

Sheridan School District No. 2

Financial Statements
with Independent Auditor's Report

June 30, 2023



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, 2023, 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, 2023, 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, auditor's integrity report and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 February 12, 2024, on our consideration of The District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
February 12, 2024



Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

As management of the Arapahoe County School District #2 (Sheridan School District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Sheridan Schools for the fiscal year ended June 30, 2023. 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, 2023, by \$10.8 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 \$2.3 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 liabilities increased by \$5.37 million as a result of changes in OPEB, Net Pension Liability, and debt.
- The total cost of Governmental Activities increased from \$21 million to \$30.6 million as a result of additional investments in Instruction and Instructional Staff to support our students, as well as increased investments in district buildings and grounds maintenance.
- General Revenues increased slightly to \$20 million, mostly due to an increase in property tax revenue.

Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the district's annual report and basic financial statements. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and combining and individual fund statements and schedules. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-Wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-Wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.

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 21-23 of this report.

Sheridan School District #2

Management's Discussion and Analysis

As of and For the Fiscal Year Ended June 30, 2023

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 30-62 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, 2023, increased \$2.3 million to \$10.8 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.

Sheridan School District #2

Management's Discussion and Analysis

As of and For the Fiscal Year Ended June 30, 2023

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

- Current and other assets decreased by \$5.1 million, primarily from a decrease in cash and cash equivalents.
- Capital assets increased \$1.4 million, as a result of new construction and projects.
- Deferred outflows related to pension and OPEB increased \$0.5 million. Deferred outflows related to charges on refunding decreased \$121,908.
- Deferred outflows related to other post-employment benefits was \$234,926.
- The net pension liability increased \$8.3 million due to the District's proportionate share of PERA's unfunded pension liability.
- Net position increased \$2.3 million.

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

	6/30/2023	6/30/2022	6/30/2021
Assets			
Current Assets	13,335,495	18,457,208	14,987,670
Capital Assets	45,759,724	44,371,523	44,049,785
Total Assets	59,095,219	62,828,731	59,037,455
Deferred Outflow of Resources	9,154,176	8,727,882	13,310,112
Liabilities			
Current Liabilities	3,205,080	3,063,914	3,212,440
Long-Term Liabilities	46,770,674	41,399,373	53,307,059
Total Liabilities	49,975,754	44,463,287	56,519,499
Deferred Inflow of Resources	7,473,512	18,635,860	16,262,498
Net Position			
Invested in Capital			
Net of Related Debt	32,788,837	30,145,685	28,722,799
Restricted	1,932,075	2,029,091	2,978,009
Unrestricted (Deficit)	(23,920,783)	(23,717,310)	(32,135,238)
Total Net Position	10,800,129	8,457,466	(434,430)

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

- Revenues of \$33 million exceeded expenditures of \$30.6 million, resulting in a \$2.3 million increase in net position. Total revenue increased \$2.9 million from revenues of the prior year primarily due to increased gain in property tax revenues and an increase in operating contributions and restricted investment earnings. Total expenses increased \$9.4 million primarily due to an increase in instructional expenditures, and investments into capital improvement projects throughout the district.

Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

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

Table 2			
Statement of Activities			
	Governmental Activities		
	6/30/2023	6/30/2022	6/30/2021
Revenues			
Program Revenues			
Charges for Services	284,116	320,844	180,572
Operating grants and contributions	12,266,335	9,990,189	10,148,886
Capital grants/restricted investment earnings	4,781	349,336	657,823
Subtotal Program Revenues	12,555,232	10,660,369	10,987,281
General Revenues			
Local Property Taxes	11,354,627	10,806,113	10,597,611
Specific Ownership Tax	863,848	893,548	881,721
State Equalization	6,920,088	6,754,054	7,481,723
Earnings on Investments	332,789	25,604	15,997
Other	927,981	984,981	544,246
Subtotal General Revenues	20,399,333	19,464,300	19,521,298
Total Revenues	32,954,565	30,124,669	30,508,579
Expenses			
Instruction	13,701,541	10,344,990	5,972,363
Students	2,138,373	1,390,546	1,525,716
Instructional Staff	3,671,542	2,016,331	3,345,730
General administration	937,971	747,795	818,285
School administration	1,902,204	1,275,821	887,960
Business	679,036	488,375	432,770
Operations and Maintenance	3,371,801	1,465,561	2,512,215
Student transportation	686,190	579,689	580,331
Community Service	592,960	169,407	200,991
Central	1,575,700	1,404,574	1,478,387
Food service operations	980,401	736,209	658,930
Debt Service	374,183	613,475	622,109
Total Expenses	30,611,902	21,232,773	19,035,787
 Change in Net Position	 2,342,663	 8,891,896	 11,472,792
 Beginning Net Positions	 8,457,466	 (434,430)	 (11,907,222)
 Ending Net Position	 10,800,129	 8,457,466	 (434,430)

Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

Table 3
Sources of Revenue for Fiscal Year 2023

Table 3 - Revenues for Fiscal Year 2023

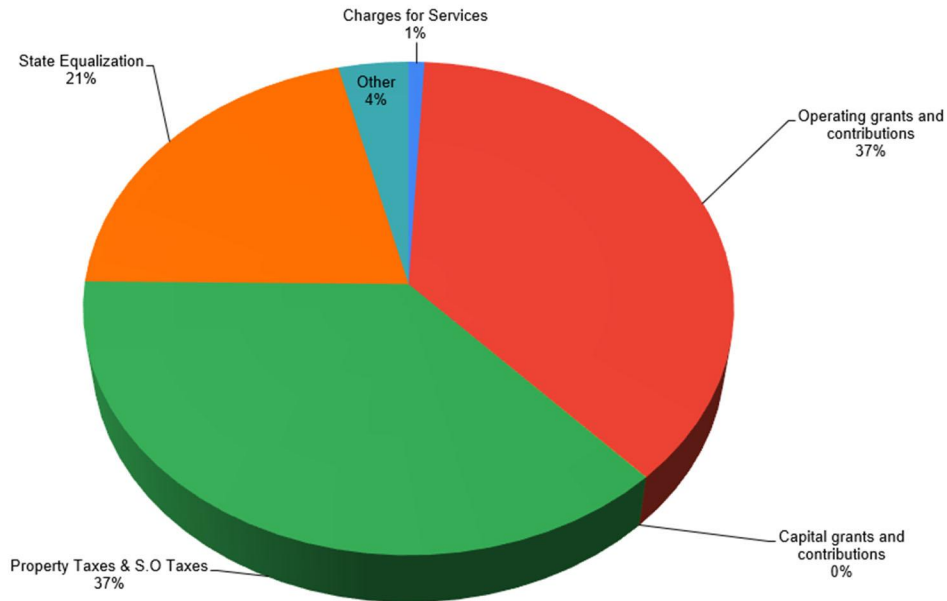
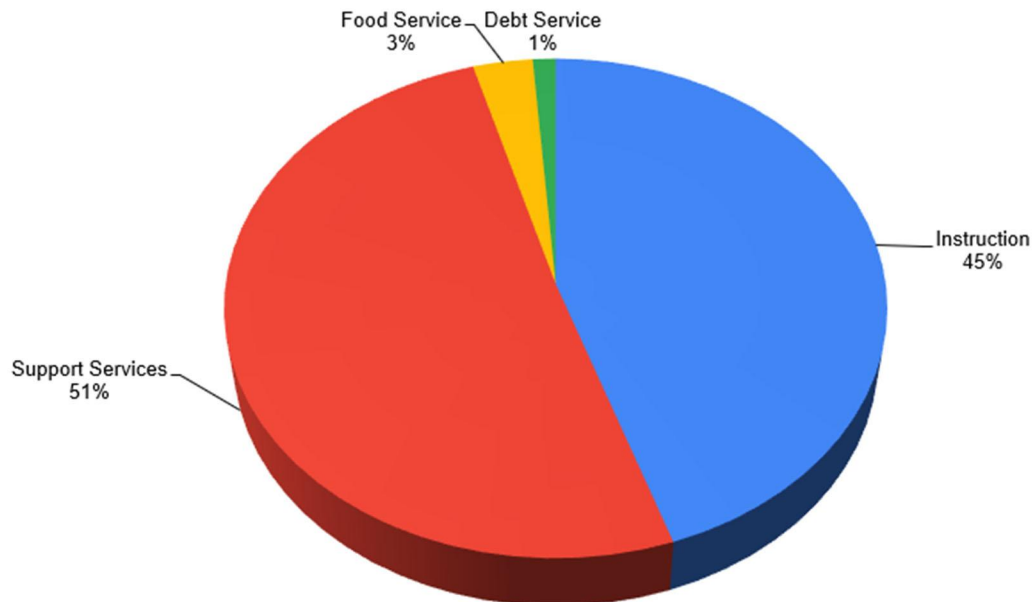


Table 4
Expenditures for Fiscal Year 2023



Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

Governmental Activities

Revenues increased by \$2.8 million, or 9.39%, to \$32.9 million. Total expenses and transfers increased \$9.4 million to \$30.6 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 \$12.5 million are a much smaller funding source for public school district governmental activities, representing only 38 percent of total revenues of \$32.9 million.

Table 5
Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	6/30/2023	6/30/2022	6/30/2021	6/30/2023	6/30/2022	6/30/2021
Instruction	13,701,541	10,344,990	5,972,363	3,319,024	417,433	(3,767,286)
Students	2,138,373	1,390,546	1,525,716	1,767,596	1,217,058	1,525,716
Instructional Staff	3,671,542	2,016,331	3,345,730	3,612,866	2,062,639	3,345,730
General Administration	937,971	747,795	818,285	922,245	757,916	818,285
School Administration	1,902,204	1,275,821	887,960	1,837,046	1,317,521	887,960
Business	679,036	488,375	432,770	658,085	503,027	432,770
Operations and Maintenance	3,371,801	1,465,561	2,512,215	3,311,789	1,155,757	1,854,392
Student Transportation	686,190	579,689	580,331	490,408	432,796	426,192
Central	592,960	169,407	1,478,387	572,732	175,726	1,478,387
Community Service	1,575,700	1,404,574	200,991	1,557,701	1,415,367	200,991
Food Service Operations	980,401	736,209	658,930	367,005	503,689	223,260
Interest	374,183	613,475	622,109	374,183	613,475	622,109
Total	30,611,902	21,232,773	19,035,787	18,790,680	10,572,404	8,048,506

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 \$30.6 million.
- Federal and State governments subsidized certain programs with operating/capital grants and contributions amounting to just under \$12.3 million.
- Most of the net cost of \$18.79 million, was financed by state and local taxpayers with general revenues.
- Net cost of governmental services increased \$8.2 million, or 56 percent, from \$10.6 million in the previous year to \$18.76 million.
- General revenues of \$20.4 million, consisting of \$12.2 million in property and specific ownership taxes; \$6.9 million in state equalization aid; and \$1.26 million in interest earnings and other revenue.

Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

Financial Analysis of the District's Governmental Funds

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

Information about the District's funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$32.8 million and expenditures of \$36.5 million. We had a \$3.3 million decrease in our general fund balance due to a transfer to the capital projects fund for district capital improvements such as building of a career and technical education trades building, resurfacing of parking lots, renovation of the auditorium, and other district-wide maintenance projects. We had a decrease of \$82,819 in our Capital Reserve and Technology Fund, a decrease of \$103,503 in our Debt Services fund, a decrease of \$5,789 in our Student Activity funds, and a decrease of \$149,703 in our Food Services Fund. Our transfer to the Insurance Reserve Fund increased due to an increase in premium for our property insurance.

General Fund Budgetary Highlights

Annually, the District approves a budget in June based on enrollment projections for the following school year. In January, the District revised the annual operating budget approved by the District's Board of Education in June, 2022. 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, 2022 was \$10.8 million, compared to \$7.496 million as of June 30, 2023.

