

Sheridan School District No. 2
Sheridan, Colorado

Financial Statements
with Independent Auditor's Report

June 30, 2022



Sheridan School District No. 2

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Financial Section



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 2 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Supplementary 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 fund financial statements and schedules, budgetary comparison schedules, and auditor's integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of The District' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hick & Company, PC

Englewood, Colorado
March 30, 2023



Sheridan School District No. 2
Management's Discussion and Analysis
June 30, 2022

As management of the Arapahoe County School District #2 (the 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, 2022. 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, 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 exceeded assets and deferred outflows of resources at June 30, 2022, by \$8.5 million, primarily due to an increase in OPEB and pension deferred outflows and liabilities offset by a decrease in pension and OPEB deferred inflows.
- The financial position of the primary government increased as the total net position increased by \$8.9 million. The increase is primarily due to a reduction of Net Pension Liability, the reduction of the Net OPEB Liability, and the change in pension related inflows and outflows.
- The District's long-term obligations decreased by \$13.2 million as a result of changes in OPEB, Net Pension Liability, and debt.
- The total cost of Governmental Activities increased from \$19 million to \$21 million as a result of additional investments in Instruction and Instructional Staff to support our students.
- General Revenues remained consistent at \$19.5 million.

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:

Sheridan School District No. 2
Management's Discussion and Analysis
June 30, 2022

- 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.

District-Wide Financial Statements

The District-Wide financial statements are designed to provide the reader of the District's financial statements a broad overview of the financial activities in a manner similar to a private sector business. The District-Wide financial statements include the statement of net position and the statement of activities.

The Statement of Net Position presents information about all of the District's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets, deferred outflows, liabilities, and deferred inflows is reported as net position. Over time changes in net position may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The District-Wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund, debt service, capital projects, and special revenue funds.

The District-Wide financial statements can be found on pages 4-9 of this report.

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Management's Discussion and Analysis
June 30, 2022

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include one of the three possible fund types. The fund type presented by the District only includes governmental funds. The District currently does not have activities that require the use of proprietary or fiduciary fund types.

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. The major funds are the General Fund, Grants Fund, and Debt Service – Bond Redemption Fund, with the Capital Reserve Fund, Food Services Fund, and Student Activities Funds combined into a single aggregated presentation labeled Nonmajor Governmental Funds. Individual fund information for the nonmajor governmental funds is presented in the Supplementary Information section.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-Wide and fund financial statements. The notes to the financial statements can be found on pages 10-42 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, 2022, increased \$8.9 million to \$8.5 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:

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Management's Discussion and Analysis
June 30, 2022

- Current and other assets increased by \$3.5 million, primarily from a increase in cash and cash equivalents.
- Capital assets increased \$0.3 million, as a result of new construction and projects.
- Deferred outflows related to pension and OPEB decreased \$4.6 million. Deferred outflows related to charges on refunding decreased \$94,000.
- Deferred outflows related to other post-employment benefits was \$191,922.
- The net pension liability decreased \$12 million due to the District's proportionate share of PERA's unfunded pension liability.
- Net position increased \$8.9 million.

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

Table 1
Sheridan's Net Position

	6/30/2022	6/30/2021	6/30/2020
Assets			
Current Assets	18,457,208	14,987,670	16,556,480
Capital Assets	44,371,523	44,049,785	42,554,351
Total Assets	62,828,731	59,037,455	59,110,831
Deferred Outflow of Resources	8,727,882	13,310,112	5,045,875
Liabilities			
Current Liabilities	3,063,914	3,212,440	3,354,703
Long-Term Liabilities	41,399,373	53,307,059	51,008,382
Total Liabilities	44,463,287	56,519,499	54,363,085
Deferred Inflow of Resources	18,635,860	16,262,498	21,700,843
Net Position			
Invested in Capital			
Net of Related Debt	30,145,685	28,722,799	26,089,815
Restricted	2,029,091	2,978,009	3,142,226
Unrestricted (Deficit)	(23,717,310)	(32,135,238)	(41,139,263)
Total Net Position	8,457,466	(434,430)	(11,907,222)

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

- Revenues of \$30.1 million exceeded expenditures of \$21.2 million, resulting in a \$8.9 million increase in net position. Total revenue decreased \$0.33 million from revenues of the prior year primarily due to less grants/restricted investment earnings which included ESSER funding. Total expenses increased \$2.2 million primarily due to an increase in instructional expenditures.

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Management's Discussion and Analysis
June 30, 2022

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

Table 2
Statement of Activities

	Governmental Activities		
	6/30/2022	6/30/2021	6/30/2020
Revenues			
Program Revenues			
Charges for Services	320,844	180,572	316,614
Operating grants and contributions	9,990,189	10,148,886	7,638,418
Capital grants/restricted investment earnings	349,336	657,823	1,159,728
Subtotal Program Revenues	10,660,369	10,987,281	9,114,760
General Revenues			
Local Property Taxes	10,806,113	10,597,611	10,858,627
Specific Ownership Tax	893,548	881,721	881,901
State Equalization	6,754,054	7,481,723	8,168,292
Earnings on Investments	25,604	15,997	184,753
Other	984,981	544,246	363,774
Subtotal General Revenues	19,464,300	19,521,298	20,457,347
Total Revenues	30,124,669	30,508,579	29,572,107
Expenses			
Instruction	10,344,990	5,972,363	9,598,640
Students	1,390,546	1,525,716	943,984
Instructional Staff	2,016,331	3,345,730	2,202,213
General administration	747,795	818,285	737,821
School administration	1,275,821	887,960	1,205,041
Business	488,375	432,770	437,797
Operations and Maintenance	1,465,561	2,512,215	2,253,318
Student transportation	579,689	580,331	665,343
Community Service	169,407	200,991	232,699
Central	1,404,574	1,478,387	1,330,101
Food service operations	736,209	658,930	623,470
Debt Service	613,475	622,109	654,195
Total Expenses	21,232,773	19,035,787	20,884,622
Change in Net Position	8,891,896	11,472,792	8,687,485
Beginning Net Positions	(434,430)	(11,907,222)	(20,594,707)
Ending Net Position	8,457,466	(434,430)	(11,907,222)

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 Management's Discussion and Analysis
 June 30, 2022

