u>3,498,550</u>
DEFERRED INFLOW OF RESOURCES					
Property Tax	<u>171,373</u>	-	-	<u>77,300</u>	<u>248,673</u>
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	-	21,923	21,923
Restricted for:					
TABOR (Emergencies)	461,500	-	-	-	461,500
BEST Grant Reserve	-	-	-	55,700	55,700
Technology	-	-	1,322,943	-	1,322,943
Preschool	55,733	-	-	-	55,733
Debt Service	-	-	-	1,038,062	1,038,062
Food Service	-	-	-	459,142	459,142
Committed for:					
Risk Management	221,838	-	-	-	221,838
Capital Outlay	-	-	-	1,165,548	1,165,548
Assigned for:					
Capital Outlay	-	-	-	-	-
Unassigned	4,879,408	-	-	-	4,879,408
Total Fund Balances	<u>5,618,479</u>	<u>-</u>	<u>1,322,943</u>	<u>2,740,375</u>	<u>9,681,797</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>7,978,986</u>	<u>854,462</u>	<u>1,560,604</u>	<u>3,034,968</u>	<u>13,429,020</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, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	9,681,797
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.	248,673
Capital Assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	64,177,271
Accumulated Depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.	(20,850,309)
Accrued interest payable is not considered current financial resources and, therefore, not reported in the governmental funds.	(35,611)
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	(19,521,598)
Capital Lease Payable	(94,177)
Compensated Absences	(258,074)
Bond Premium	(737,051)
Bond Refunding	<u>1,305,741</u>
	(19,305,159)
Net pension and other post employment benefits liabilities, along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(79,390,254)
Net Other Post Employment Benefits Liability	(1,812,917)
Deferred Outflows	24,604,205
Deferred Inflows	<u>(5,168,082)</u>
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>(27,850,386)</u>

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, 2018

	<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>
REVENUES:					
Taxes	5,842,461	-	-	1,843,394	7,685,855
Intergovernmental	8,754,003	4,398,408	-	853,595	14,006,006
Interest	86,845	-	26,748	14,407	128,000
Other	394,838	17,763	-	32,467	445,068
Total Revenues	<u>15,078,147</u>	<u>4,416,171</u>	<u>26,748</u>	<u>2,743,863</u>	<u>22,264,929</u>
EXPENDITURES:					
Current:					
Instruction	7,372,501	1,907,011	-	-	9,279,512
Student Support	721,368	219,716	-	-	941,084
Instructional Staff	529,561	1,694,710	-	-	2,224,271
General Administration	599,848	120,226	-	-	720,074
School Administration	1,365,539	168,385	-	-	1,533,924
Business Services	440,574	9,043	-	-	449,617
Operations & Maintenance	1,942,623	156,361	-	-	2,098,984
Student Transportation	536,591	20,279	-	-	556,870
Central Support	863,675	543	-	-	864,218
Food Services	-	93,978	-	927,181	1,021,159
Community Services	129,186	25,919	-	-	155,105
Other Support Services	-	-	-	-	-
Capital Outlay	96,828	-	20,593	306,490	423,911
Debt Service:					
Principal Retirements	41,449	-	-	1,226,651	1,268,100
Interest and Fiscal Charges	2,468	-	-	638,411	640,879
Total Expenditures	<u>14,642,211</u>	<u>4,416,171</u>	<u>20,593</u>	<u>3,098,733</u>	<u>22,177,708</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>435,936</u>	<u>-</u>	<u>6,155</u>	<u>(354,870)</u>	<u>87,221</u>
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds	96,828	-	-	-	96,828
Operating Transfers In (Out)	(400,000)	-	-	400,000	-
Total Other Financing Sources (Uses)	<u>(303,172)</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>96,828</u>
NET CHANGES IN FUND BALANCES	132,764	-	6,155	45,130	184,049
FUND BALANCES, Beginning	<u>5,485,715</u>	<u>-</u>	<u>1,316,788</u>	<u>2,695,245</u>	<u>9,497,748</u>
FUND BALANCES, Ending	<u>5,618,479</u>	<u>-</u>	<u>1,322,943</u>	<u>2,740,375</u>	<u>9,681,797</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, 2018

<u>GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES</u>		184,049
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.		248,673
<p>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.</p>		
Capital Outlays more than \$5,000	183,961	
Depreciation Expense	<u>(1,826,688)</u>	(1,642,727)
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		(165,366)
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).		(66,850)
<p>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.</p>		
Lease Purchase Proceeds	(96,828)	
Debt Principal Payments	1,268,100	
Interest Expense	<u>(34,923)</u>	1,136,349
The increase in net pension and other post employment benefits liabilities, along with the changes and amortizations of deferred flows associated with those liabilities, are not recorded at the fund level:		
Pension Cost	(13,545,828)	
Other Post Employment Benefits Cost	<u>(32,080)</u>	(13,577,908)
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>		<u>(13,883,780)</u>

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, 2018

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>88,020</u>
<u>Total Assets</u>	<u>88,020</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>88,020</u>
<u>Total Liabilities</u>	<u>88,020</u>
<u>NET POSITION</u>	<u>-</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>88,020</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, 2018

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 1,217 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, 2018

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, 2018

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, 2018

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, Every Student Succeeds Act 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, 2018

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 2017 but uncollected in 2018 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2018 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, 2018

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, 2018

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, 2018 the District reserved \$461,500 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 2017 property tax calendar for Arapahoe County was as follows:

Levy Date	December 22, 2017
Lien Date	January 1, 2018
Tax Bills Mailed	January 1, 2018
First Installment Due	February 28, 2018
Second Installment Due	June 15, 2018
If Paid in Full, Due	April 30, 2018

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2018, the District has recorded an estimated liability of \$258,074 relating to accrued leave payable.

