



Sheridan School District Number 2

Financial Statements
and Supplementary Information
For the Year Ended June 30, 2020

Sheridan School District Number 2

Contents

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet with the Government-wide Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-wide Statement of Activities	19
Notes to Financial Statements	20 - 53
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	54
Budgetary Comparison Schedule - Governmental Designated Purposes Grants Fund	55
Note to Budgetary Comparison Schedules - General Fund and Designated Purpose Grants Fund	56
Schedule of the District's Proportionate Share of the Net Pension Liability	57
Schedule of District Contributions - Pensions	58 - 59
Schedule of the District's Proportionate Share of the Net OPEB Liability	60
Schedule of District Contributions - OPEB	61
Other Supplementary Information:	
Combining and Individual Fund Financial Statements:	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	63

Sheridan School District Number 2

Contents

Budgetary Comparison Schedules:

Governmental Funds:

Food Service Fund	64
Student Activity Fund	65
Bond Redemption Debt Service Fund	66
Technology Fund	67
Capital Reserve Capital Fund	68
Auditor's Integrity Report	69

Reports to Governmental Agencies:

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 <i>Government Auditing Standards</i>	70 - 71
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	72 - 73
Schedule of Findings and Questioned Costs	74 - 76
Schedule of Prior Year Findings and Questioned Costs	77
Schedule of Expenditures of Federal Awards	78
Notes to Schedule of Expenditures of Federal Awards	79
Corrective Action Plan	80



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, 2020 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, 2020, 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 Matters

As more fully described in Note 14 to the financial statements, the District discusses the impact of the novel coronavirus (“COVID-19”), which was declared a global pandemic by the World Health Organization in March 2020. On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act to provide certain relief as a result of the COVID-19 outbreak. The District also discusses the impact of the CARES Act on its financial position and results of operations. 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 54 through 56, and the Pension and Other Post-Employment benefit schedules on pages 57 through 61. 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, 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 March 2, 2021 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.

BDO USA, LLP

March 2, 2021

**Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2020**

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, 2020. 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 began reporting the resulting effects of Senate Bill (SB) 18-200, which was passed and signed into Colorado law on June 4, 2018. SB 18-200 made 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, 2020, by \$11.9 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 \$8.7 million, primarily from the net pension income of \$8.1 million due to the requirements of GASB Statement No. 68, \$7.6 million in operating grants and contributions, and \$1.16 million in capital grants and contributions.
- The total cost of basic programs increased from \$19 million to \$20.8 million primarily due to instructional expenses.
- General revenues increased \$1.5 million to \$20.7 million. This was due to the increased collection of property taxes.

- The net cost of governmental activities decreased \$137,000 due to an overall increase in costs, a decrease in interest revenue, and an increase in capital grants and contributions.

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 district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.
- 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 explain and support the financial statements, and includes a comparison to the District's budget for the year.

Government-wide Financial Statements

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

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

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

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

The district-wide financial statements can be found on pages 14-15 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.

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 20-53 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, 2020, increased \$8.9 million to a negative \$11.6 million from what it was the previous year (see Table 1) primarily as a result of the impact of GASB Statement No. 68 and an increase in operational and capital grants and contributions.

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

- Current and other assets decreased by \$524,000, primarily from a decrease in cash and cash equivalents.
- Capital assets increased \$1.2 million, as a result of depreciation expense and addition of capital assets.
- Deferred outflows related to pension decreased \$7.2 million. Deferred outflows related to charges on refunding remained static.
- Deferred outflows related to other post employment benefits was a new requirement under GASB 75 in FY19 and increased \$218,744 from prior year.
- The net pension liability decreased \$4.7 million due to GASB Statement No. 68 to record a proportionate share of PERA's unfunded pension liability.
- Net position increased \$8.7 million.

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

Table 1
Sheridan's Net Position

	2019	2020	Change
Assets			
Current Assets	17,080,680	16,556,480	(524,200)
Non-Current Assets	0	0	0
Capital Assets	41,397,431	42,554,351	1,156,920
Total Assets	58,478,111	59,110,831	632,720
Deferred Outflow of Resources	12,335,209	5,045,875	(7,289,334)
Liabilities			
Current Liabilities	4,172,776	3,354,703	(818,073)
Long-Term Liabilities	57,376,776	51,008,382	(6,368,394)
Total Liabilities	61,549,552	54,363,085	(7,186,467)
Deferred Inflow of Resources	29,858,475	21,700,843	(8,157,632)
Net Position			
Net investments in capital assets	23,577,607	26,089,815	2,512,208
Restricted	3,069,928	3,142,226	72,298
Unrestricted (Deficit)	(47,242,242)	(41,139,263)	6,102,979
Total Net Position	(20,594,707)	(11,907,222)	8,687,485

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

- Revenues of \$29.6 million exceeded expenditures of \$20.9 million, resulting in a \$8.7 million increase in net position. Total revenue increased \$3.3 million over revenues of the prior year primarily due to Capital grants/restricted investment earnings and property tax collections. Total expenses increased \$1.7 million primarily due to an increase in instructional expenses.

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

	2019	2020	Change
Revenues			
Program Revenues			
Charges for Services	\$ 156,496	\$ 316,614	\$ 160,118
Operating grants and contributions	7,044,927	7,638,418	593,491
Capital grants/restricted investment earnings	0	1,159,728	1,159,728
Subtotal Program Revenues	7,201,423	9,114,760	1,913,337
General Revenues			
Local Property Taxes	9,902,218	10,858,627	956,409
Specific Ownership Tax	755,892	881,901	126,009
State Equalization	8,584,314	8,168,292	(416,022)
Earnings on Investments	197,410	184,753	(12,657)
Other	(335,796)	363,774	699,570
Subtotal General Revenues	19,104,038	20,457,347	1,353,309
Total Revenues	26,305,461	29,572,107	3,266,646
Expenses			
Instruction	8,665,011	9,598,640	933,629
Support Services			
Students	828,896	943,984	115,088
Instructional Staff	1,969,453	2,202,213	232,760
General administration	558,043	737,821	179,778
School administration	1,042,555	1,205,041	162,486
Business	355,468	437,797	82,329
Operations and Maintenance	2,384,489	2,253,318	(131,171)
Student transportation	451,075	665,343	214,268
Central	1,246,110	1,330,101	83,991
Community Service	187,909	232,699	44,790
Food service operations	788,666	623,470	(165,196)
Other	0	0	0
Debt Service	660,128	654,195	(5,933)
Pension Expense	0	0	0
Capital Outlay	0	0	0
Total Expenses	19,137,803	20,884,622	1,746,819