Table 3
Sources of Revenue for Fiscal Year 2022

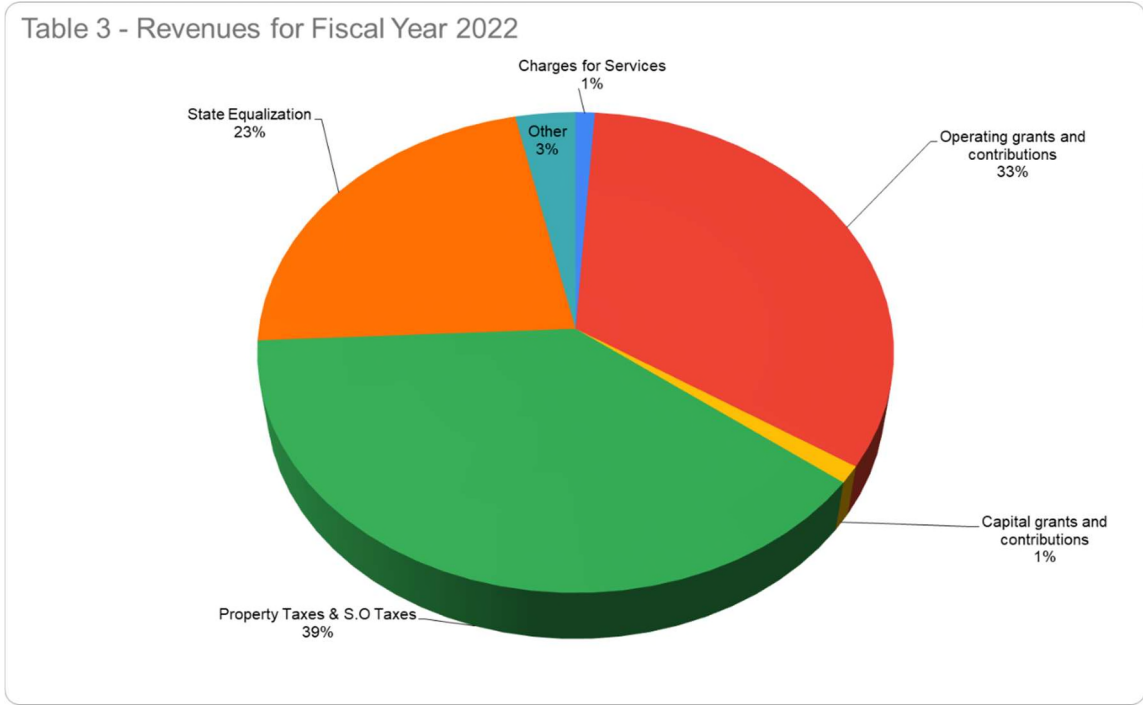
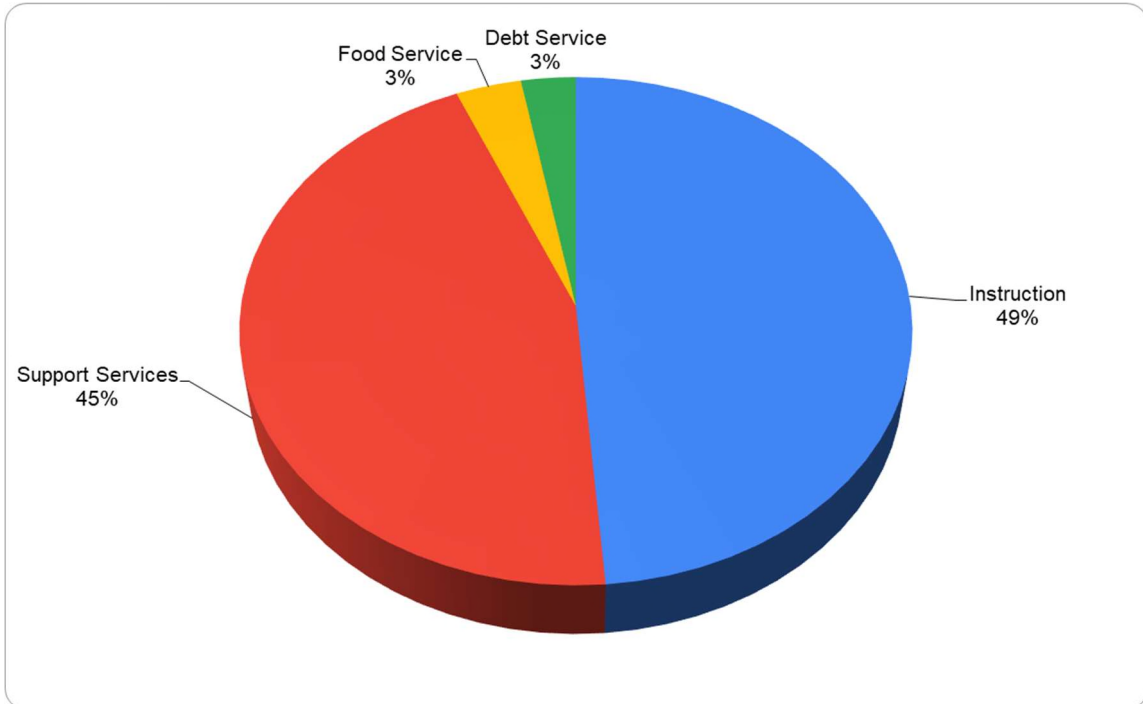


Table 4
Expenditures for Fiscal Year 2022



Sheridan School District No. 2
Management's Discussion and Analysis
June 30, 2022

Governmental Activities

Revenues decreased by \$0.38 million, or -1.27%, to \$30.1 million. Total expenses and transfers increased \$2.2 million to \$21.2 million as a result of a purposeful spend down of fund balance for capital improvement projects, and overall increased costs. 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 \$10.6 million are a much smaller funding source for public school district governmental activities, representing only 35 percent of total revenues of \$30.1 million.

Table 5
Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	6/30/2022	6/30/2021	6/30/2020	6/30/2022	6/30/2021	6/30/2020
Instruction	10,344,990	5,972,363	9,598,640	417,433	(3,767,286)	2,530,077
Students	1,390,546	1,525,716	943,984	1,217,058	1,525,716	943,984
Instructional Staff	2,016,331	3,345,730	2,202,213	2,062,639	3,345,730	2,202,213
General Administration	747,795	818,285	737,821	757,916	818,285	737,821
School Administration	1,275,821	887,960	1,205,041	1,317,521	887,960	1,205,041
Business	488,375	432,770	437,797	503,027	432,770	437,797
Operations and Maintenance	1,465,561	2,512,215	2,253,318	1,155,757	1,854,392	1,093,590
Student Transportation	579,689	580,331	665,343	432,796	426,192	493,894
Central	169,407	1,478,387	1,330,101	175,726	1,478,387	1,330,101
Community Service	1,404,574	200,991	232,699	1,415,367	200,991	232,699
Food Service Operations	736,209	658,930	623,470	503,689	223,260	(91,550)
Interest	613,475	622,109	654,195	613,475	622,109	654,195
Total	21,232,773	19,035,787	20,884,622	10,572,404	8,048,506	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 \$21.2 million.
- Federal and State governments subsidized certain programs with operating/capital grants and contributions amounting to just over \$10.3 million.
- Most of the net cost \$10.6 million, was financed by state and local taxpayers with general revenues.
- Net cost of governmental services decreased \$2.5 million, or 30.9 percent, from \$8.1 million in the previous year to \$10.6 million.
- General revenues of \$19.5 million, consisting of \$11.7 million in property and specific ownership taxes; \$6.7 million in state equalization aid; and \$26K in interest earnings and other revenue.

Sheridan School District No. 2
Management’s Discussion and Analysis
June 30, 2022

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 53. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$31.3 million and expenditures of \$29.3 million. We had a \$3.6 million increase in our general fund balance due to late and unanticipated at-risk funding for \$1.5 million and some additional prior year corrections. We had a decrease of \$1.3 million in our Capital Reserve and Technology Fund, an increase of \$164,672 in our Debt Services fund, a decrease of \$12,844 in our Student Activity funds, and an increase of \$165,642 in our Food Services Fund. Our transfer to the Insurance Reserve Fund decreased due to a decrease 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, 2021. 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, 2021 was \$7.3 million, compared to \$10.8 million as of June 30, 2022.

Capital Assets

As shown in Table 6, total primary government capital assets, net of depreciation.

Capital Assets (net of depreciation)

	6/30/2022	6/30/2021	6/30/2020
Land	344,685	344,685	344,685
Construction in Progress	2,070,701	1,140,596	-
Building & Site Improvements	39,914,914	40,669,854	38,932,153
Equipment & Vehicles	2,041,223	1,894,650	1,538,634
Total	44,371,523	44,049,785	40,815,472

Sheridan School District No. 2
 Management's Discussion and Analysis
 June 30, 2022

Long-Term Debt

As of year-end, the district had \$14.4 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, 2022 consisted of the bonds for BEST grants of \$4.0 million, 2013 general obligation refunding bonds of \$1.3 million, 2015 general obligation refunding bonds of \$2.6 million, and the 2021 general obligation bonds of \$6.9 million. The 2021 general obligation bonds are as a result of refinancing activities that occurred in September 2021 to refinance the Series 2013 general obligation bonds.

More detailed information about the District's long-term liabilities is presented in Note 5, Long-Term Debt, of the financial statements.

Table 7
Outstanding Long Term Debt

	6/30/2022	6/30/2021	6/30/2020
Governmental Activities:			
<i>Bonds Payable</i>	14,432,642	15,742,631	16,818,883
Total	14,432,642	15,742,631	16,818,883

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 1.25% for the school division effective July 1, 2021. 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.
- Actual average funded counts of student enrollment are expected to decrease for Sheridan School District, as well as statewide, due to an aging population and declining growth. Demographic information indicates student enrollment will continue to decline which results in reduced grant and state equity funding.