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Accumulated Leave	<u>191,224</u>	<u>66,850</u>	<u> -</u>	<u>258,074</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, 2018

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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. GASB Statement No. 54 (Continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Special Revenue Food Services Fund</u>	<u>Debt Service Bond Redemption Fund</u>	<u>Capital Projects Technology Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>						
Inventories	-	21,923	-	-	-	21,923
<u>Restricted:</u>						
TABOR						
(Emergencies)	461,500	-	-	-	-	461,500
Preschool	55,733	-	-	-	-	55,733
Technology	-	-	-	1,322,943	-	1,322,943
Debt Service	-	-	1,038,062	-	-	1,038,062
Food Service	-	459,142	-	-	-	459,142
BEST Grant Reserve	-	-	-	-	55,700	55,700
<u>Committed:</u>						
Risk						
Management	221,838	-	-	-	-	221,838
Capital Outlay	-	-	-	-	1,165,548	1,165,548
<u>Unassigned:</u>	<u>4,879,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,879,408</u>
<u>Total Fund</u>						
Balances	<u>5,618,479</u>	<u>481,065</u>	<u>1,038,062</u>	<u>1,322,943</u>	<u>1,221,248</u>	<u>9,681,797</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, 2018

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	520,343	-	(400,000)
Grants - Special Revenue Fund	-	164,566	-
Bond Redemption – Debt Service Fund	-	118,116	-
Technology – Capital Projects Fund	-	237,661	-
Capital Reserve– Capital Projects Fund	-	-	400,000
Food Services – Special Revenue Fund	-	-	-
Totals	520,343	520,343	-

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 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, 2018

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, 2018, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	2,701,540	2,682,292
Cash with County Treasurer	160,216	-
Cash on Hand	<u>410</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>3,362,166</u>	<u>3,182,292</u>

As presented above, deposits with a bank balance of \$2,682,292 and a carrying balance of \$2,701,540 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, 2018

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, 2018, 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	7,209,288	AAAm
FNMA Bond	November 25, 2019	999,800	AA+
		<u>8,209,088</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 measurement as of June 30, 2018:

- FHLM Term Notes of \$999,800 are valued using quoted market prices (Level 1 Inputs)

The District has the following that has no recurring fair value measurements as of June 30, 2018:

- ColoTrust Investment Pool
 Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Non-Depreciable Assets:</u>				
Land	344,685	-	-	344,685
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Non-Depreciable Assets</u>	<u>344,685</u>	<u>-</u>	<u>-</u>	<u>344,685</u>
<u>Depreciable Assets:</u>				
Buildings & Site Improvements	57,535,997	87,133	-	57,623,130
Equipment & Vehicles	5,616,538	96,828	-	5,713,366
Equipment – Food Services	<u>496,090</u>	<u>-</u>	<u>-</u>	<u>496,090</u>
<u>Total Depreciable Assets</u>	<u>63,648,625</u>	<u>183,961</u>	<u>-</u>	<u>63,832,586</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Site Improvements	13,876,363	1,650,594	-	15,526,957
Equipment & Vehicles	4,802,986	160,090	-	4,963,076
Equipment – Food Services	<u>344,272</u>	<u>16,004</u>	<u>-</u>	<u>360,276</u>
<u>Total Accumulated</u> <u>Depreciation</u>	<u>19,023,621</u>	<u>1,826,688</u>	<u>-</u>	<u>20,850,309</u>
<u>Total Capital Assets, Net</u>	<u>44,969,689</u>	<u>(1,642,727)</u>	<u>-</u>	<u>43,326,962</u>

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

Governmental Activities:

Instruction	1,726,843
General Administration	7,166
Business Support	5,078
Transportation	60,765
Community Services	1,418
Food Services	<u>25,418</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>1,826,688</u>

SHERIDAN SCHOOL DISTRICT NUMBER 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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	520,343	-	Current Operations	Within 1 Year
Special Revenue: Grants	-	164,566	Current Operations	Within 1 Year
Capital Projects: Technology	-	237,661	Current Operations	Within 1 Year
Debt Service: Bond Redemption	-	118,116	Current operations	Within 1 Year
	<u>520,343</u>	<u>520,343</u>		

TRANSFERS

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General	-	400,000	Capital Outlay
Capital Projects: Capital Reserve	400,000	-	Capital Outlay
	<u>400,000</u>	<u>400,000</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, 2018

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, 2018

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, 2018	Due Within One Year
	July 1, 2017	Additions	Deletions		
Series 2012 G.O. Bonds	610,000	-	200,000	410,000	200,000
Series 2012 G.O. Bonds BEST Grant	5,478,184	-	271,651	5,206,533	279,817
Series 2013 G.O. Refunding Bonds	8,415,065	-	110,000	8,305,065	110,000
Series 2014 G.O. Refunding Bonds	1,290,000	-	640,000	650,000	650,000
Series 2015 G.O. Refunding Bonds	<u>4,955,000</u>	-	<u>5,000</u>	<u>4,950,000</u>	<u>5,000</u>
Total G.O. Bonds Payable	20,748,249	-	1,226,651	19,521,598	1,244,817
<u>Deferred Amounts:</u>					
Bond Premium	857,056	-	120,005	737,051	109,474
Deferred Refunding	<u>(1,463,191)</u>	<u>-</u>	<u>(157,450)</u>	<u>(1,305,741)</u>	<u>(143,689)</u>
Totals	<u>20,142,114</u>	<u>-</u>	<u>1,189,206</u>	<u>18,952,908</u>	<u>1,210,602</u>

