



# Sheridan School District Number 2

## Financial Statements and Supplementary Information

For the Year Ended June 30, 2019



# Sheridan School District Number 2

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## Independent Auditor's Report

Board of Education  
Sheridan School District Number 2  
Englewood, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan School District Number 2 (the "District"), as of and for the year ended June 30, 2019 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Sheridan School District Number 2, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### *Emphasis of Matter*

As discussed in Note 2 to the basic financial statements, the District early implemented the Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As a result of the early adoption of the standard, a fund previously reported as a fiduciary fund is now reported as a governmental fund. The fund balance for the governmental funds and the net position was increased by \$88,020 as a result of the implementation. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on pages 49 and 50, and the Pension and Other Post-Employment benefit schedules on pages 51 through 55. 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 the District's basic financial statements. The combining and individual major and nonmajor fund financial statements, budgetary comparison schedules, Auditor's Integrity Report, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual major and nonmajor fund financial statements, budgetary comparison schedules, Auditor's Integrity Report, 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, based on our audit, and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Greeley, Colorado  
December 23, 2019

**Sheridan School District #2**  
**Management's Discussion and Analysis**  
**As of and For the Fiscal Year Ended June 30, 2019**

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, 2019. 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.
- Beginning June 30, 2018, the District adopted the provisions of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for financial statements beginning after June 15, 2017. Statement No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). Statement No. 75 requires cost-sharing employers participating in Health Care Trust Fund (HCTF) administered by PERA to record their proportionate share of the HCTF's net OPEB liability. For the District, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability.
- Beginning June 30, 2019, the District is reporting the resulting effects of the Senate Bill (SB) 18-200 passed and signed into Colorado law June 4, 2018. SB 18-200 makes changes in several key ways to the PERA retirement plan including increasing contribution rates from employers and employees, directing the state to make a \$225 million on-behalf contribution each year to PERA to reduce the unfunded liability, modifying the retirement benefits including reducing the annual increase for all current and future retirees as well as raising retirement age for new employees, and establishing an automatic adjustment provision designed to keep PERA on a path to full funding over 30 years.
- The liabilities and deferred inflows of resources of the district, sometimes referred to as the primary government, exceeded assets and deferred outflows of resources at June 30, 2019 by \$20.6 million, primarily due to the net OPEB and pension liabilities, note above.
- The financial position of the primary government increased as the total net position increased by \$7.1 million, primarily from the net pension income of \$2.8 million due to the requirements of GASB Statement No. 68 and due to \$7 million in grants and contributions.
- The total cost of basic programs decreased \$16.9 million to \$19 million, primarily due to the decrease of net pension expense.
- Revenues increased \$3 million to \$18.9 million. This was due to the successful mill levy override that was passed in the fall of 2018.

- The net cost of governmental activities decreased \$17.9 million primarily due to the change in net pension expense (pension income) due to the requirement of GASB Statement No. 68.

### **Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's annual report and basic financial statements. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and combining and individual fund statements and schedules. 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 government-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.
- 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 government-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 government-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 government-wide financial statements can be found on pages 14 and 15 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.

*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 20-48 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, 2019, increased \$7.2 million to a negative \$20.6 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 \$4.2 million, primarily from an increase in cash and cash equivalents.
- Capital assets decreased \$1.9 million, the result of depreciation expense and disposition of assets.
- Deferred outflows related to pension decreased \$13.4 million. Deferred outflows related to charges on refunding decreased \$143,689 due to amortization expense.
- Deferred outflows related to other post employment benefits was a new requirement under GASB 75 last year and increased \$948 from prior year.
- The net pension liability decreased \$43 million due to GASB Statement No. 68 to record a proportionate share of PERA's unfunded pension liability.
- Net position increased \$7.2 million.

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

<b>Table 1</b>			
<b>Sheridan's Net Position</b>			
	2018	2019	Change
<b>Assets</b>			
Current Assets	\$12,908,677	\$17,080,680	\$4,172,003
Non-Current Assets			
Capital Assets	43,326,962	41,397,431	(1,929,531)
<b>Total Assets</b>	56,235,639	58,478,111	2,242,472
<b>Deferred Outflows of Resources</b>			
	25,909,946	12,335,209	(13,574,737)
<b>Liabilities</b>			
Current Liabilities	4,384,768	4,172,776	(211,992)
Long-Term Liabilities	100,443,121	57,376,776	(43,066,345)
<b>Total Liabilities</b>	104,827,889	61,549,552	(43,278,337)
<b>Deferred Inflows of Resources</b>			
	5,168,082	29,858,475	24,690,393
<b>Net Position</b>			
Net Investment in			
Capital Assets	23,711,187	23,577,607	133,580
Restricted	3,393,080	3,069,928	323,152
Unrestricted (Deficit)	(54,954,653)	(47,242,242)	(7,712,411)
<b>Total Net Position</b>	<b>\$(27,850,386)</b>	<b>\$(20,594,707)</b>	<b>\$(7,255,679)</b>

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

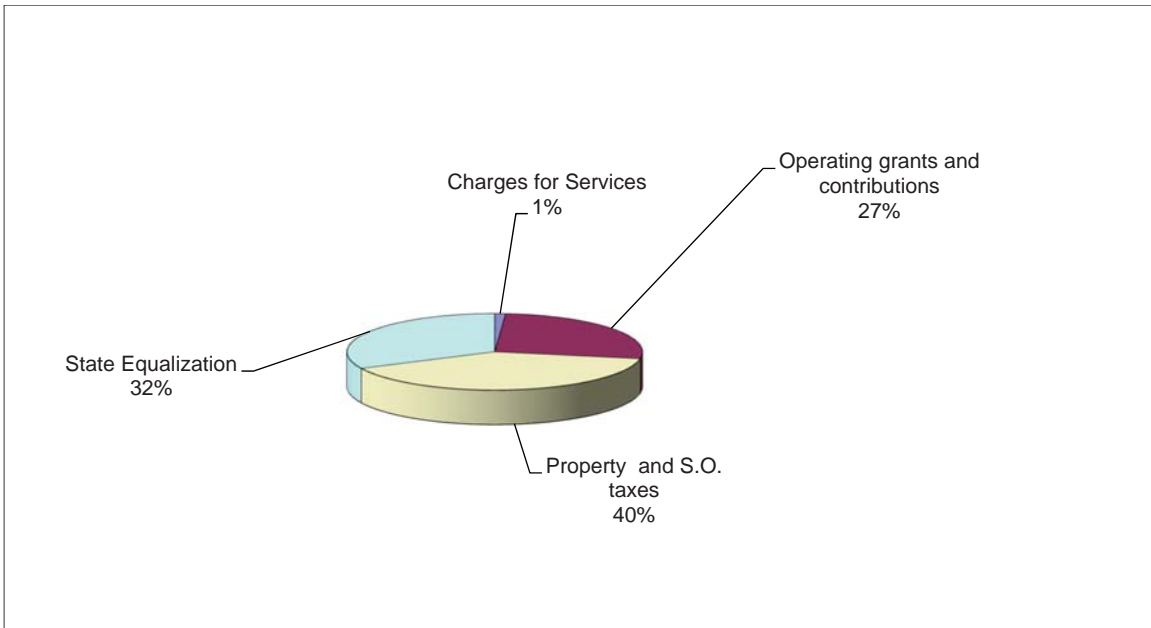
- Revenues of \$26 million exceeded expenditures of \$19 million, resulting in the \$7 million increase in net position. Total revenue increased \$4 million over revenues of the prior year, primarily due to the mill levy override. Total expenses decreased \$17 million, primarily due to the decrease in pension expense.

