

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2020

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

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INDEPENDENT AUDITORS' REPORT

Board of Education
Rocky Ford School District R-2
Rocky Ford, Colorado

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit and each major fund of the Rocky Ford School District R-2, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Rocky Ford School District R-2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit and each major fund of the Rocky Ford School District R-2, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension schedules 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.

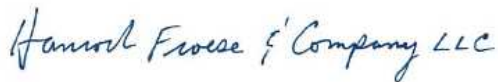
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rocky Ford School District R-2's basic financial statements. The individual major fund financial statements and the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual major fund financial statements, the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 January 18, 2021, on our consideration of the Rocky Ford School District R-2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rocky Ford School District R-2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rocky Ford School District R-2's internal control over financial reporting and compliance.



Hancock Froese & Company LLC

Rocky Ford, Colorado
January 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ROCKY FORD SCHOOL DISTRICT R2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

As management of the Rocky Ford School District R-2 (the "District"), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the Independent Auditors' report.

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$2,462,967 in fiscal year 2020. This increase was due to the pension revenue reported due to the special funding situation by the State of Colorado related to the District's share of the Public Employees' Retirement Association of Colorado (PERA) net pension liability for the year ended June 30, 2020. This change in the liability significantly impacted the unrestricted portion of net position.
- Deferred outflows and inflows of resources decreased due to the District's share of the PERA liabilities related to the School Division Trust Fund and Health Care Trust Fund. The recognition of the difference between the expected and actual experience, contributions after the plan measurement date, changes in assumptions, changes in proportionate share, and change in the investment earnings decreased approximately \$2.8 million and \$2.6 million for deferred outflows and inflows of resources, respectively.
- The liabilities and deferred inflows of resources of the District exceeded its assets at the close of the most recent fiscal year by \$10,463,305 (net deficit) due to the District's share of the pension and OPEB liabilities from participation in PERA.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$7.9 million, 79 percent, of all revenues. Program specific revenues for services, grants and contributions accounted for \$2.1 million or 21 percent of the \$10.0 million in total revenues.
- The general fund ending fund balance is \$3,622,130 which is an increase of \$344,637 from last year.

OVERVIEW OF FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Rocky Ford School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements.

Government-Wide Financial Statements

The financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students.

The statement of net position presents information on all of the District's assets and liabilities. The difference between the two is reported as net position. Changes in net position from year to year may be used as an indicator of the overall financial position of the District.

The statement of activities presents the current fiscal year revenues and expenses to show how the net position of the district changed during the year. In the statement of activities, changes in net position are recorded when the event occurs. This could mean that information may be reported for revenues and expenses that will result in cash flow differences in future fiscal years.

Governmental activities consolidate all of the following Rocky Ford School District funds: general fund, governmental designated-purpose grants fund, food services fund, student activity fund and capital projects fund.

The Rocky Ford School District has a component unit that is presented in the government wide financial statements. The Foundation for Rocky Ford Schools (the "Foundation") was created to accept and disburse funds for educational purposes for the benefit of the District. The entity has received a tax designation as a 501(c)(3) with the Internal Revenue Code.

Fund Financial Statements

Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. All of the funds of the District can be divided into one category: governmental funds.

Governmental Funds

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances (spendable resources available at the end of the fiscal year). Such information is used to evaluate the District's short-term financing requirements. Comparison of the governmental funds with the government-wide funds may allow the reader to better understand the long-term impact of the District's near-term financing decisions.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The assets of the Rocky Ford School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