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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>
General Obligation Refunding Bonds, Series 2014 Interest payable June 1 and December 1, Original amount \$3,175,000.	2019	<u>13,000</u>	<u>650,000</u>
	<u>Totals</u>	<u>13,000</u>	<u>650,000</u>
General Obligation Refunding Bonds, Series 2015, Interest Payable June 1 and December 1, Original amount \$5,000,000	2019	182,550	5,000
	2020	182,450	755,000
	2021	159,800	780,000
	2022	136,400	805,000
	2023	104,200	835,000
	2023-2025	<u>107,000</u>	<u>1,770,000</u>
	<u>Totals</u>	<u>872,400</u>	<u>4,950,000</u>
General Obligation Refunding Bonds, Series 2012, Interest payable June 1 and December 1, Original amount \$1,355,000.	2019	9,300	200,000
	2020	<u>3,150</u>	<u>210,000</u>
	<u>Totals</u>	<u>12,450</u>	<u>410,000</u>

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

<u>General Obligation Matching Money Bonds</u>	<u>Fiscal Year</u>	<u>Interest Payable</u>	<u>Principal Payable</u>
General Obligation Bonds, Series 2012, Interest payable June 1 and December 1, Original amount \$6,490,426.			
	2019	152,298	279,817
	2020	143,760	288,227
	2021	134,966	296,891
	2022	125,908	305,816
	2023	116,577	315,008
	2024-2028	432,908	1,722,895
	2029-2033	<u>153,691</u>	<u>1,997,879</u>
	Totals	<u>1,260,008</u>	<u>5,206,533</u>

	<u>Fiscal Year</u>	<u>Interest Payable</u>	<u>Principal Payable</u>	<u>PCAB's Payable</u>
General Obligation Refunding Bonds, Series 2013, Interest Payable June 1 and December 1, Original amount \$9,025,065				
	2019	245,525	110,000	-
	2020	242,225	115,000	-
	2021	238,775	120,000	-
	2022	235,175	125,000	-
	2023	231,425	125,000	-
	2024-2028	1,741,485	1,720,000	645,719
	2029-2032	<u>428,400</u>	<u>4,815,000</u>	<u>529,346</u>
	Totals	<u>3,363,010</u>	<u>7,130,000</u>	<u>1,175,065</u>

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>
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	497,483	1,235,816	-	1,733,299
2023	452,202	1,275,008	-	1,727,210
2024-2028	2,281,293	5,212,895	645,719	8,139,907
2029-2033	<u>582,091</u>	<u>6,812,879</u>	<u>529,346</u>	<u>7,924,316</u>
Totals	<u>5,520,868</u>	<u>18,346,533</u>	<u>1,175,065</u>	<u>25,042,466</u>

SHERIDAN SCHOOL DISTRICT NUMBER 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

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, 2018, \$14,470,000 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, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2018</u>
General Governmental:				
Copiers	<u>38,798</u>	<u>96,828</u>	<u>41,449</u>	<u>94,177</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, 2017 was \$-0-. The lease purchase was paid off during fiscal year 2018.

During fiscal year 2018, 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 7.90% with monthly payments of \$1,958.69. The balance due as of June 30, 2018 was \$94,177. Annual debt service requirements to maturity for the capital lease are as follows:

	<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>Payments</u>	<u>Principal</u>	<u>Interest</u>
	2019	23,504	16,659	6,845
	2020	23,504	18,024	5,480
	2021	23,504	19,500	4,004
	2022	23,504	21,098	2,406
	2023	<u>19,588</u>	<u>18,896</u>	<u>692</u>
Total Minimum Payments		113,604	<u>94,177</u>	<u>19,427</u>
Less Amount Representing Interest			<u>(19,427)</u>	
Net Present Value of Future Minimum Payments			<u>94,177</u>	

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

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

General Information about the Pension Plan

Plan description. Eligible employees of the 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.

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 **PENSION PLAN (Continued)**

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 (AIR) 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.

**SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 9 **PENSION PLAN (Continued)**

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

Contribution provisions as of June 30, 2018. Eligible employees and 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, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	5.000%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

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 \$2,113,638 for the year ended June 30, 2018.

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

At June 30, 2018, the Sheridan School District Number 2 reported a liability of \$79,390,254 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The 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 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Sheridan School District Number 2 proportion was 0.2455 percent, which was an increase of 0.0008 to its proportion measured as of December 31, 2016.