Sheridan School District No. 2
Management's Discussion and Analysis
June 30, 2022

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 No. 2

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Cash and Investments	\$ 16,383,352
Accounts Receivable	1,205,741
Taxes Receivable	254,157
Inventories	21,923
Prepaid Insurance	592,035
Capital Assets, <i>Not Being Depreciated</i>	2,415,386
Capital Assets, <i>Net of Accumulated Depreciation</i>	41,956,137
Total Assets	<u>62,828,731</u>
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	755,221
OPEB, <i>Net of Accumulated Amortization</i>	191,922
Pensions, <i>Net of Accumulated Amortization</i>	7,780,739
Total Deferred Outflows of Resources	<u>8,727,882</u>
Liabilities	
Accounts Payable	1,730,754
Accrued Salaries and Benefits	1,252,536
Accrued Interest Payable	80,624
Noncurrent Liabilities	
Due Within One Year	1,343,158
Due in More Than One Year	13,844,705
Net OPEB Liability	1,209,601
Net Pension Liability	25,001,909
Total Liabilities	<u>44,463,287</u>
Deferred Inflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	441,953
Pensions, <i>Net of Accumulated Amortization</i>	17,717,589
Deferred Grant Revenue	476,318
Total Deferred Inflows of Resources	<u>18,635,860</u>
Net Position	
Net Investment in Capital Assets	30,145,685
Restricted	2,029,091
Unrestricted	<u>(23,717,310)</u>
Total Net Position	<u>\$ 8,457,466</u>

Sheridan School District No. 2
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<i>Governmental Activities</i>						
Instruction	\$ 10,344,990	\$ 299,523	\$ 9,628,034	\$ -	\$	(417,433)
Supporting Services						
Student support	1,390,546	-	173,488	-		(1,217,058)
Instructional staff	2,016,331	-	(46,308)	-		(2,062,639)
General administration	747,795	-	(10,121)	-		(757,916)
School administration	1,275,821	-	(41,700)	-		(1,317,521)
Business services	488,375	-	(14,652)	-		(503,027)
Operations and maintenance	1,465,561	-	(39,532)	349,336		(1,155,757)
Student transportation	579,689	-	146,893	-		(432,796)
Community services operations	169,407	-	(6,319)	-		(175,726)
Central and other support services	1,404,574	-	(10,793)	-		(1,415,367)
Food Service	736,209	21,321	211,199	-		(503,689)
Interest on Long-Term Debt	613,475	-	-	-		(613,475)
Total Governmental Activities	\$ 21,232,773	\$ 320,844	\$ 9,990,189	\$ 349,336		(10,572,404)
General Revenues						
Local Property Taxes						10,806,113
Specific Ownership Taxes						893,548
State Equalization						6,754,054
Investment Income						25,604
Other						984,981
Total General Revenues						19,464,300
Change in Net Position						8,891,896
Net Position, Beginning of year						(434,430)
Net Position, End of year						\$ 8,457,466

Sheridan School District No. 2
Balance Sheet
Governmental Funds
June 30, 2022

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Assets					
Cash and cash equivalents	\$ 13,295,166	\$ -	\$ 1,320,088	\$ 1,768,098	\$ 16,383,352
Accounts Receivable	18,613	1,150,584	-	36,544	1,205,741
Taxes Receivable	181,207	-	72,950	-	254,157
Interfund Receivables	-	-	-	939,442	939,442
Inventories	-	-	-	21,923	21,923
Prepaid Expenditure	589,651	2,281	-	103	592,035
Total Assets	\$ 14,084,637	\$ 1,152,865	\$ 1,393,038	\$ 2,766,110	\$ 19,396,650
Liabilities					
Accounts Payable	\$ 1,716,669	\$ -	\$ -	\$ 14,085	\$ 1,730,754
Accrued Salaries and Benefits	1,252,536	-	-	-	1,252,536
Unearned Revenues	26,952	449,366	-	-	476,318
Interfund Payables	98,480	703,499	67,453	70,010	939,442
Total Liabilities	3,094,637	1,152,865	67,453	84,095	4,399,050
Deferred Inflows of Resources					
Property Taxes	181,207	-	72,950	-	254,157
Fund Balances					
Nonspendable Inventories	589,651	2,281	-	22,026	613,958
Restricted	663,656	-	1,252,635	112,800	2,029,091
Committed	442,335	-	-	1,810,468	2,252,803
Assigned	-	-	-	646,906	646,906
Unassigned	9,113,151	(2,281)	-	89,815	9,200,685
Total Fund Balances	10,808,793	-	1,252,635	2,682,015	14,743,443
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,084,637	\$ 1,152,865	\$ 1,393,038	\$ 2,766,110	\$ 19,396,650

See Notes to the Financial Statements.

Sheridan School District No. 2
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
For the Year Ended June 30, 2022

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Total Fund Balances of Governmental Funds	\$ 14,743,443
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	44,371,523
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.	254,157
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Loss on debt refunding	755,221
Accrued interest payable	(80,624)
Bonds payable	(14,895,847)
Bonds premiums	(67,062)
Capital leases payable	(18,150)
Accrued compensated absences	(206,804)
Net pension liability	(25,001,909)
Pension-related deferred outflows of resources	7,780,739
Pension-related deferred inflows of resources	(17,717,589)
Net OPEB liability	(1,209,601)
OPEB-related deferred outflows of resources	191,922
OPEB-related deferred inflows of resources	<u>(441,953)</u>
Total Net Position of Governmental Activities	<u>\$ 8,457,466</u>

Sheridan School District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Revenues					
Taxes	\$ 9,994,494	\$ -	\$ 1,866,249	\$ -	\$ 11,860,743
Intergovernmental	9,505,350	7,802,779	-	834,004	18,142,133
Earnings on Investments	23,848	-	38	1,718	25,604
Other	1,179,806	307	-	125,712	1,305,825
Total Revenues	<u>20,703,498</u>	<u>7,803,086</u>	<u>1,866,287</u>	<u>961,434</u>	<u>31,334,305</u>
Expenditures					
Current					
Instruction	8,038,858	3,449,763	-	115,457	11,604,078
Supporting Services					
Student support	694,825	1,722,123	-	-	2,416,948
Instructional staff	298,394	1,423,392	-	-	1,721,786
General administration	638,821	118,190	-	-	757,011
School administration	1,450,168	205,960	-	137	1,656,265
Business services	623,086	-	-	3,214	626,300
Operations and maintenance	2,392,753	318,381	-	386,271	3,097,405
Student transportation	698,386	21,071	-	8,372	727,829
Community services operations	100,910	115,099	-	-	216,009
Central and other support services	1,285,671	218,138	-	-	1,503,809
Food Service	355	50,054	-	691,390	741,799
Debt Service					
Principal	21,153	-	1,335,816	-	1,356,969
Interest and Fiscal Charges	2,351	-	365,799	-	368,150
Capital Outlay	-	705,827	-	1,798,757	2,504,584
Total Expenditures	<u>16,245,731</u>	<u>8,347,998</u>	<u>1,701,615</u>	<u>3,003,598</u>	<u>29,298,942</u>
Excess (deficiency) of revenues over expenditures	4,457,767	(544,912)	164,672	(2,042,164)	2,035,363
Other Financing Sources and (Uses) including transfers					
Face amount of long-term debt issued	-	-	7,025,000	-	7,025,000
Payments to escrow agents for bond refundings	-	-	(6,944,905)	-	(6,944,905)
Debt issuance costs	-	-	(79,622)	-	(79,622)
Transfers In (Out)	(921,466)	-	-	921,466	-
Net Change in Fund Balances	3,536,301	(544,912)	165,145	(1,120,698)	2,035,836
Fund Balances, Beginning of year	<u>7,272,492</u>	<u>544,912</u>	<u>1,087,490</u>	<u>3,802,713</u>	<u>12,707,607</u>
Fund Balances, End of year	<u>\$ 10,808,793</u>	<u>\$ -</u>	<u>\$ 1,252,635</u>	<u>\$ 2,682,015</u>	<u>\$ 14,743,443</u>

Sheridan School District No. 2
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2022

**Amounts Reported for Governmental Activities in the
 Statement of Activities are Different Because:**

Net Change in Fund Balances of Governmental Funds	\$ 2,035,836
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	2,203,888
Depreciation expense	(1,882,150)
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.</p>	
	(161,082)
<p>The repayment of bond principal and capital lease obligations is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities</p>	
Bond principal	815,816
Capital lease obligations	21,153
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:</p>	
Accrued interest payable	10,023
Amortization of bond premiums	358,266
Amortization of loss on debt refunding	(94,087)
Accrued compensated absences	(12,113)
Net pension liability	11,851,336
Pension-related deferred outflows of resources	(4,494,850)
Pension-related deferred inflows of resources	(1,914,645)
Net OPEB liability	130,197
OPEB-related deferred outflows of resources	6,707
OPEB-related deferred inflows of resources	17,601
	8,891,896
Change in Net Position	\$ 8,891,896

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies

Sheridan School District No. 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 five 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 the District. 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.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District's more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

Based upon the application of this criteria, no additional organizations are included in the District's reporting entity.