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

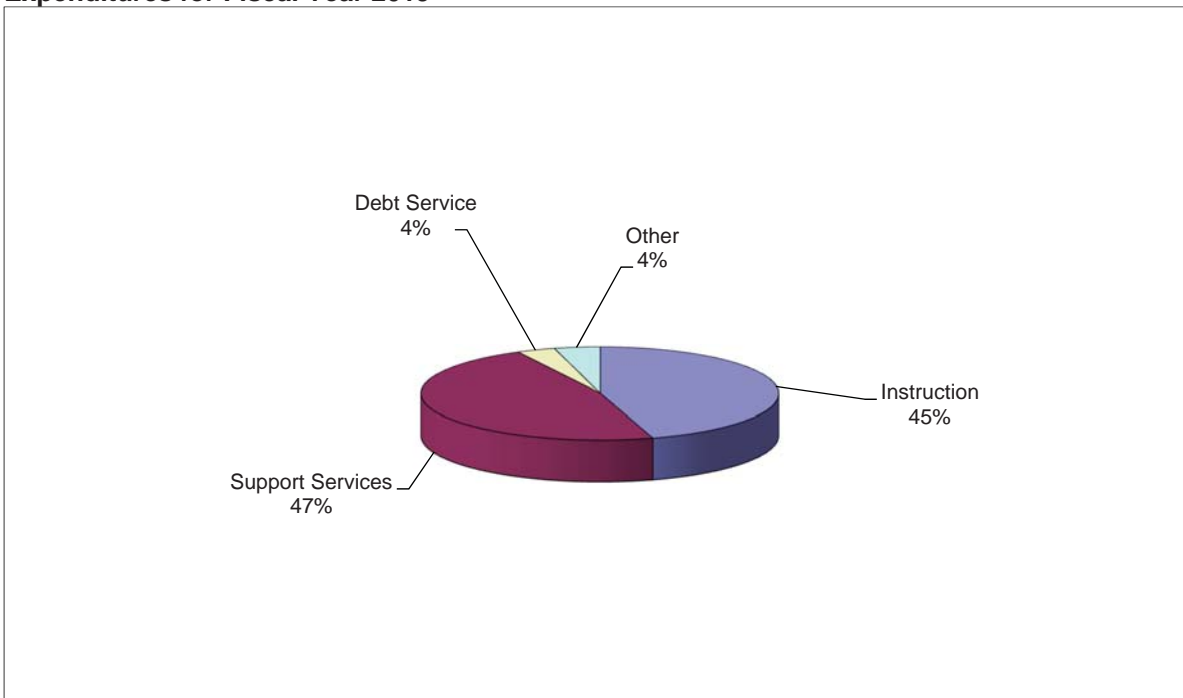
**Table 2**  
**Changes in Net Assets from Operating Results**

	2018	2019	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 157,555	\$ 156,496	\$ (1,059)
Operating grants and contributions	6,150,628	7,044,927	894,299
Capital grants/restricted investment earnings	-	-	-
General revenues			
Property taxes	7,769,162	10,658,110	2,888,948
State formula revenue	7,873,144	8,584,314	711,170
Other	220,705	(138,386)	(359,091)
<b>Total Revenues</b>	<b>\$22,171,194</b>	<b>\$26,305,461</b>	<b>\$4,134,267</b>
<b>Expenses</b>			
Instruction	\$11,073,205	\$8,665,011	\$ (2,408,194)
Support Services:			
Students	941,084	828,896	(112,188)
Instructional staff	2,224,271	1,969,453	(254,818)
General administration	550,195	558,043	7,848
School administration	1,533,924	1,042,555	(491,369)
Business	454,695	355,468	(99,227)
Operations and maintenance	2,098,984	2,384,489	285,505
Student transportation	617,638	451,074	(166,564)
Central	864,218	1,246,110	381,892
Community Service	156,523	187,909	31,386
Food service operations	1,046,577	788,666	(257,911)
Other	32,080	-	(32,080)
Debt service	675,802	660,128	(15,674)
Pension Expense	13,545,828	-	(13,545,828)
Capital Outlay	239,950	-	(239,950)
<b>Total Expenses</b>	<b>\$36,054,974</b>	<b>\$19,137,802</b>	<b>\$(16,917,172)</b>

**Table 3**  
**Sources of Revenue for Fiscal Year 2019**



**Table 4**  
**Expenditures for Fiscal Year 2019**



## Governmental Activities

Revenues increased by \$4.1 million, or 19%, to \$26.3 million. Total expenses and transfers decreased \$16.9 million to \$19 million as a result of no additional pension expense in the current fiscal year. Revenues exceeded expenditures resulting in an increase 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 \$7.4 million are a much smaller funding source for public school district governmental activities, representing only 28 percent of total revenues of \$26.3 million.

**Table 5**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2019	2018	2019
Instruction	\$11,073,205	\$8,665,009	\$8,424,839	\$2,346,737
Students	941,084	828,896	721,368	828,896
Instructional Staff	2,224,271	1,969,453	529,561	1,969,453
General Administration	550,195	558,043	429,969	558,043
School Administration	1,533,924	1,042,555	1,365,539	1,042,555
Business	454,695	355,468	445,652	355,468
Operations and Maintenance	2,098,984	2,384,489	1,931,898	2,384,489
Student Transportation	617,638	451,075	457,852	268,855
Central	864,218	1,246,110	863,675	1,246,110
Community Service	156,523	187,909	16,241	187,909
Pension Expense	13,545,828	-	13,545,828	-
Food Service Operations	1,046,577	788,666	66,537	(71,818)
Interest	675,802	660,128	675,802	660,128
Capital outlay	239,950	-	239,950	-
Other	32,080	-	32,080	-
<b>Total</b>	<b>\$36,054,974</b>	<b>\$19,137,801</b>	<b>\$29,746,791</b>	<b>\$11,776,825</b>

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 \$19.1 million.
- Some of the cost was financed by the users of the District's programs, \$316K.
- Federal and State governments subsidized certain programs with operating grants and contributions amounting to just over \$7 million.
- Most of the net cost \$11.78 million, was financed by state and local taxpayers with general revenues.
- Net cost of governmental services decreased \$18 million, or 60 percent, from \$29.75 million in the previous year to \$11.78 million.

- General revenues of \$18.9 million, consisting of \$10.7 million in property and specific ownership taxes; \$8.6 million in state equalization aid; and \$422K in interest earnings and other revenue and a loss on disposition of assets of \$720K.

### **Financial Analysis of the District's Governmental Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with GAAP, the SFA, and other related legal requirements. The governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements.

Information about the District's funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$26.9 million and expenditures of \$24.1 million. We had a \$2.6 million increase in our general fund balance due to the mill levy override. We also had an increase of \$314 thousand in our capital projects fund. We had an \$8,547 increase in our technology fund, an increase of \$9,638 in our debt services fund, a decrease of \$9,274 in our student activity funds, and a decrease of \$94 thousand in our lunch fund. Our transfer to our insurance reserve fund increased due to the 120% rate increase in premium for our property insurance. The spending down of our lunch fund was 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 revised 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. Additionally, the passing of our \$3 million override that was a significant increase in our revenue.

The District's revenue in the general fund was more than budgeted by a significant amount. We passed a \$3 million override in November and budgeted monies for 15 Instructional Support Paraprofessionals, two librarians, an Instructional Technology Director, library books and periodicals for the new high school library, and various other technology equipment and services. The only positions that were filled were the Instructional Support Paraprofessionals for the second semester. All other positions were not filled nor were books/periodicals purchased until the 2019-2020 fiscal year.

The unspent expenditure budget at the end of the 2018-2019 year is due to underspending of the final budget that will be rolled into the subsequent year. The fund balance as of June 30, 2018 was \$5.6 million, compared to \$8.2 million as of June 30, 2019. The final budget reported reserves of \$4 million, which represents 20 percent of budgeted expenditures. Revenues of the general fund amounted to 115 percent of budgeted revenues.

### **Capital Assets**

As shown in Table 6, total primary government capital assets, net of depreciation, decreased a net \$580K from the previous year. This was the result of depreciation expense and asset disposals.

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

	2018	2019	Change
Land	\$ 344,685	\$ 344,685	—
Building & Site Improvements	42,096,173	39,782,449	(2,313,724)
Equipment & Vehicles	886,104	1,270,297	384,193
<b>Total</b>	<b>\$43,326,962</b>	<b>\$41,397,431</b>	<b>\$(1,929,531)</b>

**Long-Term Debt**

As of year-end, the District had \$18 million in general obligation bonds and other long-term debt outstanding, a decrease of \$842,000 as shown in Table 7. The outstanding general obligation bonds at June 30, 2019 consisted of the 2012 bonds of \$210,000, bonds for BEST grants of \$4.9 million, 2014 general obligation refunding bonds of \$8.2 million, and 2015 general obligation refunding bonds of \$4.95 million.

More detailed information about the District's long-term liabilities is presented in Note 8, General Obligation Bonds Payable, of the financial statements.