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 **PENSION PLAN (Continued)**

For the year ended June 30, 2018, the Sheridan School District Number 2 recognized pension expense of \$13,545,828. At June 30, 2018, the Sheridan School District Number 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	1,459,652	-
Changes of assumptions or other inputs	20,271,281	(128,637)
Net difference between projected and actual earnings on pension plan investments	1,573,872	(4,691,603)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	162,995	(317,512)
Contributions subsequent to the measurement date	1,066,747	N/A
Total	24,534,547	(5,137,752)

\$1,066,747 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	12,335,152
2020	7,087,571
2021	80,225
2022	(1,172,900)
2023	-
Thereafter	-

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 **PENSION PLAN (Continued)**

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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

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

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 **PENSION PLAN (Continued)**

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9

PENSION PLAN (Continued)

- **Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.**
- **Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, 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.**
- **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 assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 9 **PENSION PLAN (Continued)**

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 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (6.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	100,283,393	79,390,254	62,364,732

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 9 **PENSION PLAN (Continued)**

At June 30 2018, the Sheridan School District Number 2 reported a liability of \$15,008,082 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the Sheridan School District Number 2's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18- 200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	35,867,829

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$37,059,867 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

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 which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$174,419.

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS**

Defined Benefit And Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. Sheridan School District Number 2 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Plan description. Eligible employees of the Sheridan School District Number 2 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10

OTHER POST EMPLOYMENT BENEFITS (Continued)

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Employer contributions are recognized by the HCTF 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. Employer contributions recognized by the HCTF from Sheridan School District Number 2 were \$114,196 for the year ended June 30, 2018.

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

At June 30, 2018, the Sheridan School District Number 2 reported a liability of \$1,812,917 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Sheridan School District Number 2 proportion of the net OPEB liability was based on Sheridan School District Number 2 contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Sheridan School District Number 2 proportion was 0.1395 percent, which was an increase of 0.0004 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Sheridan School District Number 2 recognized OPEB expense of \$32,080. At June 30, 2018, the Sheridan School District Number 2 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	8,574	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(30,330)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,206	-
Contributions subsequent to the measurement date	56,878	N/A
Total	69,658	(30,330)

SHERIDAN SCHOOL DISTRICT NUMBER 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

\$56,878 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	(5,079)
2020	(5,065)
2021	(5,079)
2022	(5,063)
2023	2,504
Thereafter	232

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

**SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Sensitivity of the Sheridan School District Number 2 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	1,763,037	1,812,917	1,872,995

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

SHERIDAN SCHOOL DISTRICT NUMBER 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Sensitivity of the Sheridan School District Number 2 proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	2,038,289	1,812,917	1,620,556

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 **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.

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 12 **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, 2018.

An audited summary of the Colorado School District's Pool financial information at June 30, 2017 and for the six months then ended (latest information available) follows:

Total Assets	<u>42,273,940</u>
Total Liabilities	<u>11,655,251</u>
Total Equity	<u>30,618,689</u>
Revenue	7,429,394
Underwriting Expenses	<u>4,126,717</u>
Underwriting Gain (Loss)	3,302,677
Net Investment Income	276,653
Other Income	-
Net Income (Loss) Before Dividend	<u>3,579,330</u>
Dividend	-
Net Income	<u>3,579,330</u>
Transfer of Capital contributions	-
Change in Non Admitted Assets	<u>253,606</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>30,618,689</u>

SHERIDAN SCHOOL DISTRICT NUMBER 2
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 **LITIGATION**

None.

NOTE 14 **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, 2018, 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 15 **RESTATEMENT OF BEGINNING NET POSITION**

The net position of the governmental activities has been restated to reflect the implementation of GASB Statement 75. That statement requires that the District report their portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$(12,225,097) has been changed by the net OPEB liability at June 30, 2017 of \$(1,803,608) and related deferred flows of \$62,099, resulting in a restated beginning net position of \$(13,966,606).

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

OTHER POST EMPLOYMENT BENEFITS

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

Other Post Employment Benefits 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, 2018

<u>REVENUES</u>	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Local Sources</u>	<u>Original & Final</u>		
Property Taxes	5,219,439	5,187,118	(32,321)
Specific Ownership Taxes	535,000	640,626	105,626
Earnings on Investments	38,000	86,845	48,845
Delinquent Taxes & Interest	-	14,717	14,717
Tuition	113,750	114,363	613
Other	140,000	280,475	140,475
<u>State Sources</u>			
Equalization	7,532,142	7,533,159	1,017
Kindergarten Hold Harmless	373,279	339,985	(33,294)
Transportation	147,022	139,507	(7,515)
Vocational Education	26,820	26,820	-
Special Education	350,000	357,757	7,757
Additional At Risk Funding	-	16,338	16,338
State ELPA	-	106,105	106,105
ELPA	165,883	78,210	(87,673)
Gifted and Talented	22,237	32,062	9,825
Read Act	72,445	72,445	-
<u>Federal Sources</u>			
Medicaid	-	51,615	51,615
Total Revenues	14,736,017	15,078,147	342,130
<u>EXPENDITURES</u>			
<u>Instruction</u>	<u>8,087,200</u>	<u>7,372,501</u>	<u>714,699</u>
<u>Supporting Services:</u>			
Students	738,956	721,368	17,588
Instructional Staff	557,389	529,561	27,828
General Administration	571,986	599,848	(27,862)
School Administration	1,309,047	1,365,539	(56,492)
Business Services	447,024	440,574	6,450
Operations and Maintenance	2,106,889	1,942,623	164,266
Student Transportation	695,711	536,591	159,120
Central Support	1,101,605	863,675	237,930
Community Services	149,290	129,186	20,104
Facilities	-	96,828	(96,828)
Debt Service	-	43,917	(43,917)
<u>Total Supporting Services</u>	<u>7,677,897</u>	<u>7,269,710</u>	<u>408,187</u>
<u>Appropriated Reserves</u>	<u>4,056,634</u>	<u>-</u>	<u>4,056,634</u>
Total Expenditures	19,821,731	14,642,211	5,179,520
<u>Revenues Over (Under) Expenditures</u>	<u>(5,085,714)</u>	<u>435,936</u>	
<u>Other Financing Sources (Uses)</u>			
Lease Purchase Proceeds	-	96,828	96,828
Transfers (Out)	(400,000)	(400,000)	-
<u>Total Other Financing Sources (Uses)</u>	<u>(400,000)</u>	<u>(303,172)</u>	<u>96,828</u>
<u>Revenues and Other Financing Sources Over (Under)</u>			
<u>Expenditures and Other Uses</u>	<u>(5,485,714)</u>	<u>132,764</u>	
<u>FUND BALANCE, Beginning</u>	<u>5,485,714</u>	<u>5,485,715</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>5,618,479</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)
GRANTS – SPECIAL REVENUE FUND
For the Year Ended June 30, 2018