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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported in a single column.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

Separate financial statements are provided for the governmental funds and the fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and have been recognized as revenues of the current year. 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. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, general obligation bond and capital lease debt service expenditures, as well as expenditures related to compensated absences, are recorded when payment is due.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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. In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources that are not required to be legally or by sound financial management to be accounted for in another fund.

The *Designated Purposes Grants Fund* accounts for restricted local, state, and federal grant revenues and the related expenditures which must be expended as designated by the grantor agency.

The *Debt Service Bond Redemption Fund* is a debt service fund. This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

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

Assets, Liabilities and Fund Balances/Net Position

Cash and Investments - Cash represents amounts on deposit with financial institutions or held by the District. 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 - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable, presented net of an allowance for uncollectible amounts and recorded as deferred inflows of resources in the fund financial statements. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Inventories - The cost of all inventories is recorded as an asset when individual items are purchased and as an expenditure when consumed. Food Services Fund inventories consist of purchased and donated commodities. Materials and supplies inventories are stated at cost. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at their estimated fair value on the date of receipt.

Interfund Receivables/Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*.

Capital Assets - Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value on the date of donation.

The costs of maintenance, repairs and minor renovations that do not add to the value of the assets or materially extend asset lives are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund.

The District'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:

Buildings and Improvements	5 -50 years
Equipment and Vehicles	5 – 25 years
Equipment – food services	5 - 20 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Unearned Revenues - Unearned revenues include grants received before eligibility requirements established by the provider have been met, and resources received by the District before it has a legal claim to them, including fees.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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. Long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Compensated Absences and Accumulated Leave - District policy allows accumulation of leave to a maximum of 180 days. Payment for unused leave days is made based 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.

These compensated absences are recognized as expenditures in the governmental funds when due. A long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

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

In addition to liabilities, the statement of financial position and the fund balance sheet report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources and the District's pension and OPEB plans.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Pensions - The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan 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 (FNP), and additions to/deductions from the FNP 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.

OPEB - The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP), and additions to/deductions from the FNP of the HCTF's 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.

Net Position/Fund Balances - 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 following fund balance categories:

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). This fund balance reporting is 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 - Amounts intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed. This fund balance reporting occurs by School Board Administration authority under the direction of the District's Chief Business Officer.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Unassigned - The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances. 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.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

Subsequent Events

The District has evaluated subsequent events through March 30, 2023, the date the financial statements were available to be issued.

Note 2: Cash and Investments

At June 30, 2022, the District had the following cash and investments:

Cash	\$	2,100
Deposits		650,064
Cash with County Treasurer		185,803
Local government investment pool		<u>15,545,385</u>
Total	\$	<u>16,383,352</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2022, the District had bank deposits of \$934,962 collateralized with securities held by the financial under the PDPA.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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.

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 2: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pools - At June 30, 2022, the District had \$15,545,385 invested in the Colorado Local Government Liquid Asset Trust (Colostrust). The pool is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Note 3: Interfund Balances and Transactions

Transactions between the various funds of the District can result in receivables and payables at year-end. Interfund receivable and payable balances at June 30, 2022 were:

	Due To				Total
	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	
Due From					
General	\$ -	\$ -	\$ -	\$ 98,480	\$ 98,480
Designated Purposes Grants	-	-	-	703,499	703,499
Debt Service Bond Redemption	67,453	-	-	-	67,453
Nonmajor Governmental	70,010	-	-	-	70,010
Total	<u>\$ 137,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,979</u>	<u>\$ 939,442</u>

During the course of normal operations, the District transfers resources between funds to finance various programs reported in other funds. During the year ended June 30, 2022 the District transferred \$921,466 from the General Fund to the Food Service (\$-) and Capital Projects – Capital Reserve (\$2,272,523) funds. In addition, the District closed its Technology Reserve fund during the year ended June 30, 2022 and transferred the entire balance of \$1,351,057.

Sheridan School District No. 2
Notes to Financial Statements
June 30, 2022

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2022, is summarized below.

Governmental Activities	Balance 6/30/21	Additions	Transfers	Deletions	Balance 6/30/22
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 344,685	\$ -	\$ -	\$ -	\$ 344,685
Construction in Progress	<u>1,140,596</u>	<u>2,070,701</u>	<u>(1,140,596)</u>	<u>-</u>	<u>2,070,701</u>
Total Capital Assets, <i>Not Being Depreciated</i>	<u>1,485,281</u>	<u>2,070,701</u>	<u>(1,140,596)</u>	<u>-</u>	<u>2,415,386</u>
<i>Capital Assets, Being Depreciated</i>					
Buildings and Site Improvements	60,294,422	77,052	1,140,596	-	61,512,070
Equipment and vehicles	6,747,458	50,545	-	-	6,798,003
Equipment - food services	<u>489,710</u>	<u>5,590</u>	<u>-</u>	<u>-</u>	<u>495,300</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>67,531,590</u>	<u>133,187</u>	<u>1,140,596</u>	<u>-</u>	<u>68,805,373</u>
<i>Less Accumulated Depreciation</i>					
Buildings and Site Improvements	(19,624,568)	(1,565,161)	(407,427)	-	(21,597,156)
Equipment and vehicles	(4,909,097)	(303,168)	407,427	-	(4,804,838)
Equipment - food services	<u>(433,421)</u>	<u>(13,821)</u>	<u>-</u>	<u>-</u>	<u>(447,242)</u>
	<u>(24,967,086)</u>	<u>(1,882,150)</u>	<u>-</u>	<u>-</u>	<u>(26,849,236)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>42,564,504</u>	<u>(1,748,963)</u>	<u>1,140,596</u>	<u>-</u>	<u>41,956,137</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 44,049,785</u>	<u>\$ 321,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,371,523</u>

Depreciation expense was charged to programs of the District as follows:

Instruction	\$ 1,798,479
Supporting Services	<u>83,671</u>
Total	<u>\$ 1,882,150</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2022.

Governmental Activities	Balance 6/30/21	Additions	Deletions	Balance 6/30/22	Due Within One Year
2012 GO BEST Bonds	\$ 4,341,598	\$ -	\$ (305,816)	\$ 4,035,782	\$ 315,008
2013 GO Refunding Bonds	7,960,065	-	(6,630,000)	1,330,065	125,000
2015 GO Refunding Bonds	3,410,000	-	(805,000)	2,605,000	835,000
2021 GO Refunding Bonds	-	7,025,000	(100,000)	6,925,000	50,000
Bond Premium	237,505	-	(170,443)	67,062	-
Capital Lease Obligations	39,303	-	(21,153)	18,150	18,150
Deferred Refunding	(440,531)	-	(314,690)	(755,221)	-
Compensated Absences	194,691	206,804	(194,691)	206,804	-
Total	\$ 15,742,631	\$ 7,231,804	\$ (8,541,793)	\$ 14,432,642	\$ 1,343,158

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

General Obligation Bonds

Series 2012 BEST Matching Bond

A General Obligation Bond (Series 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 was 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 used for the construction and improvement of District facilities.

Series 2013 General Obligation Refunding Bonds

On April 25, 2013, the District issued \$7,850,000 in General Obligation Refunding Bonds with interest from 2.00% to 3.5% to advance refund a portion of outstanding 2007 General Obligation Refunding Bonds bearing interest rates ranging from 4.10% to 5.0%. This issuance included \$7,820,000 of Current Interest Bonds and \$30,000 of Capital Appreciation Bonds. Bond principal is due beginning June 1, 2013, and each year thereafter. Property taxes collected by the Debt Service Fund are 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, the portion of the 2007 bonds is considered to be defeased and the liability for the issue has been removed from the District financial statements.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 5: Long-Term Debt (Continued)

Series 2013 General Obligation Refunding Bonds (Continued)

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.

A deferred refunding was recorded in the amount of \$1,414,800 due to the difference between the reacquisition price and the carrying amount of the old debt (including unamortized premium). The deferred refunding is 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 that bore 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 are 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.