Capital Assets

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

Table 6
Capital Assets (net of depreciation)

	6/30/2023	6/30/2022	6/30/2021
Land	344,685	344,685	344,685
Construction in Progress	2,619,922	2,070,701	1,140,596
Building & Site Improvements	41,175,126	39,914,914	40,669,854
Equipment & Vehicles	1,619,991	2,041,223	1,894,650
Total	45,759,724	44,371,523	44,049,785

Sheridan School District #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

Long-Term Debt

As of year-end, the district had \$13 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, 2023 consisted of the bonds for BEST grants of \$3.72 million, 2013 general obligation refunding bonds of \$1.2 million, 2015 general obligation refunding bonds of \$1.77 million, and the 2021 general obligation bonds of \$6.875 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

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Governmental Activities:			
<i>Bonds Payable</i>	13,038,876	14,432,642	15,742,631
Total	13,038,876	14,432,642	15,742,631

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 increased 1.25% for the school division effective July 1, 2021. The District's contribution increased from 20.9% for the 2021-2022 fiscal year to 21.4% for the 2022-2023 fiscal year. In addition, employee contributions increased from 10% to 11%, which makes PERA employment less attractive to younger employees. Further increases to employee contributions are not anticipated for the 2023/2024 school year.
- 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 #2
Management's Discussion and Analysis
As of and For the Fiscal Year Ended June 30, 2023

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, 2023

	Governmental Activities
Assets	
Cash and Investments	\$ 11,889,641
Accounts Receivable	1,050,866
Taxes Receivable	351,801
Inventories	40,906
Prepaid Insurance	2,281
Capital Assets, <i>Not Being Depreciated</i>	2,964,607
Capital Assets, <i>Net of Accumulated Depreciation</i>	42,795,117
Total Assets	<u>59,095,219</u>
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	633,313
OPEB, <i>Net of Accumulated Amortization</i>	234,926
Pensions, <i>Net of Accumulated Amortization</i>	8,285,937
Total Deferred Outflows of Resources	<u>9,154,176</u>
Liabilities	
Accounts Payable	558,744
Accrued Salaries and Benefits	1,180,924
Accrued Interest Payable	75,935
Noncurrent Liabilities	
Due Within One Year	1,389,477
Due in More Than One Year	12,282,712
Net OPEB Liability	1,135,453
Net Pension Liability	33,352,509
Total Liabilities	<u>49,975,754</u>
Deferred Inflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	409,870
Pensions, <i>Net of Accumulated Amortization</i>	6,909,340
Deferred Grant Revenue	154,302
Total Deferred Inflows of Resources	<u>7,473,512</u>
Net Position	
Net Investment in Capital Assets	32,788,837
Restricted	1,967,035
Unrestricted	<u>(23,955,743)</u>
Total Net Position	<u>\$ 10,800,129</u>

Sheridan School District No. 2
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 13,701,541	\$ 242,838	\$ 10,139,679	\$ -	\$ (3,319,024)
Supporting Services					
Student support	2,138,373	-	370,777	-	(1,767,596)
Instructional staff	3,671,542	-	58,676	-	(3,612,866)
General administration	937,971	-	15,726	-	(922,245)
School administration	1,902,204	-	65,158	-	(1,837,046)
Business services	679,036	-	20,951	-	(658,085)
Operations and maintenance	3,371,801	-	55,231	4,781	(3,311,789)
Student transportation	686,190	-	195,782	-	(490,408)
Community services operations	592,960	-	20,228	-	(572,732)
Central and other support services	1,575,700	-	17,999	-	(1,557,701)
Food Service	980,401	41,278	1,306,128	-	367,005
Interest on Long-Term Debt	374,183	-	-	-	(374,183)
Total Governmental Activities	\$ 30,611,902	\$ 284,116	\$ 12,266,335	\$ 4,781	(18,056,670)
General Revenues					
Local Property Taxes					11,354,627
Specific Ownership Taxes					863,848
State Equalization					6,920,088
Investment Income					332,789
Other					927,981
Total General Revenues					20,399,333
Change in Net Position					2,342,663
Net Position, Beginning of Year					8,457,466
Net Position, End of Year					\$ 10,800,129

Sheridan School District No. 2
Balance Sheet
Governmental Funds
June 30, 2023

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Assets					
Cash and cash equivalents	\$ 8,900,782	\$ -	\$ 1,149,132	\$ 1,839,727	\$ 11,889,641
Accounts Receivable	6,782	964,947	-	79,137	1,050,866
Taxes Receivable	272,693	-	79,108	-	351,801
Interfund Receivables	-	-	-	623,857	623,857
Inventories	-	-	-	40,906	40,906
Prepaid Expenditure	-	2,281	-	-	2,281
Total Assets	<u>\$ 9,180,257</u>	<u>\$ 967,228</u>	<u>\$ 1,228,240</u>	<u>\$ 2,583,627</u>	<u>\$ 13,959,352</u>
Liabilities					
Accounts Payable	\$ 464,836	\$ 93,805	\$ -	\$ 103	\$ 558,744
Accrued Salaries and Benefits	771,501	373,702	-	35,721	1,180,924
Unearned Revenues	26,952	127,350	-	-	154,302
Interfund Payables	147,384	372,374	-	104,099	623,857
Total Liabilities	<u>1,410,673</u>	<u>967,231</u>	<u>-</u>	<u>139,923</u>	<u>2,517,827</u>
Deferred Inflows of Resources					
Property Taxes	272,693	-	79,108	-	351,801
Fund Balances					
Nonspendable Inventories	-	2,281	-	40,906	43,187
Restricted	817,903	-	1,149,132	-	1,967,035
Committed	414,389	-	-	1,840,449	2,254,838
Assigned	-	-	-	478,220	478,220
Unassigned	6,264,599	(2,284)	-	84,129	6,346,444
Total Fund Balances	<u>7,496,891</u>	<u>(3)</u>	<u>1,149,132</u>	<u>2,443,704</u>	<u>11,089,724</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,180,257</u>	<u>\$ 967,228</u>	<u>\$ 1,228,240</u>	<u>\$ 2,583,627</u>	<u>\$ 13,959,352</u>

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, 2023

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

Total Fund Balances of Governmental Funds	\$ 11,089,724
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	45,759,724
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.	351,801
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	633,313
Accrued interest payable	(75,935)
Bonds payable	(13,570,839)
Bonds premiums	(33,361)
Capital leases payable	-
Accrued compensated absences	(67,989)
Net pension liability	(33,352,509)
Pension-related deferred outflows of resources	8,285,937
Pension-related deferred inflows of resources	(6,909,340)
Net OPEB liability	(1,135,453)
OPEB-related deferred outflows of resources	234,926
OPEB-related deferred inflows of resources	<u>(409,870)</u>
Total Net Position of Governmental Activities	<u>\$ 10,800,129</u>

