

**Sheridan School District No. 2**  
Sheridan, Colorado

**Financial Statements**  
with Independent Auditor's Report

**June 30, 2024**



# Sheridan School District No. 2

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June 30, 2024

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## **Financial Section**



**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
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, 2024, 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, 2024, 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* (GAS), 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***

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.

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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.

***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 and GAS, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***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 27, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 27, 2025



# **Sheridan School District No. 2**

## **Management's Discussion and Analysis**

### **June 30, 2024**

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, 2024. 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 assets and deferred outflows exceeded liabilities and deferred inflows of resources of the district, sometimes referred to as the primary government, at June 30, 2024, by \$10.081 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 decreased as the total net position decreased by \$719,000. The decrease is primarily due to an increase of Net Pension Liability, the increase of the Net OPEB Liability, and the change in pension-related inflows and outflows.
- The District's long-term liabilities increased by \$4.016 million as a result of changes in OPEB, Net Pension Liability, and debt.
- The total cost of Governmental Activities increased from \$30.6 million to \$31.1 million as a result of additional investments in salaries of Instruction and Student Supports, as well as increased investments in district buildings and grounds maintenance. Reductions were observed in General Administration and School Administration.
- General Revenues decreased slightly to \$20.197 million, mostly due to a decrease in student enrollment. Property Tax revenues increased by \$2.05 million.

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

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

- 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.

**Sheridan School District No. 2**  
Management's Discussion and Analysis  
June 30, 2024

- 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 of 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 5-6 of this report.

**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.

# **Sheridan School District No. 2**

## **Management's Discussion and Analysis**

### **June 30, 2024**

*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 11-40 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, 2024, decreased by \$719,000 million to \$10.081 million from what it was the previous year (see Table 1) primarily as a result of the impact of GASB Statement No. 68 and a decrease in Current and Capital Asset valuations.

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 \$552,792, primarily from a decrease in cash and cash equivalents.
- Capital assets decreased \$1.7 million, due to a reduction in Capital assets not being depreciated.
- Deferred outflows related to pension and OPEB decreased \$76,497. Deferred outflows related to charges on refunding decreased \$112,778.
- Deferred outflows related to other post-employment benefits was \$158,419.
- The net pension liability increased \$5.5 million due to the District's proportionate share of PERA's unfunded pension liability.
- Net position decreased \$719,440.

**Sheridan School District No. 2**  
Management's Discussion and Analysis  
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Table 1 presents a two-year, condensed statement of the district's net position.

<b>Table 1</b>			
<b>Sheridan's Net Position</b>			
	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2022</b>
<b>Assets</b>			
Current Assets	12,782,703	13,335,495	18,457,208
Capital Assets	43,970,257	45,759,724	44,371,523
<b>Total Assets</b>	56,752,960	59,095,219	62,828,731
<b>Deferred Outflow of Resources</b>	10,921,307	9,154,176	8,727,882
 <b>Liabilities</b>			
Current Liabilities	3,504,137	3,205,080	3,063,914
Long-Term Liabilities	50,787,520	46,770,674	41,399,373
<b>Total Liabilities</b>	54,291,657	49,975,754	44,463,287
<b>Deferred Inflow of Resources</b>	3,301,911	7,473,512	18,635,860
 <b>Net Position</b>			
Invested in Capital			
Net of Related Debt	32,299,001	32,788,837	30,145,685
Restricted	2,298,459	1,932,075	2,029,091
Unrestricted (Deficit)	(24,516,771)	(23,920,783)	(23,717,310)
<b>Total Net Position</b>	10,080,689	10,800,129	8,457,466

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

- Revenues of \$30.4 million were less than expenditures of \$31.1 million, resulting in a \$719,430 reduction in net position. Total revenue decreased \$2.5 million from revenues of the prior year primarily due to decreases in student enrollment, resulting in significant decreases in State Equalization, as well as a decrease in operating contributions and restricted investment earnings. Property Taxes increased, while Specific Ownership Taxes decreased. Total expenses increased \$508,084 million primarily due to an increase in instructional expenditures, and investments into capital improvement projects throughout the district.

**Sheridan School District No. 2**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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

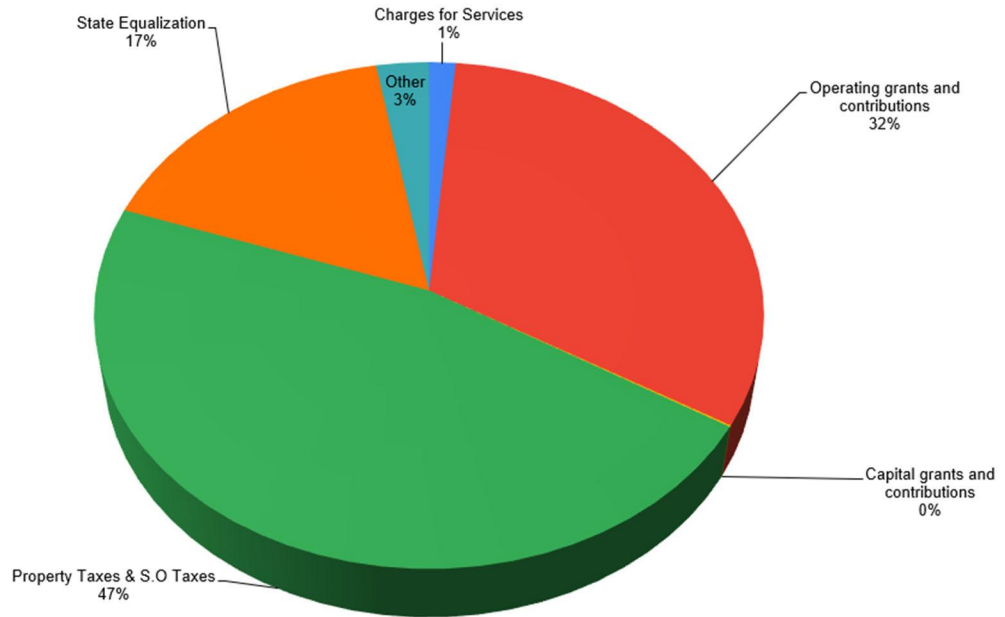
**Table 2**  
**Statement of Activities**

	<b>Governmental Activities</b>		
	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2022</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	427,467	284,116	320,844
Operating grants and contributions	9,768,550	12,266,335	9,990,189
Capital grants/restricted investment earnings	25,443	4,781	349,336
<b>Subtotal Program Revenues</b>	<b>10,221,460</b>	<b>12,555,232</b>	<b>10,660,369</b>
<b>General Revenues</b>			
Local Property Taxes	13,408,625	11,354,627	10,806,113
Specific Ownership Tax	798,986	863,848	893,548
State Equalization	5,120,725	6,920,088	6,754,054
Earnings on Investments	384,495	332,789	25,604
Other	466,265	927,981	984,981
<b>Subtotal General Revenues</b>	<b>20,179,096</b>	<b>20,399,333</b>	<b>19,464,300</b>
<b>Total Revenues</b>	<b>30,400,556</b>	<b>32,954,565</b>	<b>30,124,669</b>
<b>Expenses</b>			
Instruction	14,931,320	13,701,541	10,344,990
Students	3,695,084	2,138,373	1,390,546
Instructional Staff	983,649	3,671,542	2,016,331
General administration	866,267	937,971	747,795
School administration	1,294,897	1,902,204	1,275,821
Business	744,436	679,036	488,375
Operations and Maintenance	4,681,505	3,371,801	1,465,561
Student transportation	821,233	686,190	579,689
Community Service	151,753	592,960	169,407
Central	1,537,811	1,575,700	1,404,574
Food service operations	1,037,053	980,401	736,209
Debt Service	374,978	374,183	613,475
<b>Total Expenses</b>	<b>31,119,986</b>	<b>30,611,902</b>	<b>21,232,773</b>
Change in Net Position	(719,430)	2,342,663	8,891,896
Beginning Net Positions	10,800,129	8,457,466	(434,430)
<b>Ending Net Position</b>	<b>10,080,699</b>	<b>10,800,129</b>	<b>8,457,466</b>