Table 3
Sources of Revenue for Fiscal Year 2020

Table 3 - Revenues for Fiscal Year 2020

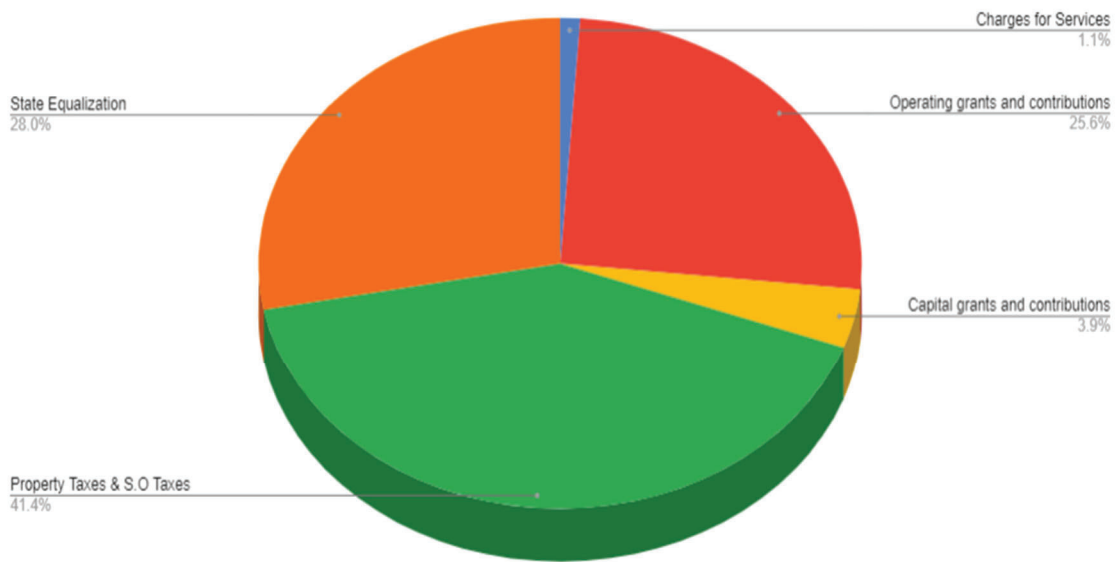
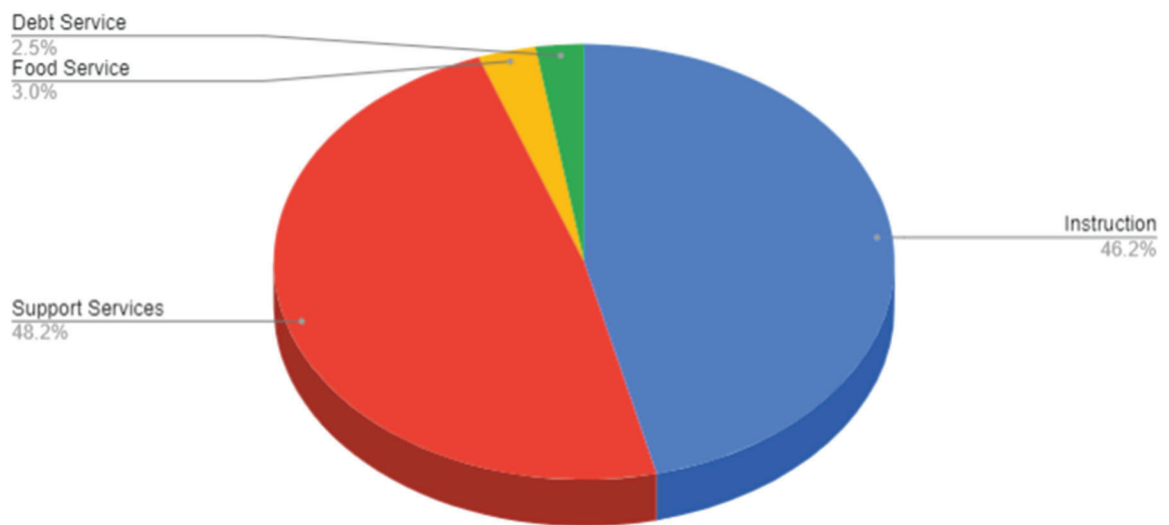


Table 4
Expenditures for Fiscal Year 2020

Table 4 - Expenditures for Fiscal Year 2020



Governmental Activities

Revenues increased by \$3.3 million, or 11.1%, to \$29.6 million. Total expenses and transfers increased \$1.9 million to \$22.1 million as a result of an increase primarily due to an increase in costs for instructional staff and student transportation. 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 \$9.1 million are a much smaller funding source for public school district governmental activities, representing only 31 percent of total revenues of \$29.8 million.

Table 5
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
Instruction	8,665,009	9,598,640	2,346,737	2,530,077
Students	828,896	943,984	828,896	943,984
Instructional Staff	1,969,453	2,202,213	1,969,453	2,202,213
General Administration	558,043	737,821	558,043	737,821
School Administration	1,042,555	1,205,041	1,042,555	1,205,041
Business	355,468	437,797	355,468	437,797
Operations and Maintenance	2,384,489	2,253,318	2,384,489	1,093,590
Student Transportation	451,075	665,343	268,855	493,894
Central	1,246,110	1,330,101	1,246,110	1,330,101
Community Service	187,909	232,699	187,909	232,699
Pension Expense	0	0	0	0
Food Service Operations	788,666	623,470	(71,818)	(91,550)
Unallocation Depreciation	0	0	0	0
Interest	660,128	654,195	660,128	654,195
Capital Outlay	0	0	0	0
Other	0	0	0	0
Total	19,137,801	20,884,622	11,776,825	11,769,862

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 \$20.9 million.
- Some of the cost was financed by the users of the District's programs, \$317,000.
- Federal and State governments subsidized certain programs with operating grants and contributions amounting to just over \$8.8 million.
- Most of the net cost \$11.8 million, was financed by state and local taxpayers with general revenues.

- Net cost of governmental services decreased \$0.1 million, or 60 percent, from \$11.8 million in the previous year to \$11.6 million.
- General revenues of \$20.5 million, consisting of \$11.7 million in property and specific ownership taxes; \$8.2 million in state equalization aid; and \$548,000 in interest earnings and other revenue.

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 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$29.6 million and expenditures of \$29.2 million. We had a \$1,058,004 increase in our general fund balance due to the mill levy override. We had a decrease of \$706,763 in our Capital Reserve Fund, a \$18,568 increase in our Technology Fund, a decrease of \$43,795 in our Debt Services fund, an increase of \$8,677 in our Student Activity funds, and a decrease of \$60,270 in our Food Services Fund. Our transfer to the Insurance Reserve Fund increased due to an increase in premium for our property insurance.

General Fund Budgetary Highlights

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

The fund balance as of June 30, 2019 was \$8.2 million, compared to \$9.3 million as of June 30, 2020. The final budget reported reserves of \$4.7 million, which represents 19 percent of budgeted expenditures. Actual revenues in the general fund amounted to 96 percent of budgeted revenues.

Capital Assets

As shown in Table 6, total primary government capital assets, net of depreciation, decreased a net \$582,000 from the previous year. This was the result of depreciation expense.