A deferred refunding was recorded in the amount of \$335,406 due to the difference between the reacquisition price and the carrying amount of the old debt (including unamortized premium of \$547,675). The deferred refunding is amortized against the interest costs of 2015 refunding issue.

Series 2021 General Obligation Refunding Bonds

On September 28, 2021, the District issued \$7,025,000 in General Obligation Refunding Bonds with interest at 1.93% to advance refund the outstanding 2013 General Obligation Refunding Bonds that bore interest rates ranging from 4.10% to 5.00%. Bond principal is due beginning June 1, 2022, and each year thereafter. Property taxes collected by the Debt Service Fund are used to retire this bond issue. The maturity date of the bonds is June 1, 2032. Refunding proceeds were deposited with an escrow agent to provide debt service payments of \$7,025,000 in principal and \$897,755 in interest on the 2013 Series bonds refunded.

A deferred refunding was recorded in the amount of \$829,820 due to the difference between the reacquisition price and the carrying amount of the old debt. The deferred refunding is amortized against the interest costs of 2021 refunding issue.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 5: Long-Term Debt (Continued)

Series 2021 General Obligation Refunding Bonds (Continued)

Debt payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,325,008	\$ 497,483	\$ 1,822,491
2024	1,389,477	282,266	1,671,743
2025	1,402,939	276,017	1,678,956
2026	1,206,287	475,254	1,681,541
2027	1,188,972	487,570	1,676,542
2028-2032	7,959,577	489,889	8,449,466
2032-2036	423,587	6,366	429,953
Total	<u>\$ 14,895,847</u>	<u>\$ 2,514,845</u>	<u>\$ 17,410,692</u>

Advance Refunding

As mentioned previously, the District defeased its 2007 General Obligation Refunding 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, 2022, \$11,185,000 of bonds outstanding are considered defeased.

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 \$1,959.

The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2022, are as follows:

<u>Year Ended June 30,</u>	
2023	\$ 19,588
Total Future Minimum Lease Payments	19,588
Less: Interest	(1,438)
Present Value of Future Minimum Lease Payments	<u>\$ 18,150</u>

Sheridan School District No. 2
Notes to Financial Statements
June 30, 2022

Note 6: Fund Balances

Fund Balance classification by fund as of June 30, 2022 is as follows:

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 21,923	\$ 21,923
Prepaid Insurance	589,651	2,281	-	103	592,035
	589,651	2,281	-	22,026	613,958
Restricted					
TABOR (Emergencies)	614,467	-	-	-	614,467
Preschool	49,189	-	-	-	49,189
Debt service payments	-	-	1,252,635	-	1,252,635
BEST grant reserve	-	-	-	112,800	112,800
	663,656	-	1,252,635	112,800	2,029,091
Committed					
Risk management	442,335	-	-	-	442,335
Capital Projects	-	-	-	1,810,468	1,810,468
	442,335	-	-	1,810,468	2,252,803
Assigned					
Food Service	-	-	-	646,906	646,906
Unassigned					
	9,113,151	(2,281)	-	89,815	9,200,685
Total Fund Balance	<u>\$ 10,808,793</u>	<u>\$ -</u>	<u>\$ 1,252,635</u>	<u>\$ 2,682,015</u>	<u>\$ 14,743,443</u>

Note 7: 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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 7: Risk Management (Continued)

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, 2022.

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.

Note 8: Defined Benefit Pension Plan

General Information

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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefits provided as of June 30, 2022 - 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 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.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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

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

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum of 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) in place under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2022 - Eligible employees, 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 10.50% of their PERA-includable salary during the period of July 01, 2021 through June 30, 2022. The District's contribution rate was 20.90% of covered salaries for July 01, 2021 through June 30, 2022. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,671,763 for the year ended June 30, 2022.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

General Information (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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 at December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2022, the District reported a liability of \$25,001,909, for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District was as follows:

District Proportionate share of net pension liability	\$ 27,868,049
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the District	<u>(2,866,140)</u>
Proportionate share of the net pension liability	<u>\$ 25,001,909</u>

At December 31, 2021, the District's proportion was 0.2148416450%, which was a decrease of 0.0289292684% from its proportion measured at December 31, 2020.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2022, the District recognized pension benefit of \$7,095,539 and expense of \$685,150 for support from the State as a nonemployer contributing entity. At June 30, 2022, 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	\$ 957,179	\$ -
Changes of assumptions and other inputs	1,908,710	-
Net difference between projected and actual earnings on plan investments	-	9,399,970
Changes in proportion	3,368,208	8,317,619
Contributions subsequent to the measurement date	1,546,642	-
Total	\$ 7,780,739	\$ 17,717,589

\$1,546,642 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>			
2023		\$	(1,905,716)
2024			(4,026,716)
2025			(4,410,104)
2026			(1,140,956)
Total		\$	(11,483,492)

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

Actuarial Assumptions - The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post retirement benefit increases:	
Hired prior to 1/1/2007	1.00%
Hired after 12/31/2006	Financed by AIR

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the PubT-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
Total	100.00%	

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, 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 FNP and the subsequent AIR benefit payments were estimated and included in the projections.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

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

- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ <u>36,800,765</u>	\$ <u>25,001,909</u>	\$ <u>15,156,204</u>

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

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits

General Information

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

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

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

Enrollment in the PERACare health benefits program 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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

PERA Benefit Structure -

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

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

DPS Benefit Structure -

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Division are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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 was \$137,082 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$1,209,601 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2021. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2021, relative to the contributions of all participating employers to the HCTF.

At December 31, 2021, the District's proportion was 0.1402753143%, which was an increase of 0.0020707606% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$93,670. At June 30, 2022, 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	\$ 1,846	\$ 286,816
Changes in assumptions and other inputs	25,048	65,613
Net difference between projected and actual earnings on plan investments	-	74,869
Changes in proportion	85,673	14,655
Contributions subsequent to the measurement date	79,355	-
Total	<u>\$ 191,922</u>	<u>\$ 441,953</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

\$79,355 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>		
2023	\$	(94,382)
2024		(101,257)
2025		(81,384)
2026		(45,053)
2027		(15,456)
Thereafter		<u>8,146</u>
 Total	 \$	 <u><u>(329,386)</u></u>

Actuarial Assumptions - The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
<i>PERA Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
4.5% in 2021, 6.0% in 2022, gradually decreasing to 4.5% in 2029	
Medicare Part A premiums:	
3.75% in 2021, gradually increasing to 4.5% in 2029	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$633, Monthly Premium of \$230, Monthly Costs Adjusted to Age 65 of \$591.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$596, Monthly Premium of \$199, Monthly Costs Adjusted to Age 65 of \$562.

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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, 2020, 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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020, valuation 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 TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based on the upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions for the School Division were based on the upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- 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 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were adopted by the PERA's Board during the November 20, 2020, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (see Note 8).

Note: 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 nominal rate of return assumption of 7.25%.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, 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 3.00%.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 9: Postemployment Healthcare Benefits (Continued)

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

Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>1,404,825</u>	\$ <u>1,209,601</u>	\$ <u>1,042,846</u>

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability using the current healthcare cost trend rates applicable to the PERA benefit structure, ranging from 2.75% to 5.50%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$ <u>1,174,865</u>	\$ <u>1,209,601</u>	\$ <u>1,249,840</u>

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

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2022

Note 10: Commitments and Contingencies

Claims and Judgments

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. 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. At June 30, 2022, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Capital Reserve

The District was awarded a Building Excellent Districts Today (BEST) grant from the State of Colorado (See Note 5). In accordance with the related State statutes, the District is required to establish a capital reserve for the purpose of replacing major facility systems such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. At a minimum, the District must contribute \$100 per pupil in the impacted facilities annually to the capital reserve. The capital reserve balance was \$112,800 as of June 30, 2022.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The District is subject to the Amendment.

In November 1999, voters within the District authorized the District to collect, retain, and expend all excess revenues and other funds received from every source, without limitation, in the 1999-2000 budget year and each subsequent budget year thereafter without future voter approval, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

In accordance with the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2022, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$614,467.