Sheridan School District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Revenues					
Taxes	\$ 10,660,288	\$ -	\$ 1,460,543	\$ -	\$ 12,120,831
Intergovernmental	9,082,894	9,370,784	-	697,663	19,151,341
Earnings on Investments	238,682	-	50,985	43,122	332,789
Other	1,100,892	-	-	111,205	1,212,097
Total Revenues	21,082,756	9,370,784	1,511,528	851,990	32,817,058
Expenditures					
Current					
Instruction	8,897,481	3,453,376	-	75,716	12,426,573
Supporting Services					
Student support	1,061,375	783,059	-	-	1,844,434
Instructional staff	1,602,959	2,668,139	-	-	4,271,098
General administration	705,513	109,825	-	-	815,338
School administration	1,668,673	423,249	-	-	2,091,922
Business services	712,310	27,728	-	-	740,038
Operations and maintenance	2,764,359	256,806	-	1,816,900	4,838,065
Student transportation	722,083	21,660	-	-	743,743
Community services operations	333,615	318,241	-	-	651,856
Central and other support services	1,615,167	12,940	-	-	1,628,107
Food Service	42,331	49,426	-	888,644	980,401
Debt Service					
Principal	18,150	-	1,325,008	-	1,343,158
Interest and Fiscal Charges	642	-	357,476	-	358,118
Capital Outlay	-	1,246,338	-	2,559,041	3,805,379
Total Expenditures	20,144,658	9,370,787	1,682,484	5,340,301	36,538,230
Excess (deficiency) of revenues over expenditures	938,098	(3)	(170,956)	(4,488,311)	(3,721,172)
Other Financing Sources and (Uses) including transfers					
Payments to escrow agents for bond refunding's	-	-	67,453	-	67,453
Transfers In (Out)	(4,250,000)	-	-	4,250,000	-
Net Change in Fund Balances	(3,311,902)	(3)	(103,503)	(238,311)	(3,653,719)
Fund Balances, Beginning of Year	10,808,793	-	1,252,635	2,682,015	14,743,443
Fund Balances, End of Year	\$ 7,496,891	\$ (3)	\$ 1,149,132	\$ 2,443,704	\$ 11,089,724

See Notes to the Financial Statements.

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, 2023

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

Net Change in Fund Balances of Governmental Funds	\$ (3,653,719)
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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:

Capital outlay	3,708,380
Depreciation expense	(2,320,179)

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.

97,644

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

Bond principal	1,325,008
Capital lease obligations	18,150

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:

Accrued interest payable	4,689
Amortization of bond premiums	33,701
Amortization of loss on debt refunding	(121,908)
Accrued compensated absences	138,815
Net pension liability	(8,350,600)
Pension-related deferred outflows of resources	505,198
Pension-related deferred inflows of resources	10,808,249
Net OPEB liability	74,148
OPEB-related deferred outflows of resources	43,004
OPEB-related deferred inflows of resources	<u>32,083</u>

Change in Net Position	\$ <u><u>2,342,663</u></u>
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Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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 refunding 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, 2023

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, 2023

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 February 8, 2024, the date the financial statements were available to be issued.

Note 2: Cash and Investments

At June 30, 2023, the District had the following cash and investments:

Cash	\$ 2,100
Deposits	771,825
Cash with County Treasurer	128,135
Local government investment pool	<u>10,987,581</u>
Total	\$ <u>11,889,641</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

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, 2023, the District had bank deposits of \$863,304 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, 2023

Note 2: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pools - At June 30, 2023, the District had \$9,968,277 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). 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, 2023 were:

	Due To				
	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Due From					
General	\$ -	\$ -	\$ -	\$ 147,384	\$ 147,384
Designated Purposes Grants	-	-	-	372,374	372,374
Nonmajor Governmental	104,099	-	-	-	104,099
Total	<u>\$ 104,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,758</u>	<u>\$ 623,857</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, 2023 the District transferred \$4,250,000 from the General Fund to the Capital Projects - Capital Reserve (\$4,250,000) funds.

Sheridan School District No. 2
Notes to Financial Statements
June 30, 2023

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2023, is summarized below.

Governmental Activities	Balance 6/30/22	Additions	Transfers	Deletions	Balance 6/30/23
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 344,685	\$ -	\$ -	\$ -	\$ 344,685
Construction in Progress	2,070,701	2,302,317	(1,753,096)	-	2,619,922
Total Capital Assets, Not Being Depreciated	2,415,386	2,302,317	(1,753,096)	-	2,964,607
<i>Capital Assets, Being Depreciated</i>					
Buildings and Site Improvements	61,512,070	1,406,063	1,753,096	-	64,671,229
Equipment and vehicles	6,798,003	-	-	-	6,798,003
Equipment - food services	495,300	-	-	-	495,300
Total Capital Assets, Being Depreciated	68,805,373	1,406,063	1,753,096	-	71,964,532
<i>Less Accumulated Depreciation</i>					
Buildings and Site Improvements	(21,597,156)	(1,898,947)	-	-	(23,496,103)
Equipment and vehicles	(4,804,838)	(408,138)	-	-	(5,212,976)
Equipment - food services	(447,242)	(13,094)	-	-	(460,336)
	<u>(26,849,236)</u>	<u>(2,320,179)</u>	<u>-</u>	<u>-</u>	<u>(29,169,415)</u>
Total Capital Assets, Being Depreciated, net	41,956,137	(914,116)	1,753,096	-	42,795,117
Governmental Activities Capital Assets, net	\$ 44,371,523	\$ 1,388,201	\$ -	\$ -	\$ 45,759,724

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

Instruction	\$ 2,151,758
Supporting Services	<u>168,421</u>
Total	\$ 2,320,179

Note 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2023.