The following tables provide a summary of the District's net position (deficit) as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
Assets:		
Current Assets	\$ 5,721,774	\$ 4,774,680
Capital Assets	<u>3,873,044</u>	<u>4,091,475</u>
Total Assets	9,594,818	8,866,155
Deferred Outflows of Resources	<u>1,493,839</u>	<u>4,316,550</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 11,088,657</u>	<u>\$ 13,182,705</u>
Liabilities:		
Current Liabilities	\$ 1,559,552	\$ 998,566
Non-Current Liabilities		
Capital Lease	-	55,829
Net Pension and OPEB Liabilities	<u>11,831,031</u>	<u>14,470,813</u>
Total Liabilities	<u>13,390,583</u>	<u>15,525,208</u>
Deferred Inflows of Resources	<u>8,161,379</u>	<u>10,583,769</u>
Net Position (Deficit):		
Net Investment in Capital Assets	3,873,044	4,035,646
Restricted	483,213	489,553
Unrestricted	<u>(14,819,562)</u>	<u>(17,451,471)</u>
Total Net Position (Deficit)	<u>(10,463,305)</u>	<u>(12,926,272)</u>
Total Liabilities, Deferred Inflow of Resources & Net Position (Deficit)	<u>\$ 11,088,657</u>	<u>\$ 13,182,705</u>

Changes in Net Position as of June 30, 2020 and 2019

Following is a summary of the School District's change in net position for the years ending June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 304,749	\$ 400,678
Operating Grants & Contributions	1,831,790	2,002,523
Capital Grants & Contributions	9,803	6,825
General Revenues:		
Taxes:		
Property Taxes	974,744	950,439
Specific Ownership Taxes	215,297	210,269
School Finance Act	6,328,513	5,964,695
Earnings (Losses) on Investments	203,806	129,732
Other	<u>193,704</u>	<u>279,698</u>
Total Revenues	<u>10,062,406</u>	<u>9,944,859</u>
Expenses		
Governmental Activities:		
Instruction	4,203,126	4,420,094
Support Service	2,568,432	2,486,190
Community Services	44,421	74,796
Food Service Operations	556,863	545,680
Student Activities	164,466	238,001
Capital Outlay	<u>62,131</u>	<u>-</u>
Total Expenses	<u>7,599,439</u>	<u>7,764,761</u>

Changes in Net Position as of June 30, 2020 and 2019 (Continued)

	<u>2020</u>	<u>2019</u>
Change in Net Position	2,462,967	2,180,098
Net Position – Beginning	<u>(12,926,272)</u>	<u>(15,106,370)</u>
Net Position – Ending	<u>\$(10,463,305)</u>	<u>\$(12,926,272)</u>

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$9,227 per funded student. In fiscal year 2019-2020, the funded pupil count was 813.9. Funding for the School Finance Act comes from property taxes, specific ownership taxes and state equalization. The District received approximately 60 percent of its total funding/revenues from state equalization while the remaining amount comes from property taxes, specific ownership taxes, charges for services, grants and contributions and other.

Governmental activities for the year ended June 30, 2020 increased the Rocky Ford School District's net position by \$2,462,967.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of Rocky Ford School District's net resources available for spending at the end of the fiscal year.

The general fund is the major governmental fund of the Rocky Ford School District. The general fund includes the general fund and the preschool fund. As of June 30, 2020, the general fund shows an ending fund balance of \$3,622,130 up from \$3,277,493 for the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Rocky Ford School District began budget development for the 2019-2020 fiscal year in January 2019 with analysis of enrollment projections and current revenue assumptions. The budget committee, consisting of stakeholders from the schools and the community prioritized the needs of the District. The preliminary budget was presented to the Board of Education in May 2019. Adoption of the 2019-2020 budget occurred in June 2019 with revisions made in January 2020. Several supplemental budgets were adopted for the year ending June 30, 2020 because of additional funding and expenditures in the general and food service funds. For the year ended June 30, 2020, no funds expenditures exceeded appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's net investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$3,873,044. This is a total cost of \$9,988,576, less accumulated depreciation of \$6,115,532. This net investment in capital assets includes land, buildings, improvements, equipment, and capital leases all with an original cost greater than \$5,000. Additional information of the District's capital assets can be found in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for 2020-2021 will see an increase in revenues primarily due to funding for COVID-19. The majority of the increase in revenues that will be received by the district will be offset by the increase in expenditures in technology equipment and other expenses associated with remote learning and COVID-19 impacts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Business Manager, Rocky Ford School District, 601 S. 8th Street, Rocky Ford, CO 81067.