Table 6
Capital Assets (net of depreciation)

	2019	2020	Change
Land	344,685	344,685	0
Construction in Progress	0	1,738,879	1,738,879
Building & Site Improvements	39,782,449	38,932,153	(850,296)
Equipment & Vehicles	1,270,297	1,538,634	268,337
Total	41,397,431	42,554,351	1,156,920

Long-Term Debt

As of year-end, the district had \$16.9 million in general obligation bonds and other long-term debt outstanding, a decrease of \$1.3 million, as shown in Table 7. The outstanding general obligation bonds at June 30, 2020 consisted of the bonds for BEST grants of \$4.6 million, 2013 general obligation refunding bonds of \$8.1 million, and 2015 general obligation refunding bonds of \$4.2 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

	2019	2020	Change
Governmental Activities:			
Bonds Payable	18,110,521	16,818,883	(1,291,638)
Total	18,110,521	16,818,883	(1,291,638)

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 was able to pass a \$3,000,000 override that will be in perpetuity. This helped offset the reduction in revenue due to our continuous 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 increased from 20.4% for the 2019-2020 to 20.9% for the 2020-2021 fiscal year. In addition, employee contributions increased from 8.75% to 10%, which makes PERA employment less attractive to younger employees. It is possible that a further increase of .50% may be realized in the 21-22 school year.
- In March of 2020, a world wide pandemic began, which forced Sheridan School District to move to remote student learning. A large amount of federal emergency funding was received and was used to purchase student technology, train teachers on remote instruction, and upgrade wireless capacity for families. Also at this time, an emergency feeding program began which reduced revenues in the Food Services Fund. The continuation of the emergency feeding program may require the district to process a general fund transfer in order to support the Food Services Fund. It is anticipated that the change to remote learning will have a significant impact on the district enrollment numbers going forward, resulting in a decrease in state equity funding.

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.

Basic Financial Statements

Sheridan School District Number 2

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 13,568,693
Investments	1,000,310
Receivables	1,965,554
Inventories	21,923
Capital assets, not being depreciated	2,083,564
Capital assets, being depreciated, net	40,470,787
Total assets	59,110,831
Deferred outflows of resources	
Deferred loss on refundings	1,032,331
Deferred outflows of resources relating to pensions	3,899,747
Deferred outflows of resources relating to OPEB	113,797
Total deferred outflows of resources	5,045,875
Liabilities	
Accounts payable	843,163
Accrued salaries and benefits	973,714
Accrued interest payable	88,923
Unearned revenues	1,448,903
Noncurrent liabilities:	
Due within one year:	
Bonds payable, current portion	1,196,891
Capital lease payable, current portion	19,500
Due in more than one year:	
Accrued compensated absences	354,347
Bonds payable, non-current (including unamortized bond premium)	16,240,482
Capital lease payable, non-current	39,994
Net pension liability	31,603,752
Net other post-employment benefit liability	1,553,416
Total liabilities	54,363,085
Deferred inflows of resources	
Deferred inflows of resources relating to pensions	21,413,883
Deferred inflows of resources relating to OPEB	286,960
Total deferred inflows of resources	21,700,843
Net position	
Net investment in capital assets	26,089,815
Restricted for:	
Emergencies	591,864
Debt service	1,068,235
Other	1,482,127
Unrestricted	(41,139,263)
Total net position	\$ (11,907,222)

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

Sheridan School District Number 2

Statement of Activities Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	\$ 9,598,640	\$ 281,119	\$ 6,787,444	\$ -	\$ (2,530,077)
Supporting services					
Student support	943,984	-	-	-	(943,984)
Instructional staff	2,202,213	-	-	-	(2,202,213)
General administration	737,821	-	-	-	(737,821)
School administration	1,205,041	-	-	-	(1,205,041)
Business services	437,797	-	-	-	(437,797)
Operations and maintenance	2,253,318	-	-	1,159,728	(1,093,590)
Student transportation	665,343	-	171,449	-	(493,894)
Community services operations	232,699	-	-	-	(232,699)
Central and other support services	1,330,101	-	-	-	(1,330,101)
Food service operations	623,470	35,495	679,525	-	91,550
Interest on long-term debt	654,195	-	-	-	(654,195)
Total governmental activities/ primary government	\$ 20,884,622	\$ 316,614	\$ 7,638,418	\$ 1,159,728	(11,769,862)
General revenues					
Taxes:					
Local property taxes					10,858,627
Specific ownership taxes					881,901
Intergovernmental:					
State equalization/per pupil funding					8,168,292
Other revenues					363,774
Earnings on investments					184,753
Total general revenues					20,457,347
Change in net position					8,687,485
Net position at beginning of year					(20,594,707)
Net position at end of year					\$ (11,907,222)

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

Sheridan School District Number 2

Balance Sheet Governmental Funds June 30, 2020

	General Fund	Designated Purposes Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 11,805,063	\$ -	\$ 1,763,630	\$ 13,568,693
Investments	-	-	1,000,310	1,000,310
Accounts receivable	13,295	1,328,781	54,651	1,396,727
Property tax receivable	468,338	-	100,489	568,827
Inventories	-	-	21,923	21,923
Due from other funds	-	725,272	1,282,902	2,008,174
Totals assets	\$ 12,286,696	\$ 2,054,053	\$ 4,223,905	\$ 18,564,654
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 285,761	\$ 384,505	\$ 172,897	\$ 843,163
Accrued salaries and benefits	722,537	220,645	30,532	973,714
Unearned revenue	-	1,448,903	-	1,448,903
Due to other funds	1,685,620	-	322,554	2,008,174
Total liabilities	2,693,918	2,054,053	525,983	5,273,954
Deferred inflows of resources				
Property taxes levied for the next fiscal year	330,562	-	36,159	366,721
Total deferred inflows of resources	330,562	-	36,159	366,721
Fund balances				
Nonspendable	-	-	21,923	21,923
Restricted	611,133	-	2,531,093	3,142,226
Committed	266,326	-	716,066	982,392
Assigned	-	-	392,681	392,681
Unassigned	8,384,757	-	-	8,384,757
Total fund balances	9,262,216	-	3,661,763	12,923,979
Total liabilities, deferred inflows of resources and fund balances	\$ 12,286,696	\$ 2,054,053	\$ 4,223,905	\$ 18,564,654

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, 2020

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

Total fund balances - governmental funds	\$	12,923,979
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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.		366,721
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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	\$ 65,676,997		
Less: accumulated depreciation	<u>(23,122,646)</u>		42,554,351

The deferred loss on refunding is not a current financial resource, and therefore, not reported as a deferred outflow of resources in governmental funds.		1,032,331
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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	\$ 3,899,747		
Deferred inflows of resources	<u>(21,413,883)</u>		(17,514,136)

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	\$ 113,797		
Deferred inflows of resources	<u>(286,960)</u>		(173,163)

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	\$ (16,908,554)		
Bond premium	(528,819)		
Capital leases payable	(59,494)		
Accrued interest payable	(88,923)		
Compensated absences	(354,347)		
Net pension liability	(31,603,752)		
Net other post employment liability	<u>(1,553,416)</u>		(51,097,305)

Total net position of governmental activities	\$	(11,907,222)
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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, 2020