**Table 7  
Outstanding Long-Term Debt**

	2018	2019	Change
Governmental Activities:			
Bonds Payable	\$18,952,908	\$18,110,520	\$(842,388)
<b>Total</b>	<b>\$18,952,908</b>	<b>\$18,110,520</b>	<b>\$(842,388)</b>

**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.

- 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. Future general fund cuts will have to be considered as we will be unable to maintain our current staffing as our enrollment declines.
- The public employee's Retirement Association (PERA) of Colorado is the pension plan that covers all district employees. PERA employer contribution rates will increase .50% for the school division effective July 1, 2020. The District's contribution will increase from 20.4% for the 2019-2020 to 20.9% for the 2020-2021 fiscal year. In addition, employee contributions will increase from 8.75% to 10% which makes PERA employment less attractive to younger employees.

- Beginning in fiscal year 2019-2020, House Bill (HB) 19-1262 will provide funding through the school finance formula for full-day kindergarten educational programs. A student enrolled in full-day kindergarten program will be funded at the same amount as students enrolled full-time in other grades.
- Proposition CC, referred by the state legislature, will be placed on the November 2019 ballot. It would change state law and allowed the state to keep all of the money it collects over its revenue limit to spend on public education, higher education, and transportation projects. Currently, the state constitution caps the annual growth of spending at inflation plus population growth. Any tax money above that amount has to be returned to tax payers. It is estimated that the state would have an additional \$310 million to spend next budget year. If Proposition fails, the money collected above the state revenue limit will continue to be refunded to taxpayers.
- Actual average funded counts of student enrollment are expected to decrease for 2019-2020 due to our recent decline in enrollment. Demographic information indicates student enrollment will continue to decline. With another large decline in students the District might have to consider consolidating schools.

### **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 Financial Officer's Office, Sheridan School District #2, 4150 S. Hazel Ct. Englewood, CO 80110.

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## Basic Financial Statements

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# Sheridan School District Number 2

## Statement of Net Position

June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 15,084,684
Investments	996,820
Receivables	977,253
Inventories	21,923
Capital assets, not being depreciated	344,685
Capital assets, being depreciated, net	41,052,746
<b>Total assets</b>	<b>58,478,111</b>
<b>Deferred outflows of resources</b>	
Deferred loss on refundings	1,162,052
Deferred outflows of resources relating to pensions	11,102,551
Deferred outflows of resources relating to OPEB	70,606
<b>Total deferred outflows of resources</b>	<b>12,335,209</b>
<b>Liabilities</b>	
Accounts payable	592,161
Accrued salaries and benefits	2,221,085
Accrued interest payable	46,756
Unearned revenues	1,312,774
Noncurrent liabilities:	
Accrued compensated absences	290,697
Due within one year	1,386,251
Due in more than one year	17,595,625
Net pension liability	36,291,612
Other post-employment benefit liability	1,812,591
<b>Total liabilities</b>	<b>61,549,552</b>
<b>Deferred inflows of resources</b>	
Deferred inflows of resources relating to pensions	29,790,259
Deferred inflows of resources relating to OPEB	68,216
<b>Total deferred inflows of resources</b>	<b>29,858,475</b>
<b>Net position</b>	
Net investment in capital assets	23,577,607
Restricted for:	
Emergencies	487,441
Debt service	1,047,700
Other	1,534,787
Unrestricted	(47,242,242)
<b>Total net position</b>	<b>\$ (20,594,707)</b>

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

Sheridan School District Number 2  
Statement of Activities  
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities						
Instruction	\$ 8,665,011	\$ 122,688	\$ 6,036,031	\$ -		\$ (2,506,292)
Supporting services						
Student support	828,896	-	-	-		(828,896)
Instructional staff	1,969,453	-	-	-		(1,969,453)
General administration	558,043	-	-	-		(558,043)
School administration	1,042,555	-	-	-		(1,042,555)
Business services	355,468	-	-	-		(355,468)
Operations and maintenance	2,384,489	-	-	-		(2,384,489)
Student transportation	451,074	-	182,220	-		(268,854)
Community services operations	187,909	-	-	-		(187,909)
Central and other support services	1,246,110	-	-	-		(1,246,110)
Food service operations	788,666	33,808	826,676	-		71,818
Interest on long-term debt	660,128	-	-	-		(660,128)
<b>Total governmental activities/ primary government</b>	<b>\$ 19,137,802</b>	<b>\$ 156,496</b>	<b>\$ 7,044,927</b>	<b>\$ -</b>		<b>(11,936,379)</b>
General revenues						
Taxes:						
Local property taxes						9,902,218
Specific ownership taxes						755,892
Intergovernmental:						
State equalization/per pupil funding						8,287,137
Kindergarten hold harmless						297,177
Loss on disposal of capital assets						(720,113)
Other revenues						384,317
Earnings on investments						197,410
<b>Total general revenues</b>						<b>19,104,038</b>
<b>Change in net position</b>						<b>7,167,659</b>
<b>Net position at beginning of year as restated (see Note 2)</b>						<b>(27,762,366)</b>
<b>Net position at end of year</b>						<b>\$ (20,594,707)</b>

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

# Sheridan School District Number 2

## Balance Sheet

### Governmental Funds

June 30, 2019

	General Fund	Designed Purposes Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 13,301,698	\$ -	\$ 1,782,986	\$ 15,084,684
Investments		-	996,820	996,820
Accounts receivable	23,126	576,250	8,445	607,821
Property tax receivable	330,562	-	38,870	369,432
Inventories	-	-	21,923	21,923
Due from other funds	-	1,692,237	2,099,702	3,791,939
<b>Totals assets</b>	<b>\$ 13,655,386</b>	<b>\$ 2,268,487</b>	<b>\$ 4,948,746</b>	<b>\$ 20,872,619</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 110,464	\$ 329,582	\$ 152,115	\$ 592,161
Accrued salaries and benefits	1,704,645	461,565	54,875	2,221,085
Unearned revenue	-	1,312,774	-	1,312,774
Due to other funds	3,305,503	164,566	321,870	3,791,939
<b>Total liabilities</b>	<b>5,120,612</b>	<b>2,268,487</b>	<b>528,860</b>	<b>7,917,959</b>
<b>Deferred inflows of resources</b>				
Deferred property tax revenues	330,562	-	38,870	369,432
<b>Total deferred inflows of resources</b>	<b>330,562</b>	<b>-</b>	<b>38,870</b>	<b>369,432</b>
<b>Fund balances</b>				
Nonspendable	-	-	21,923	21,923
Restricted	577,938	-	2,491,990	3,069,928
Committed	216,793	-	1,422,829	1,639,622
Assigned	-	-	444,274	444,274
Unassigned	7,409,481	-	-	7,409,481
<b>Total fund balances</b>	<b>8,204,212</b>	<b>-</b>	<b>4,381,016</b>	<b>12,585,228</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,655,386</b>	<b>\$ 2,268,487</b>	<b>\$ 4,948,746</b>	<b>\$ 20,872,619</b>

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

**Sheridan School District Number 2**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet with the Government-wide Statement of Net Position**  
**June 30, 2019**

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$	12,585,228
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Revenues that do not provide current financial resources are deferred on the fund financial statements but recognized on the statement of activities.		369,432
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported on the fund financial statements.