**Sheridan School District No. 2**  
Management's Discussion and Analysis  
June 30, 2024

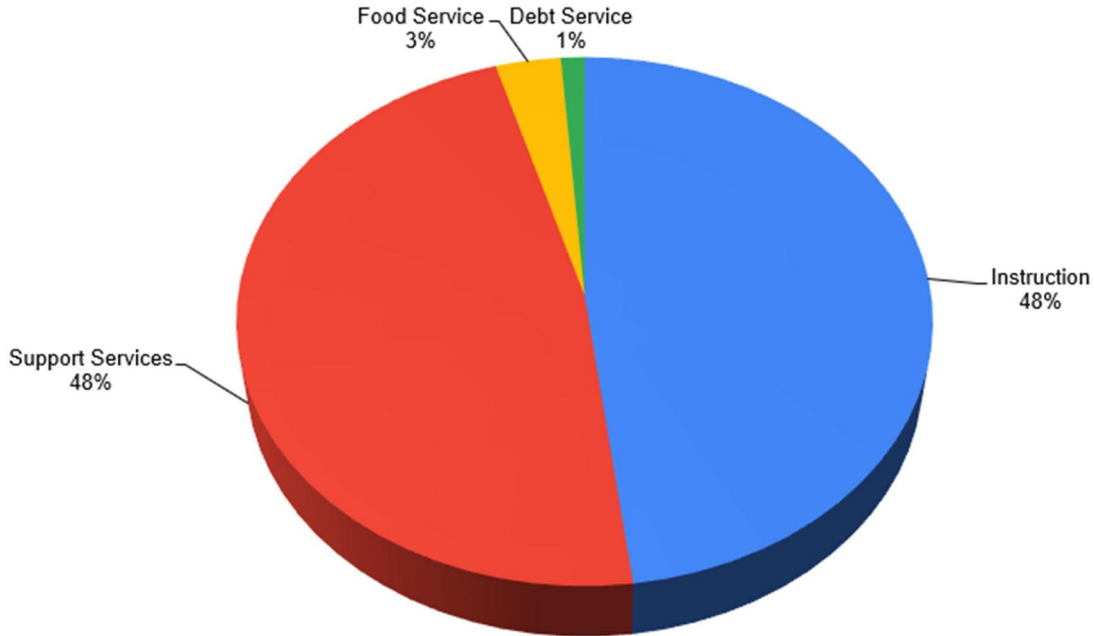
**Table 3**  
**Sources of Revenue for Fiscal Year 2024**

Table 3 - Revenues for Fiscal Year 2024



**Sheridan School District No. 2**  
Management's Discussion and Analysis  
June 30, 2024

**Table 4**  
**Expenditures for Fiscal Year 2024**



**Governmental Activities**

Revenues decreased by \$2.5 million, or -8.40%, to \$30.4 million. Total expenses and transfers increased \$508,084 to \$31.1 million as a result of salary and benefits increases as well as overall increased costs. Revenues were less than expenditures resulting in a decrease in net position.

Table 5 summarizes the net cost of governmental activities, as presented in the statement of activities in the government-wide financial statements. The table also shows each activity's net cost (total cost less fees generated by the activities and other aid provided for specific programs). The net cost shows the financial burden placed on local and state taxpayers for each of the functions. Program revenues of \$10.2 million are a much smaller funding source for public school district governmental activities, representing only 34 percent of total revenues of \$30.4 million.

**Sheridan School District No. 2**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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

	Total Cost of Services			Net Cost of Services		
	6/30/2024	6/30/2023	6/30/2022	6/30/2024	6/30/2023	6/30/2022
Instruction	14,931,320	13,701,541	10,344,990	6,001,917	3,319,024	417,433
Students	3,695,084	2,138,373	1,390,546	3,395,038	1,767,596	1,217,058
Instructional Staff	983,649	3,671,542	2,016,331	981,302	3,612,866	2,062,639
General Administration	866,267	937,971	747,795	865,137	922,245	757,916
School Administration	1,294,897	1,902,204	1,275,821	1,291,430	1,837,046	1,317,521
Business	744,436	679,036	488,375	742,655	658,085	503,027
Operations and Maintenance	4,681,505	3,371,801	1,465,561	4,651,993	3,311,789	1,155,757
Student Transportation	821,233	686,190	579,689	632,183	490,408	432,796
Central	151,753	592,960	169,407	151,353	572,732	175,726
Community Service	1,537,811	1,575,700	1,404,574	1,536,449	1,557,701	1,415,367
Food Service Operations	1,037,053	980,401	736,209	274,091	367,005	503,689
Interest	374,978	374,183	613,475	374,978	374,183	613,475
<b>Total</b>	<b>31,119,986</b>	<b>30,611,902</b>	<b>21,232,773</b>	<b>20,898,526</b>	<b>18,790,680</b>	<b>10,572,404</b>

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

- The cost of all governmental activities this year was \$31.1 million.
- Federal and State governments subsidized certain programs with operating/capital grants and contributions amounting to just under \$9.8 million.
- Most of the net cost of \$20.9 million, was financed by state and local taxpayers with general revenues.
- Net cost of governmental services increased \$2.1 million, or 90 percent, from \$18.8 million in the previous year to \$20.9 million.
- General revenues of \$20.179 million, consisted of \$14.207 million in property and specific ownership taxes; \$5.120 million in state equalization aid; and \$850,760 in interest earnings and other revenue.

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

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

Information about the District's funds starts on page 7. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$30.3 million and expenditures of \$31.6 million. We had a \$1.3 million increase in our general fund balance due to purposeful reductions in General and School Administration. There was a transfer to the capital projects fund for district capital improvements such as shatterproof film in school buildings, solar parking lot lights, new turf on the football field, and other district-wide maintenance projects. We had a decrease of \$509,001 in our Capital Reserve and Technology Fund, a decrease of \$161,288 in our Debt Services fund, a net 0 increase/decrease in our Student Activity funds, and a decrease of \$146,207 in our Food Services Fund. Our transfer to the Insurance Reserve Fund increased due to an increase in premium for our property insurance.

**Sheridan School District No. 2**  
**Management’s Discussion and Analysis**  
**June 30, 2024**

**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, 2023. 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, 2024 was \$6.95 million, compared to \$7.50 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)**

	6/30/2024	6/30/2023	6/30/2022	Change
Land	344,685	344,685	344,685	-
Construction in Progress	467,325	2,619,922	2,070,701	(2,152,597)
Building & Site Improvements	41,902,845	41,175,126	39,914,914	727,719
Equipment & Vehicles	1,255,402	1,619,991	2,041,223	(364,589)
<b>Total</b>	<b>43,970,257</b>	<b>45,759,724</b>	<b>44,371,523</b>	<b>(1,789,467)</b>

*\* Net of depreciation*

**Long-Term Debt**

As of year-end, the district had \$11.8 million in general obligation bonds and other long-term debt outstanding, a decrease of \$1.15 million, as shown in Table 7. The outstanding general obligation bonds at June 30, 2024 consisted of the bonds for BEST grants of \$3.4 million, 2013 general obligation refunding bonds of \$1.2 million, 2015 general obligation refunding bonds of \$905,000, and the 2021 general obligation bonds of \$6.675 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.

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**Management's Discussion and Analysis**  
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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>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>
Governmental Activities:			
<i>Bonds Payable</i>	11,671,246	12,970,887	14,207,688
<i>Finance Lease Obligations</i>	-	-	18,150
<i>Accrued Compensation</i>	213,878	67,989	206,804
<b>Total</b>	<b>11,885,124</b>	<b>13,038,876</b>	<b>14,432,642</b>

**Economic Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District contemplated the following factors that could significantly affect its financial health in the future.

- The District was successful in the November 2018 election and 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.
- While the economy continues to navigate challenges like inflation, labor market issues, and housing, the economic outlook continues to emerge with a mix of strengths and challenges. Slowing employment growth and reduced inflationary pressures have prompted the Federal Reserve to ease monetary policy with interest rate cuts beginning in September 2024.
- The state's General Assembly incorporated a statewide base per-pupil revenue (PPR) increase of 5.2 percent for inflation and repealed the budget stabilization factor.
- 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 2023-2024 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 2024/2025 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 No. 2**  
Management's Discussion and Analysis  
June 30, 2024

- On August 26, 2024, the Governor called a special Legislative session to review property tax ballot initiatives and solutions for taxpayer relief. Colorado lawmakers passed House Bill 1001 which removes Initiative 108 and 50 from the November ballot. For tax year 2025, residential tax rates are reduced for school districts to 7.05 percent with a property tax cap of 12.0 percent over two years for school districts.
- There have been significant changes to the School Finance Act, which eliminates 4-year student averaging, among other changes, effective Fiscal Year 2026. There also remain many uncertainties with the Governor's State Budget for Fiscal Year 2026.