	General Fund	Designated Purposes Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 9,795,913	\$ -	\$ 1,947,225	\$ 11,743,138
Intergovernmental	9,595,553	6,691,461	679,525	16,966,539
Earnings on investments	149,063	-	35,690	184,753
Other	539,525	999	139,864	680,388
Total revenues	20,080,054	6,692,460	2,802,304	29,574,818
Expenditures				
Current				
Instruction	8,373,295	2,408,545	95,692	10,877,532
Supporting services				
Student support	820,585	556,707	-	1,377,292
Instructional staff	955,576	1,610,710	-	2,566,286
General administration	719,425	158,742	-	878,167
School administration	1,586,267	146,350	-	1,732,617
Business services	584,611	11,677	-	596,288
Operations and maintenance	2,285,752	251,801	130,715	2,668,268
Student transportation	736,465	47,542	-	784,007
Community services operations	162,866	153,141	-	316,007
Central and other support services	1,348,840	61,462	-	1,410,302
Food service operations	387	28,302	747,839	776,528
Debt service				
Principal	18,024	-	1,368,227	1,386,251
Interest expense	5,480	-	575,585	581,065
Capital outlay	124,477	1,257,481	1,903,499	3,285,457
Total expenditures	17,722,050	6,692,460	4,821,557	29,236,067
Excess (deficiency) of revenues over expenditures	2,358,004	-	(2,019,253)	338,751
Other financing sources (uses)				
Transfers in	-	-	1,300,000	1,300,000
Transfers out	(1,300,000)	-	-	(1,300,000)
Total other financing sources (uses)	(1,300,000)	-	1,300,000	-
Net change in fund balances	1,058,004	-	(719,253)	338,751
Fund balances at beginning of year	8,204,212	-	4,381,016	12,585,228
Fund balances at end of year	\$ 9,262,216	\$ -	\$ 3,661,763	\$ 12,923,979

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, 2020

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

Total net change in fund balances - governmental funds	\$	338,751
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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	\$ 3,130,330		
Net book value of disposed assets	(6,380)		
Depreciation expense	<u>(1,967,030)</u>		1,156,920

Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year statement of activities.	(2,711)
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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.	(129,721)
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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	98,758
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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.	(63,650)
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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.	1,386,251
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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.	(42,167)
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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.	83,622
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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.	5,861,432
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Change in net position of governmental activities	\$	8,687,485
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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, 2020

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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 Designated Purpose Grants Fund) are reported as separate columns in the fund financial statements.

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. However, due to legislation passed in June 2020, as described in the next paragraph, the District has changed its period of availability to 92 days for fiscal year 2020.

On June 14, 2020, Governor Jared Polis signed House Bill 20-1421, Delinquent Interest Payments Property Tax, concerning delinquent interest payments for property tax payments (“HB 20-1421”). HB 20-1421 effectively extended the “due date” for property taxes collected in jurisdictions that approve the provisions of the bill until October 1, 2020. Weld County, Colorado has approved the bill resulting in a delay in the collection of property tax revenues of the District. Accordingly, in response to these unusual circumstances, for the year ended June 30, 2020 the District has adopted a period of availability for property taxes of 92 days, which is a deviation from the District’s policy of 60 days.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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.

Designated Purposes 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 expended 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 2019 but uncollected in 2020 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2020 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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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.

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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, 2020, the District restricted \$591,864 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.

Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2019 property tax calendar for Arapahoe County was as follows:

Levy Date	December 22, 2019
Lien Date	January 1, 2020
Tax Bills Mailed	January 1, 2020
First Installment Due	Last day of February 2020
Second Installment Due	June 15, 2020
If Paid in Full, Due	April 30, 2020

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

Compensated absences are reported as non-current liabilities in the government-wide financial statements. As of June 30, 2020, the District has recorded an estimated liability of \$354,347 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.

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.

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

When an expenditure/expense 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, 2020 is as follows:

	General Fund	Designated Purposes Grants Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ -	\$ -	\$ 21,923	\$ 21,923
Restricted:				
Debt service payments	-	-	1,068,235	1,068,235
TABOR (Emergencies)	591,864	-	-	591,864
Preschool	19,269	-	-	19,269
Technology	-	-	1,350,058	1,350,058
BEST grant reserve	-	-	112,800	112,800
Committed:				
Capital projects	-	-	716,066	716,066
Risk management	266,326	-	-	266,326
Assigned:				
Food Service	-	-	392,681	392,681
Unassigned:				
	8,384,757	-	-	8,384,757
Total	\$ 9,262,216	\$ -	\$ 3,661,763	\$ 12,923,979

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 9 and 10 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

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

District's deferred inflows of resources relate to property taxes levied for the next fiscal year and the District's pension and OPEB plans. See notes 9 and 10 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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

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. Reconciliation of Government-Wide and Fund Financial Statements

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

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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.

3. Budgetary Information

The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2020:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General	\$ 25,760,859	\$ -	\$ 25,760,859
Designated Purposes Grants	6,500,000	-	6,500,000
Capital Reserve - Capital Projects	2,907,735	-	2,907,735
Technology - Capital Projects	1,353,314	-	1,353,314
Bond Redemption Debt Service	3,004,237	-	3,004,237
Food Service	1,236,760	-	1,236,760
Student Activity	230,048	-	230,048
Total funds	\$ 40,992,953	\$ -	\$ 40,992,953

4. Cash and Investments

Deposits

The Colorado Public Deposit Protection Act (“PDPA”), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The composition of the District’s cash and cash equivalents on June 30, 2020, is as follows:

Cash on hand	\$	1,500
Bank deposits		799,435
Cash with county treasurer		263,182
Local government investment pool		12,504,576
Total cash and cash equivalents	\$	13,568,693

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

The bank balances with the financial institutions were \$1,623,940 of which \$292,235 was covered by federal depository insurance. The remaining balance of \$1,331,705 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 consisting of money market accounts totaling \$1,000,310 are valued at fair value (level 1 inputs). Management has determined that the pricing models utilized by the custodians provide reasonable estimations of the fair values of the securities.

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

At June 30, 2020, the District had invested approximately \$12.5 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. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investments is the means of limiting exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial 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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 344,685	\$ -	\$ -	\$ 344,685
Construction in progress	-	1,738,879	-	1,738,879
Total capital assets not being depreciated	344,685	1,738,879	-	2,083,564
Capital assets, being depreciated:				
Buildings and site improvements	56,243,455	764,675		57,008,130
Equipment and vehicles	5,468,817	626,776	-	6,095,593
Equipment - food services	496,090	-	(6,380)	489,710
Total capital assets, being depreciated	62,208,362	1,391,451	(6,380)	63,593,433
Less accumulated depreciation for:				
Buildings and site improvements	(16,461,006)	(1,614,971)	-	(18,075,977)
Equipment and vehicles	(4,318,462)	(307,660)	-	(4,626,122)
Equipment - food services	(376,148)	(44,399)	-	(420,547)
Total accumulated depreciation	(21,155,616)	(1,967,030)	-	(23,122,646)
Total capital assets, being depreciated, net	41,052,746	(575,579)	(6,380)	40,470,787
Governmental activities capital assets, net	\$41,397,431	\$ 1,163,300	\$ (6,380)	\$ 42,554,351

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

Instruction	\$ 1,852,436
General administration	17,941
Business support	5,400
Transportation	40,588
Food service operations	50,665
Depreciation expense allocated to governmental activities	\$ 1,967,030

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

6. 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 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, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
Grants fund	General fund	\$ 725,272
Nonmajor governmental funds	General fund	960,348
Nonmajor governmental funds	Nonmajor governmental funds	322,554
Total		\$ 2,008,174