Capital assets	\$ 62,553,047	
Less: accumulated depreciation	<u>(21,155,616)</u>	41,397,431

The deferred loss on refunding is not a current financial resource, and therefore, not reported as a deferred outflow of resources in governmental funds.		1,162,052
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported on the fund financial statements, as follows:

Deferred outflows of resources	\$ 11,102,551	
Deferred inflows of resources	<u>(29,790,259)</u>	(18,687,708)

Other post-employment benefit related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported on the fund financial statements, as follows:

Deferred outflows of resources	\$ 70,606	
Deferred inflows of resources	<u>(68,216)</u>	2,390

Long-term liabilities, including net pension obligations and other post-employment benefits, are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities at year-end consist of:

Bonds payable	\$ (18,276,781)	
Bond premium	(627,577)	
Capital leases payable	(77,518)	
Accrued interest payable	(46,756)	
Compensated absences	(290,697)	
Net pension liability	(36,291,612)	
Net other post employment liability	<u>(1,812,591)</u>	(57,423,532)

<b>Total net position of governmental activities</b>	<b>\$</b>	<b>(20,594,707)</b>
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*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**  
**Year Ended June 30, 2019**

	General Fund	Designated Purposes Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 8,697,345	\$ -	\$ 1,840,006	\$ 10,537,351
Intergovernmental	9,938,233	4,864,332	826,676	15,629,241
Earnings on investments	149,336	-	48,074	197,410
Other	346,106	1,346	193,361	540,813
<b>Total revenues</b>	<b>19,131,020</b>	<b>4,865,678</b>	<b>2,908,117</b>	<b>26,904,815</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	7,575,325	2,029,326	168,827	9,773,478
Supporting services				
Student support	671,539	458,209	-	1,129,748
Instructional staff	829,964	1,418,911	-	2,248,875
General administration	534,367	136,335	-	670,702
School administration	1,289,877	148,838	-	1,438,715
Business services	473,393	9,533	-	482,926
Operations and maintenance	2,486,039	246,511	-	2,732,550
Student transportation	506,029	-	-	506,029
Community services operations	127,995	121,183	-	249,178
Central and other support services	1,027,255	286,323	-	1,313,578
Food service operations	-	10,509	926,511	937,020
Debt service				
Principal	16,659	-	1,244,817	1,261,476
Interest expense	6,845	-	607,923	614,768
Capital outlay	-	-	730,361	730,361
<b>Total expenditures</b>	<b>15,545,287</b>	<b>4,865,678</b>	<b>3,678,439</b>	<b>24,089,404</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,585,733</b>	<b>-</b>	<b>(770,322)</b>	<b>2,815,411</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	1,000,000	1,000,000
Transfers out	(1,000,000)	-	-	(1,000,000)
<b>Total other financing sources (uses)</b>	<b>(1,000,000)</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,585,733</b>	<b>-</b>	<b>229,678</b>	<b>2,815,411</b>
<b>Fund balances at beginning of year restated (See Note 2)</b>	<b>5,618,479</b>	<b>-</b>	<b>4,151,338</b>	<b>9,769,817</b>
<b>Fund balances at end of year</b>	<b>\$ 8,204,212</b>	<b>\$ -</b>	<b>\$ 4,381,016</b>	<b>\$ 12,585,228</b>

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

**Sheridan School District Number 2**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances with the Government-wide Statement of Activities**  
**Year Ended June 30, 2019**

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Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances - governmental funds \$ 2,815,411

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the net change resulting from capital outlay and depreciation expense during the current period.

Capital outlay	\$ 581,709	
Net book value of disposed assets	(720,113)	
Depreciation expense	<u>(1,791,127)</u>	(1,929,531)

Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year statement of activities. 120,759

Amortization of the deferred loss on refunding is included in the statement of activities as interest expense, but not reflected on the statement of revenues, expenditures and changes in fund balances. (143,689)

Accretion of the bond premium is included in the statement of activities against interest expense, but not reflected on the statement of revenues, expenditures and changes in fund balances. 109,474

Increase in accrued compensated absences liability reflected as an expense on the statement of activities and not reflected on the governmental statement of revenues, expenditures and changes in fund balances. (32,623)

Repayments of bond principal and capital lease obligations are recorded as expenditures in the governmental funds, but as reductions in long-term liabilities in the statement of net position and does not affect the statement of activities. 1,261,476

Increase in accrued interest payable is reflected as an interest expense on the statement of activities, but not reflected on the governmental fund statement of revenues, expenditures and changes in fund balances. (11,145)

Changes in the District's net other post-employment benefit liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing defined other post-employment benefit plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (36,612)

Changes in the District's net pension liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing defined benefit plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities. 5,014,139

**Change in net position of governmental activities \$ 7,167,659**

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

# Sheridan School District Number 2

## Notes to Financial Statements

June 30, 2019

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### 1. Summary of Significant Accounting Policies

Sheridan School District Number 2 (the “District”) 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 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 1,200 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.

#### *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.

The 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 United States of America (“GAAP”), these basic financial statements present the District (the primary government).

#### *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 District does not report any business-type activities.

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 and Grants Special Revenue Fund) are reported as separate columns in the fund financial statements.

**Sheridan School District Number 2**  
**Notes to Financial Statements**  
**June 30, 2019**

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*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 management focus and the accrual basis of accounting. 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.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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 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.

*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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, 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:

*General Fund* - the general operating fund of the District; used to account for all resources that are not required to be legally or by sound financial management to be accounted for in another fund.

**Sheridan School District Number 2**  
**Notes to Financial Statements**  
**June 30, 2019**

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*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.

*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 an original maturity of three months or less 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.

*Receivables*

Property taxes levied in 2018 but uncollected in 2019 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2019 are recorded as deferred inflows of resources 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.

*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 of expense when consumed.

*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.

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.

**Sheridan School District Number 2**  
**Notes to Financial Statements**  
**June 30, 2019**

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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 capital assets. 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. The estimated useful lives are as follows:

Description	Estimated Lives
Buildings and site improvements	5 - 50 years
Equipment and vehicles	5 - 25 years
Equipment - food services	5 - 20 years

*Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities. 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 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.

*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 expectations, advance voter approval for any new tax, tax rate increase, mill levy about 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.

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 by to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2019, the District restricted \$487,441 for this purpose.

Spending and revenue limits are determined based on their 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.

Sheridan School District Number 2  
Notes to Financial Statements  
June 30, 2019

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*Property Taxes*

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2018 property tax calendar for Arapahoe County was as follows:

Levy Date	December 22, 2018
Lien Date	January 1, 2019
Tax Bills Mailed	January 1, 2019
First Installment Due	Last day of February 2019
Second Installment Due	June 15, 2019
If Paid in Full, Due	April 30, 2019

*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 one-fourth of the salary amount for step "A" of the salary schedule the employee is on at the time, not to exceed one-half 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, 2019, the District has recorded an estimated liability of \$290,697 related to accrued leave payable.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

*Interest Expense*

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

*Fund Balance Classification Policies and Procedures*

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

GASB No. 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

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

*Restricted* - amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

## Sheridan School District Number 2

### Notes to Financial Statements

June 30, 2019

*Committed* - 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).

*Assigned* - amounts intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.

*Unassigned* - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

*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.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Fund Balance Classification by Fund as of June 30, 2019 is as follows:

	General Fund	Designed Purposes Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Inventories	\$ -	\$ -	\$ 21,923	\$ 21,923
<b>Restricted:</b>				
Debt service payments	-	-	1,047,700	1,047,700
TABOR (Emergencies)	487,441	-	-	487,441
Preschool	90,497	-	-	90,497
Technology	-	-	1,331,490	1,331,490
BEST grant reserve	-	-	112,800	112,800
<b>Committed:</b>				
Capital projects	-	-	1,422,829	1,422,829
Risk management	216,793	-	-	216,793
<b>Assigned:</b>				
Food Service	-	-	444,274	444,274
<b>Unassigned:</b>				
	7,409,481	-	-	7,409,481
<b>Total</b>	<b>\$ 8,204,212</b>	<b>\$ -</b>	<b>\$ 4,381,016</b>	<b>\$ 12,585,228</b>

**Sheridan School District Number 2**  
**Notes to Financial Statements**  
**June 30, 2019**

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*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. The District's deferred outflows of resources relate to the deferred loss on refunding and the District's pension and other post-employment benefits ("OPEB") plans. See notes 10 and 11 for further information relating to the District's pension and OPEB amounts.

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. The District's deferred inflows of resources relate to deferred property tax revenues and the District's pension and OPEB plans. See notes 10 and 11 for further information relating to the District's pension and OPEB amounts.

*Pensions*

The District participates in the School Division Trust Fund ("SCHDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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- 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.

*Other Post-Employment Benefits*

The District participates in the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer defined benefit OPEB fund administered by 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.

*Financial Policies and Procedures*

The District believes it is in compliance with applicable state requirements, which includes adherence to the accounting policies and procedures described in the financial Policies and Procedures Handbook issued by the Colorado Department of Education.

## 2. New Accounting Pronouncement

During fiscal year 2019, the District early implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The result of the implementation of this standard was to increase the net position at the beginning of the fiscal year by \$88,020 in the governmental activities and the change in classification for the Student Activity Fund from a fiduciary fund to a non-major special revenue fund.

## 3. 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 governmental 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.

## 4. 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.

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

- 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.
- Public notices are released to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of a resolution.
- 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.
- 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.
- 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).