**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, 2024

	Governmental Activities
<b>Assets</b>	
Cash and Investments	\$ 11,153,927
Accounts Receivable	1,122,122
Taxes Receivable	463,467
Inventories	40,906
Prepaid Insurance	2,281
Capital Assets, <i>Not Being Depreciated</i>	812,010
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>43,158,247</u>
Total Assets	<u>56,752,960</u>
<b>Deferred Outflows of Resources</b>	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	520,535
OPEB, <i>Net of Accumulated Amortization</i>	158,419
Pensions, <i>Net of Accumulated Amortization</i>	<u>10,242,353</u>
Total Deferred Outflows of Resources	<u>10,921,307</u>
<b>Liabilities</b>	
Accounts Payable	705,497
Accrued Salaries and Benefits	1,321,890
Accrued Interest Payable	73,811
Noncurrent Liabilities	
Due Within One Year	1,402,939
Due in More Than One Year	11,002,720
Net OPEB Liability	937,994
Net Pension Liability	<u>38,846,806</u>
Total Liabilities	<u>54,291,657</u>
<b>Deferred Inflows of Resources</b>	
OPEB, <i>Net of Accumulated Amortization</i>	351,610
Pensions, <i>Net of Accumulated Amortization</i>	2,378,855
Deferred Grant Revenue	<u>571,446</u>
Total Deferred Inflows of Resources	<u>3,301,911</u>
<b>Net Position</b>	
Net Investment in Capital Assets	32,299,011
Restricted	2,298,459
Unrestricted	<u>(24,516,771)</u>
Total Net Position	<u>\$ 10,080,699</u>

**Sheridan School District No. 2**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<i>Governmental Activities</i>						
Instruction	\$ 14,931,320	\$ 396,439	\$ 8,532,964	\$ -		\$ (6,001,917)
Supporting Services						
Student support	3,695,084	-	300,046	-		(3,395,038)
Instructional staff	983,649	-	2,347	-		(981,302)
General administration	866,267	-	1,130	-		(865,137)
School administration	1,294,897	-	3,467	-		(1,291,430)
Business services	744,436	-	1,781	-		(742,655)
Operations and maintenance	4,681,505	-	4,069	25,443		(4,651,993)
Student transportation	821,233	-	189,050	-		(632,183)
Community services operations	151,753	-	400	-		(151,353)
Central and other support services	1,537,811	-	1,362	-		(1,536,449)
Food Service	1,037,053	31,028	731,934	-		(274,091)
Interest on Long-Term Debt	374,978	-	-	-		(374,978)
<b>Total Governmental Activities</b>	<b>\$ 31,119,986</b>	<b>\$ 427,467</b>	<b>\$ 9,768,550</b>	<b>\$ 25,443</b>		<b>(20,898,526)</b>
<b>General Revenues</b>						
						13,408,625
Local Property Taxes						798,986
Specific Ownership Taxes						5,120,725
State Equalization						384,495
Investment Income						466,265
Other						
						<u>20,179,096</u>
						<u>(719,430)</u>
						<u>10,800,129</u>
						<u>\$ 10,080,699</u>

**Sheridan School District No. 2**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2024

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 8,064,042	\$ -	\$ 987,844	\$ 2,102,041	\$ 11,153,927
Accounts Receivable	5,861	1,018,019	-	98,242	1,122,122
Taxes Receivable	389,157	-	74,310	-	463,467
Interfund Receivables	462,597	-	-	-	462,597
Inventories	-	-	-	40,906	40,906
Prepaid Expenditure	-	2,281	-	-	2,281
<b>Total Assets</b>	<b>\$ 8,921,657</b>	<b>\$ 1,020,300</b>	<b>\$ 1,062,154</b>	<b>\$ 2,241,189</b>	<b>\$ 13,245,300</b>
<b>Liabilities</b>					
Accounts Payable	\$ 694,653	\$ -	\$ -	\$ 10,844	\$ 705,497
Accrued Salaries and Benefits	871,421	397,158	-	53,311	1,321,890
Unearned Revenues	14,281	557,165	-	-	571,446
Interfund Payables	-	74,060	-	388,537	462,597
<b>Total Liabilities</b>	<b>1,580,355</b>	<b>1,028,383</b>	<b>-</b>	<b>452,692</b>	<b>3,061,430</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	389,157	-	74,310	-	463,467
<b>Fund Balances</b>					
Nonspendable Inventories	-	2,281	-	40,906	43,187
Restricted	1,310,615	-	987,844	-	2,298,459
Committed	385,488	-	-	1,331,448	1,716,936
Assigned	-	-	-	332,013	332,013
Unassigned	5,256,042	(10,364)	-	84,130	5,329,808
<b>Total Fund Balances</b>	<b>6,952,145</b>	<b>(8,083)</b>	<b>987,844</b>	<b>1,788,497</b>	<b>9,720,403</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,921,657</b>	<b>\$ 1,020,300</b>	<b>\$ 1,062,154</b>	<b>\$ 2,241,189</b>	<b>\$ 13,245,300</b>

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, 2024

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

Total Fund Balances of Governmental Funds	\$ 9,720,403
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	43,970,257
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.	463,467
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	520,535
Accrued interest payable	(73,811)
Bonds payable	(12,181,362)
Bonds premiums	(10,419)
Accrued compensated absences	(213,878)
Net pension liability	(38,846,806)
Pension-related deferred outflows of resources	10,242,353
Pension-related deferred inflows of resources	(2,378,855)
Net OPEB liability	(937,994)
OPEB-related deferred outflows of resources	158,419
OPEB-related deferred inflows of resources	<u>(351,610)</u>
Total Net Position of Governmental Activities	<u>\$ 10,080,699</u>

**Sheridan School District No. 2**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2024**

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
<b>Revenues</b>					
Taxes	\$ 12,640,579	\$ -	\$ 1,455,366	\$ -	\$ 14,095,945
Intergovernmental	7,371,780	6,677,782	-	857,440	14,907,002
Earnings on Investments	255,816	-	60,089	68,590	384,495
Other	746,821	-	-	146,911	893,732
<b>Total Revenues</b>	<b>21,014,996</b>	<b>6,677,782</b>	<b>1,515,455</b>	<b>1,072,941</b>	<b>30,281,174</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	9,900,638	3,595,443	-	115,882	13,611,963
Supporting Services					
Student support	520,605	3,040,208	-	-	3,560,813
Instructional staff	1,144,904	35,543	-	-	1,180,447
General administration	752,014	-	-	-	752,014
School administration	1,336,714	-	-	-	1,336,714
Business services	765,911	-	-	-	765,911
Operations and maintenance	2,729,625	14,668	-	56,278	2,800,571
Student transportation	842,254	-	-	-	842,254
Community services operations	156,572	-	-	-	156,572
Central and other support services	1,554,234	-	-	-	1,554,234
Food Service	2,378	-	-	1,034,675	1,037,053
Debt Service					
Principal	-	-	1,389,477	-	1,389,477
Interest and Fiscal Charges	-	-	287,266	-	287,266
Capital Outlay	-	-	-	2,375,206	2,375,206
<b>Total Expenditures</b>	<b>19,705,849</b>	<b>6,685,862</b>	<b>1,676,743</b>	<b>3,582,041</b>	<b>31,650,495</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,309,147</b>	<b>(8,080)</b>	<b>(161,288)</b>	<b>(2,509,100)</b>	<b>(1,369,321)</b>
<b>Other Financing Sources and (Uses) including transfers</b>					
Transfers In (Out)	(1,853,893)	-	-	1,853,893	-
<b>Net Change in Fund Balances</b>	<b>(544,746)</b>	<b>(8,080)</b>	<b>(161,288)</b>	<b>(655,207)</b>	<b>(1,369,321)</b>
<b>Fund Balances, Beginning of Year</b>	<b>7,496,891</b>	<b>(3)</b>	<b>1,149,132</b>	<b>2,443,704</b>	<b>11,089,724</b>
<b>Fund Balances, End of Year</b>	<b>\$ 6,952,145</b>	<b>\$ (8,083)</b>	<b>\$ 987,844</b>	<b>\$ 1,788,497</b>	<b>\$ 9,720,403</b>

**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, 2024

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

Net Change in Fund Balances of Governmental Funds \$ (1,369,321)

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	472,915
Depreciation expense	(2,262,382)

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. 111,666

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	1,389,477
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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	2,124
Amortization of bond premiums	22,942
Amortization of loss on debt refunding	(112,778)
Accrued compensated absences	(145,889)
Net pension liability	(5,494,297)
Pension-related deferred outflows of resources	1,956,416
Pension-related deferred inflows of resources	4,530,485
Net OPEB liability	197,459
OPEB-related deferred outflows of resources	(76,507)
OPEB-related deferred inflows of resources	58,260

Change in Net Position	<u>\$ (719,430)</u>
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## Sheridan School District No. 2

Notes to Financial Statements

June 30, 2024

### **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, 2024

#### Note 1: Summary of Significant Accounting Policies (Continued)

##### **Government-wide and Fund Financial Statements** (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, 2024

#### 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, 2024

#### 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, 2024

#### 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, 2024

#### 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.

*Postemployment Benefits Other Than Pensions (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 the 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 the 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, 2024

#### 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 27, 2025, the date the financial statements were available to be issued.