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, 2020, the District transferred \$1.3 million from the General Fund to the Capital Projects - Capital Reserve Fund for capital outlay.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

7. Long-Term Debt

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2020:

	Balance Beginning	Additions	Reductions/ Amortizations	Balance Ending	Amounts Due in One Year
Capital Lease:					
Xerox	\$ 77,518	\$ -	\$ (18,024)	\$ 59,494	\$ 19,500
Capital lease total	77,518	-	(18,024)	59,494	19,500
G.O. Bonds:					
2012 GO Bonds	210,000	-	(210,000)	-	-
2012 GO BEST Grant Bonds	4,926,716	-	(288,227)	4,638,489	296,891
2013 GO Refunding Bonds	8,195,065	-	(115,000)	8,080,065	120,000
2015 GO Refunding Bonds	4,945,000	-	(755,000)	4,190,000	780,000
G.O. bond total	18,276,781	-	(1,368,227)	16,908,554	1,196,891
Bond Premium	627,577	-	(98,758)	528,819	n/a
Deferred Refunding	(1,162,052)	-	129,721	(1,032,331)	n/a
Compensated absences	290,697	206,802	(143,152)	354,347	n/a
Total Long-Term Debt	\$ 18,110,521	\$ 206,802	\$ (1,498,440)	\$ 16,818,883	\$ 1,216,391

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; therefore, this bond was paid in full during fiscal year 2020.

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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 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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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
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	1,552,939	397,682	88,709	2,039,330
2026-2030	6,713,028	1,872,463	1,086,356	9,671,847
2031-2034	2,440,330	187,798	-	2,628,128
Total	\$15,733,489	\$ 4,346,610	\$ 1,175,065	\$ 21,255,164

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, 2020, \$12,115,000 of bonds outstanding are considered defeased.

8. 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.

The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2020, are as follows:

Fiscal Year Ending June 30,	Amount
2021	\$ 23,504
2022	23,504
2023	19,588
Total minimum lease payments	66,596
Less: interest	(7,102)
Present value of minimum lease payments	\$ 59,494

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

9. 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.

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.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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, 2020: 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 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

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.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$2,549,371 for the year ended June 30, 2020.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a liability of \$31,603,752 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 District were as follows:

District's proportionate share of the net pension liability	\$31,603,752
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$4,008,534
Total	\$35,612,286

At December 31, 2019, the District proportion was 0.2115%, which was an increase of 0.0065 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension income of \$3,312,061 and revenue of \$303,608 for support from the state as a nonemployer contributing entity. At June 30, 2020, 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	\$ 1,722,425	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,743,779
Changes of assumptions or other inputs	902,239	14,335,162
Changes in proportionate share	-	3,334,942
District contributions subsequent to the measurement date	1,275,083	-
	\$ 3,899,747	\$ 21,413,883

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

The \$1,275,083 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, 2021. 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
2021	\$ (10,656,802)
2022	(7,143,689)
2023	284,794
2024	(1,273,522)
	\$ (18,789,219)

Actuarial assumptions. The total pension liability in the December 31, 2018 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	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) ¹	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹	Financed by the Annual Increase Reserve

¹ For 2019, the annual increase was 0.00 percent.

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

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2018, valuation 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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- 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 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect 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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced 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.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- 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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 41,913,342	\$ 31,603,752	\$ 22,947,953

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

10. Defined Benefit Other Post-Employment Benefit 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.

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.

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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 \$134,178 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$1,553,416 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District's proportion was 0.1382%, which was an increase of 0.005 from its proportion measured as of December 31, 2018.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized OPEB expense of \$50,556. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,155	\$ 261,031
Net difference between projected and actual earnings on pension plan investments	-	25,929
Changes in assumptions or other inputs	12,888	-
Changes in proportionate share	28,644	-
District contributions subsequent to the measurement date	67,110	-
	\$ 113,797	\$ 286,960

The \$67,110 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, 2021. 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
2021	\$ (51,315)
2022	(51,313)
2023	(43,805)
2024	(51,774)
2025	(39,689)
Thereafter	(2,377)
	\$ (240,273)

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

Actuarial assumptions. The total OPEB liability in the December 31, 2018 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	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	\$605	\$237

The 2019 Medicare Part A premium is \$437 per month.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	\$571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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

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

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

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

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

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:

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

	1% Decrease Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 1,516,516	\$ 1,553,416	\$ 1,596,058

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, 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 percent.
- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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 OPEB liability	\$ 1,756,450	\$ 1,553,416	\$ 1,379,780

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

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.

11. Risk Management

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

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.

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.

12. 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, 2020.

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.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

13. 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, 2020, 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.

14. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 Outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

The District’s operations are heavily dependent on State and Federal funding, based on student headcounts, which the funding may decrease as a result of COVID-19. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of national, regional, or statewide economic slowdown. This situation has not depressed State or Federal funding during fiscal year 2020, but these funding sources may depress in the future.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, includes provisions appropriating funds from programs of the United States Department of the Treasury and Department of Education to be used to make payments for specified uses to states and certain local governments.

It also appropriated funds for the Small Business Administration Paycheck Protection Program loans (“PPP”) that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans (“EIDL”) to provide liquidity to small businesses harmed by COVID-19. The District did not receive funding from the PPP or EIDL programs.

Sheridan School District Number 2

Notes to Financial Statements

June 30, 2020

The District continues to examine the impact that the CARES Act may have on its operations. As of June 30, 2020, the District received federal funding awards under the CARES Act in the amount of \$1,265,592. The District spent \$506,353 of this funding during fiscal year 2020; the remaining amount of \$759,239 is recorded as unearned revenue.

15. Subsequent Events

Management of the District has evaluated subsequent events through March 2, 2021, the date these financial statements were available to be issued. Based on this evaluation, there were no matters identified that had a significant impact on the financial statements as presented, other than the transactions discussed in Note 14.