BASIC FINANCIAL STATEMENTS

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STATEMENT OF NET POSITION

JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,528,729	\$ -
Investments	1,734,944	1,622,730
Restricted cash	54,365	33,879
Taxes receivable	79,700	-
Accounts receivable	21,102	-
Grants receivable	288,052	-
Inventories	5,219	-
Accrued interest receivable	9,663	5,583
TOTAL CURRENT ASSETS	5,721,774	1,662,192
CAPITAL ASSETS		
Land	34,575	-
Buildings, improvements and equipment	9,954,001	-
Accumulated depreciation	(6,115,532)	-
CAPITAL ASSETS NET OF DEPRECIATION	3,873,044	-
TOTAL ASSETS	9,594,818	1,662,192
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	1,431,749	-
OPEB related amounts	62,090	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,493,839	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	89,826	-
Accrued salaries and benefits	725,597	-
Unearned revenues	744,129	-
TOTAL CURRENT LIABILITIES	1,559,552	-
NONCURRENT LIABILITIES		
Net pension liabilities	11,276,513	-
Net OPEB liabilities	554,518	-
TOTAL CURRENT LIABILITIES	11,831,031	-
TOTAL LIABILITIES	13,390,583	-
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	7,989,969	-
OPEB related amounts	171,410	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,161,379	-
NET POSITION (DEFICIT)		
Net investment in capital assets	3,873,044	-
Restricted	483,213	1,662,192
Unrestricted (deficit)	(14,819,562)	-
TOTAL NET POSITION (DEFICIT)	\$ (10,463,305)	\$ 1,662,192

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 4,203,126	\$ 52,533	\$ 1,246,983	\$ 9,803	\$ (2,893,807)	\$ -
Support services	2,568,432	-	61,073	-	(2,507,359)	-
Community services	44,421	-	-	-	(44,421)	-
Food services operations	556,863	78,504	523,734	-	45,375	-
Student activities	164,466	173,712	-	-	9,246	-
Capital outlay	62,131	-	-	-	(62,131)	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 7,599,439	\$ 304,749	\$ 1,831,790	\$ 9,803	(5,453,097)	-
COMPONENT UNIT:	\$ 46,289	\$ -	\$ 1,000	\$ 3,780		(41,509)
GENERAL REVENUES						
Taxes						
Property taxes					974,744	-
Specific ownership taxes					215,297	-
School finance act					6,328,513	-
Earnings (losses) on investments					203,806	89,923
Other					193,704	-
TOTAL GENERAL REVENUES					7,916,064	89,923
CHANGE IN NET POSITION					2,462,967	48,414
NET POSITION (DEFICIT) - BEGINNING					(12,926,272)	1,613,778
NET POSITION (DEFICIT) - ENDING					\$ (10,463,305)	\$ 1,662,192