#### Note 2: Cash and Investments

At June 30, 2024, the District had the following cash and investments:

Cash on Hand	\$	2,300
Deposits		446,903
Cash with County Treasurer		243,203
Local Government Investment Pool		<u>10,461,521</u>
Total	\$	<u>11,153,927</u>

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### **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, 2024, 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, 2024

#### Note 2: Cash and Investments (Continued)

##### Investments (Continued)

*Local Government Investment Pools* - At June 30, 2024, the District had \$9,771,258 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, 2024 were:

	<u>Due To</u>
	<u>General</u>
Due From	
Designated Purposes Grants	\$ 74,060
Nonmajor Governmental	<u>388,537</u>
Total	<u>\$ 462,597</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, 2024 the District transferred \$1,853,893 from the General Fund to the Capital Projects - Capital Reserve fund.

**Sheridan School District No. 2**  
Notes to Financial Statements  
June 30, 2024

**Note 4: Capital Assets**

Capital asset activity for the year ended June 30, 2024, is summarized below.

	Balance 6/30/23	Additions	Transfers	Deletions	Balance 6/30/24
Governmental Activities					
Capital Assets, <i>Not Being Depreciated</i>					
Land	\$ 344,685	\$ -	\$ -	\$ -	\$ 344,685
Construction in Progress	2,619,922	467,325	(2,619,922)	-	467,325
<b>Total Capital Assets, <i>Not Being Depreciated</i></b>	<b>2,964,607</b>	<b>467,325</b>	<b>(2,619,922)</b>	<b>-</b>	<b>812,010</b>
Capital Assets, <i>Being Depreciated</i>					
Buildings and Site Improvements	64,671,229	-	2,619,922	-	67,291,151
Equipment and Vehicles	6,798,003	-	-	-	6,798,003
Equipment - Food Services	495,300	5,590	-	-	500,890
<b>Total Capital Assets, <i>Being Depreciated</i></b>	<b>71,964,532</b>	<b>5,590</b>	<b>2,619,922</b>	<b>-</b>	<b>74,590,044</b>
Less Accumulated Depreciation					
Buildings and Site Improvements	(23,496,103)	(1,892,203)	-	-	(25,388,306)
Equipment and Vehicles	(5,212,976)	(356,876)	-	-	(5,569,852)
Equipment - Food Services	(460,336)	(13,303)	-	-	(473,639)
	(29,169,415)	(2,262,382)	-	-	(31,431,797)
<b>Total Capital Assets, <i>Being Depreciated, net</i></b>	<b>42,795,117</b>	<b>(2,256,792)</b>	<b>2,619,922</b>	<b>-</b>	<b>43,158,247</b>
Governmental Activities Capital Assets, <i>net</i>	\$ 45,759,724	\$ (1,789,467)	\$ -	\$ -	\$ 43,970,257

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

Instruction	\$ 2,134,500
Supporting Services	127,882
<b>Total</b>	<b>\$ 2,262,382</b>

**Note 5: Long-Term Debt**

Following is a summary of long-term debt transactions for the year ended June 30, 2024.

	Balance 6/30/23	Additions	Deletions	Balance 6/30/24	Due Within One Year
Governmental Activities					
2012 GO BEST Bonds	\$ 3,720,774	\$ -	\$ (324,477)	\$ 3,396,297	\$ 334,230
2013 GO Refunding Bonds	1,205,065	-	-	1,205,065	93,709
2015 GO Refunding Bonds	1,770,000	-	(865,000)	905,000	905,000
2021 GO Refunding Bonds	6,875,000	-	(200,000)	6,675,000	70,000
Bond Premium	33,361	-	(22,942)	10,419	-
Deferred Loss on Refunding	(633,313)	-	112,778	(520,535)	-
Compensated Absences	67,989	213,878	(67,989)	213,878	-
<b>Total</b>	<b>\$ 13,038,876</b>	<b>\$ 213,878</b>	<b>\$ (1,367,630)</b>	<b>\$ 11,885,124</b>	<b>\$ 1,402,939</b>

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

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### **Note 5: Long-Term Debt** (Continued)

##### **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's 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.

###### ***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.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### **Note 5: Long-Term Debt** (Continued)

##### ***Series 2015 General Obligation Refunding Bonds*** (Continued)

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 an 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.

Debt payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,561,265	128,043	1,689,308
2030-2033	<u>5,281,614</u>	<u>211,164</u>	<u>5,492,778</u>
Total	\$ <u>12,181,362</u>	\$ <u>1,735,096</u>	\$ <u>13,916,458</u>

**Sheridan School District No. 2**  
Notes to Financial Statements  
June 30, 2024

**Note 6: Fund Balances**

Fund Balance classification by fund as of June 30, 2024 is as follows:

	General	Designated Purposes Grants	Debt Service Bond Redemption	Nonmajor Governmental	Total
<b>Nonspendable:</b>					
Inventory	\$ -	\$ -	\$ -	\$ 40,906	\$ 40,906
Prepaid Insurance	-	2,281	-	-	2,281
	-	2,281	-	40,906	43,187
<b>Restricted</b>					
TABOR (Emergencies)	717,638	-	-	-	717,638
Preschool	592,977	-	-	-	592,977
Debt Service Payments	-	-	987,844	-	987,844
	1,310,615	-	987,844	-	2,298,459
<b>Committed</b>					
Risk Management	385,488	-	-	-	385,488
Capital Projects	-	-	-	1,331,448	1,331,448
	385,488	-	-	1,331,448	1,716,936
<b>Assigned</b>					
Food Service	-	-	-	332,013	332,013
<b>Unassigned</b>					
	5,256,042	(10,364)	-	84,130	5,329,808
<b>Total Fund Balance</b>	<b>\$ 6,952,145</b>	<b>\$ (8,083)</b>	<b>\$ 987,844</b>	<b>\$ 1,788,497</b>	<b>\$ 9,720,403</b>

**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, 2024

#### **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, 2024.

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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2023* - 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.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 8: Defined Benefit Pension Plan (Continued)

##### General Information (Continued)

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

- 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:

- 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 the highest average salary and cannot exceed the maximum benefit allowed by the 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.

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.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 8: Defined Benefit Pension Plan (Continued)

##### **General Information** (Continued)

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

*Contributions provisions as of June 30, 2024* - 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, 2023 through June 30, 2024. The District's contribution rate was 21.40% of covered salaries for July 01, 2023 through June 30, 2024. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,913,236, for the year ended June 30, 2024.

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. The direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, C.R.S. § 24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of \$225 million plus an additional amount of \$380 million. Due to the advanced payment made in 2022, the State reduced the distribution in 2023 to \$35 million. Additionally, the newly added C.R.S. § 24-51-414(9) providing compensatory payment of \$14.561 million for 2023 only.

##### **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, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the TPL to December 31, 2023. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year, 2023 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### 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 June 30, 2024, the District reported a liability of \$38,846,806 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:

Proportionate share of net pension liability	\$ 39,698,601
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the District	<u>(851,795)</u>
District proportionate share of the net pension liability	<u>\$ 38,846,806</u>

At December 31, 2023, the District's proportion was 0.2196792331%, which was an increase of 0.0365189448% from its proportion measured at December 31, 2022.

For the year ended 2024, the District recognized pension expense of \$1,923,309 and benefit of \$79,733 for support from the State as a nonemployer contributing entity. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,842,079	\$ -
Net difference between projected and actual earnings on plan investments	2,784,712	-
Changes in proportion	3,911,419	2,378,855
Contributions subsequent to the measurement date	<u>1,704,143</u>	<u>-</u>
Total	<u>\$ 10,242,353</u>	<u>\$ 2,378,855</u>

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### 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)

\$1,704,143 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:

Year Ended June 30,		
2025	\$	592,782
2026		3,159,596
2027		3,183,434
2028		(776,457)
Total	\$	6,159,355

*Actuarial Assumptions* - The TPL in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
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.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### 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)

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.

The actuarial assumptions used in the December 31, 2022, valuation were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies prepared at least every five years and asset/liability studies performed every three to five years for PERA. 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	<u>100.00%</u>	

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### 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:

- The 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, the 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made in the middle of the year.
- Beginning with the December 31, 2023 measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### 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)

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	\$ 51,944,642	\$ 38,846,806	\$ 27,924,796

*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](http://www.copera.org/investments/pera-financial-reports).

#### Note 9: Postemployment Healthcare Benefits (OPEB)

##### **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](http://www.copera.org/investments/pera-financial-reports).