Governmental Activities	Balance 6/30/22	Additions	Deletions	Balance 6/30/23	Due Within One Year
2012 GO BEST Bonds	\$ 4,035,782	\$ -	\$ (315,008)	\$ 3,720,774	\$ 324,477
2013 GO Refunding Bonds	1,330,065	-	(125,000)	1,205,065	-
2015 GO Refunding Bonds	2,605,000	-	(835,000)	1,770,000	865,000
2021 GO Refunding Bonds	6,925,000	-	(50,000)	6,875,000	200,000
Bond Premium	67,062	-	(33,701)	33,361	-
Capital Lease Obligations	18,150	-	(18,150)	-	-
Deferred Refunding	(755,221)	(357,403)	479,311	(633,313)	-
Compensated Absences	206,804	67,989	(206,804)	67,989	-
Total	\$ 14,432,642	\$ (289,414)	\$ (1,104,352)	\$ 13,038,876	\$ 1,389,477

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 5: Long-Term Debt (Continued)

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.

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 has been removed from the District financial statements.

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

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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 5: Long-Term Debt (Continued)

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, 2023

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>
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	1,540,285	157,048	1,697,333
2029-2033	<u>6,842,879</u>	<u>339,207</u>	<u>7,182,086</u>
Total	\$ <u>13,570,839</u>	\$ <u>2,017,362</u>	\$ <u>15,588,201</u>

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.

There is no future minimum lease obligation. The net present value of the minimum lease payments as of June 30, 2023 is \$0.

Sheridan School District No. 2
Notes to Financial Statements
June 30, 2023

Note 6: Fund Balances

Fund Balance classification by fund as of June 30, 2023 is as follows:

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 40,906	\$ 40,906
Prepaid Insurance	-	2,281	-	-	2,281
	-	2,281	-	40,906	43,187
Restricted					
TABOR (Emergencies)	649,427	-	-	-	649,427
Preschool	168,476	-	-	-	168,476
Debt service payments	-	-	1,149,132	-	1,149,132
	817,903	-	1,149,132	-	1,967,035
Committed					
Risk management	414,389	-	-	-	414,389
Capital Projects	-	-	-	1,840,449	1,840,449
	414,389	-	-	1,840,449	2,254,838
Assigned					
Food Service	-	-	-	478,220	478,220
Unassigned	6,264,599	(2,284)	-	84,129	6,346,444
Total Fund Balance	<u>\$ 7,496,891</u>	<u>\$ (3)</u>	<u>\$ 1,149,132</u>	<u>\$ 2,443,704</u>	<u>\$ 11,089,724</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, 2023

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, 2023.

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, 2023

Note 8: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefits provided as of December 31, 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(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- 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 Denver Public Schools (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 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, 2023

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, 2023 - Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 01, 2022 through June 30, 2023. The District's contribution rate was 21.40% of covered salaries for July 01, 2022 through June 30, 2023. 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 \$3,068,262, for the year ended June 30, 2023.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

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. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to ERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the TPL to December 31, 2022. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year, 2022 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2023, the District reported a liability of \$33,352,509, 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 were as follows:

District Proportionate share of net pension liability	\$ 43,071,771
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the District	<u>(9,719,262)</u>
Proportionate share of the net pension liability	<u>\$ 33,352,509</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

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)

At December 31, 2022, the District's proportion was 0.1831602883%, which was a decrease of 0.0316813567% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$634,379 and benefit of \$1,142,925 for support from the State as a nonemployer contributing entity. At June 30, 2023, 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	\$ 315,649	\$ -
Changes of assumptions and other inputs	590,782	-
Net difference between projected and actual earnings on plan investments	4,480,473	-
Changes in proportion	1,144,739	6,909,340
Contributions subsequent to the measurement date	1,754,294	-
Total	<u>\$ 8,285,937</u>	<u>\$ 6,909,340</u>

\$1,754,294 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>	
2024	\$ (2,947,993)
2025	(1,192,395)
2026	1,156,602
2027	<u>2,606,089</u>
Total	<u>\$ (377,697)</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

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, 2021, 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 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, 2023

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, 2021, 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 at least every 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, 2023

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 and required adjustments resulting from the 2018 and 2020 AAP assessments. 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 and 2020 AAP assessments. 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.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- 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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

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 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.
- 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	\$ 43,646,963	\$ 33,352,509	\$ 24,755,587

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.

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, 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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits(Continued)

General Information (Continued)

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.

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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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 State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District was \$152,459, for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$1,135,453 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2022. 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, 2022, relative to the contributions of all participating employers to the HCTF.

At December 31, 2022, the District's proportion was 0.1390670400%, which was a decrease of 0.0012082743% from its proportion measured at December 31, 2021.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$7,097. At June 30, 2023, 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	\$ 153	\$ 274,592
Changes in assumptions and other inputs	18,255	125,318
Net difference between projected and actual earnings on plan investments	69,352	-
Changes in proportion	59,365	9,960
Contributions subsequent to the measurement date	87,801	-
Total	<u>\$ 234,926</u>	<u>\$ 409,870</u>

\$87,801 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>	
2024	\$ (98,660)
2025	(78,995)
2026	(43,076)
2027	(4,415)
2028	(30,503)
Thereafter	<u>(7,096)</u>
Total	<u>\$ (262,745)</u>

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The TOL in the December 31, 2021 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	
6.5% in 2022, gradually decreasing to 4.5% in 2030	
Medicare Part A premiums:	
3.75% in 2022, 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

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits (Continued)

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

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

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, 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.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits (Continued)

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

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

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

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree 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 mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based 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, 2023

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.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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, 2023

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, 2022, 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.

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.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 9: Postemployment Healthcare Benefits (Continued)

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

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>1,316,327</u>	\$ <u>1,135,453</u>	\$ <u>980,748</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 3.00% to 7.25%, 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>1,103,315</u>	\$ <u>1,135,453</u>	\$ <u>1,170,423</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.

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, 2023, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have an material effect on the overall financial position of the District.

Sheridan School District No. 2

Notes to Financial Statements

June 30, 2023

Note 10: Commitments and Contingencies (Continued)

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, 2023, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$649,427.