Required Supplementary Information

Sheridan School District Number 2

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local				
Property taxes	\$ 8,945,037	\$ 8,945,037	\$ 8,914,012	\$ (31,025)
Specific ownership taxes	640,000	640,000	881,901	241,901
Earnings on investments	145,000	145,000	149,063	4,063
Tuition	112,000	112,000	176,750	64,750
Other	213,000	213,000	362,775	149,775
Total local	10,055,037	10,055,037	10,484,501	429,464
State				
Equalization	8,078,963	8,078,963	8,168,292	89,329
Transportation	130,000	130,000	171,449	41,449
Vocational education	-	-	9,647	9,647
Special education	324,139	324,139	327,912	3,773
Additional at risk funding	17,000	17,000	16,252	(748)
English language proficiency	161,065	161,065	161,065	-
Gifted and talented	31,584	31,584	31,323	(261)
READ Act	93,497	93,497	65,199	(28,298)
Other	15,000	15,000	305,798	290,798
Total state	8,851,248	8,851,248	9,256,937	405,689
Federal				
Medicaid	175,000	175,000	338,616	163,616
Total federal	175,000	175,000	338,616	163,616
Total revenues	19,081,285	19,081,285	20,080,054	998,769
Expenditures				
Current				
Instruction	10,415,247	10,415,247	8,373,295	2,041,952
Supporting services				
Student support	905,050	905,050	820,585	84,465
Instructional staff	1,002,800	1,002,800	955,576	47,224
General administration	592,536	592,536	719,425	(126,889)
School administration	1,429,758	1,429,758	1,586,267	(156,509)
Business services	490,148	490,148	584,611	(94,463)
Operations and maintenance	2,312,912	2,312,912	2,285,752	27,160
Student transportation	757,562	757,562	736,465	21,097
Community services operations	158,186	158,186	162,866	(4,680)
Central and other support services	1,721,676	1,721,676	1,348,840	372,836
Food services operations	-	-	387	(387)
Capital outlay	-	-	124,477	(124,477)
Debt service				
Principal	-	-	18,024	(18,024)
Interest expense	-	-	5,480	(5,480)
Reserves	4,674,984	4,674,984	-	4,674,984
Total expenditures	24,460,859	24,460,859	17,722,050	6,738,809
Excess (deficiency) of revenues over expenditures	(5,379,574)	(5,379,574)	2,358,004	7,737,578
Other financing uses				
Transfers out	(1,300,000)	(1,300,000)	(1,300,000)	-
Total other financing uses	(1,300,000)	(1,300,000)	(1,300,000)	-
Net change in fund balance	(6,679,574)	(6,679,574)	1,058,004	7,737,578
Fund balance at beginning of year	6,679,574	6,679,574	8,204,212	1,524,638
Fund balance at end of year	\$ -	\$ -	\$ 9,262,216	\$ 9,262,216

Sheridan School District Number 2
Budgetary Comparison Schedule
Governmental Designated Purposes Grants Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Federal	\$ 5,440,000	\$ 5,440,000	\$ 4,699,244	\$ (740,756)
State	1,000,000	1,000,000	1,992,217	992,217
Local	60,000	60,000	999	(59,001)
Total revenues	6,500,000	6,500,000	6,692,460	192,460
Expenditures				
Current				
Instruction	3,500,000	3,500,000	2,408,545	1,091,455
Supporting services				
Student support	3,000,000	3,000,000	556,707	2,443,293
Instructional staff	-	-	1,610,710	(1,610,710)
General administration	-	-	158,742	(158,742)
School administration	-	-	146,350	(146,350)
Business services	-	-	11,677	(11,677)
Operations & maintenance	-	-	251,801	(251,801)
Student transportation	-	-	47,542	(47,542)
Central support	-	-	3,829	(3,829)
Food services operations	-	-	28,302	(28,302)
Other supporting services	-	-	57,633	(57,633)
Community services	-	-	153,141	(153,141)
Capital outlay	-	-	1,257,481	(1,257,481)
Total expenditures	6,500,000	6,500,000	6,692,460	(192,460)
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Sheridan School District Number 2

Note to Budgetary Comparison Schedules - General Fund and Governmental Designated Purpose Grants Fund

June 30, 2020

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

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

- 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, and Capital Projects Funds.
- Budgets for the General, Special Revenue, Debt Service, and Capital Projects 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.

Colorado local budget laws state that a government may not expend any moneys in excess of the amount appropriated by resolution. Expenditures in the Governmental Designated Purpose Grants Fund by \$192,460, which may be in violation of the Colorado local government budget laws.

Sheridan School District Number 2

**Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years**

December 31,	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.2115%	0.2050%	0.2455%	0.2477%	0.2455%	0.2568%	0.2778%
District's proportionate share of the net pension liability	\$ 31,603,752	\$ 36,291,612	\$ 79,390,254	\$ 72,868,157	\$ 37,539,888	\$ 34,810,369	\$ 35,438,567
State's proportionate share of the net pension liability	\$ 4,008,534	\$ 4,962,374	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 35,612,286	\$ 41,253,986	\$ 79,390,254	\$ 72,868,157	\$ 37,539,888	\$ 34,810,369	\$ 35,438,567
District's covered payroll	\$ 12,426,776	\$ 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	254.32%	340.35%	709.11%	653.52%	349.34%	323.82%	327.60%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	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.

Sheridan School District Number 2
Schedule of District Contributions - Pensions
Last Ten Years

Year Ended June 30,	2020	2019	2018	2017
Statutorily Required Contribution	\$ 2,549,371	\$ 2,200,683	\$ 2,113,638	\$ 2,044,977
Contributions in Relation to the Statutorily Required Contribution	2,549,371	2,200,683	2,113,638	2,044,977
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 13,154,653	\$ 11,503,833	\$ 11,195,685	\$ 11,150,147
Contributions as a Percentage of Covered Payroll	19.38%	19.13%	18.88%	18.34%

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.

2016	2015	2014	2013
\$ 1,899,959	\$ 1,806,221	\$ 1,728,454	\$ 1,740,308
1,899,959	1,806,221	1,728,454	1,740,308
\$ -	\$ -	\$ -	\$ -
\$ 10,754,911	\$ 10,749,750	\$ 10,817,510	\$ 11,499,037
17.67%	16.80%	15.98%	15.13%

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

Last Ten Years

December 31,	2019	2018	2017	2016
District's proportion of the net OPEB liability	0.1382%	0.1332%	0.1395%	0.1391%
District's proportionate share of the net OPEB liability	\$ 1,553,416	\$ 1,812,591	\$ 1,812,917	\$ 1,803,608
District's covered payroll	\$ 12,426,776	\$ 10,663,047	\$ 11,195,685	\$ 11,150,417
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.50%	17.00%	16.19%	16.18%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	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.

Sheridan School District Number 2
Schedule of District Contributions - OPEB
Last Ten Years

Years Ended June 30,	2020	2019	2018	2017
Statutorily Required Contribution	\$ 134,178	\$ 117,892	\$ 114,196	\$ 113,732
Contributions in Relation to the Statutorily Required Contribution	134,178	117,892	114,196	113,732
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 13,154,653	\$ 11,503,833	\$ 11,195,685	\$ 11,150,147
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%	1.02%	1.02%

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.

Other Supplementary Information

Sheridan School District Number 2

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	Bond Redemption Fund	Technology Fund	Capital Reserve Fund	
Assets						
Cash and cash equivalents	\$ -	\$ 87,423	\$ 1,070,960	\$ 605,247	\$ -	\$ 1,763,630
Investments	-	-	-	1,000,310	-	1,000,310
Accounts receivable	54,651	-	-	-	-	54,651
Property tax receivable	-	-	100,489	-	-	100,489
Inventories	21,923	-	-	-	-	21,923
Due from other funds	281,469	-	-	-	1,001,433	1,282,902
Total assets	\$ 358,043	\$ 87,423	\$ 1,171,449	\$ 1,605,557	\$ 1,001,433	\$ 4,223,905
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$ 330	\$ -	\$ -	\$ -	\$ 172,567	\$ 172,897
Accrued salaries and benefits	30,532	-	-	-	-	30,532
Due to other funds	-	-	67,055	255,499	-	322,554
Total liabilities	30,862	-	67,055	255,499	172,567	525,983
Deferred inflows of resources						
Deferred property tax revenues	-	-	36,159	-	-	36,159
Total deferred inflows of resources	-	-	36,159	-	-	36,159
Fund balances						
Nonspendable	21,923	-	-	-	-	21,923
Restricted	-	-	1,068,235	1,350,058	112,800	2,531,093
Committed	-	-	-	-	716,066	716,066
Assigned	305,258	87,423	-	-	-	392,681
Total fund balances	327,181	87,423	1,068,235	1,350,058	828,866	3,661,763
Total liabilities, deferred inflows of resources and fund balances	\$ 358,043	\$ 87,423	\$ 1,171,449	\$ 1,605,557	\$ 1,001,433	\$ 4,223,905