Coronavirus Pandemic

During the year ended June 30, 2022, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The District has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Sheridan School District No. 2
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2022

	12/31/21	12/31/20	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability				
District's Proportion of the Net Pension Liability	0.2148416450%	0.2437709134%	0.2115409029%	0.2049556728%
Net Pension Liability				
District's Proportionate Share of the State's Proportionate Share	\$ 25,001,909 <u>2,866,140</u>	\$ 36,853,245 <u>-</u>	\$ 31,603,752 <u>4,008,534</u>	\$ 36,291,612 <u>4,962,374</u>
Total Proportionate Share	<u>27,868,049</u>	<u>\$ 36,853,245</u>	<u>\$ 35,612,286</u>	<u>\$ 41,253,986</u>
District's Covered Payroll	13,426,925	\$ 13,038,733	\$ 12,426,776	\$ 10,663,047
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	186%	283%	254%	340%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	67%	65%	44%
	6/30/22	6/30/21	6/30/20	6/30/19
District Contributions				
Statutorily Required Contribution	2,671,763	\$ 2,565,465	\$ 2,549,371	\$ 2,200,683
Contributions in Relation to the Statutorily Required Contribution	<u>(2,671,763)</u>	<u>(2,565,465)</u>	<u>(2,549,371)</u>	<u>(2,200,683)</u>
Contribution Deficiency (Excess)	<u>_____</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	13,439,457	\$ 12,904,749	\$ 13,154,653	\$ 11,503,833
Contributions as a Percentage of Covered Payroll	19.88%	19.88%	19.38%	19.13%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

Sheridan School District No. 2
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado School Division Trust Fund
June 30, 2022
(Continued)

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
District's Proportion of the Net Pension Liability	0.2455000000%	0.2477000000%	0.2455000000%	0.2568000000%	0.2778000000%
Net Pension Liability					
District's Proportionate Share of the State's Proportionate Share	\$ 79,390,254	\$ 72,868,157	\$ 37,539,888	\$ 34,810,369	\$ 35,438,567
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Proportionate Share	<u>\$ 79,390,254</u>	<u>\$ 72,868,157</u>	<u>\$ 37,539,888</u>	<u>\$ 34,810,369</u>	<u>\$ 35,438,567</u>
District's Covered Payroll	\$ 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 Covered Payroll	709%	654%	349%	324%	328%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
District Contributions					
Statutorily Required Contribution	\$ 2,044,977	\$ 1,899,959	\$ 1,806,221	\$ 1,728,454	\$ 1,740,308
Contributions in Relation to the Statutorily Required Contribution	<u>(2,044,977)</u>	<u>(1,899,959)</u>	<u>(1,806,221)</u>	<u>(1,728,454)</u>	<u>(1,740,308)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 11,195,685	\$ 11,150,147	\$ 10,754,911	\$ 10,749,750	\$ 11,499,037
Contributions as a Percentage of Covered Payroll	18.27%	17.04%	16.79%	16.08%	15.13%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Sheridan School District No. 2
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2022

	12/31/21
Proportionate Share of the Net OPEB Liability	
District's Proportion of the Net OPEB Liability	0.1402753143%
District's Proportionate Share of the Net OPEB Liability	\$ 1,209,601
District's Covered Payroll	\$ 13,426,925
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%
District's Contributions	
Statutorily Required Contribution	\$ 137,082
Contributions in Relation to the Statutorily Required Contribution	(137,082)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 13,439,457
Contributions as a Percentage of Covered Payroll	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Sheridan School District No. 2
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2022

	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Proportionate Share of the Net OPEB Liability					
District's Proportion of the Net OPEB Liability	0.1409979876%	0.1382045537%	0.1332567530%	0.1395000000%	0.1391000000%
District's Proportionate Share of the Net OPEB Liability	\$ 1,209,601	\$ 1,553,416	\$ 1,812,591	\$ 1,812,917	\$ 1,803,608
District's Covered Payroll	\$ 13,038,733	\$ 12,426,776	\$ 10,663,047	\$ 11,195,685	\$ 11,150,147
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	9%	13%	17%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	24%	17%	18%	17%
District's Contributions					
Statutorily Required Contribution	\$ 131,628	\$ 134,178	\$ 117,892	\$ 114,196	\$ 113,732
Contributions in Relation to the Statutorily Required Contribution	<u>(131,628)</u>	<u>(134,178)</u>	<u>(117,892)</u>	<u>(114,196)</u>	<u>(113,732)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 12,904,749	\$ 13,154,653	\$ 11,503,833	\$ 11,195,685	\$ 11,150,147
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Sheridan School District No. 2
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Property Taxes	\$ 7,154,600	\$ 8,225,866	\$ 9,100,946	\$ 875,080
Specific Ownership Taxes	863,171	793,549	893,548	99,999
Earnings on Investments	18,000	14,000	23,848	9,848
Tuition	110,892	120,000	196,976	76,976
Other Revenues	400,254	490,254	982,830	492,576
Total Local Sources	<u>8,546,917</u>	<u>9,643,669</u>	<u>11,198,148</u>	<u>1,554,479</u>
<i>Intergovernmental</i>				
State Equalization and Hold Harmless	7,648,305	6,684,088	6,754,054	69,966
Transportation	138,984	154,139	169,014	14,875
Vocational Education	-	91,456	-	(91,456)
Special Education	270,029	220,000	323,408	103,408
Additional At-Risk Funding	-	14,052	1,513,325	1,499,273
English Language Proficiency Act (ELPA)	141,201	76,469	76,469	-
Gifted and talented	29,468	30,113	30,113	-
Read Act	58,839	44,668	44,668	-
Other State Sources (CDE)	9,335	15,810	373,042	357,232
Total State Sources	<u>8,296,161</u>	<u>7,330,795</u>	<u>9,284,093</u>	<u>1,953,298</u>
<i>Federal Sources</i>				
Medicaid	225,000	225,000	221,257	(3,743)
Total Revenue	<u>17,068,078</u>	<u>17,199,464</u>	<u>20,703,498</u>	<u>3,504,034</u>
Expenditures				
<i>Instruction</i>				
	7,847,219	7,888,053	8,038,858	(150,805)
<i>Supporting Services</i>				
Student Support	411,597	715,024	694,825	20,199
Instructional Staff	725,162	1,146,506	298,394	848,112
General Administration	1,147,854	1,593,869	638,821	955,048
School Administration	1,459,045	1,658,733	1,450,168	208,565
Business Services	599,404	564,874	623,086	(58,212)
Operations and Maintenance	2,373,612	2,390,980	2,392,753	(1,773)
Student Transportation	671,404	712,970	698,386	14,584
Community Service	1,320,057	654,340	100,910	553,430
Central Support	3,760,420	3,747,592	1,285,671	2,461,921
Food Service	-	-	355	(355)
Total Supporting Services	<u>12,468,555</u>	<u>13,184,888</u>	<u>8,183,369</u>	<u>5,001,519</u>
<i>Debt Service</i>				
Principal	-	-	21,153	(21,153)
Interest and Fiscal Charges	-	-	2,351	(2,351)
Uninsured Losses or Claims	25,000	35,000	-	-
Other expenses	100,000	231,587	-	-
<i>Reserves</i>				
	-	-	-	-
Total Expenditures	<u>\$ 20,440,774</u>	<u>\$ 21,339,528</u>	<u>\$ 16,245,731</u>	<u>\$ 5,093,797</u>

(Continued)

Sheridan School District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2022
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Excess Revenues Over (Under) Expenditures	\$ (3,372,696)	(4,140,064)	4,457,767	\$ 8,597,831
Other Financing Sources (Uses)				
Transfers	<u>(1,201,174)</u>	<u>(1,201,174)</u>	<u>(921,466)</u>	<u>279,708</u>
Net Change in Fund Balance	(4,573,870)	(5,341,238)	3,536,301	8,877,539
Fund Balance, Beginning of year	<u>4,573,870</u>	<u>8,983,878</u>	<u>7,272,492</u>	<u>(1,711,386)</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ 3,642,640</u>	<u>\$ 10,808,793</u>	<u>\$ 7,166,153</u>