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, 2023

Measurement Date	12/31/22	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	0.1831602883%	0.2148416450%	0.2437709134%	0.2115409029%	0.2049556728%
Net Pension Liability					
District's Proportionate Share of the	\$ 33,352,509	\$ 25,001,909	\$ 36,853,245	\$ 31,603,752	\$ 36,291,612
State's Proportionate Share	<u>9,719,262</u>	<u>2,866,140</u>	<u>-</u>	<u>4,008,534</u>	<u>4,962,374</u>
Total Proportionate Share	<u>\$ 43,071,771</u>	<u>\$ 27,868,049</u>	<u>\$ 36,853,245</u>	<u>\$ 35,612,286</u>	<u>\$ 41,253,986</u>
District's Covered Payroll	\$ 14,112,037	\$ 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	236%	186%	283%	254%	340%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%	67%	65%	44%
Reporting Date	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19
District Contributions					
Statutorily Required Contribution	\$ 3,068,262	\$ 2,671,763	\$ 2,565,465	\$ 2,549,371	\$ 2,200,683
Contributions in Relation to the Statutorily Required Contribution	<u>(3,068,262)</u>	<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>	<u>\$ -</u>
District's Covered Payroll	\$ 14,946,946	\$ 13,439,457	\$ 12,904,749	\$ 13,154,653	\$ 11,503,833
Contributions as a Percentage of Covered Payroll	20.53%	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, 2023
(Continued)

Measurement Date	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
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	\$ 79,390,254	\$ 72,868,157	\$ 37,539,888	\$ 34,810,369	\$ 35,438,567
State's Proportionate Share	<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%
Reporting Date	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
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, 2023

Measurement Date	12/31/22	12/31/21
Proportionate Share of the Net OPEB Liability		
District's Proportion of the Net OPEB Liability	0.1390670400%	0.1402753143%
District's Proportionate Share of the Net OPEB Liability	\$ 1,135,453	\$ 1,209,601
District's Covered Payroll	\$ 14,112,037	\$ 13,426,925
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	8%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	39%
Reporting Date	6/30/23	6/30/22
District's Contributions		
Statutorily Required Contribution	\$ 152,459	\$ 137,082
Contributions in Relation to the Statutorily Required Contribution	(152,459)	(137,082)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 14,946,946	\$ 13,439,457
Contributions as a Percentage of Covered Payroll	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
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, 2023

Measurement Date	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
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	\$ 1,135,453	\$ 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	(131,628)	(134,178)	(117,892)	(114,196)	(113,732)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
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, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Property Taxes	\$ 10,087,587	\$ 9,440,365	\$ 9,796,440	\$ 356,075
Specific Ownership Taxes	850,000	850,000	863,848	13,848
Earnings on Investments	20,000	170,000	238,682	68,682
Tuition	162,497	200,000	172,911	(27,089)
Other Revenues	523,250	525,037	927,981	402,944
Total Local Sources	11,643,334	11,185,402	11,999,862	814,460
<i>Intergovernmental</i>				
State Equalization and Hold Harmless	6,919,741	6,920,078	6,920,088	10
Transportation	150,000	203,173	195,093	(8,080)
Vocational Education	5,000	5,000	-	(5,000)
Special Education	413,849	496,619	418,516	(78,103)
Additional At-Risk Funding	13,000	13,000	13,002	2
English Language Proficiency Act (ELPA)	80,000	80,000	54,015	(25,985)
Gifted and talented	32,000	34,290	28,575	(5,715)
Read Act	45,000	81,982	41,366	(40,616)
Other State Sources (CDE)	10,000	381,573	1,087,748	706,175
Total State Sources	7,668,590	8,215,715	8,758,403	542,688
<i>Federal Sources</i>				
Medicaid	150,000	182,646	324,491	141,845
Total Revenue	19,461,924	19,583,763	21,082,756	1,498,993
Expenditures				
<i>Instruction</i>	8,053,024	8,059,721	8,897,481	(837,760)
<i>Supporting Services</i>				
Student Support	724,014	866,377	1,061,375	(194,998)
Instructional Staff	1,267,997	1,289,774	1,602,959	(313,185)
General Administration	974,090	877,471	705,513	171,958
School Administration	1,681,135	1,644,530	1,668,673	(24,143)
Business Services	639,181	727,027	712,310	14,717
Operations and Maintenance	2,734,064	2,866,177	2,764,359	101,818
Student Transportation	794,272	709,955	722,083	(12,128)
Community Service	811,305	702,198	333,615	368,583
Central Support	769,602	275,667	1,615,167	(1,339,500)
Food Service	-	-	42,331	(42,331)
Total Supporting Services	10,395,660	9,959,176	11,228,385	(1,269,209)
<i>Debt Service</i>				
Principal	-	-	18,150	(18,150)
Interest and Fiscal Charges	-	-	642	(642)
Other expenses	194,731	688,310	-	688,310
<i>Reserves</i>	3,650,416	7,435,338	-	7,435,338
Total Expenditures	\$ 22,293,831	\$ 26,142,545	\$ 20,144,658	\$ 5,997,887

(Continued)

See Accompanying Independent Auditor's Report.

Sheridan School District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2023
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Excess Revenues Over (Under) Expenditures	\$ (2,831,907)	\$ (6,558,782)	\$ 938,098	\$ 7,496,880
Other Financing Sources (Uses)				
Transfers	<u>(2,450,000)</u>	<u>(4,250,000)</u>	<u>(4,250,000)</u>	<u>-</u>
Net Change in Fund Balance	(5,281,907)	(10,808,782)	(3,311,902)	7,496,880
Fund Balance, Beginning of Year	<u>10,426,875</u>	<u>10,808,785</u>	<u>10,808,793</u>	<u>8</u>
Fund Balance, End of Year	<u>\$ 5,144,968</u>	<u>\$ 3</u>	<u>\$ 7,496,891</u>	<u>\$ 7,496,888</u>

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Grants Fund
 For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Federal Sources	\$ 10,299,926	\$ 6,964,205	\$ 8,075,134	\$ 1,110,929
State Sources	246,500	1,394,065	1,260,532	(133,533)
Local Sources	5,000	228,023	35,118	(192,905)
Total Revenues	10,551,426	8,586,293	9,370,784	784,491
Expenditures				
Instruction	5,190,395	4,223,718	3,453,376	770,342
Supporting Services				
Student Support	5,361,031	4,362,575	783,059	3,579,516
Instructional Staff	-	-	2,668,139	(2,668,139)
General Administration	-	-	109,825	(109,825)
School Administration	-	-	423,249	(423,249)
Business Services	-	-	27,728	(27,728)
Operations and Maintenance	-	-	256,806	(256,806)
Student Transportation	-	-	21,660	(21,660)
Community Services	-	-	318,241	(318,241)
Central Support	-	-	12,940	(12,940)
Supplies and Materials	-	-	49,426	(49,426)
Capital Outlay	-	-	1,246,338	(1,246,338)
Total Expenditures	10,551,426	8,586,293	9,370,787	(784,494)
Net Change in Fund Balance	-	-	(3)	(3)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ (3)	\$ (3)

Sheridan School District No. 2
Notes to Required Supplementary Information
June 30, 2023

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, 2023, the total pension liability was determined by an actuarial valuation as of December 31, 2021. The following revised economic and demographic assumptions were effective as of December 31, 2021.