Sheridan School District Number 2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	Bond Redemption Fund	Technology Fund	Capital Reserve Fund	
Revenues						
Taxes	\$ -	\$ -	\$ 1,947,225	\$ -	\$ -	\$ 1,947,225
Intergovernmental	679,525	-	-	-	-	679,525
Earnings on investments	-	-	17,122	18,568	-	35,690
Other	35,495	104,369	-	-	-	139,864
Total revenues	715,020	104,369	1,964,347	18,568	-	2,802,304
Expenditures						
Current						
Instruction	-	95,692	-	-	-	95,692
Operations and maintenance	-	-	-	-	130,715	130,715
Food service operations	747,839	-	-	-	-	747,839
Debt service:						
Principal	-	-	1,368,227	-	-	1,368,227
Interest expense	-	-	575,585	-	-	575,585
Capital outlay	27,451	-	-	-	1,876,048	1,903,499
Total expenditures	775,290	95,692	1,943,812	-	2,006,763	4,821,557
Excess (deficiency) of revenues over expenditures	(60,270)	8,677	20,535	18,568	(2,006,763)	(2,019,253)
Other financing sources						
Transfers in	-	-	-	-	1,300,000	1,300,000
Net change in fund balances	(60,270)	8,677	20,535	18,568	(706,763)	(719,253)
Fund balances at beginning of year	387,451	78,746	1,047,700	1,331,490	1,535,629	4,381,016
Fund balances at end of year	\$ 327,181	\$ 87,423	\$ 1,068,235	\$ 1,350,058	\$ 828,866	\$ 3,661,763

Sheridan School District Number 2
Budgetary Comparison Schedule
Food Service Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Food sales	\$ 25,000	\$ 25,000	\$ 35,495	\$ 10,495
USDA reimbursements	750,000	750,000	665,281	(84,719)
Donated commodities	65,000	65,000	-	(65,000)
State revenue	12,000	12,000	14,244	2,244
Local revenue	5,000	5,000	-	(5,000)
Total revenues	857,000	857,000	715,020	(141,980)
Expenditures				
Salaries and benefits	563,181	563,181	479,970	83,211
Supplies and materials	395,000	395,000	245,435	149,565
Purchased services	52,000	52,000	22,434	29,566
Capital outlay	55,000	55,000	27,451	27,549
Reserves	171,579	171,579	-	171,579
Total expenditures	1,236,760	1,236,760	775,290	461,470
Net change in fund balance	(379,760)	(379,760)	(60,270)	319,490
Fund balance at beginning of year	379,760	379,760	387,451	7,691
Fund balance at end of year	\$ -	\$ -	\$ 327,181	\$ 327,181

Sheridan School District Number 2
Budgetary Comparison Schedule
Student Activity Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local	\$ 155,000	\$ 155,000	\$ 104,369	\$ (50,631)
Total revenues	155,000	155,000	104,369	(50,631)
Expenditures				
Instruction	165,000	165,000	95,692	69,308
Reserves	65,048	65,048	-	65,048
Total expenditures	230,048	230,048	95,692	134,356
Net change in fund balance	(75,048)	(75,048)	8,677	83,725
Fund balance at beginning of year	75,048	75,048	78,746	3,698
Fund balance at end of year	\$ -	\$ -	\$ 87,423	\$ 87,423

Sheridan School District Number 2
Budgetary Comparison Schedule
Bond Redemption Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local	\$ 1,925,312	\$ 1,925,312	\$ 1,947,225	\$ 21,913
Earnings on investments	20,000	20,000	17,122	(2,878)
Total revenues	1,945,312	1,945,312	1,964,347	19,035
Expenditures				
Debt service				
Principal	1,368,227	1,368,227	1,368,227	-
Interest and fiscal charges	577,085	577,085	575,585	1,500
Reserves	1,058,925	1,058,925	-	1,058,925
Total expenditures	3,004,237	3,004,237	1,943,812	1,060,425
Net change in fund balance	(1,058,925)	(1,058,925)	20,535	1,079,460
Fund balance at beginning of year	1,058,925	1,058,925	1,047,700	(11,225)
Fund balance at end of year	\$ -	\$ -	\$ 1,068,235	\$ 1,068,235

Sheridan School District Number 2
Budgetary Comparison Schedule
Technology Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Earnings on investments	\$ 27,000	\$ 27,000	\$ 18,568	\$ (8,432)
Total revenues	27,000	27,000	18,568	(8,432)
Expenditures				
Capital outlay	52,473	52,473	-	52,473
Operating reserves	1,300,841	1,300,841	-	1,300,841
Total expenditures	1,353,314	1,353,314	-	1,353,314
Net change in fund balance	(1,326,314)	(1,326,314)	18,568	1,344,882
Fund balance at beginning of year	1,326,314	1,326,314	1,331,490	5,176
Fund balance at end of year	\$ -	\$ -	\$ 1,350,058	\$ 1,350,058

Sheridan School District Number 2
Budgetary Comparison Schedule
Capital Reserve Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Operations and maintenance	\$ 165,000	\$ 165,000	\$ 130,715	\$ 34,285
Capital outlay	2,230,000	2,230,000	1,876,048	353,952
Reserves	512,735	512,735	-	512,735
Total expenditures	2,907,735	2,907,735	2,006,763	900,972
Deficiency of revenues over expenditures	(2,907,735)	(2,907,735)	(2,006,763)	900,972
Other financing sources				
Transfers in	1,300,000	1,300,000	1,300,000	-
Total other financing sources	1,300,000	1,300,000	1,300,000	-
Net change in fund balance	(1,607,735)	(1,607,735)	(706,763)	900,972
Fund balance at beginning of year	1,607,735	1,607,735	1,535,629	(72,106)
Fund balance at end of year	\$ -	\$ -	\$ 828,866	\$ 828,866



Colorado Department of Education
Auditors Integrity Report
 District: 0123 - Sheridan 2
 Fiscal Year 2019-20
 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	7,896,922		17,462,505	16,382,804		8,976,623
18 Risk Mgmt Sub-Fund of General Fund	216,793		681,149	631,616		266,326
19 Colorado Preschool Program Fund	90,497		636,402	707,631		19,268
Sub-Total	8,204,212		18,780,056	17,722,051		9,262,217
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
07 Total Program Reserve Fund	0		0	0		0
21 Food Service Spec Revenue Fund	387,452		775,714	835,984		327,182
22 Govt Designated-Purpose Grants Fund	-805		6,692,851	6,692,044		2
23 Pupil Activity Special Revenue Fund	69,501		104,941	95,695		78,746
24 Full Day Kindergarten Mill Levy Override	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	1,047,701		1,964,348	1,943,812		1,068,236
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	2,867,120		1,318,567	2,006,763		2,178,924
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
Totals	12,575,180		29,636,477	29,296,350		12,915,307
Proprietary						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	0		0	0		0
Totals	0		0	0		0
Fiduciary						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	0		0	0		0
79 GASB 34/Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
Totals	0		0	0		0

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Reports to Government Agencies



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Greeley, CO 80634

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 Number 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 Number 2 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 2, 2021.