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2020

	MAJOR GOVERNMENTAL FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECTS	DESIGNATED PURPOSE GRANTS FUND	FOOD SERVICES	STUDENT ACTIVITIES	
ASSETS						
Cash and cash equivalents	\$ 2,610,650	\$ 195,621	\$ 571,591	\$ 33,381	\$ 117,486	\$ 3,528,729
Investments	1,734,944	-	-	-	-	1,734,944
Restricted cash	-	-	-	-	54,365	54,365
Taxes receivable	79,700	-	-	-	-	79,700
Accounts receivable	9,448	-	-	11,654	-	21,102
Grants receivable	100,291	-	78,980	108,781	-	288,052
Accrued interest receivable	9,663	-	-	-	-	9,663
TOTAL ASSETS	\$ 4,544,696	\$ 195,621	\$ 650,571	\$ 153,816	\$ 171,851	\$ 5,716,555
LIABILITIES						
Accounts payable	\$ 28,966	\$ -	\$ 4,052	\$ 54,269	\$ 2,539	\$ 89,826
Accrued salaries and benefits	645,296	-	70,994	-	-	716,290
Unearned revenue	168,604	-	575,525	-	-	744,129
TOTAL LIABILITIES	842,866	-	650,571	54,269	2,539	1,550,245
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	79,700	-	-	-	-	79,700
FUND BALANCE						
Restricted	329,301	-	-	99,547	54,365	483,213
Committed	-	195,621	-	-	-	195,621
Assigned	-	-	-	-	114,947	114,947
Unassigned	3,292,829	-	-	-	-	3,292,829
TOTAL FUND BALANCE	3,622,130	195,621	-	99,547	169,312	4,086,610
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 4,544,696	\$ 195,621	\$ 650,571	\$ 153,816	\$ 171,851	\$ 5,716,555

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Governmental funds total fund balances		\$ 4,086,610
Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government wide financial statements.		79,700
Capital assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.		9,988,576
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.		(6,115,532)
Inventory. Inventories are expensed in the governmental funds upon acquisition, but recognized as an asset in the government wide financial statements.		5,219
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences	\$ (9,307)	
Net pension liabilities	(11,276,513)	
Deferred outflows of resources - pension related amounts	1,431,749	
Deferred inflows of resources - pension related amounts	(7,989,969)	
Net OPEB liabilities	(554,518)	
Deferred outflows of resources - OPEB related amounts	62,090	
Deferred inflows of resources - OPEB related amounts	(171,410)	
		(18,507,878)
Governmental activities net position (deficit)		\$ (10,463,305)

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020

	MAJOR GOVERNMENTAL FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECTS	DESIGNATED PURPOSE GRANTS FUND	FOOD SERVICES	STUDENT ACTIVITIES	
REVENUES						
Local sources	\$ 1,570,510	\$ 12,703	\$ -	\$ 78,504	\$ -	\$ 1,661,717
State sources	7,007,263	-	-	5,079	-	7,012,342
Federal sources	226,282	-	492,040	518,655	-	1,236,977
Student activities	-	-	-	-	173,712	173,712
TOTAL REVENUES	8,804,055	12,703	492,040	602,238	173,712	10,084,748
EXPENDITURES						
Instruction	4,981,435	-	492,040	-	-	5,473,475
Support services	3,212,287	2,230	-	-	-	3,214,517
Community services	44,421	-	-	-	-	44,421
Capital outlay	-	104,934	-	-	-	104,934
Debt service	-	58,075	-	-	-	58,075
Food service operations	-	-	-	659,395	-	659,395
Student activities	-	-	-	-	164,466	164,466
TOTAL EXPENDITURES	8,238,143	165,239	492,040	659,395	164,466	9,719,283
REVENUES OVER (UNDER) EXPENDITURES	565,912	(152,536)	-	(57,157)	9,246	365,465
OTHER FINANCING SOURCES (USES)						
Contributions	25,900	-	-	-	-	25,900
Transfer in (out)	(247,175)	187,175	-	60,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(221,275)	187,175	-	60,000	-	25,900
NET CHANGE IN FUND BALANCE	344,637	34,639	-	2,843	9,246	391,365
FUND BALANCE JULY 1	3,277,493	160,982	-	96,704	160,066	3,695,245
FUND BALANCE JUNE 30	\$ 3,622,130	\$ 195,621	\$ -	\$ 99,547	\$ 169,312	\$ 4,086,610

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT BECAUSE:

Governmental funds changes in fund balances	\$	391,365
Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund statements but recognized on the government - wide financial statements.		79,700
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital outlays differ from depreciation in the current period.		
Capitalized expenditures	\$ 61,812	
Depreciation expense	(280,242)	
		(218,430)
Unearned property taxes of the prior year. Property taxes earned but deferred in the prior year and recognized in the current year are recognized in the prior year net position on the statement of activities.		(82,700)
Inventories. Inventories are expensed at acquisition in the governmental funds and reported as expenses when used in the government wide statements.		(2,562)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest expense is recognized as it accrued in the statement of activities regardless of when it is due. The net effect of these differences is as follows:		
Repayment of Debt Principal	\$ 55,829	
Interest Expense	1,553	
		57,382
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences, and pension related amounts on the statement of activities.		
Compensated absences	\$ (1,249)	
Pension related amounts	2,214,931	
OPEB related amounts	24,530	
		2,238,212
Governmental activities change in net position		\$ 2,462,967

NOTES TO BASIC FINANCIAL STATEMENTS

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rocky Ford School District, R-2 (the "District") is governed by an elected five-member Board of Education. The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Rocky Ford, Colorado. 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.

Accounting Principles

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

FINANCIAL REPORTING ENTITY

The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to, fiscal dependency with a financial benefit or burden relationship, imposition of will, legal standing and the primary recipient of services.

The District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and amended by GASB No. 39 and GASB No. 61. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component unit.

Component Unit

Currently the District has a component unit that is discretely presented in the government-wide financial statements, the Foundation for Rocky Ford Schools (the "Foundation"). The Foundation was created to accept and disburse funds, property and gifts of any kind exclusively for educational purposes for the benefit of the District. The entity is discretely presented due to the accounting principles utilized by the Foundation differing from governmental accounting principles generally accepted in the United States of America. For the year ended June 30, 2020, the District received \$43,918 capital and operating contributions from the Foundation.

The Foundation is exempt from federal income tax under Section 501(c)3 of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income, if applicable.

The Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations

The District in conjunction with other local school districts has created a Board of Cooperative Educational Services. The Board is composed of one member from each of the participating school districts. The District has paid \$214,721 to BOCES during the fiscal year in exchange for services. Financial Statements may be obtained by writing to: Santa Fe Trail BOCES, 302 Colorado Avenue, P.O. Box 980, La Junta, CO 81050.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the component unit.

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

Financial statements are provided for governmental funds. Major individual governmental funds are: General Fund, Capital Projects Fund, Designated Purpose Grants Fund, Food Service Fund and Student Activity Fund.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources 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 the 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. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue/unearned revenue exists when assets have been recognized, but the related revenue has not been recognized, since the assets are not collected within the current period.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

General Fund

General Fund - The general fund is the general operating fund of the District; used to account for all resources that are not legally or by sound financial management to be accounted for in another fund. Activities relating to the Preschool fund has been included in the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The Special Revenue Funds consist of the following:

Designated Purpose Grants Fund – Is used to account for resources of various federal grant programs. Revenues include federal and state grants.

Food Services Fund – Accounts for all financial activities associated with the District's school breakfast and lunch programs. Revenues include federal and state grants and food sales.

Student Activity Fund – Is used to account for the various activities of the students and other restricted funds. These activities are supported in whole or in part by revenues from pupils, gate receipts and other fund-raising activities.

Capital Projects Fund

Capital Projects Fund – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The use of the term capital outlay allows for the inclusion of expenditures for items that are capital in nature but may not qualify for financial reporting as capital assets under a government's capitalization policy. The capital projects fund excludes those types of capital-related outflows financed by other funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Cash and Cash Equivalents

The District's cash and cash equivalents represent amounts on deposit with financial institutions or held by the District. The District's cash and cash equivalents are considered to be cash on hand and demand deposits with original maturities of three months or less from the date of acquisition.

Investments

The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District's investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

Receivables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Property taxes levied in 2020, but not collected within 60 days, are identified as property taxes receivable.

Inventories

Materials and supplies inventories are stated at cost using the first-in first-out method of determining cost.

Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the governmental activities column in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Estimated useful lives are:

	<u>Years</u>
Motor vehicles	4-10
Equipment	4-30
Buildings and improvements	10-80

Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities statement of net position. The District's capital leases are serviced from property taxes and other revenues of the General Fund and the Capital Projects Fund.

Accrued Vacation and Sick Pay

District policy allows full time, 12-month employees to accumulate unused vacation pay up to 50% of an employee's annual allotment. At the end of the fiscal year an accrual exists for the outstanding hours accumulated and not paid out. Accrued vacation and sick leave are payable upon resignation, termination, retirement or death from current resources.

In accordance with the governmental accounting standards, the District has recorded the accrued liability for vacation pay in the accompanying district wide financial statements. The amounts are accrued as expenses when incurred in the funds of the District.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net position. Net pension liabilities and Net OPEB liability, associated with the School Division Trust Fund (SCHDTF) and Health Care Trust Fund (HCTF) administered by PERA, represent the District's proportionate share of total pension/OPEB liabilities less the fiduciary net position. Amounts 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. Pension related deferred outflows and inflows are reported as such and will be recognized in the collective pension expense in subsequent years. The employer portions of contributions made to the SCHDTF and HCTF are reported as benefit expenditures in the current period.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenues represent assets received (measurable) but not yet earned. In the statement of net position, unearned revenues represent grant funds received, but not yet earned as the related service has not yet been provided.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period, or in the case of property taxes, levied for a future period. Deferred revenue consists of the succeeding year's property taxes.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category which is for pension and OPEB related amounts.

Pension Related - Amounts reported as deferred outflows of resources include the following:

Difference Between Expected and Actual Experience	\$ 614,577
Changes of Assumptions or Other Inputs	321,927
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	52,454
Contributions Made Subsequent to the Measurement Date	442,791
Total Pension Related Deferred Outflows	\$ 1,431,749

More information on pension related items is included in Note 7.

OPEB Related - Amounts reported as deferred outflows of resources include the following:

Difference Between Expected and Actual Experience	\$ 1,840
Changes of Assumptions or Other Inputs	4,600
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	32,345
Contributions Made Subsequent to the Measurement Date	23,305
Total OPEB Related Deferred Outflows	\$ 62,090

More information on OPEB related items is included in Note 9.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items reported in this category.

Property Taxes - The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources (Continued)

Pension Related - Amounts reported as deferred inflows of resources include the following:

Difference Between Expected and Actual Experience	\$ -
Changes of Assumptions or Other Inputs	(6,111,990)
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	<u>(1,877,979)</u>
Total Pension Related Deferred Inflows	<u>\$ (7,989,969)</u>

More information on pension related items is included in Note 7.

OPEB Related - Amounts reported as deferred inflows of resources include the following:

Difference Between Expected and Actual Experience	\$ (91,574)
Changes of Assumptions or Other Inputs	-
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	<u>(79,836)</u>
Total OPEB Related Deferred Inflows	<u>\$ (171,410)</u>

More information on OPEB related items is included in Note 9.

Fund Balance

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. GASB Statement Number 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. As a result, fund balances are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

Preschool - This reserve of fund balance is the amount of fund balance from the Preschool Fund, which is a sub-fund of the General Fund. Beginning in fiscal year 2002, the State of Colorado mandated separate fund accounting for the Colorado Preschool Program. The program serves children in need of language development or social development, or who are receiving aid as neglected or dependent children.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

Expenditures may not legally exceed appropriations at the fund level. For the year ended June 30, 2020, no funds expenditures exceeded appropriations.

NOTE - 2 DEPOSITS AND INVESTMENTS

Deposits

The District's investment policies are approved by the Board of Education and governed by Colorado statute. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determined eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end the District's bank balance was either insured or collateralized with securities held by the pledging financial institution through PDPA.