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### **Note 9: Postemployment Healthcare Benefits (OPEB) (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 by 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, 2024

#### **Note 9: Postemployment Healthcare Benefits (OPEB) (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 were \$145,802, for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$937,994 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the TOL to December 31, 2023. 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, 2023, relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the District's proportion was 0.1314221874% which was a decrease of 0.0076448526% from its proportion measured at December 31, 2022.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 9: Postemployment Healthcare Benefits (OPEB) (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, 2024, the District recognized OPEB benefit of \$14,746. At June 30, 2024, 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	\$ -	\$ 192,259
Changes in assumptions and other inputs	11,028	99,456
Net difference between projected and actual earnings on plan investments	29,009	-
Changes in proportion	33,092	59,895
Contributions subsequent to the measurement date	85,290	-
Total	\$ 158,419	\$ 351,610

\$85,290 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:

Year Ended June 30,		
2025	\$	(105,635)
2026		(62,710)
2027		(28,553)
2028		(52,120)
2029		(21,881)
Thereafter		(7,582)
Total	\$	(278,481)

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 9: Postemployment Healthcare Benefits (OPEB) (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, 2022 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	3.40% - 11.00%
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	
7.00% in 2023 gradually decreasing to 4.50% in 2033	
Medicare Part A premiums:	
3.50% in 2023 gradually increasing to 4.50% in 2035	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

Each year the per capita health care costs are developed by plan option; currently based on 2023 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 2023 Medicare Part A premium is \$506 per month.

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

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

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 9: Postemployment Healthcare Benefits (OPEB) (Continued)

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2022, 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
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on 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 Safety Officers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 9: Postemployment Healthcare Benefits (OPEB) (Continued)

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

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 Safety Officers) 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 Safety Officers 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 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.

Disabled mortality assumptions for members other than Safety Officers 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 Safety Officers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 9: Postemployment Healthcare Benefits (OPEB) (Continued)

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

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, 2022, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2023 plan year.
- The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022 actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse.
- 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.

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

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of the 2020 experience analysis, dated October 28, 2020 and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies performed at least every five years, and asset/liability studies, performed every three to five years for PERA. 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% 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 as presented previously (See Note 8).

## Sheridan School District No. 2

### Notes to Financial Statements

June 30, 2024

#### Note 9: Postemployment Healthcare Benefits (OPEB) (Continued)

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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 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, 2023, measurement date.
- The 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, the 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 in the middle of the year.
- Beginning with the December 31, 2023 measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

Based on the above assumptions and methods, the FNP for the HCTF 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, 2024

### Note 9: Postemployment Healthcare Benefits (OPEB) (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>1,107,889</u>	\$ <u>937,994</u>	\$ <u>792,649</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>911,072</u>	\$ <u>937,994</u>	\$ <u>967,279</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](http://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, 2024, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

## Sheridan School District No. 2

Notes to Financial Statements

June 30, 2024

### **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, 2024, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$717,638.

## **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, 2024**

Measurement Date	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
<b>Proportionate Share of the Net Pension Liability</b>					
District's Proportion of the Net Pension Liability	0.2196792331%	0.1831602883%	0.2148416450%	0.2437709134%	0.2115409029%
Net Pension Liability					
District's Proportionate Share of the	\$ 38,846,806	\$ 33,352,509	\$ 25,001,909	\$ 36,853,245	\$ 31,603,752
State's Proportionate Share	<u>851,795</u>	<u>9,719,262</u>	<u>2,866,140</u>	<u>-</u>	<u>4,008,534</u>
Total Proportionate Share	<u>\$ 39,698,601</u>	<u>\$ 43,071,771</u>	<u>\$ 27,868,049</u>	<u>\$ 36,853,245</u>	<u>\$ 35,612,286</u>
District's Covered Payroll	\$ 14,522,778	\$ 14,112,037	\$ 13,426,925	\$ 13,038,733	\$ 12,426,776
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll					
	267%	236%	186%	283%	254%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
	65%	62%	75%	67%	65%
Reporting Date	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>
<b>District Contributions</b>					
Statutorily Required Contribution	\$ 2,913,236	\$ 3,068,262	\$ 2,671,763	\$ 2,565,465	\$ 2,549,371
Contributions in Relation to the Statutorily Required Contribution	<u>(2,913,236)</u>	<u>(3,068,262)</u>	<u>(2,671,763)</u>	<u>(2,565,465)</u>	<u>(2,549,371)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 14,294,318	\$ 14,946,946	\$ 13,439,457	\$ 12,904,749	\$ 13,154,653
Contributions as a Percentage of Covered Payroll	20.38%	20.53%	19.88%	19.88%	19.38%

This schedule is presented to show information for 10 years.

(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, 2024  
 (Continued)

Measurement Date	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>Proportionate Share of the Net Pension Liability</b>					
District's Proportion of the Net Pension Liability	0.2049556728%	0.2455000000%	0.2477000000%	0.2455000000%	0.2568000000%
Net Pension Liability					
District's Proportionate Share of the State's Proportionate Share	\$ 36,291,612 4,962,374	\$ 79,390,254 -	\$ 72,868,157 -	\$ 37,539,888 -	\$ 34,810,369 -
Total Proportionate Share	\$ 41,253,986	\$ 79,390,254	\$ 72,868,157	\$ 37,539,888	\$ 34,810,369
District's Covered Payroll	\$ 10,663,047	\$ 11,195,685	\$ 11,150,147	\$ 10,745,911	\$ 10,749,750
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	340%	709%	654%	349%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	44%	43%	59%	63%
Reporting Date	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
<b>District Contributions</b>					
Statutorily Required Contribution	\$ 2,200,683	\$ 2,044,977	\$ 1,899,959	\$ 1,806,221	\$ 1,728,454
Contributions in Relation to the Statutorily Required Contribution	(2,200,683)	(2,044,977)	(1,899,959)	(1,806,221)	(1,728,454)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 11,503,833	\$ 11,195,685	\$ 11,150,147	\$ 10,754,911	\$ 10,749,750
Contributions as a Percentage of Covered Payroll	19.13%	18.27%	17.04%	16.79%	16.08%

This schedule is presented to show information for 10 years.

## Sheridan School District No. 2

### Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2024

#### **Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information**

##### **2023 Changes in Plan Provisions Since 2022**

- Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in § 24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.
- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

##### **2022 Changes in Plan Provisions Since 2021**

- HB 22-1029, effective upon enactment in 2022, required the State Treasurer to issue, in addition to the regularly scheduled \$225,000,000 direct distribution, a warrant to PERA in the amount of \$380,000,000 with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by \$190,000 to \$35,000,000. The July 1, 2024, direct distribution will not be reduced from \$225,000 due to a negative investment return in 2022.

##### **2021 Changes in Plan Provisions Since 2020**

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022:
  - Member contribution rates increase by 0.50%.
  - Employer contribution rates increase by 0.50%.
  - Annual increase (AI) cap is lowered from 1.25% per year to 1.00% per year.

##### **2020 Changes in Plan Provisions Since 2019**

- HB 20-1379, enacted on June 29, 2020, suspended the \$225,000,000 direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

##### **2019 Changes in Plan Provisions Since 2018**

- SB 18-200 was enacted on June 4, 2018, which included the adoption of the AAP. The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
  - Member contribution rates increase by 0.50%.
  - Employer contribution rates increase by 0.50%.
  - AI cap is lowered from 1.50% per year to 1.25%.

## **Sheridan School District No. 2**

### Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2024

#### **Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (Continued)**

##### **2018 Changes in Plan Provisions Since 2017**

- The following changes were made to the plan provisions as part of SB 18-200:
  - Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020, and an additional 0.50% effective July 1, 2021.
  - Employer contribution rates increase by 0.25% effective July 1, 2019 for State, School, Judicial, and DPS Divisions.
  - An annual direct distribution of \$225,000,000 from the State of Colorado, recognized as a non-employer contributing entity, is distributed between the State, School, Judicial, and DPS Divisions proportionally based on payroll.
  - AI cap is lowered from 2.00% per year to 1.50% per year.
  - Initial AI waiting period is extended from one year after retirement to three years after retirement.
  - AI payments are suspended for 2018 and 2019.

##### **2017 Changes in Plan Provisions Since 2016**

- There were no changes made to the plan provisions applicable to the School Division Trust Fund.

##### **2016 Changes in Plan Provisions Since 2015**

- There were no changes made to the plan provisions applicable to the School Division Trust Fund.

##### **2015 Changes in Plan Provisions Since 2014**

- There were no changes made to the plan provisions applicable to the School Division Trust Fund.

##### **2014 Changes in Plan Provisions Since 2013**

- There were no changes made to the plan provisions applicable to the School Division Trust Fund.

#### **Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information**

##### **2023 Changes in Assumptions or Other Inputs Since 2022**

- There were no changes made to the actuarial methods or assumptions.

##### **2022 Changes in Assumptions of Other Inputs Since 2021**

- There were no changes made to the actuarial methods or assumptions.

##### **2021 Changes in Assumptions of Other Inputs Since 2020**

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

## **Sheridan School District No. 2**

### Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2024

#### **Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)**

##### **2020 Changes in Assumptions of Other Inputs Since 2019**

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The wage inflation assumption was lowered from 3.50% to 3.00%.
- The real rate of investment return assumption was increased to 4.95% per year, net of investment expenses from 4.85% per year, net of investment expenses.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to 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.
- The disabled mortality assumption for the Division Trust Funds (members other than Safety Officers) was changed to the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables are generational mortality tables developed on a benefit-weighted basis.