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 2020-001 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

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.

BDO USA, LLP

March 2, 2021



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, 2020. 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, 2020.



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. However, material weaknesses may exist that have not been identified.

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

BDO USA, LLP

March 2, 2021

Sheridan School District Number 2
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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? X Yes 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 federal programs:

<u>CFDA/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
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
Year Ended June 30, 2020

Section II - Financial Statement Findings

**Finding 2020-001 Material adjusting journal entries
Material Weakness in Internal Control over Financial Reporting**

Criteria: The general ledger and accounting records used to maintain the financial information of the District should be reconciled in conjunction with the preparation of the year-end trial balance and support should be retained for all year-end closing entries.

Condition: As part of our testing procedures, we noted that the District had not recorded all year-end transactions prior to providing the trial balance for audit procedures. Client entries were posted for property taxes receivables and the related deferral, capital assets, and the on-behalf payment from the State for the PERA contributions. In addition, adjusting entries were proposed to properly report cash and accounts payable balances.

Questioned Costs: None.

Effect: Potential misstatement due to unrecorded transactions could occur in the year-end financial statements.

Cause: There was not a formal close process in place prior to the current year audit and documentation to support prior year closing entries was not readily available.

Recommendation: We recommend that the District develop a formal close process and templates for recurring year end transactions. In addition, we recommend that the District retain documentation of all year-end entries and ensure that these entries are included in the formal close process.

Views of Responsible Officials and Planned Corrective Actions: Documentation of year-end procedures had not yet been created at the time the financial leadership changed in the District. As a result, year-end procedures had to be developed prior to and during the audit process. As part of the new year-end procedures, reusable templates were created. The new procedures and templates will be used and refined each year going forward.

**Finding 2020-002 Vendor Change Process
Significant Deficiency in Internal Control over Financial Reporting**

Criteria: Changes to vendor payments in the accounting system should be supported and reviewed prior to the change being made in the system.

Condition: During the audit, District management notified us that there was a deliberate attempt made to change a vendor payment information. It was done by the use of both voicemail and email, and accounting staff made the change to the vendor payment method from check payment to ACH without verifying the change with the vendor.

Questioned Costs: None.

Effect: An invoice was approved totaling approximately \$111,000 and the payment method initiated was an ACH payment. Once the ACH payment was requested, the bank notified the District that the vendor bank information was not valid, and ultimately the ACH payment was not paid.

Cause: There was not a formal process in place to ensure that vendor payment changes are appropriate.

Sheridan School District Number 2
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Recommendation: We recommend that the District implement new policies and procedures relating to vendor change management.

Views of Responsible Officials and Planned Corrective Actions: During the COVID-19 pandemic, there was a drastic increase in fraud attempts worldwide, and the District experienced several of these attempts. As a result, the District finance department worked with our banking institution to gain a better understanding of the changing circumstances. New policies and procedures around vendor change management were developed at the time the noted fraud attempt occurred.

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
Year Ended June 30, 2020

Section IV - Status of Prior Year 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.

Current Year Status: This finding related to material journal entries was repeated during the current year.

Sheridan School District No. 2
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
U.S. Department of Agriculture				
Passed through Colorado Department of Education:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	4553	\$ 156,425	\$ -
National School Lunch Program	10.555	4555	524,613	-
Summer Food Service Program for Children	10.559	4559	8,081	-
Total Child Nutrition Cluster			689,119	-
Total U.S. Department of Agriculture			689,119	-
U.S. Department of Health and Human Services				
Head Start Cluster	93.600	8600	2,546,625	1,142,848
Passed through Colorado Department of Education:				
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	7981	10,659	-
Total U.S. Department of Health and Human Services			2,557,284	1,142,848
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	396,121	-
Special Education - Preschool Grants	84.173	4173	13,473	-
Special Education Cluster Subtotal			409,594	-
Title I Grants to Local Educational Agencies	84.010	4010	728,501	-
English Language Acquisition State Grants	84.365	4365	39,513	-
Supportive Effective Instruction State Grants	84.367	4367	66,461	-
School Improvement Grants	84.377	5010	226,505	-
Student Support and Academic Enrichment Program	84.424	4424	58,645	-
Education for Homeless Children and Youth	84.196	5196	84,380	-
Total U.S. Department of Education			1,613,599	-
U.S. Department of Treasury				
Passed through Colorado Department of Education:				
Coronavirus Relief Fund	21.019	4012	506,353	-
Total U.S. Department of Treasury			506,353	-
Total Expenditures of Federal Awards			\$ 5,366,355	\$ 1,142,848

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
Year Ended June 30, 2020

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, 2020. 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, 2020.

District Corrective Action Plan

Finding 2020-001: Material adjusting journal entries. Material Weakness in Internal Control over Financial Reporting

Condition: As part of our testing procedures, we noted that the District had not recorded all year-end transactions prior to providing the trial balance for audit procedures. Client entries were posted for property taxes receivables and the related deferral, capital assets, and the on-behalf payment from the State for the PERA contributions. In addition, adjusting entries were proposed to properly report cash and accounts payable balances.

Cause: There was not a formal close process in place prior to the current year audit and documentation to support prior year closing entries was not readily available.

Recommendation: We recommend that the District develop a formal close process and templates for recurring year end transactions. In addition, we recommend that the District retain documentation of all year-end entries and ensure that these entries are included in the formal close process.

District Corrective Action Plan: Documentation of year-end procedures had not yet been created at the time the financial leadership changed in the District. As a result, year-end procedures had to be developed prior to and during the audit process. As part of the new year-end procedures, reusable templates were created. The new procedures and templates will be used and refined each year going forward.

Finding 2020-002: Vendor Change Process. Significant Deficiency in Internal Control over Financial Reporting

Condition: During the audit, District management notified us that there was a deliberate attempt made to change a vendor payment information. It was done by the use of both voice mail and email, and accounting staff made the change to the vendor payment method from check payment to ACH without verifying the change with the vendor.

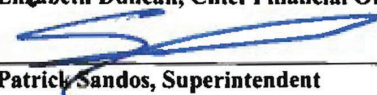
Cause: There was not a formal process in place to ensure that vendor payment changes are appropriate.

Recommendation: We recommend that the District implement new policies and procedures relating to vendor change management.

District Corrective Action Plan: During the COVID-19 pandemic, there was a drastic increase in fraud attempts worldwide, and the District experienced several of these attempts. As a result, the District finance department worked with our banking institution to gain a better understanding of the changing circumstances. New policies and procedures around vendor change management were developed at the time the noted fraud attempt occurred.

Signature: 
Elizabeth Duncan, Chief Financial Officer

Date: 2/26/21

Signature: 
Patrick Sandos, Superintendent

Date: 2/26/21