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Grants Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Federal Sources	\$ 7,922,673	\$ 7,922,673	\$ 6,749,824	\$ (1,172,849)
State Sources	1,765,667	1,762,667	1,052,955	(709,712)
Local Sources	59,456	118,518	307	(118,211)
Total Revenues	9,747,796	9,803,858	7,803,086	(2,000,772)
Expenditures				
Instruction	5,399,932	4,411,736	3,449,763	961,973
Supporting Services				
Student Support	4,347,864	5,392,122	1,722,123	3,669,999
Instructional Staff	-	-	1,423,392	(1,423,392)
General Administration	-	-	118,190	(118,190)
School Administration	-	-	205,960	(205,960)
Business Services	-	-	-	-
Operations and Maintenance	-	-	318,381	(318,381)
Student Transportation	-	-	21,071	(21,071)
Community Services	-	-	115,099	(115,099)
Central Support	-	-	218,138	(218,138)
Supplies and Materials	-	-	50,054	(50,054)
Capital Outlay	-	-	705,827	(705,827)
Total Expenditures	9,747,796	9,803,858	8,347,998	1,455,860
Net Change in Fund Balance	-	-	(544,912)	(544,912)
Fund Balance, Beginning of year	-	-	544,912	544,912
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ -

Sheridan School District No. 2
Notes to Required Supplementary Information
June 30, 2022

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2022, the total pension liability was determined by an actuarial valuation as of December 31, 2020. The following revised economic and demographic assumptions were effective as of December 31, 2020.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.3% per year. This assumption decreased from 2.4% from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.0% per year. This assumption decreased from 3.5% in the prior year.
- Healthy and disabled mortality assumptions are based on the PubT-2010 Employee Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reported in the financial statements.

- Management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year-end.

Supplementary Information

Sheridan School District No. 2
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue			Total
	Food Service	Pupil Activity	Capital Reserve	
Assets				
Cash and Investments	\$ -	\$ 159,825	\$ 1,608,273	\$ 1,768,098
Accounts Receivables	36,544	-	-	36,544
Interfund Receivables	624,447	-	314,995	939,442
Inventories	21,923	-	-	21,923
Prepaid Expenditure	-	103	-	103
	<u>-</u>	<u>103</u>	<u>-</u>	<u>103</u>
 Total Assets	 <u>\$ 682,914</u>	 <u>\$ 159,928</u>	 <u>\$ 1,923,268</u>	 <u>\$ 2,766,110</u>
 Liabilities and Fund Balances				
<i>Liabilities</i>				
Accounts Payable	\$ 14,085	\$ -	\$ -	\$ 14,085
Interfund Payables	-	70,010	-	70,010
	<u>-</u>	<u>70,010</u>	<u>-</u>	<u>70,010</u>
Total Liabilities	<u>14,085</u>	<u>70,010</u>	<u>-</u>	<u>84,095</u>
 <i>Fund Balances</i>				
Nonspendable Inventories	21,923	103	-	22,026
Restricted	-	-	112,800	112,800
Committed	-	-	1,810,468	1,810,468
Assigned	646,906	89,815	-	736,721
	<u>646,906</u>	<u>89,815</u>	<u>-</u>	<u>736,721</u>
Total Fund Balances	<u>668,829</u>	<u>89,918</u>	<u>1,923,268</u>	<u>2,682,015</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 682,914</u>	 <u>\$ 159,928</u>	 <u>\$ 1,923,268</u>	 <u>\$ 2,766,110</u>

Sheridan School District No. 2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2022

	Special Revenue		Capital Projects		Total
	Food Service	Student Activity	Technology	Capital Reserve	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	834,004	-	-	-	834,004
Earnings on Investments	-	-	-	1,718	1,718
Other	23,165	102,547	-	-	125,712
Total Revenues	<u>857,169</u>	<u>102,547</u>	<u>-</u>	<u>1,718</u>	<u>961,434</u>
Expenditures					
Current					
Instruction	-	115,391	-	66	115,457
Supporting Services					
Business services	-	-	-	3,214	3,214
Operations and maintenance	137	-	-	386,271	386,408
Student transportation	-	-	-	8,372	8,372
Food Service	691,390	-	-	-	691,390
Debt service					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlays	-	-	-	1,798,757	1,798,757
Total Expenditures	<u>691,527</u>	<u>115,391</u>	<u>-</u>	<u>2,196,680</u>	<u>3,003,598</u>
Revenues Over (Under) Expenditures	165,642	(12,844)	-	(2,194,962)	(2,042,164)
Other Financing Sources and (Uses)					
Face amount of long-term debt issued	-	-	-	-	-
Payments to escrow agents for bond refundings	-	-	-	-	-
Debt issuance costs	-	-	-	-	-
Transfers In (Out)	-	-	(1,351,057)	2,272,523	921,466
Net Change in Fund Balance	<u>165,642</u>	<u>(12,844)</u>	<u>(1,351,057)</u>	<u>77,561</u>	<u>(1,120,698)</u>
Fund Balances, Beginning of year	<u>503,187</u>	<u>102,762</u>	<u>1,351,057</u>	<u>1,845,707</u>	<u>3,802,713</u>
Fund Balances, End of year	<u>\$ 668,829</u>	<u>\$ 89,918</u>	<u>\$ -</u>	<u>\$ 1,923,268</u>	<u>\$ 2,682,015</u>

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Food Service Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Food Sales	\$ 1,000	\$ 16,462	\$ 21,321	\$ 4,859
Contributions and Donations	9,222	30,299	1,844	(28,455)
<i>State Sources</i>				
State Revenue	9,222	30,299	20,954	(9,345)
<i>Federal Sources</i>				
Federal Revenue	300,000	-	622,805	622,805
USDA Commodity Food Program	50,000	7,725	-	(7,725)
USDA Reimbursements	-	506,268	190,245	(316,023)
Total Revenues	<u>369,444</u>	<u>591,053</u>	<u>857,169</u>	<u>266,116</u>
Expenditures				
Salaries	263,279	319,131	351,605	(32,474)
Benefits	129,476	98,514	111,736	(13,222)
Equipment	28,500	28,000	296	
Purchased Services	11,513	37,000	9,362	27,638
Supplies and materials	288,044	438,698	218,391	220,307
School Administration	-	-	137	(137)
Total Expenditures	<u>720,812</u>	<u>921,343</u>	<u>691,527</u>	<u>229,816</u>
Excess of Revenues Over (Under) Expenditures	(351,368)	(330,290)	165,642	495,932
Other Financing Sources				
Transfers	<u>279,708</u>	<u>279,708</u>	<u>0</u>	<u>(279,708)</u>
Net Change in Fund Balance	(71,660)	(50,582)	165,642	216,224
Fund Balance, Beginning of year	<u>80,882</u>	<u>80,882</u>	<u>503,187</u>	<u>422,305</u>
Fund Balance, End of year	<u>\$ 9,222</u>	<u>\$ 30,300</u>	<u>\$ 668,829</u>	<u>\$ 638,529</u>

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Student Activity Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Other Rev	\$ 15,000	\$ 15,000	\$ 102,547	\$ 87,547
Total Revenues	15,000	15,000	102,547	87,547
Expenditures				
Instruction	67,935	67,935	115,391	(47,456)
Total Expenditures	67,935	67,935	115,391	(47,456)
Net Change in Fund Balance	(52,935)	(52,935)	(12,844)	40,091
Fund Balance, Beginning of year	52,935	52,935	102,762	49,827
Fund Balance, End of year	-	-	\$ 89,918	\$ 89,918

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Bond Redemption Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Property Taxes	\$ 1,680,000	\$ 1,866,015	\$ 1,866,249	\$ 234
Earnings on Investments	4,500	1,800	38	(1,762)
Total Revenues	1,684,500	1,867,815	1,866,287	(1,528)
Expenditures				
Debt Service				
Principal	1,235,816	1,320,131	1,335,816	(15,685)
Interest and Fiscal Charges	501,483	600,483	365,799	234,684
Reserves	963,217	963,217	-	963,217
Total Expenditures	2,700,516	2,883,831	1,701,615	1,182,216
Excess (deficiency) of revenues over expenditures	(1,016,016)	(1,016,016)	164,672	1,182,216
Other Financing Sources and (Uses) including transfers				
Face amount of long-term debt issued	-	-	7,025,000	(7,025,000)
Payments to escrow agents for bond refundings	-	-	(6,944,905)	6,944,905
Debt issuance costs	-	-	(79,622)	79,622
Net Change in Fund Balance	(1,016,016)	(1,016,016)	165,145	1,181,161
Fund Balance, Beginning of year	1,016,016	1,016,016	1,087,490	71,474
Fund Balance, End of year	\$ -	\$ -	\$ 1,252,635	\$ 1,252,635