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 so originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2019:

	Original Budget	Total Revisions	Revised Budget
<b>Governmental funds:</b>			
General	\$ 20,570,053	\$ 2,206,119	\$ 22,776,172
Designated Purposes Grants	6,000,000	-	6,000,000
Capital Reserve - Capital Projects	1,558,368	662,880	2,221,248
Technology - Capital Projects	1,344,393	5,551	1,349,944
Bond Redemption Debt Service	2,917,436	(11,884)	2,905,552
Food Service	1,380,859	5,881	1,386,740
Student Activity	254,820	(1,800)	253,020
<b>Total funds</b>	<b>\$ 34,025,929</b>	<b>\$ 2,866,747</b>	<b>\$ 36,892,676</b>

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**5. 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.

The composition of the District’s cash and cash equivalents on June 30, 2019, is as follows:

	District
Bank deposits	\$ 2,128,427
Cash with county treasurer	76,285
Local government investment pool	12,879,972
<b>Total cash and cash equivalents</b>	<b>\$ 15,084,684</b>

The bank balances with the financial institutions were \$2,189,930 of which \$327,282 was covered by federal depository insurance. The remaining balance of \$1,862,649 was collateralized with securities held by the financial institutions’ agents but not in the District’s name.

*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

*Fair Value*

The District categorizes its fair value measurement 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.

Investments totaling \$996,820 are valued at fair value (level 2 inputs). Management has determined that the pricing models utilized by the custodians provide reasonable estimations of the fair values of the securities.

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*Local Government Investment Pools*

Pooled investment funds (trusts) are supervised by the participating governments and must comply with the same restrictions on cash deposits and investments explained in the preceding paragraphs. Investment funds or money market funds are not categorized because they are not evidenced by securities that exist in physical or book form.

At June 30, 2019, the District had invested approximately \$12.9 million in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rated commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAm by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

*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 investment 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.

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**6. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 344,685	\$ -	\$ -	\$ 344,685
<b>Total capital assets not being depreciated</b>	<b>344,685</b>	<b>-</b>	<b>-</b>	<b>344,685</b>
Capital assets, being depreciated:				
Buildings and site improvements	57,623,130	-	(1,379,675)	56,243,455
Equipment and vehicles	5,713,366	581,709	(826,258)	5,468,817
Equipment - food services	496,090	-	-	496,090
<b>Total capital assets, being depreciated</b>	<b>63,832,586</b>	<b>581,709</b>	<b>(2,205,933)</b>	<b>62,208,362</b>
Less accumulated depreciation for:				
Buildings and site improvements	(15,526,957)	(1,593,611)	659,562	(16,461,006)
Equipment and vehicles	(4,963,076)	(181,644)	826,258	(4,318,462)
Equipment - food services	(360,276)	(15,872)	-	(376,148)
<b>Total accumulated depreciation</b>	<b>(20,850,309)</b>	<b>(1,791,127)</b>	<b>1,485,820</b>	<b>(21,155,616)</b>
<b>Total capital assets, being depreciated, net</b>	<b>42,982,277</b>	<b>(1,209,418)</b>	<b>(720,113)</b>	<b>41,052,746</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 43,326,962</b>	<b>\$ (1,209,418)</b>	<b>\$ (720,113)</b>	<b>\$ 41,397,431</b>

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

Instruction	\$ 1,696,233
General administration	19,365
Business support	5,400
Transportation	44,642
Food service operations	25,487
<b>Depreciation expense allocated to governmental activities</b>	<b>\$ 1,791,127</b>

**7. Interfund**

*Receivables and Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position and as due from other funds or due to other funds on the

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fund statement balance sheets. Internal balances are eliminated in the statement of net position. The District considers all interfund receivable and payables to be temporary and in compliance with state law, which requires all balances to be repaid within three months of the year end.

Interfund receivable and payable balances at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
Grants fund	General fund	\$ 1,692,237
Nonmajor governmental funds	General fund	1,613,266
Nonmajor governmental funds	Grants fund	164,566
Nonmajor governmental funds	Nonmajor governmental funds	321,870
<b>Total</b>		<b>\$ 3,791,939</b>

*Transfers*

Transfers are used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them or use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2019, the District transferred \$1 million from the General Fund to the Capital Reserve - Capital Projects Fund for capital outlay.

**8. General Obligation Bonds Payable**

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2019:

	Balance Beginning	Additions	Reductions/ Amortizations	Balance Ending	Amounts Due in One Year
<b>Capital Lease:</b>					
Xerox	\$ 94,177	\$ -	\$ (16,659)	\$ 77,518	\$ 18,024
Capital lease total	94,177	-	(16,659)	77,518	18,024
<b>G.O. Bonds:</b>					
2012 GO Bonds	410,000	-	(200,000)	210,000	210,000
2012 GO BEST Grant Bonds	5,206,533	-	(279,817)	4,926,716	288,227
2013 GO Refunding Bonds	8,305,065	-	(110,000)	8,195,065	115,000
2014 GO Refunding Bonds	650,000	-	(650,000)	-	-
2015 GO Refunding Bonds	4,950,000	-	(5,000)	4,945,000	755,000
G.O. bond total	19,521,598	-	(1,244,817)	18,276,781	1,368,227
Bond Premium	737,051	-	(109,474)	627,577	n/a
Deferred Refunding	(1,305,741)	-	143,689	(1,162,052)	n/a
Compensated absences	258,074	126,545	(93,922)	290,697	n/a
<b>Total Long-Term Debt</b>	<b>\$ 19,305,159</b>	<b>\$ 126,545</b>	<b>\$ (1,321,183)</b>	<b>\$ 18,110,521</b>	<b>\$ 1,386,251</b>

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*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.

*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 was to pay matching monies to the State of Colorado under the Building Excellent Schools Today program. The combined funds were be used for the construction and improvement of District facilities.

*Series 2013, General Obligation Refunding Bonds*

On April 25, 2013, the District issued \$7,850,000 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 5.0%. Bond principal is due beginning June 1, 2013, 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 June 1, 2032. 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 the 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.

*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%. The maturity date of the bonds was June 1, 2019; therefore, this bond was paid in full during fiscal year 2019.

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*Series 2015, General Obligation Refunding Bonds*

On March 26, 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 Refunding Bonds bearing interest rates ranging from 4.10% to 4.25%. Bond principal is due beginning June 1, 2015, 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 June 1, 2025. 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's financial statements.

The District completed the advance refunding to reduce the total debt service payment over the next 9 years by \$268,350 and to obtain an economic gain (difference between the present value of the old and the 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 2015 refunding issue.

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

Fiscal Year Ending June 30,	Principal	Interest	PCAB	Total Debt Service
2020	\$ 1,368,227	\$ 571,585	\$ -	\$ 1,939,812
2021	1,196,891	533,541	-	1,730,432
2022	1,235,816	497,483	-	1,733,299
2023	1,275,008	452,202	-	1,727,210
2024	1,319,477	405,441	-	1,724,918
2025-2029	6,589,748	2,098,776	1,175,065	9,863,589
2030-2034	5,291,614	359,167	-	5,650,781
<b>Total</b>	<b>\$ 18,276,781</b>	<b>\$ 4,918,195</b>	<b>\$ 1,175,065</b>	<b>\$ 24,370,041</b>

*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, 2019, \$12,865,000 of bonds outstanding are considered defeased.

**9. Capital Leases Payable**

During fiscal year 2018, the District entered into a capital lease to purchase seventeen 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.

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The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Amount
2020	\$ 23,504
2021	23,504
2022	23,504
2023	19,588
Total minimum lease payments	90,100
Less: interest	(12,582)
Present value of minimum lease payments	\$ 77,518

### 10. *Defined Benefit Pension Plan*

#### General Information about the Pension Plan

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

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit; or
- The value of the retiring employee’s member contribution account plus a 100% 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.

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

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

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

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

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

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.13%</b>	<b>19.13%</b>

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

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

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Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,200,683 for the year ended June 30, 2019.