	<u>Budget Amounts</u>		<u>Variance with</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>Final Budget- Favorable (Unfavorable)</u>
REVENUES:			
Local Sources	-	17,763	17,763
State Sources	-	155,844	155,844
Federal Sources	-	4,242,564	(1,757,436)
<u>Total Revenues</u>	6,000,000	4,416,171	(1,583,829)
EXPENDITURES:			
<u>Instruction</u>	6,000,000	1,907,011	4,092,989
<u>Supporting Services:</u>			
Student Support	-	219,716	(219,716)
Instructional Staff	-	1,694,710	(1,694,710)
General Administration	-	120,226	(120,226)
School Administration	-	168,385	(168,385)
Business Services	-	9,043	(9,043)
Operations & Maintenance	-	156,361	(156,361)
Student Transportation	-	20,279	(20,279)
Central Support	-	543	(543)
Food Services	-	93,978	(93,978)
Community Services	-	25,919	(25,919)
<u>Total Supporting Services</u>	-	2,509,160	(2,509,160)
<u>Total Expenditures</u>	6,000,000	4,416,171	1,583,829
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	-	-	
<u>FUND BALANCE, Beginning</u>	-	-	
<u>FUND BALANCE, Ending</u>	-	-	

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.2455%	0.2447%	0.2455%	0.2568%	0.2778%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$79,390,254	\$72,868,157	\$37,539,888	\$34,810,369	\$35,438,567	-	-	-	-	-
District's covered-employee payroll	\$11,195,685	\$11,150,147	\$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	709%	654%	349%	324%	328%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.80%	64.06%	-	-	-	-	-

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$2,113,638	\$2,044,977	\$1,899,959	\$1,806,221	\$1,728,454	\$1,740,308	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(2,113,638)</u>	<u>\$(2,044,977)</u>	<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	\$11,195,685	\$11,150,147	\$10,754,911	\$10,749,750	\$10,817,510	\$11,499,037	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.88%	18.34%	17.67%	16.80%	15.98%	15.13%	-	-	-	-

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net OPEB liability (asset)	0.1395%	0.1391%	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$ 1,812,917	\$ 1,803,608	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$11,195,685	\$11,150,147	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.19%	16.18%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.71%	-	-	-	-	-	-	-	-

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 114,196	\$ 113,732	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (114,196)</u>	<u>\$ 113,732</u>	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,195,685	\$ 11,150,147	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

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

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, 2018

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget- Favorable (Unfavorable)
<u>REVENUES:</u>			
Earnings on Investments	<u>17,000</u>	<u>26,748</u>	<u>9,748</u>
<u>Total Revenues</u>	<u>17,000</u>	<u>26,748</u>	<u>9,748</u>
<u>EXPENDITURES:</u>			
Equipment	32,947	20,593	12,354
Contingency Reserve	<u>1,300,841</u>	<u>-</u>	<u>1,300,841</u>
<u>Total Expenditures</u>	<u>1,333,788</u>	<u>20,593</u>	<u>1,313,195</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(1,316,788)	6,155	
<u>FUND BALANCE, Beginning</u>	<u>1,316,788</u>	<u>1,316,788</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>1,322,943</u>	

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

SHERIDAN SCHOOL DISTRICT NUMBER 2
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	<u>Special Revenue Food Services Fund</u>	<u>Debt Service Bond Redemption Fund</u>	<u>Capital Projects Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>				
Cash	459,268	1,099,989	1,236,378	2,795,635
Investments	-	5,127	-	5,127
Accounts Receivable	83,921	-	-	83,921
Property Taxes Receivable	-	128,362	-	128,362
Due From Other Funds	-	-	-	-
Inventories	<u>21,923</u>	-	-	<u>21,923</u>
Total Assets	<u>565,112</u>	<u>1,233,478</u>	<u>1,236,378</u>	<u>3,034,968</u>
<u>LIABILITIES:</u>				
Accounts Payable	3,752	-	15,130	18,882
Due To Other Funds	-	118,116	-	118,116
Accrued Salaries Payable	<u>80,295</u>	-	-	<u>80,295</u>
Total Liabilities	<u>84,047</u>	<u>118,116</u>	<u>15,130</u>	<u>217,293</u>
<u>DEFERRED INFLOW OF RESOURCES</u>				
Deferred Property Tax	-	<u>77,300</u>	-	<u>77,300</u>
<u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	21,923	-	-	21,923
Restricted for:				
BEST Grant Reserve	-	-	55,700	55,700
Debt Service	-	1,038,062	-	1,038,062
Food Service	459,142	-	-	459,142
Committed for:				
Capital Outlay	-	-	1,165,548	1,165,548
Unassigned	-	-	-	-
Total Fund Balances	<u>481,065</u>	<u>1,038,062</u>	<u>1,221,248</u>	<u>2,740,375</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>	<u>565,112</u>	<u>1,233,478</u>	<u>1,236,378</u>	<u>3,034,968</u>