##### **2019 Changes in Assumptions of Other Inputs Since 2018**

- The assumption used to value the AI cap benefit provision was changed from 1.50% to 1.25%.

##### **2018 Changes in Assumptions of Other Inputs Since 2017**

- The single equivalent interest rate (SEIR) for the School Division was increased from 4.78% to 7.25% to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

##### **2017 Changes in Assumptions of Other Inputs Since 2016**

- The SEIR for the School Division was lowered from 5.26% to 4.78% to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

##### **2016 Changes in Assumptions of Other Inputs Since 2015**

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The wage inflation assumption was lowered from 3.90% to 3.50%.

## Sheridan School District No. 2

### Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2024

#### **Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information** (Continued)

##### **2016 Changes in Assumptions of Other Inputs Since 2015** (Continued)

- The post-retirement mortality assumption for healthy lives for the School, Judicial, and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93% factor applied to ages below 80 and a 113% factor applied to age 80 and above, projected to 2018, for males, and a 68% factor applied to ages below 80 and a 106% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90% of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from .35% to .40%.
- The SEIR for the State and School Divisions was lowered from 7.50% to 5.26% to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86% on the measurement date.

##### **2015 Changes in Assumptions of Other Inputs Since 2014**

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18-month AI timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

##### **2014 Changes in Assumptions of Other Inputs Since 2013**

- There were no changes made to the actuarial methods or assumptions.

**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, 2024

Measurement Date	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
<b>Proportionate Share of the Net OPEB Liability</b>			
District's Proportion of the Net OPEB Liability	0.1314221874%	0.1390670400%	0.1402753143%
District's Proportionate Share of the Net OPEB Liability	\$ 937,994	\$ 1,135,453	\$ 1,209,601
District's Covered Payroll	\$ 14,522,778	\$ 14,112,037	\$ 14,112,037
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	6%	8%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46%	39%	39%
Reporting Date	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
<b>District's Contributions</b>			
Statutorily Required Contribution	\$ 145,802	\$ 152,459	\$ 137,082
Contributions in Relation to the Statutorily Required Contribution	<u>(145,802)</u>	<u>(152,459)</u>	<u>(137,082)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 14,294,318	\$ 14,946,946	\$ 14,946,946
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	0.92%

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 OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado Health Care Trust Fund  
 June 30, 2024  
 (Continued)

Measurement Date	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<b>Proportionate Share of the Net OPEB Liability</b>					
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	\$ 937,994	\$ 1,553,416	\$ 1,812,591	\$ 1,812,917	\$ 1,803,608
District's Covered Payroll	\$ 13,426,925	\$ 13,038,733	\$ 12,426,776	\$ 10,663,047	\$ 11,195,685
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	7%	12%	15%	17%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	24%	17%	18%	17%
<b>Reporting Date</b>					
	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17
<b>District's Contributions</b>					
Statutorily Required Contribution	\$ 131,628	\$ 134,178	\$ 117,892	\$ 114,196	\$ 113,732
Contributions in Relation to the Statutorily Required Contribution	<u>(131,628)</u>	<u>(134,178)</u>	<u>(117,892)</u>	<u>(114,196)</u>	<u>(113,732)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered Payroll	\$ 13,439,457	\$ 12,904,749	\$ 13,154,653	\$ 11,503,833	\$ 11,195,685
Contributions as a Percentage of Covered Payroll	0.98%	1.04%	0.90%	0.99%	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

Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
June 30, 2024

### **Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information**

#### **2023 Changes in Plan Provisions Since 2022**

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of the Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

#### **2022 Changes in Plan Provisions Since 2021**

- The total OPEB liability 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, 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.

#### **2021 Changes in Plan Provisions Since 2020**

- There were no changes made to plan provisions.

#### **2020 Changes in Plan Provisions Since 2019**

- There were no changes made to plan provisions.

#### **2019 Changes in Plan Provisions Since 2018**

- There were no changes made to plan provisions.

#### **2018 Changes in Plan Provisions Since 2017**

- There were no changes made to plan provisions.

#### **2017 Changes in Plan Provisions Since 2016**

- There were no changes made to plan provisions.

#### **2016 Changes in Plan Provisions Since 2015**

- There were no changes made to plan provisions.

### **Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information**

#### **2023 Changes in Assumptions or Other Inputs Since 2022**

- There were no changes made to the actuarial methods or assumptions.

## Sheridan School District No. 2

Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
June 30, 2024

### Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

#### **2022 Changes in Assumptions or Other Inputs Since 2021**

- The timing of the retirement decrement was adjusted to middle-of-year.

#### **2021 Changes in Assumptions or Other Inputs Since 2020**

- There were no changes made to the actuarial methods or assumptions.

#### **2020 Changes in Assumptions or Other Inputs Since 2019**

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The wage inflation assumption was lowered from 3.50% to 3.00%.
- The real rate of investment return assumption was increased to 4.95% per year, net of investment expenses from 4.85% per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to 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.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to 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.
- The disabled mortality assumption for the Division Trust Funds (members other than Safety Officers) was changed to the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables are generational mortality tables developed on a head-count weighted basis.

#### **2019 Changes in Assumptions or Other Inputs Since 2018**

- There were no changes made to the actuarial methods or assumptions.

#### **2018 Changes in Assumptions or Other Inputs Since 2017**

- There were no changes made to the actuarial methods or assumptions.

#### **2017 Changes in Assumptions or Other Inputs Since 2016**

- There were no changes made to the actuarial methods or assumptions.

## Sheridan School District No. 2

Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
June 30, 2024

### Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

#### 2016 Changes in Assumptions or Other Inputs Since 2015

- The following methodology change was made:
  - The Entry Age Normal actuarial cost method allocation basis has been changed from a level dollar amount to a level percentage of pay.
- The following changes were made to the actuarial assumptions:
  - The investment rate of return assumption decreased from 7.50% to 7.25%.
  - The price inflation assumption decreased from 2.80% to 2.40%.
  - The wage inflation assumption decreased from 3.90% to 3.50%.
  - The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.
  - The post-retirement mortality assumption for healthy lives for the School, Judicial, and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93% factor applied to ages below 80 and a 113% factor applied to age 80 and above, projected to 2018, for males, and a 68% factor applied to ages below 80 and a 106% factor applied to age 80 and above, projected to 2020, for females.
  - For disabled retirees, the mortality assumption was changed to reflect 90% of RP-2014 Disabled Retiree Mortality Table.
  - The assumed rates of withdrawal, retirement, and disability have been adjusted to more closely reflect experience.
  - The assumed rates of PERACare participation have been revised to reflect more closely actual experience.
  - Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect the change in costs for the 2017 plan year.
  - The percentage of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage have been revised to reflect more closely actual experience.
  - The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage has been revised to reflect more closely actual experience.
  - The health care cost trend rates for Medicare Part A premiums have been revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
  - Assumed election rates for the PERACare coverage options available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire have been revised to more closely reflect actual experience.

## Sheridan School District No. 2

Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
June 30, 2024

### **Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information** (Continued)

#### **2016 Changes in Assumptions or Other Inputs Since 2015** (Continued)

- The following changes were made to the actuarial assumptions:
  - Assumed election rates for the PERACare coverage options available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, have been revised to more closely reflect actual experience.
  - The rates of PERACare coverage election for spouses of eligible inactive members and future retirees was revised to reflect more closely actual experience.
  - The assumed age differences between future retirees and their participating spouses have been revised to reflect more closely actual experience.