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

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

At June 30, 2019, the District reported a liability of \$36,291,612 for its proportionate share of the net pension liability that reflected a reduction for support from the state as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the state as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$36,291,612
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	4,962,374
<b>Total</b>	<b>\$ 41,253,986</b>

At December 31, 2018, the District proportion was 0.2050%, which was a decrease of 0.0405 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension income of \$2,813,456 and revenue of \$294,731 for support from the state as a nonemployer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,231,052	\$ -
Net difference between projected and actual earnings on pension plan investments	1,978,119	-
Changes of assumptions or other inputs	6,773,988	22,569,479
Changes in proportionate share	-	7,220,780
District contributions subsequent to the measurement date	1,119,392	-
	<b>\$ 11,102,551</b>	<b>\$ 29,790,259</b>

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The \$1,119,392 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2020	\$ (4,189,660)
2021	(10,068,757)
2022	(6,630,753)
2023	1,082,070
	<b>\$ (19,807,100)</b>

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

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	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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% factor applied to male rates and a 55% factor applied to female rates.

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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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric 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%
<b>Total</b>	<b>100.00%</b>	

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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 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
District's proportionate share of the net pension liability	\$ 46,138,576	\$ 36,291,612	\$ 28,028,348

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### **11. Defined Benefit and Other Post-Employment Benefit (OPEB) Plan**

#### General Information about the OPEB Plan

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes, 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a healthcare 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 healthcare 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 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 healthcare plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

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*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% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$117,892 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$1,812,591 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District's proportion was 0.1332%, which was an increase of 0.0063 from its proportion measured as of December 31, 2017.

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For the year ended June 30, 2019, the District recognized OPEB expense of \$154,504. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,579	\$ 2,759
Net difference between projected and actual earnings on pension plan investments	10,424	-
Changes in assumptions or other inputs	12,715	-
Changes in proportionate share	-	65,457
District contributions subsequent to the measurement date	40,888	-
	<b>\$ 70,606</b>	<b>\$ 68,216</b>

The \$40,888 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2020	\$ (8,452)
2021	(8,452)
2022	(8,449)
2023	(1,212)
2024	(11,465)
Thereafter	(469)
	<b>\$ (38,499)</b>

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

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 OPEB 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	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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

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

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

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

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

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

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

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

Healthcare 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, healthcare 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.

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

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

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

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

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% factor applied to male rates and a 55% factor applied to female rates.

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

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

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

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

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

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

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

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

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

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

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

	<u>1% Decrease</u> <u>Trend Rates</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Increase in</u> <u>Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 1,762,538	\$ 1,812,591	\$ 1,870,161

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

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

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 2,028,132	\$ 1,812,591	\$ 1,628,324

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

## 12. 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.

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*Litigation*

At times, the District may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the District.

**13. Colorado School Districts Self-Insurance Pool**

The District belongs to the Colorado School Districts Self-Insurance Pool that 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, 2019.

Reporting to the Division of Insurance, as well as an audit and actuary study is conducted annually. These reports may be obtained by contacting the Pool’s administrative offices at 6857 South Spruce Street, Centennial, Colorado 80112.

**14. 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, 2019, 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.

**15. Subsequent Events**

Management of the District has evaluated subsequent events through December 23, 2019, the date these financial statements were available to be issued. No transactions of events that would require adjustment to or disclosures in the financial statements were identified.

## Required Supplementary Information

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Sheridan School District Number 2  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local				
Property taxes	\$ 5,259,932	\$ 6,759,932	\$ 7,941,453	\$ 1,181,521
Specific ownership taxes	600,000	585,780	755,892	170,112
Earnings on investments	80,000	90,000	149,336	59,336
Tuition	113,500	113,500	112,263	(1,237)
Other	200,000	217,096	233,843	16,747
<b>Total local</b>	<b>6,253,432</b>	<b>7,766,308</b>	<b>9,192,787</b>	<b>1,426,479</b>
State				
Equalization	8,022,599	8,293,526	8,287,137	(6,389)
Kindergarten Hold Harmless	310,000	339,985	297,177	(42,808)
Transportation	125,000	125,000	182,220	57,220
Vocational education	50,000	-	9,954	9,954
Special education	282,251	282,160	351,976	69,816
Additional at risk funding	16,500	16,500	17,253	753
English language proficiency	184,315	187,463	187,463	-
Gifted and talented	35,000	31,071	31,071	-
READ Act	60,680	60,680	93,497	32,817
Other	-	-	294,731	294,731
<b>Total state</b>	<b>9,086,345</b>	<b>9,336,385</b>	<b>9,752,479</b>	<b>416,094</b>
Federal				
Medicaid	40,000	55,000	185,754	130,754
<b>Total federal</b>	<b>40,000</b>	<b>55,000</b>	<b>185,754</b>	<b>130,754</b>
<b>Total revenues</b>	<b>15,379,777</b>	<b>17,157,693</b>	<b>19,131,020</b>	<b>1,973,327</b>
<b>Expenditures</b>				
Current				
Instruction	8,599,573	9,596,511	7,575,325	2,021,186
Supporting services				
Student support	808,362	808,362	671,539	136,823
Instructional staff	677,573	774,815	829,964	(55,149)
General administration	512,568	552,568	534,367	18,201
School administration	1,219,113	1,219,113	1,289,877	(70,764)
Business services	453,013	464,178	473,393	(9,215)
Operations and maintenance	1,930,526	1,939,115	2,486,039	(546,924)
Student transportation	694,954	694,954	506,029	188,925
Community services operations	143,235	165,750	127,995	37,755
Central and other support services	1,027,932	1,178,316	1,027,255	151,061
Debt service				
Principal	-	-	16,659	(16,659)
Interest expense	-	-	6,845	(6,845)
Reserves	4,003,204	4,462,490	-	4,462,490
<b>Total expenditures</b>	<b>20,070,053</b>	<b>21,856,172</b>	<b>15,545,287</b>	<b>6,310,885</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(4,690,276)</b>	<b>(4,698,479)</b>	<b>3,585,733</b>	<b>8,284,212</b>
Other financing uses				
Transfers out	(500,000)	(920,000)	(1,000,000)	(80,000)
<b>Total other financing uses</b>	<b>(500,000)</b>	<b>(920,000)</b>	<b>(1,000,000)</b>	<b>(80,000)</b>
<b>Net change in fund balance</b>	<b>(5,190,276)</b>	<b>(5,618,479)</b>	<b>2,585,733</b>	<b>8,204,212</b>
<b>Fund balance at beginning of year</b>	<b>5,190,276</b>	<b>5,618,479</b>	<b>5,618,479</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,204,212</b>	<b>\$ 8,204,212</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Budgetary Comparison Schedule**  
**Governmental Designated Purpose Grants Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Federal	\$ 6,000,000	\$ 6,000,000	\$ 3,907,444	\$ (2,092,556)
State	-	-	956,888	956,888
Local	-	-	1,346	1,346
<b>Total revenues</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>4,865,678</b>	<b>(1,134,322)</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	2,500,000	2,500,000	2,029,326	470,674
<b>Supporting services</b>				
Student support	3,500,000	3,500,000	458,209	3,041,791
Instructional staff	-	-	1,418,911	(1,418,911)
General administration	-	-	136,335	(136,335)
School administration	-	-	148,838	(148,838)
Business services	-	-	9,533	(9,533)
Operations & maintenance	-	-	246,511	(246,511)
Central support	-	-	276,886	(276,886)
Food services operations	-	-	10,509	(10,509)
Other supporting services	-	-	9,437	(9,437)
Community services	-	-	121,183	(121,183)
<b>Total expenditures</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>4,865,678</b>	<b>1,134,322</b>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last Ten Years**

December 31,	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.2050%	0.2455%	0.2477%	0.2455%	0.2568%	0.2778%
District's proportionate share of the net pension liability	\$ 36,291,612	\$ 79,390,254	\$ 72,868,157	\$ 37,539,888	\$ 34,810,369	\$ 35,438,567
District's covered payroll	\$ 10,663,047	\$ 11,195,685	\$ 11,150,147	\$ 10,745,911	\$ 10,749,750	\$ 10,817,510
District's proportionate share of the net pension liability as a percentage of its covered payroll	340.35%	709.11%	653.52%	349.34%	323.82%	327.60%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.96%	43.10%	59.20%	62.84%	64.07%

\* The amounts for each fiscal year were determined as of 12/31.