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, 2018

	<u>Special Revenue Food Services Fund</u>	<u>Debt Service Bond Redemption Fund</u>	<u>Capital Projects Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>REVENUES</u>				
Local Sources	32,467	1,857,801	-	1,890,268
State Sources	12,501	-	-	12,501
Federal Sources	<u>841,094</u>	-	-	<u>841,094</u>
<u>Total Revenues</u>	<u>886,062</u>	<u>1,857,801</u>	-	<u>2,743,863</u>
<u>EXPENDITURES:</u>				
Central Support	-	-	-	-
Food Services	927,181	-	-	927,181
Debt Services:				
Principal	-	1,226,651	-	1,226,651
Interest and Fiscal Charges	-	638,411	-	638,411
Capital Outlay	-	-	<u>306,490</u>	<u>306,490</u>
<u>Total Expenditures</u>	<u>927,181</u>	<u>1,865,062</u>	<u>306,490</u>	<u>3,098,733</u>
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(41,119)</u>	<u>(7,261)</u>	<u>(306,490)</u>	<u>(354,870)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In (Out)	-	-	<u>400,000</u>	<u>400,000</u>
<u>Total Other Financing Sources (Uses)</u>	-	-	<u>400,000</u>	<u>400,000</u>
<u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	(41,119)	(7,261)	93,510	45,130
<u>FUND BALANCES, Beginning</u>	<u>522,184</u>	<u>1,045,323</u>	<u>1,127,738</u>	<u>2,695,245</u>
<u>FUND BALANCES, Ending</u>	<u>481,065</u>	<u>1,038,062</u>	<u>1,221,248</u>	<u>2,740,375</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, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	35,029	32,467	(2,562)
<u>State Sources</u>			
State Match	15,000	7,142	(7,858)
Smart Start	-	2,611	2,611
PK-2 Reduced Breakfast	-	2,748	2,748
<u>Federal Sources</u>			
School Lunches and Breakfasts	843,595	772,699	(70,896)
Commodities	<u>50,000</u>	<u>68,395</u>	<u>18,395</u>
<u>Total Revenues</u>	<u>943,624</u>	<u>886,062</u>	<u>(57,562)</u>
<u>EXPENDITURES</u>			
Salaries	335,000	334,774	226
Employee Benefits	137,000	137,492	(492)
Purchased Services – Professional	20,000	3,872	16,128
Purchased Services – Property	-	4,109	(4,109)
Purchased Services - Other	-	7,662	(7,662)
Food and Milk	410,000	382,860	27,140
Supplies and Materials	68,200	31,643	36,557
Capital Outlay	20,000	24,769	(4,769)
Appropriated Reserves	<u>475,609</u>	-	<u>475,609</u>
<u>Total Expenditures</u>	<u>1,465,809</u>	<u>927,181</u>	<u>538,628</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(522,185)	(41,119)	
<u>FUND BALANCE, Beginning</u>	<u>522,185</u>	<u>522,184</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>481,065</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, 2018

	<u>Budget Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original & Final</u>		
<u>REVENUES</u>			
Property Taxes	1,867,565	1,837,519	(30,046)
Delinquent Taxes and Interest	-	5,875	5,875
Earnings on Investment	7,000	14,407	7,407
<u>Total Revenues</u>	1,874,565	1,857,801	(16,764)
<u>EXPENDITURES</u>			
Principal Expense	1,226,651	1,226,651	-
Interest Expense	633,164	633,161	3
Other Expense	7,750	5,250	2,500
Contingency Reserve	1,052,323	-	1,052,323
<u>Total Expenditures</u>	2,919,888	1,865,062	1,054,826
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(1,045,323)	(7,261)	
<u>FUND BALANCES, Beginning</u>	1,045,323	1,045,323	
<u>FUND BALANCES, Ending</u>	-	1,038,062	

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, 2018

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES:</u>			
Other	-	-	-
<u>Total Revenue</u>	-	-	-
<u>EXPENDITURES:</u>			
Purchased Services - Professional	-	57,507	(57,507)
Purchased Services - Property	-	133,979	(133,979)
Supplies & Materials	-	45,689	(45,689)
Buildings	1,084,577	-	1,084,577
Equipment	93,161	69,315	23,846
Vehicle	50,000	-	50,000
Operating Reserve	300,000	-	300,000
<u>Total Expenditures</u>	<u>1,527,738</u>	<u>306,490</u>	<u>1,221,248</u>
<u>EXCESS REVENUE EXPENDITURES</u>	<u>(1,527,738)</u>	<u>(306,490)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	400,000	400,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(1,127,738)</u>	<u>93,510</u>	
<u>FUND BALANCE, BEGINNING</u>	<u>1,127,738</u>	<u>1,127,738</u>	
<u>FUND BALANCE, ENDING</u>	<u>-</u>	<u>1,221,248</u>	