**Sheridan School District No. 2**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Property Taxes	\$ 10,087,587	\$ 9,440,365	\$ 11,841,593	\$ 2,401,228
Specific Ownership Taxes	850,000	850,000	798,986	(51,014)
Earnings on Investments	20,000	170,000	255,816	85,816
Tuition	162,497	200,000	280,556	80,556
Other Revenues	523,250	525,037	466,265	(58,772)
<b>Total Local Sources</b>	<b>11,643,334</b>	<b>11,185,402</b>	<b>13,643,216</b>	<b>2,457,814</b>
<i>Intergovernmental</i>				
State Equalization and Hold Harmless	6,919,741	6,920,078	5,120,725	(1,799,353)
Transportation	150,000	203,173	188,881	(14,292)
Vocational Education	5,000	5,000	-	(5,000)
Special Education	413,849	496,619	442,689	(53,930)
Additional At-Risk Funding	13,000	13,000	10,473	(2,527)
English Language Proficiency Act (ELPA)	80,000	80,000	80,751	751
Gifted and Talented	32,000	34,290	-	(34,290)
Read Act	45,000	81,982	64,676	(17,306)
Other State Sources (CDE)	10,000	381,573	1,086,516	704,943
<b>Total State Sources</b>	<b>7,668,590</b>	<b>8,215,715</b>	<b>6,994,711</b>	<b>(1,221,004)</b>
<i>Federal Sources</i>				
Medicaid	150,000	182,646	297,209	114,563
Other Federal Sources	-	-	79,860	79,860
<b>Total Federal Sources</b>	<b>150,000</b>	<b>182,646</b>	<b>377,069</b>	<b>194,423</b>
<b>Total Revenue</b>	<b>19,461,924</b>	<b>19,583,763</b>	<b>21,014,996</b>	<b>1,431,233</b>
<b>Expenditures</b>				
<i>Instruction</i>	8,053,024	8,059,721	9,900,638	(1,840,917)
<i>Supporting Services</i>				
Student Support	724,014	866,377	520,605	345,772
Instructional Staff	1,267,997	1,289,774	1,144,904	144,870
General Administration	974,090	877,471	752,014	125,457
School Administration	1,681,135	1,644,530	1,336,714	307,816
Business Services	639,181	727,027	765,911	(38,884)
Operations and Maintenance	2,734,064	2,866,177	2,729,625	136,552
Student Transportation	794,272	709,955	842,254	(132,299)
Community Service	811,305	702,198	156,572	545,626
Central Support	769,602	275,667	1,554,234	(1,278,567)
Food Service	-	-	2,378	(2,378)
<b>Total Supporting Services</b>	<b>10,395,660</b>	<b>9,959,176</b>	<b>9,805,211</b>	<b>153,965</b>
<i>Debt Service</i>				
Other Expenses	194,731	688,310	-	688,310
<i>Reserves</i>	3,650,416	7,435,338	-	7,435,338
<b>Total Expenditures</b>	<b>\$ 22,293,831</b>	<b>\$ 26,142,545</b>	<b>\$ 19,705,849</b>	<b>\$ 6,436,696</b>

(Continued)

**Sheridan School District No. 2**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2024  
*(Continued)*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Excess Revenues Over (Under) Expenditures</b>	\$ (2,831,907)	\$ (6,558,782)	\$ 1,309,147	\$ 7,867,929
<b>Other Financing Sources (Uses)</b>				
Transfers	(2,450,000)	(4,250,000)	(1,853,893)	2,396,107
<b>Net Change in Fund Balance</b>	(5,281,907)	(10,808,782)	(544,746)	10,264,036
<b>Fund Balance, Beginning of Year</b>	10,426,875	10,808,785	7,496,891	(3,311,894)
<b>Fund Balance, End of Year</b>	\$ 5,144,968	\$ 3	\$ 6,952,145	\$ 6,952,142

**Sheridan School District No. 2**  
 Budgetary Comparison Schedule  
 Grants Fund  
 For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>				
Federal Sources	\$ 10,299,926	\$ 6,964,205	\$ 5,974,870	\$ (989,335)
State Sources	246,500	1,394,065	648,180	(745,885)
Local Sources	5,000	228,023	54,732	(173,291)
Total Revenues	10,551,426	8,586,293	6,677,782	(1,908,511)
<b>Expenditures</b>				
Instruction	5,190,395	4,223,718	3,595,443	628,275
Supporting Services				
Student Support	5,361,031	4,362,575	3,040,208	1,322,367
Instructional Staff	-	-	35,543	(35,543)
Operations and Maintenance	-	-	14,668	(14,668)
Total Expenditures	10,551,426	8,586,293	6,685,862	1,900,431
<b>Net Change in Fund Balance</b>	-	-	(8,080)	(8,080)
<b>Fund Balance, Beginning of Year</b>	-	-	(3)	(3)
<b>Fund Balance, End of Year</b>	\$ -	\$ -	\$ (8,083)	\$ (8,083)

**Sheridan School District No. 2**  
Notes to Required Supplementary Information  
June 30, 2024

**Note 1: Stewardship, Compliance and Accountability**

**Budgets and Budgetary Accounting**

A budget is adopted for the District on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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 appropriations lapse at fiscal year-end.

## **Supplementary Information**

**Sheridan School District No. 2**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2024

	Special Revenue		Capital Reserve	Total
	Food Service	Pupil Activity		
<b>Assets</b>				
Cash and Investments	\$ 287,082	\$ 94,974	\$ 1,719,985	\$ 2,102,041
Accounts Receivables	98,242	-	-	98,242
Inventories	40,906	-	-	40,906
<b>Total Assets</b>	<b>\$ 426,230</b>	<b>\$ 94,974</b>	<b>\$ 1,719,985</b>	<b>\$ 2,241,189</b>
<b>Liabilities and Fund Balances</b>				
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 10,844	\$ -	\$ 10,844
Accrued Salaries and Benefits	53,311	-	-	53,311
Interfund Payables	-	-	388,537	388,537
<b>Total Liabilities</b>	<b>53,311</b>	<b>10,844</b>	<b>388,537</b>	<b>452,692</b>
<i>Fund Balances</i>				
Nonspendable Inventories	40,906	-	-	40,906
Committed	-	-	1,331,448	1,331,448
Assigned	332,013	84,130	-	416,143
<b>Total Fund Balances</b>	<b>372,919</b>	<b>84,130</b>	<b>1,331,448</b>	<b>1,788,497</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 426,230</b>	<b>\$ 94,974</b>	<b>\$ 1,719,985</b>	<b>\$ 2,241,189</b>

**Sheridan School District No. 2**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2024

	Special Revenue			Total
	Food Service	Student Activity	Capital Reserve	
<b>Revenues</b>				
Intergovernmental	\$ 857,440	\$ -	\$ -	\$ 857,440
Earnings on Investments	-	-	68,590	68,590
Other	31,028	115,883	-	146,911
<b>Total Revenues</b>	<u>888,468</u>	<u>115,883</u>	<u>68,590</u>	<u>1,072,941</u>
<b>Expenditures</b>				
Current				
Instruction	-	115,882	-	115,882
Supporting Services				
Operations and Maintenance	-	-	56,278	56,278
Food Service	1,034,675	-	-	1,034,675
Capital Outlays	-	-	2,375,206	2,375,206
<b>Total Expenditures</b>	<u>1,034,675</u>	<u>115,882</u>	<u>2,431,484</u>	<u>3,582,041</u>
<b>Revenues Over (Under) Expenditures</b>	(146,207)	1	(2,362,894)	(2,509,100)
<b>Other Financing Sources and (Uses)</b>				
Transfers In (Out)	-	-	1,853,893	1,853,893
<b>Net Change in Fund Balance</b>	<u>(146,207)</u>	<u>1</u>	<u>(509,001)</u>	<u>(655,207)</u>
<b>Fund Balances, Beginning of Year</b>	<u>519,126</u>	<u>84,129</u>	<u>1,840,449</u>	<u>2,443,704</u>
<b>Fund Balances, End of Year</b>	<u>\$ 372,919</u>	<u>\$ 84,130</u>	<u>\$ 1,331,448</u>	<u>\$ 1,788,497</u>

**Sheridan School District No. 2**  
 Budgetary Comparison Schedule  
 Food Service Fund  
 For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Food Sales	\$ 10,000	\$ 46,645	\$ 31,028	\$ (15,617)
<i>State Sources</i>				
State Revenue	-	12,570	57,242	44,672
<i>Federal Sources</i>				
Federal Revenue	575,000	508,613	522,379	13,766
USDA Reimbursements	-	-	277,819	277,819
<b>Total Revenues</b>	<u>585,000</u>	<u>567,828</u>	<u>888,468</u>	<u>320,640</u>
<b>Expenditures</b>				
Salaries	339,227	369,642	432,063	(62,421)
Benefits	147,550	119,390	154,401	(35,011)
Equipment	30,000	272	3,175	(2,903)
Purchased Services	16,000	1,677	9,040	(7,363)
Supplies and Materials	245,000	309,167	435,996	(126,829)
Reserves	-	436,509	-	436,509
<b>Total Expenditures</b>	<u>777,777</u>	<u>1,236,657</u>	<u>1,034,675</u>	<u>201,982</u>
<b>Net Change in Fund Balance</b>	(192,777)	(668,829)	(146,207)	522,622
<b>Fund Balance, Beginning of Year</b>	<u>839,131</u>	<u>668,829</u>	<u>519,126</u>	<u>(149,703)</u>
<b>Fund Balance, End of Year</b>	<u>\$ 646,354</u>	<u>\$ -</u>	<u>\$ 372,919</u>	<u>\$ 372,919</u>