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

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Schedule of District Contributions - Pensions**

**Last Ten Years**

Year Ended June 30,	2019	2018	2017	2016
Statutorily Required Contribution	\$ 2,200,683	\$ 2,113,638	\$ 2,044,977	\$ 1,899,959
Contributions in Relation to the Statutorily Required Contribution	<u>2,200,683</u>	<u>2,113,638</u>	<u>2,044,977</u>	<u>1,899,959</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 11,503,833	\$ 11,195,685	\$ 11,150,147	\$ 10,754,911
Contributions as a Percentage of Covered Payroll	<u>19.13%</u>	<u>18.88%</u>	<u>18.34%</u>	<u>17.67%</u>

2015	2014	2013
\$ 1,806,221	\$ 1,728,454	\$ 1,740,308
1,806,221	1,728,454	1,740,308
\$ -	\$ -	\$ -
\$ 10,749,750	\$ 10,817,510	\$ 11,499,037
16.80%	15.98%	15.13%

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**

**Last Ten Years**

December 31,	2018	2017	2016
District's proportion of the net OPEB liability	0.1332%	0.1395%	0.1391%
District's proportionate share of the net OPEB liability	\$ 1,812,591	\$ 1,812,917	\$ 1,803,608
District's covered payroll	\$ 10,663,047	\$ 11,195,865	\$ 11,150,417
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.00%	16.19%	16.18%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

\* The amounts for each fiscal year were determined as of 12/31.

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

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Schedule of District Contributions - OPEB**

**Last Ten Years**

Years Ended June 30,	2019	2018	2017
Statutorily Required Contribution	\$ 117,892	\$ 114,196	\$ 113,732
Contributions in Relation to the Statutorily Required Contribution	117,892	114,196	113,732
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,503,833	\$ 11,195,685	\$ 11,150,147
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%	1.02%

*See accompanying Independent Auditor's Report.*

## Other Supplementary Information

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Sheridan School District Number 2  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

	Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	Bond Redemption Fund	Technology Fund	Capital Reserve Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 78,746	\$ 1,114,754	\$ 589,486	\$ -	\$ 1,782,986
Investments	-	-	-	996,820	-	996,820
Accounts receivable	8,445	-	-	-	-	8,445
Property tax receivable	-	-	38,870	-	-	38,870
Inventories	21,923	-	-	-	-	21,923
Due from other funds	414,174	-	-	-	1,685,528	2,099,702
<b>Total assets</b>	<b>\$ 444,542</b>	<b>\$ 78,746</b>	<b>\$ 1,153,624</b>	<b>\$ 1,586,306</b>	<b>\$ 1,685,528</b>	<b>\$ 4,948,746</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,216	\$ -	\$ -	\$ -	\$ 149,899	\$ 152,115
Accrued salaries and benefits	54,875	-	-	-	-	54,875
Due to other funds	-	-	67,054	254,816	-	321,870
<b>Total liabilities</b>	<b>57,091</b>	<b>-</b>	<b>67,054</b>	<b>254,816</b>	<b>149,899</b>	<b>528,860</b>
<b>Deferred inflows of resources</b>						
Deferred property tax revenues	-	-	38,870	-	-	38,870
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>38,870</b>	<b>-</b>	<b>-</b>	<b>38,870</b>
<b>Fund balances</b>						
Nonspendable	21,923	-	-	-	-	21,923
Restricted	-	-	1,047,700	1,331,490	112,800	2,491,990
Committed	-	-	-	-	1,422,829	1,422,829
Assigned	365,528	78,746	-	-	-	444,274
<b>Total fund balances</b>	<b>387,451</b>	<b>78,746</b>	<b>1,047,700</b>	<b>1,331,490</b>	<b>1,535,629</b>	<b>4,381,016</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 444,542</b>	<b>\$ 78,746</b>	<b>\$ 1,153,624</b>	<b>\$ 1,586,306</b>	<b>\$ 1,685,528</b>	<b>\$ 4,948,746</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2019**

	Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	Bond Redemption Fund	Technology Fund	Capital Reserve Fund	
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 1,840,006	\$ -	\$ -	\$ 1,840,006
Intergovernmental	826,676	-	-	-	-	826,676
Earnings on investments	-	-	22,372	25,702	-	48,074
Other	33,808	159,553	-	-	-	193,361
<b>Total revenues</b>	<b>860,484</b>	<b>159,553</b>	<b>1,862,378</b>	<b>25,702</b>	<b>-</b>	<b>2,908,117</b>
<b>Expenditures</b>						
Current						
Instruction	-	168,827	-	-	-	168,827
Food service operations	926,511	-	-	-	-	926,511
Debt service:						
Principal	-	-	1,244,817	-	-	1,244,817
Interest expense	-	-	607,923	-	-	607,923
Capital outlay	27,587	-	-	17,155	685,619	730,361
<b>Total expenditures</b>	<b>954,098</b>	<b>168,827</b>	<b>1,852,740</b>	<b>17,155</b>	<b>685,619</b>	<b>3,678,439</b>
Excess (deficiency) of revenues over expenditures	(93,614)	(9,274)	9,638	8,547	(685,619)	(770,322)
Other financing sources						
Transfers in	-	-	-	-	1,000,000	1,000,000
<b>Net change in fund balances</b>	<b>(93,614)</b>	<b>(9,274)</b>	<b>9,638</b>	<b>8,547</b>	<b>314,381</b>	<b>229,678</b>
Fund balances at beginning of year restated (See Note 2)	481,065	88,020	1,038,062	1,322,943	1,221,248	4,151,338
<b>Fund balances at end of year</b>	<b>\$ 387,451</b>	<b>\$ 78,746</b>	<b>\$ 1,047,700</b>	<b>\$ 1,331,490</b>	<b>\$ 1,535,629</b>	<b>\$ 4,381,016</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Budgetary Comparison Schedule**  
**Food Service Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Food sales	\$ 25,000	\$ 34,560	\$ 33,808	\$ (752)
USDA reimbursements	755,000	773,305	759,858	(13,447)
Donated commodities	50,000	65,000	54,630	(10,370)
State revenue	11,000	26,310	12,188	(14,122)
Local revenue	-	6,500	-	(6,500)
<b>Total revenues</b>	<b>841,000</b>	<b>905,675</b>	<b>860,484</b>	<b>(45,191)</b>
<b>Expenditures</b>				
Salaries and benefits	522,298	528,880	487,471	41,409
Supplies and materials	375,000	446,610	416,606	30,004
Purchased services	18,000	50,455	22,434	28,021
Capital outlay	25,000	27,590	27,587	3
Reserves	440,561	333,205	-	333,205
<b>Total expenditures</b>	<b>1,380,859</b>	<b>1,386,740</b>	<b>954,098</b>	<b>432,642</b>
<b>Net change in fund balance</b>	<b>(539,859)</b>	<b>(481,065)</b>	<b>(93,614)</b>	<b>387,451</b>
<b>Fund balance at beginning of year</b>	<b>539,859</b>	<b>481,065</b>	<b>481,065</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 387,451</b>	<b>\$ 387,451</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Budgetary Comparison Schedule**  
**Student Activity Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Local	\$ 165,000	\$ 165,000	\$ 159,553	\$ (5,447)
<b>Total revenues</b>	<b>165,000</b>	<b>165,000</b>	<b>159,553</b>	<b>(5,447)</b>
<b>Expenditures</b>				
Instruction	185,000	185,000	168,827	16,173
Reserves	69,820	68,020	-	68,020
<b>Total expenditures</b>	<b>254,820</b>	<b>253,020</b>	<b>168,827</b>	<b>84,193</b>
<b>Net change in fund balance</b>	<b>(89,820)</b>	<b>(88,020)</b>	<b>(9,274)</b>	<b>78,746</b>
<b>Fund balance at beginning of year</b>	<b>89,820</b>	<b>88,020</b>	<b>88,020</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,746</b>	<b>\$ 78,746</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Budgetary Comparison Schedule**  
**Bond Redemption Debt Service Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local	\$ 1,852,490	\$ 1,852,490	\$ 1,840,006	\$ (12,484)
Earnings on investments	12,500	15,000	22,372	7,372
<b>Total revenues</b>	<b>1,864,990</b>	<b>1,867,490</b>	<b>1,862,378</b>	<b>(5,112)</b>
<b>Expenditures</b>				
Debt service				
Principal	1,244,817	1,244,817	1,244,817	-
Interest and fiscal charges	610,423	610,423	607,923	2,500
Reserves	1,062,196	1,050,312	-	1,050,312
<b>Total expenditures</b>	<b>2,917,436</b>	<b>2,905,552</b>	<b>1,852,740</b>	<b>1,052,812</b>
<b>Net change in fund balance</b>	<b>(1,052,446)</b>	<b>(1,038,062)</b>	<b>9,638</b>	<b>1,047,700</b>
<b>Fund balance at beginning of year</b>	<b>1,052,446</b>	<b>1,038,062</b>	<b>1,038,062</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,047,700</b>	<b>\$ 1,047,700</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Budgetary Comparison Schedule**  
**Technology - Capital Projects Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Earnings on investments	\$ 25,000	\$ 27,000	\$ 25,702	\$ (1,298)
<b>Total revenues</b>	<b>25,000</b>	<b>27,000</b>	<b>25,702</b>	<b>(1,298)</b>
<b>Expenditures</b>				
Capital outlay	43,552	49,103	17,155	31,948
Operating reserves	1,300,841	1,300,841	-	1,300,841
<b>Total expenditures</b>	<b>1,344,393</b>	<b>1,349,944</b>	<b>17,155</b>	<b>1,332,789</b>
<b>Net change in fund balance</b>	<b>(1,319,393)</b>	<b>(1,322,944)</b>	<b>8,547</b>	<b>1,331,491</b>
<b>Fund balance at beginning of year</b>	<b>1,319,393</b>	<b>1,322,944</b>	<b>1,322,943</b>	<b>(1)</b>
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,331,490</b>	<b>\$ 1,331,490</b>