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, 2018

	<u>Balance</u> <u>07-01-2017</u>	<u>Agency Fund</u>		<u>Balance</u> <u>06-30-2018</u>
		<u>Additions</u>	<u>Deductions</u>	
<u>ASSETS</u>				
Cash	<u>112,347</u>	<u>165,652</u>	<u>189,979</u>	<u>88,020</u>
<u>LIABILITIES</u>				
Deposits Held for Others	<u>112,347</u>	<u>165,652</u>	<u>189,979</u>	<u>88,020</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, 2018

	<u>Agency Funds</u>		Variance with Final Budget- Favorable (Unfavorable)
	<u>Original and Final Budget</u>	<u>Actual</u>	
<u>ADDITIONS</u>			
Local Receipts	<u>190,000</u>	<u>165,652</u>	<u>(24,348)</u>
<u>DEDUCTIONS</u>			
Disbursements & Reserve	<u>317,336</u>	<u>189,979</u>	<u>127,357</u>
<u>CHANGES IN DUE TO STUDENT GROUPS</u>	<u>(127,336)</u>	<u>(24,327)</u>	
<u>DUE TO STUDENT GROUPS, Beginning</u>	<u>127,336</u>	<u>112,347</u>	
<u>DUE TO STUDENT GROUPS, Ending</u>	<u> -</u>	<u>88,020</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 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	1000-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	5,225,437		14,072,892		13,957,420		5,340,909
18 Risk Mgmt Sub-Fund of General Fund	154,545		390,868		323,576		221,838
19 Colorado Preschool Program Fund	105,733		311,215		361,215		55,733
Sub-Total	5,485,715		14,774,975		14,642,211		5,618,479
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0
21 Food Service Spec Revenue Fund	572,184		886,062		927,181		481,065
22 Govt Designated-Purpose Grants Fund	0		4,416,171		4,416,171		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	1,045,333		1,857,801		1,655,062		1,635,062
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	2,444,526		426,748		327,084		2,544,191
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	9,417,749		23,361,357		22,177,709		9,641,737
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	112,347		165,652		188,978		86,020
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	112,347		165,652		188,978		86,020
FINAL	9,530,096		23,527,009		22,366,687		9,727,757



Colorado Department of Education
Bolded Balance Sheet Report
 District: 0123 - SHERIDAN 2
 Fiscal Year 2017-18
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
Cash and Investments (8100-8104,8111)	6,897,310	0	93,845	0	0	459,268	1,075,613	2,796,982	0	0	0	88,020	0	11,411,037
Cash with Fiscal Agent (8105)	130,714	0	0	0	0	0	29,503	0	0	0	0	0	0	160,216
Taxes Receivable (8121,8122)	316,006	0	0	0	0	0	128,362	0	0	0	0	0	0	444,369
Interfund Loans Receivable (8131,8132)	520,343	0	0	0	0	0	0	0	0	0	0	0	0	520,343
Grants Accounts Receivable (8142)	13,578	0	0	854,323	0	83,789	0	0	0	0	0	0	0	951,690
Other Receivables (8151-8154,8161)	7,191	0	0	139	0	132	0	0	0	0	0	0	0	7,461
Inventories (8171,8172,8173)	0	0	0	0	0	21,923	0	0	0	0	0	0	0	21,923
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	7,885,142	0	93,845	854,462	0	565,112	1,233,477	2,796,982	0	0	0	88,020	0	13,517,040

	Governmental						Proprietary				Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental (Cap Const) Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
LIABILITIES & FUND EQUITY														
LIABILITIES														
Interfund Payables (7401,7402)	0	0	0	164,566	0	0	118,116	237,661	0	0	0	0	0	520,343
Intergovernmental Payables (7411)	381,201	0	0	0	0	0	0	0	0	0	0	0	0	381,201
Other Payables (7421-7423)	202,876	0	69	308,357	0	3,752	0	15,130	0	0	0	0	0	530,184
Contracts Payable (7431-7433)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses (7461)	1,566,945	0	38,042	366,420	0	80,295	0	0	0	0	0	0	0	2,051,702
Unearned Revenue (7481)	171,373	0	0	0	0	0	77,300	0	0	0	0	0	0	248,673
Grants Deferred Revenue (7482)	0	0	0	15,119	0	0	0	0	0	0	0	0	0	15,119
Deferred Inflow (7800)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	2,322,395	0	38,112	854,462	0	84,046	195,416	257,791	0	0	0	0	0	3,747,222

Governmental

Proprietary

Fiduciary

FUND EQUITY	Governmental										Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals			
Non-spendable Fund Balance 6710	0	0	0	0	0	21,923	0	0	0	0	0	0	0	0	21,923			
Restricted Fund Balance 6720	0	0	0	0	0	459,142	1,038,062	1,322,943	0	0	0	0	0	0	2,820,147			
TABOR 3% Emergency Reserve 6721	461,590	0	0	0	0	0	0	0	0	0	0	0	0	0	461,590			
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Colorado Preschool Program (CPP) Reserve 6724	0	0	55,733	0	0	0	0	0	0	0	0	0	0	0	55,733			
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
BEST Capital Reserve 6727	0	0	0	0	0	0	0	55,700	0	0	0	0	0	0	55,700			
Committed Fund Balance 6750	0	0	0	0	0	0	0	1,165,548	0	0	0	0	0	0	1,165,548			
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Unassigned Fund Balance 6770	5,101,246	0	0	0	0	0	0	0	0	0	0	0	0	0	5,101,246			
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Total Fund Equity	5,562,746	0	55,733	0	0	481,065	1,038,062	2,544,191	0	0	0	0	0	0	9,769,817			

Total Liabilities & Fund Equity	Governmental										Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals			
7,885,142	0	0	93,845	854,462	0	565,111	1,233,477	2,796,982	0	0	0	0	0	0	13,517,089			

For Each Fund Type: Do Assets=Liability+Fund Equity	Governmental										Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals			
Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			

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, 2018, 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 29, 2018.