**Sheridan School District No. 2**  
 Budgetary Comparison Schedule  
 Student Activity Fund  
 For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Other Revenues	\$ 100,000	\$ 73,360	\$ 115,883	\$ 42,523
Total Revenues	100,000	73,360	115,883	42,523
<b>Expenditures</b>				
Instruction	100,000	69,109	115,882	(46,773)
Reserves	196,612	94,169	-	94,169
Total Expenditures	296,612	163,278	115,882	47,396
<b>Net Change in Fund Balance</b>	(196,612)	(89,918)	1	89,919
<b>Fund Balance, Beginning of Year</b>	196,612	89,918	84,129	(5,789)
<b>Fund Balance, End of Year</b>	\$ -	\$ -	\$ 84,130	\$ 84,130

**Sheridan School District No. 2**  
 Budgetary Comparison Schedule  
 Bond Redemption Fund  
 For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Property Taxes	\$ 1,725,000	\$ 1,493,878	\$ 1,455,366	\$ (38,512)
Earnings on Investments	2,000	2,000	60,089	58,089
 Total Revenues	 1,727,000	 1,495,878	 1,515,455	 19,577
 <b>Expenditures</b>				
<i>Debt Service</i>				
Principal	1,300,500	1,325,008	1,389,477	(64,469)
Interest and Fiscal Charges	494,000	351,476	287,266	64,210
Reserves	1,009,020	1,072,030	-	1,072,030
 Total Expenditures	 2,803,520	 2,748,514	 1,676,743	 1,071,771
 <b>Net Change in Fund Balance</b>	 (1,076,520)	 (1,252,636)	 (161,288)	 1,091,348
 <b>Fund Balance, Beginning of Year</b>	 1,076,520	 1,252,636	 1,149,132	 (103,504)
 <b>Fund Balance, End of Year</b>	 \$ -	 \$ -	 \$ 987,844	 \$ 987,844

**Sheridan School District No. 2**  
 Budgetary Comparison Schedule  
 Capital Reserve Fund  
 For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
<b>Revenues</b>				
Earnings on Investments	\$ 15,023	\$ 43,676	\$ 68,590	\$ 24,914
Total Revenues	15,023	43,676	68,590	24,914
<b>Expenditures</b>				
Operations and Maintenance	25,000	1,248,744	56,278	1,192,466
Capital Outlay	2,871,257	3,458,950	2,375,206	1,083,744
Reserves	1,841,638	1,500,000	-	1,500,000
Total Expenditures	4,737,895	6,207,694	2,431,484	3,776,210
<b>Excess of Revenues Over (Under) Expenditures</b>	(4,722,872)	(6,164,018)	(2,362,894)	3,801,124
<b>Other Financing Sources</b>				
Transfers	2,450,000	4,250,000	1,853,893	(2,396,107)
<b>Net Change in Fund Balance</b>	(2,272,872)	(1,914,018)	(509,001)	1,405,017
<b>Fund Balance, Beginning of Year</b>	2,272,872	1,923,268	1,840,449	(82,819)
<b>Fund Balance, End of Year</b>	\$ -	\$ 9,250	\$ 1,331,448	\$ 1,322,198

## **Compliance Section**

## **Single Audit**



**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 (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, 2024, 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 27, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Office Locations:

Colorado Springs, CO  
Denver, CO  
Frisco, CO  
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,  
Suite 400  
Englewood,  
Colorado 80110  
TEL: 303.796.1000  
FAX: 303.796.1001  
[www.HinkleCPAs.com](http://www.HinkleCPAs.com)

**Report on 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Englewood, Colorado  
February 27, 2025





**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 Education Stabilization Fund Cluster and Head  
Start Programs**

***Opinion on Compliance for Education Stabilization Fund Cluster and Head  
Start Programs***

We have audited Sheridan School District No. 2's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its Education Stabilization Fund Cluster and Head Start programs for the year ended June 30, 2024.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its Education Stabilization Fund Cluster and Head Start programs for the year ended June 30, 2024.

***Basis for Opinion on Education Stabilization Fund Cluster and Head Start  
Programs***

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 the Education Stabilization Fund Cluster and Head Start programs. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Office Locations:

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Denver, CO  
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Denver Office:

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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 Education Stabilization Fund Cluster and Head Start 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 the Education Stabilization Fund Cluster and Head Start programs.

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 the 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**

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.

*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 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 27, 2025



**Sheridan School District No. 2**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2024

**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:

<b>Assistance Listing Number</b>	<b>Name of Federal Cluster/Program</b>
84.425D	
84.425U	
84.425W	Education Stabilization Fund Cluster
93.600	Head Start

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

Auditee qualified as a low risk auditee?  Yes  No

**Sheridan School District No. 2**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024

**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, 2024

**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, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Education</b>				
<i>Passed through Colorado Department of Education</i>				
<i>Special Education Cluster</i>				
Individuals with Disabilities Education Act, Part B (IDEA)	84.027	4027	\$ 435,627	\$ -
Individuals with Disabilities Education Act, Part B (IDEA)	84.173	4173	13,531	-
Special Education Cluster Total			<u>449,158</u>	<u>-</u>
Every Student Succeeds Act (ESSA), Title I, Part A	84.010	4010	570,083	-
Every Student Succeeds Act (ESSA), Title I, Part A: Parent Involvement Set Aside	84.010	9212	5,108	-
ESSA Title I Total			<u>575,191</u>	<u>-</u>
Every Student Succeeds Act (ESSA), Title II, Part A	84.365	4365	34,803	-
Every Student Succeeds Act (ESSA), Title III, Part A - English Language Acquisition	84.367	4367	48,125	-
Every Student Succeeds Act (ESSA), Title IV-A: Student Support and Academic Enrichment Grants	84.424	4424	40,123	-
EASI Spring 2024 Diagnostic Grant - Alice Terry and SOAR Academy	84.010A	5010	3,329	-
McKinney-Vento Homeless Education Assistance Improvement Act of 2001 Title X NCLB	84.196	5196	20,887	-
<i>Education Stabilization Fund Cluster</i>				
ESSER II K-12 Math Curricula Grant	84.425D	4450	83,565	-
ESSER III Rapid Release	84.425U	4462	90,000	-
American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER/ESSER III)	84.425U	4414	902,815	-
ESSER III - 20% Set aside for Learning Loss	84.425U	9414	522,518	-
American Rescue Plan - Elementary and Secondary School Emergency Relief: Homeless Children and Youth	84.425W	8425	5,400	-
Colorado Comprehensive State Literacy	84.371C	5371	316,392	-
Total U.S. Department of Education			<u>3,092,306</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through Colorado Department of Education</i>				
Head Start	93.600	8600	2,853,055	-
Child Care Assistance Block Grant (Child Care Stabilization)	93.575	7575	29,509	-
Total U.S. Department of Health and Human Services			<u>2,882,564</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 5,974,870</u>	<u>\$ -</u>

**Sheridan School District No. 2**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2024

**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 the Uniform Guidance.

## **State Compliance**



**Colorado Department of Education**

**Auditors Integrity Report**

District: 0123 - Sheridan 2  
 Fiscal Year 2023-24  
 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
<b>Governmental</b>						
10 General Fund	6,914,026		17,504,104	-	18,444,453	5,973,678
18 Risk Mgmt Sub-Fund of General Fund	414,389		751,999		780,900	385,488
19 Colorado Preschool Program Fund	593,126		408,333		408,481	592,977
<b>Sub- Total</b>	<b>7,921,541</b>		<b>18,664,436</b>		<b>19,633,834</b>	<b>6,952,143</b>
11 Charter School Fund	0		0		0	0
20,26-29 Special Revenue Fund	0		0		0	0
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0	0
07 Total Program Reserve Fund	0		0		0	0
21 Food Service Spec Revenue Fund	519,126		888,469		1,034,675	372,920
22 Govt Designated-Purpose Grants Fund	0		6,677,770		6,685,853	-8,083
23 Pupil Activity Special Revenue Fund	84,129		115,880		115,880	84,129
25 Transportation Fund	0		0		0	0
31 Bond Redemption Fund	1,149,132		1,515,453		1,676,743	987,843
39 Certificate of Participation (OOP) 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	1,840,448		1,922,483		2,431,483	1,331,448
46 Supplemental Cap Const, Tech, Main Fund	0		0		0	0
<b>Totals</b>	<b>11,514,376</b>		<b>29,784,491</b>		<b>31,578,468</b>	<b>9,720,399</b>
<b>Proprietary</b>						
50 Other Enterprise Funds	0		0		0	0
64 (63) Risk-Related Activity Fund	0		0		0	0
60,65-69 Other Internal Service Funds	0		0		0	0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>
<b>Fiduciary</b>						
70 Other Trust and Agency Funds	0		0		0	0
72 Private Purpose Trust Fund	0		0		0	0
73 Agency Fund	0		0		0	0
74 Pupil Activity Agency Fund	0		0		0	0
79 GASB 34: Permanent Fund	0		0		0	0
85 Foundations	0		0		0	0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>

FINAL

\*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.

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