*See accompanying Independent Auditor's Report.*

**Sheridan School District Number 2**  
**Budgetary Comparison Schedule**  
**Capital Reserve - Capital Projects Fund**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures				
Capital outlay	\$ 1,208,368	\$ 1,675,000	\$ 685,619	\$ 989,381
Reserves	350,000	546,248	-	546,248
Total expenditures	1,558,368	2,221,248	685,619	1,535,629
Deficiency of revenues over expenditures	(1,558,368)	(2,221,248)	(685,619)	1,535,629
Other financing sources				
Transfers in	500,000	1,000,000	1,000,000	-
Total other financing sources	500,000	1,000,000	1,000,000	-
Net change in fund balance	(1,058,368)	(1,221,248)	314,381	1,535,629
Fund balance at beginning of year	1,058,368	1,221,248	1,221,248	-
Fund balance at end of year	\$ -	\$ -	\$ 1,535,629	\$ 1,535,629

*See accompanying Independent Auditor's Report.*



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0123 - Sheridan 2  
 Fiscal Year 2018-19  
 Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+	=	=	=
10 General Fund	5,340,908	17,120,231	14,564,217	7,896,922
18 Risk Mgmt Sub-Fund of General Fund	221,838	396,027	401,072	216,793
19 Colorado Preschool Program Fund	55,733	614,762	579,998	90,497
<b>Sub- Total</b>	<b>5,618,478</b>	<b>18,131,020</b>	<b>15,545,287</b>	<b>8,204,212</b>
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	481,065	862,018	955,631	387,452
22 Govt Designated-Purpose Grants Fund	0	4,865,680	4,865,680	0
23 Pupil Activity Special Revenue Fund	88,020	159,553	168,827	78,746
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,038,062	1,862,379	1,852,740	1,047,701
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	1,322,943	25,702	17,155	1,331,490
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,221,248	1,000,000	685,618	1,535,629
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>9,769,816</b>	<b>26,906,352</b>	<b>24,090,937</b>	<b>12,585,230</b>
<b>Proprietary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL

## Reports to Government Agencies

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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*

Board of Education  
Sheridan School District No.2  
Englewood, Colorado

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 the Sheridan School District No.2 (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2019.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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.

#### Compliance and Other Matters

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

#### Sheridan School District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



### 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.

A handwritten signature in black ink that reads "ACM LLP".

Greeley, Colorado  
December 23, 2019



## Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education  
Sheridan School District Number 2  
Englewood, Colorado

### Report on Compliance for Each Major Federal Program

We have audited the Sheridan School District Number 2's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District'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 the 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 the District'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 the District's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



### *Report on Internal Control Over Compliance*

Management of the District 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 the District'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 the 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 the District's internal control over compliance.

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

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

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

ACM LLP

Greeley, Colorado  
December 23, 2019

Sheridan School District Number 2  
 Schedule of Findings and Questioned Costs  
 June 30, 2019

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Section I - Summary of Auditor's Results

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                      X   Yes           No
- Significant deficiency(ies) identified?                   Yes      X   None reported

Noncompliance material to financial statements noted?

       Yes      X   No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?                           Yes      X   No
- Significant deficiency(ies) identified?                   Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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

       Yes      X   No

Identification of major programs:

<u>CFDA/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start

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

\$750,000

Auditee qualified as low-risk auditee?

       Yes      X   No

**Sheridan School District Number 2**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

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**Section II - Financial Statement Findings**

**Finding 2019-001 Material adjusting journal entries  
Material Weakness in Internal Control over Financial Reporting**

**Condition:** During the audit there was a material adjusting journal entry identified related to property taxes. This entry was necessary to fairly present the financial statements.

**Criteria:** The material adjusting journal entries should be reviewed by an individual who did not initiate the journal entry.

**Questioned Costs:** None.

**Effect:** Adjusting journal entries could be made that materially misstate the financial statements and not have gone through the review process.

**Cause:** Closing procedures do not include all required journal entries to fairly present the financial statements.

**Context:** During our audit procedures, we noted that an adjusting journal entry was needed to appropriately reflect property taxes.

**Recommendation:** We recommend that another individual reviews the adjusting journal entry other than the individual who originates the journal entry and that all required journal entries be added to a closing checklist for the year.

**Views of Responsible Officials and Planned Corrective Actions:**  
Management proposes all required journal entries will be added to a closing checklist for the fiscal year. The closing checklist will be created by the CFO and shared with the GL accountant so the entire department is aware of what is necessary to close out the fiscal year.

**Section III - Federal Award Findings and Questioned Costs**

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**Sheridan School District Number 2**  
**Schedule of Prior Year Findings and Questioned Costs**  
**June 30, 2019**

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**Section IV - Status of Prior Year Findings**

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.

Status: This finding has been corrected in the current year.



**Sheridan School District Number 2  
Corrective Action Plan  
June 30, 2019**

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Corrective Action: All required journal entries will be added to a closing checklist for the fiscal year. The closing checklist will be created by the CFO and shared with the GL accountant so the entire department is aware of what is necessary to close out the fiscal year.

**Patrick Sandos,  
Superintendent**

**P.O. Box 1198  
Englewood, Colorado 80150  
Tel: (720) 833-6617  
Fax: (720) 833-6650**

**Sheridan School District No. 2**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FY19 Expenditures	Pass Through to Other Entities
U.S. Department of Agriculture				
Passed through Colorado Department of Education:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	4553	\$ 242,614	\$ -
National School Lunch Program	10.555	4555	530,686	-
Summer Food Service Program for Children	10.559	4559	14,980	-
Child Nutrition Cluster subtotal			788,280	-
Total U.S. Department of Agriculture			788,280	-
U.S. Department of Health and Human Services				
Head Start	93.600	8600	2,156,978	1,019,733
Total U.S. Department of Health and Human Services			2,156,978	1,019,733
U.S. Department of Education				
Passed through Colorado Department of Education:				
<i>Special Education Cluster (IDEA):</i>				
Special Education - Grants to States	84.027	4027	348,773	-
Special Education - Preschool Grants	84.173	4173	1,474	-
Special Education Cluster Subtotal			350,247	-
Title I Grants to Local Educational Agencies	84.010	4010	697,604	-
English Language Acquisition State Grants	84.365	4365	23,665	-
Supporting Effective Instruction State Grants	84.367	4367	48,218	-
School Improvement Grants	84.377	5010	113,034	-
Student Support and Academic Achievement Program	84.424	4424	38,177	-
Education for Homeless Children and Youth	84.196	5196	33,325	-
Total U.S. Department of Education			1,304,270	-
Total Expenditures of Federal Awards			\$ 4,249,528	\$ 1,019,733

*See accompanying Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.*

**Sheridan School District Number 2**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2019**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Sheridan School District Number 2 (the “District”) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allocable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Subrecipients**

There were two subrecipients of federal awards during the year ended June 30, 2019.

**5. Donated Commodities**

Commodities donated to the District by the U.S. Department of Agriculture (“USDA”) are valued based on the USDA’s Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenditures when the commodities are used. As of June 30, 2019, the District has received food commodities totaling \$54,630.