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Technology Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Earnings on Investments	\$ 15,023	\$ 15,023	\$ -	\$ (15,023)
Total Revenues	15,023	15,023	-	(15,023)
Expenditures				
Capital Outlay	25,000	25,000	-	25,000
Reserves	1,340,881	1,340,881	-	1,340,881
Total Expenditures	1,365,881	1,365,881	-	1,365,881
Revenues Over (Under) Expenditures	(1,350,858)	(1,350,858)	-	1,350,858
Other Financing Sources and (Uses)				
Transfers In (Out)	-	-	(1,351,057)	(1,351,057)
Net Change in Fund Balance	(1,350,858)	(1,350,858)	(1,351,057)	(199)
Fund Balance, Beginning of year	1,350,858	1,350,858	1,351,057	199
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ -

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Capital Reserve Fund
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Earnings on Investments	\$ -	\$ -	\$ 1,718	\$ 1,718
Total Revenues	<u>-</u>	<u>-</u>	<u>1,718</u>	<u>1,718</u>
Expenditures				
Instruction	-	-	66	(66)
Business services	-	-	3,214	(3,214)
Operations and Maintenance	140,000	225,588	386,271	(160,683)
Student transportation	-	-	8,372	(8,372)
Capital Outlay	2,382,902	2,545,879	1,798,757	747,122
Reserves	500,000	500,000	-	500,000
Total Expenditures	<u>3,022,902</u>	<u>3,271,467</u>	<u>2,196,680</u>	<u>1,074,787</u>
Excess of Revenues Over (Under) Expenditures	(3,022,902)	(3,271,467)	(2,194,962)	1,076,505
Transfers	<u>672,901</u>	<u>921,466</u>	<u>2,272,523</u>	<u>1,351,057</u>
Net Change in Fund Balance	(2,350,001)	(2,350,001)	77,561	2,427,562
Fund Balance, Beginning of year	<u>2,350,001</u>	<u>2,350,001</u>	<u>1,845,707</u>	<u>(504,294)</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,923,268</u>	<u>\$ 1,923,268</u>

Compliance Section

Single Audit



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**Independent Auditor's Report on Internal Control Over
Financial Reporting and On Compliance and Other Matters
Based on An Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 2 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, and have issued our report thereon dated March 30, 2023.

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 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 over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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.

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Our consideration of the District's internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Hick & Company, PC

Englewood, Colorado
March 30, 2023





**Independent Auditor's Report on Compliance for Each
Major Federal Program, Internal Control Over Compliance,
And the Schedule of Expenditures of Federal Awards
Required by The Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sheridan School District No. 2's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District. We issued our report thereon dated March 30, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
March 30, 2023



Sheridan School District No. 2
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

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 accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes 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 No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
84.425C	
84.425D	
84.425U	
84.425W	Education Stabilization Fund Cluster

Dollar threshold used to distinguish
 Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Sheridan School District No. 2
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Award Findings and Questioned Costs

No current year findings or questioned costs were reported.

Sheridan School District No. 2
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Findings Required to be reported by the Uniform Guidance

No matters are reportable.

Sheridan School District No. 2
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development (HUD)				
<i>Passed through Colorado Department of Local Affairs for the benefit of the Division of Housing State Library Program</i>				
	14.231	7231	\$ 88,602	\$ -
Total U.S. Department of Housing and Urban Development (HUD)			<u>88,602</u>	<u>-</u>
National Endowment for the Humanities				
<i>Passed through Colorado Department of Education State Library Program</i>				
	45.310	7218	5,110	-
Total National Endowment for the Humanities			<u>5,110</u>	<u>-</u>
U.S. Department of Treasury				
<i>Passed through Colorado Department of Education Coronavirus Relief Funds (CRF)</i>				
	21.019	4012	(20,894)	-
Total U.S. Department of Treasury			<u>(20,894)</u>	<u>-</u>
U.S. Department of Education				
<i>Passed through Colorado Department of Education Special Education Cluster</i>				
<i>Individuals with Disabilities Education Act, Part B (IDEA)</i>				
	84.027	4027	301,956	-
<i>ARP: Special Education: Grants to States IDEA Part B</i>				
	84.027	6027	56,136	-
<i>Individuals with Disabilities Education Act, Part B (IDEA)</i>				
	84.173	4173	11,872	-
<i>ARP: Individuals with Disabilities Education Act (IDEA): Special Education: Preschool Grants</i>				
	84.173	6173	3,562	-
Special Education Cluster Total			<u>373,526</u>	<u>-</u>
<i>Every Student Succeeds Act (ESSA), Title I, Part A</i>				
	84.010	4010	674,389	-
<i>Every Student Succeeds Act (ESSA), Title I, Part A - School Improvement Grants</i>				
	84.010	5010	122,299	-
ESSA Title I Total			<u>796,688</u>	<u>-</u>
<i>Every Student Succeeds Act (ESSA), Title II, Part A</i>				
	84.365	4365	27,208	-
<i>Every Student Succeeds Act (ESSA), Title III, Part A -Title III Set Aside</i>				
	84.365A	7365	2,662	-
<i>Every Student Succeeds Act (ESSA), Title III, Part A - English Language Acquisition</i>				
	84.367	4367	55,221	-
<i>Every Student Succeeds Act (ESSA), Title IV-A</i>				
	84.424A	4424	50,454	-
<i>McKinney-Vento Education for Homeless Children and Youth</i>				
	84.196	5196	91,378	-
<i>Education Stabilization Fund Cluster</i>				
<i>ESSER I</i>				
	84.425D	4425	166,196	-
<i>ESSER II</i>				
	84.425D	4420	890,515	-
<i>ESSER II - IDEA Supplemental</i>				
	84.425D	4419	3,430	-
<i>ESSER III</i>				
	84.425U	4414	1,635,669	-
<i>ESSER III - 20% Set aside for Learning Lose</i>				
	84.425U	9414	237,614	-
<i>Connecting Colorado Student Grant</i>				
	84.425D	5525	3,642	-
<i>Governor's Emergency Education Relief Fund - CSI Recalculation Funding</i>				
	84.425C	6425	11,898	-
<i>American Rescue Plan - Homeless Children and Youth</i>				
	84.425W	8425	868	-
Education Stabilization Fund Cluster Total			<u>2,949,832</u>	<u>-</u>
<i>Colorado Comprehensive State Literacy</i>				
	84.371C	5371	157,452	-
Total U.S. Department of Education			<u>4,504,421</u>	<u>-</u>
U.S. Department of Health and Human Services				
<i>Direct assistance</i>				
<i>Head Start</i>				
	93.600	8600	2,264,930	-
<i>Passed through Colorado Department of Education</i>				
<i>Improving Student Health And Academic Achievement Through Nutrition, Physical Activity And The Management Of Chronic Conditions In Schools</i>				
	93.981	7981	16,189	-
<i>CDPHE Vaccine COVID Testing Fees</i>				
	93.323	7323	57	-
Total U.S. Department of Health and Human Services			<u>2,281,176</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 6,858,415</u>	<u>\$ -</u>

Sheridan School District No. 2
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards 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*, using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

Note 2: Indirect Costs

The District does not charge the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 3: Subrecipients

The District passed through federal funds to two sub-recipients during the year ended June 30, 2022.

State Compliance



Colorado Department of Education

Auditors Integrity Report

District: 0123 - Sheridan 2

Fiscal Year 2021-22

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	6,700,864		18,731,710	15,115,305		10,317,269
18 Risk Mgmt Sub-Fund of General Fund	584,451		549,531	691,646		442,335
19 Colorado Preschool Program Fund	90		487,887	438,788		49,189
Sub-Total	7,285,404		19,769,128	16,245,740		10,808,793
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	503,187		857,169	691,527		668,829
22 Govt Designated-Purpose Grants Fund	544,912		7,803,086	8,347,998		0
23 Pupil Activity Special Revenue Fund	102,962		102,347	115,391		89,918
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	1,087,490		8,891,288	8,726,142		1,252,636
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	3,196,764		923,184	2,196,679		1,923,268
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
Totals	12,720,720		38,346,201	36,323,477		14,743,444
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

DRAFT

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