- 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 did not change 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 did not change from 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.

Sheridan School District No. 2
Notes to Required Supplementary Information
June 30, 2023

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

For the year ended December 31, 2023, the District's Grants Fund expenditures exceeded expenditure appropriations. This may be a violation of State statutes.

Supplementary Information

Sheridan School District No. 2
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	Food Service	Pupil Activity	Capital Reserve	Total
Assets				
Cash and Investments	\$ -	\$ 188,331	\$ 1,651,396	\$ 1,839,727
Accounts Receivables	79,137	-	-	79,137
Interfund Receivables	434,804	-	189,053	623,857
Inventories	40,906	-	-	40,906
Total Assets	<u>\$ 554,847</u>	<u>\$ 188,331</u>	<u>\$ 1,840,449</u>	<u>\$ 2,583,627</u>
Liabilities and Fund Balances				
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 103	\$ -	\$ 103
Accrued Salaries and Benefits	35,721	-	-	35,721
Interfund Payables	-	104,099	-	104,099
Total Liabilities	<u>35,721</u>	<u>104,202</u>	<u>-</u>	<u>139,923</u>
<i>Fund Balances</i>				
Nonspendable Inventories	40,906	-	-	40,906
Committed	-	-	1,840,449	1,840,449
Assigned	478,220	84,129	-	562,349
Total Fund Balances	<u>519,126</u>	<u>84,129</u>	<u>1,840,449</u>	<u>2,443,704</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 554,847</u>	<u>\$ 188,331</u>	<u>\$ 1,840,449</u>	<u>\$ 2,583,627</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, 2023

	Special Revenue		Capital Reserve	Total
	Food Service	Student Activity		
Revenues				
Intergovernmental	697,663	-	-	697,663
Earnings on Investments	-	-	43,122	43,122
Other	41,278	69,927	-	111,205
Total Revenues	738,941	69,927	43,122	851,990
Expenditures				
Current				
Instruction	-	75,716	-	75,716
Supporting Services				
Operations and maintenance	-	-	1,816,900	1,816,900
Student transportation	-	-	-	-
Food Service	888,644	-	-	888,644
Capital Outlays	-	-	2,559,041	2,559,041
Total Expenditures	888,644	75,716	4,375,941	5,340,301
Revenues Over (Under) Expenditures	(149,703)	(5,789)	(4,332,819)	(4,488,311)
Other Financing Sources and (Uses)				
Transfers In (Out)	-	-	4,250,000	4,250,000
Net Change in Fund Balance	(149,703)	(5,789)	(82,819)	(238,311)
Fund Balances, Beginning of Year	668,829	89,918	1,923,268	2,682,015
Fund Balances, End of Year	\$ 519,126	\$ 84,129	\$ 1,840,449	\$ 2,443,704

Sheridan School District No. 2

Budgetary Comparison Schedule

Food Service Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Food Sales	\$ 10,000	\$ 46,645	\$ 41,278	\$ (5,367)
<i>State Sources</i>				
State Revenue	-	12,570	11,169	(1,401)
<i>Federal Sources</i>				
Federal Revenue	575,000	508,613	472,816	(35,797)
USDA Reimbursements	-	-	213,678	213,678
Total Revenues	585,000	567,828	738,941	171,113
Expenditures				
Salaries	339,227	369,642	355,782	13,860
Benefits	147,550	119,390	121,913	(2,523)
Equipment	30,000	272	-	272
Purchased Services	16,000	1,677	8,352	(6,675)
Supplies and materials	245,000	309,167	322,597	(13,430)
Other	-	-	80,000	(80,000)
Reserves	-	436,509	-	436,509
Total Expenditures	777,777	1,236,657	888,644	348,013
Net Change in Fund Balance	(192,777)	(668,829)	(149,703)	519,126
Fund Balance, Beginning of Year	839,131	668,829	668,829	-
Fund Balance, End of Year	\$ 646,354	\$ -	\$ 519,126	\$ 519,126

Sheridan School District No. 2

Budgetary Comparison Schedule

Student Activity Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Other Rev	\$ 100,000	\$ 73,360	\$ 69,927	\$ (3,433)
Total Revenues	100,000	73,360	69,927	(3,433)
Expenditures				
Instruction	100,000	69,109	75,716	(6,607)
Reserves	196,612	94,169	-	94,169
Total Expenditures	296,612	163,278	75,716	87,562
Net Change in Fund Balance	(196,612)	(89,918)	(5,789)	84,129
Fund Balance, Beginning of Year	196,612	89,918	89,918	-
Fund Balance, End of Year	\$ -	\$ -	\$ 84,129	\$ 84,129

Sheridan School District No. 2
 Budgetary Comparison Schedule
 Bond Redemption Fund
 For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Property Taxes	\$ 1,725,000	\$ 1,493,878	\$ 1,460,543	\$ (33,335)
Earnings on Investments	<u>2,000</u>	<u>2,000</u>	<u>50,985</u>	<u>48,985</u>
Total Revenues	<u>1,727,000</u>	<u>1,495,878</u>	<u>1,511,528</u>	<u>15,650</u>
Expenditures				
Debt Service				
Principal	1,300,500	1,325,008	1,325,008	-
Interest and Fiscal Charges	494,000	351,476	357,476	(6,000)
Reserves	<u>1,009,020</u>	<u>1,072,030</u>	<u>-</u>	<u>1,072,030</u>
Total Expenditures	<u>2,803,520</u>	<u>2,748,514</u>	<u>1,682,484</u>	<u>1,066,030</u>
Excess (deficiency) of revenues over expenditures	<u>(1,076,520)</u>	<u>(1,252,636)</u>	<u>(170,956)</u>	<u>1,066,030</u>
Other Financing Sources and (Uses) including transfers				
Payments to escrow agents for bond refundings	<u>-</u>	<u>-</u>	<u>67,453</u>	<u>67,453</u>
Net Change in Fund Balance	(1,076,520)	(1,252,636)	(103,503)	1,149,133
Fund Balance, Beginning of Year	<u>1,076,520</u>	<u>1,252,636</u>	<u>1,252,635</u>	<u>(1)</u>
Fund Balance, End of Year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,149,132</u>	\$ <u>1,149,132</u>