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.

Dura, Waller & Co., Inc.

November 29, 2018

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, 2018. 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.

Basis for Qualified Opinion on the Head Start Program

As described in the accompanying schedule of findings and questioned costs, the Sheridan School District Number 2 did not comply with requirements regarding CFDA 93.600 Head Start as described in finding number 2018-001 for Period of Performance.

Qualified Opinion on the Head Start Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the 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 the Head Start Program for the year ended June 30, 2018.

Unmodified Opinion on each of the Other Major Federal Programs

In our opinion, the 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The Sheridan School District Number 2's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Sheridan School District Number 2's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a significant deficiency.

Sheridan School District Number 2's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sheridan School District Number 2's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Dixon, Waller & Co., P.C.

November 29, 2018

**SHERIDAN SCHOOL DISTRICT NUMBER 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

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 were 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

A significant deficiency was disclosed by the audit. No material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

A modified opinion has been issued on Sheridan School District Number 2 compliance for major programs.

Audit Findings

Findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

CFDA#

Child Nutrition Cluster

10.553, 10.555, 10.559

Headstart

93.600

Title I

84.010

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, 2018.

**SHERIDAN SCHOOL DISTRICT NUMBER 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018**

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Headstart – CFDA# 93.600

Finding 2018-001 - Period of Performance – Obligations for the 2017 program year were not liquidated within 90 days from the end of the period of performance.

Condition: The District did not liquidate \$63,196 of obligations incurred for the 2017 program year until after the 90 day period ending November 30, 2017.

Criteria: As required by 2 CFR Section 200.343(b) and 2 CFR Section 200.71, A Non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end of the period of performance as specified in the terms and conditions of the Federal award.

Recommendation: The District should liquidate year end obligations within 90 days from the end of the program year or carryforward unused grant proceeds to the next program year.

Questioned Costs: \$63,196

Management Response: Federal funds for the Head Start Program (CFDA # 93.600) were not liquidated of obligations incurred during the 2017 program year until after the 90 day period. Therefore, excess funds were requested for the 2017 program year. The CFO and school district will request to carry-over any funds related to projects in question of being completed by the end of the grant period in the future. We will monitor any major project towards the end of the grant year to ensure that federal funds are not requested and held on hand longer than allowed.

**SHERIDAN SCHOOL DISTRICT NUMBER 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2018**

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, 2018

<u>Federal Grantor/Pass through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor</u>	<u>State Code</u>	<u>Expenditures</u>	<u>Pass Through to Other Entity</u>
<u>Child Nutrition Cluster - Cluster</u>					
<u>U.S. Department of Agriculture</u>					
School Breakfast Program	10.553	CDE	4553	244,920	
National School Lunch Program	10.555	CDE	4555	511,149	
National School Lunch Program – Commodities	10.555	CDHHS	4555	68,395	
Summer Food Service Program for Children	10.559	CDE	4559	16,630	
<u>Total U.S. Department of Agriculture</u>				<u>841,094</u>	
<u>Total Child Nutrition Cluster – Cluster</u>				<u>841,094</u>	
<u>Special Education Cluster (IDEA) - Cluster</u>					
<u>Department of Education</u>					
Special Education – Grants to States	84.027	CDE	4027	258,843	
Special Education – Preschool Grants	84.173	CDE	4173	12,623	
<u>Total Department of Education</u>				<u>271,466</u>	
<u>Total Special Education Cluster (IDEA) – Cluster</u>				<u>271,466</u>	
<u>Department of Education</u>					
Title I Grants to Local Educational Agencies	84.010	CDE	4010	1,042,970	
Title I Grants to Local Educational Agencies – Reallocation	84.010	CDE	5010	62,395	
<u>Total Title I Grants to Local Educational Agencies</u>				<u>1,105,365</u>	
Education for Homeless Children and Youth	84.196	CDE	5196	37,000	
Twenty-First Century Community Learning Centers	84.287	CDE	5287	7,363	
English Language Acquisition State Grants	84.365	CDE	4365	32,690	
Student Support & Academic Enrichment Program	84.424	CDE	4424	17,316	
Improving Teacher Quality State Grants	84.367	CDE	4367	96,981	
School Improvement Grants	84.377	CDE	7377	18,602	
<u>Total Department of Education</u>				<u>1,586,783</u>	
<u>Department of Health and Human Services</u>					
Headstart	93.600		8600	2,655,781	812,001
<u>Total Department of Health and Human Services</u>				<u>2,655,781</u>	
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>				<u>5,083,658</u>	<u>812,001</u>

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, 2018

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.

NOTE 3 **NON-CASH ASSISTANCE**

Food Distribution:

Non-monetary assistance is reported in the schedule at the fair market value of commodities received.

NOTE 4 **HEAD START PROGRAM**

\$812,001 of Head Start monies were passed through to the following school districts during fiscal year June 30, 2018.

The cash basis of accounting was used to recognize the pass through of these program monies.

The Village of Littleton	\$392,941
Englewood School District	<u>\$419,060</u>
Total	<u>\$812,001</u>