Sheridan School District No. 2

Budgetary Comparison Schedule

Capital Reserve Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Earnings on Investments	\$ 15,023	\$ 43,676	\$ 43,122	\$ (554)
Total Revenues	15,023	43,676	43,122	(554)
Expenditures				
Operations and Maintenance	25,000	1,248,744	1,816,900	(568,156)
Student transportation	-	-	-	-
Capital Outlay	2,871,257	3,458,950	2,559,041	899,909
Reserves	1,841,638	1,500,000	-	1,500,000
Total Expenditures	4,737,895	6,207,694	4,375,941	1,831,753
Excess of Revenues Over (Under) Expenditures	(4,722,872)	(6,164,018)	(4,332,819)	1,831,199
Other Financing Sources				
Transfers	2,450,000	4,250,000	4,250,000	-
Net Change in Fund Balance	(2,272,872)	(1,914,018)	(82,819)	1,831,199
Fund Balance, Beginning of Year	2,272,872	1,923,268	1,923,268	-
Fund Balance, End of Year	\$ -	\$ 9,250	\$ 1,840,449	\$ 1,831,199

Compliance Section

Single Audit



**HINKLE &
COMPANY**

Strategic ^{PC}
Business Advisors

**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, 2023, 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 February 12, 2024.

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

Hick & Company, PC

Englewood, Colorado
February 12, 2024





**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, 2023. 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, 2023.

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.

Hick & Company, PC

Englewood, Colorado
February 12, 2024



Sheridan School District No. 2
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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:

Assistance Listing Number	Name of Federal Cluster/Program
84.425	
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, 2023

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, 2023

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, 2023

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</i>				
State Library Program	14.231	7231	\$ 148,672	\$ -
Total U.S. Department of Housing and Urban Development (HUD)			148,672	-
National Endowment for the Humanities				
<i>Passed through Colorado Department of Education</i>				
State Library Program	45.310	7218	1,390	-
Total National Endowment for the Humanities			1,390	-
U.S. Department of Education				
<i>Passed through Colorado Department of Education</i>				
<i>Special Education Cluster</i>				
Individuals with Disabilities Education Act, Part B (IDEA)	84.027	4027	275,226	-
Individuals with Disabilities Education Act, Part B (IDEA)	84.173	4173	13,154	-
Special Education Cluster Total			288,380	-
Every Student Succeeds Act (ESSA), Title I, Part A	84.010	4010	514,207	-
Every Student Succeeds Act (ESSA), Title I, Part A - School Improvement Grants	84.010	5010	-	-
ESSA Title I Total			514,207	-
Every Student Succeeds Act (ESSA), Title II, Part A	84.365	4365	26,704	-
Every Student Succeeds Act (ESSA), Title III, Part A - Title III Set Aside	84.365A	7365	486	-
Every Student Succeeds Act (ESSA), Title III, Part A - English Language Acquisition	84.367	4367	58,988	-
Every Student Succeeds Act (ESSA), Title IV-A: Student Support and Academic Enrichment Grants	84.424	4424	46,022	-
<i>Education Stabilization Fund Cluster</i>				
ESSER I	84.425D	4425	156,436	-
ESSER II	84.425D	4420	1,183,609	-
ESSER II - IDEA Supplemental	84.425D	4419	7,842	-
ESSER III ARPA 9.5% State Set-Aside, EASI	84.425U	4434	30,000	-
ESSER III	84.425U	4414	1,639,866	-
ESSER III - 20% Set aside for Learning Loss	84.425U	9414	322,087	-
American Rescue Plan - Homeless Children and Youth	84.425W	8425	14,212	-
Education Stabilization Fund Cluster Total			3,354,052	-
Colorado Comprehensive State Literacy	84.371C	5371	365,079	-
Total U.S. Department of Education			4,653,918	-
U.S. Department of Health and Human Services				
<i>Direct assistance</i>				
Head Start	93.600	8600	3,089,337	-
Child Care Assistance Block Grant (Child Care Stabilization)	93.575	7575	161,268	-
<i>Passed through Colorado Department of Education</i>				
Improving Student Health And Academic Achievement Through Nutrition,	93.981	7981	14,877	-
Physical Activity And The Management Of Chronic Conditions In Schools	93.323	7323	5,673	-
CDPHE Vaccine COVID Testing Fees				
Total U.S. Department of Health and Human Services			3,271,155	-
Total Federal Financial Assistance			\$ 8,075,135	\$ -

Sheridan School District No. 2
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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.

State Compliance



**Colorado Department of
Education**

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Auditors Integrity Report

District: 0123 - Sheridan 2
Fiscal Year 2022-23
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	10,317,269	15,518,896	18,922,138	6,914,027
18 Risk Mgmt Sub-Fund of General Fund	442,335	650,000	677,946	414,389
19 Colorado Preschool Program Fund	49,189	663,861	544,574	168,476
Sub- Total	10,808,793	16,832,757	20,144,658	7,496,892
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	668,829	738,942	888,645	519,126
22 Govt Designated-Purpose Grants Fund	0	9,370,786	9,370,786	0
23 Pupil Activity Special Revenue Fund	89,815	70,035	75,721	84,129
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,252,636	1,511,527	1,615,031	1,149,132
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	1,923,268	4,293,122	4,375,942	1,840,448
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	14,743,341	32,817,169	36,470,783	11,089,727
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 priorperiod adjustment is added into both your ending and beginning fund balances on this report.

2/8/24

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