At June 30, 2020, the District's bank balance and corresponding carrying balance were as follows:

	Carrying Balance	Bank Balance
Insured (FDIC)	\$ 262,072	\$ 262,061
Uninsured, Collateralized under the Public Deposit Protection Act	3,214,832	3,452,556
Cash with County Treasurer	27,322	-
Cash in Money Market Fund – RBC Cash Plus	78,258	78,258
Cash on Hand	610	-
	<u>\$ 3,583,094</u>	<u>\$ 3,792,875</u>

District Investments

Fair Value Measurement and Application – GASB 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is the price that would be received by the District to sell an asset or paid by the District to transfer a liability in an orderly transaction. The District categorizes its fair value measurement within the fair value hierarchy of three levels, as established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted market prices for similar assets for liabilities in markets that are not active, or other than quoted prices that are not observable. Level 3 inputs are unobservable, such as property valuation or an appraisal.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2020, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard & Poors Rating</u>	<u>Fair Value Measurement</u>
<i>Certificate of Deposits</i>				
Various Banks	Various	\$ 671,634	N/A	Level 1
<i>Government National Mortgage Association</i>				
Various Pass Thru Pools	Various	1,431	N/R	Level 2
<i>Government Agency Securities</i>				
Federal Home Loan Banks VM	2030	612,595	AA+	Level 2
Federal Farm Credit Bank	2033	449,284	AA+	Level 2
		<u>\$ 1,734,944</u>		

Credit Risk - State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

Foundation Investments

As of June 30, 2020, the District reported the following investments related to the Foundation for Rocky Ford Schools:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard & Poors Rating</u>	<u>Fair Value Measurement</u>
<i>Certificate of Deposits</i>				
Various Banks	Various	<u>\$ 1,622,730</u>	N/A	Level 1

The Foundation investment policies correspond to the District.

NOTE - 3 PROPERTY TAXES

Property taxes are levied on December 15 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County bills and collects property taxes for all taxing districts in the County. The property tax receipts collected by the County are remitted to the District in the subsequent month. Property taxes that are uncollected at the end of the fiscal year are expected to be utilized as a financing source in the following fiscal year and are reported as receivable and deferred revenue.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balances June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2020</u>
<u>Governmental Activities:</u>				
Non-depreciable assets:				
Land	\$ 34,575	\$ -	\$ -	\$ 34,575
Construction in Process	<u>-</u>	<u>19,009</u>	<u>-</u>	<u>19,009</u>
Total non-depreciable assets	<u>34,575</u>	<u>19,009</u>	<u>-</u>	<u>53,584</u>
Depreciable assets:				
Land improvements	1,649,032	-	-	1,649,032
Buildings	6,605,185	9,803	-	6,614,988
Equipment	<u>1,712,223</u>	<u>33,000</u>	<u>(74,251)</u>	<u>1,670,972</u>
Total depreciable assets	<u>9,966,440</u>	<u>42,803</u>	<u>(74,251)</u>	<u>9,934,992</u>
Less accumulated Depreciation for:				
Land improvements	(266,272)	(38,611)	-	(304,883)
Buildings	(4,607,840)	(133,332)	-	(4,741,172)
Equipment	<u>(1,035,429)</u>	<u>(108,299)</u>	<u>74,251</u>	<u>(1,069,477)</u>
Total accumulated depreciation	<u>(5,909,541)</u>	<u>(280,242)</u>	<u>74,251</u>	<u>(6,115,532)</u>
Total capital assets net	<u>\$ 4,091,474</u>	<u>\$ (218,430)</u>	<u>\$ -</u>	<u>\$ 3,873,044</u>

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

<u>Governmental Activities:</u>	
Instruction	\$ 209,756
Food service operations	1,616
Support services	<u>68,870</u>
Total depreciation expense – governmental activities	<u>\$ 280,242</u>

NOTE - 5 ACCRUED SALARIES AND EMPLOYEE BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2020, was \$716,290. Accordingly, the accrued salaries and benefits is reflected as a liability in the accompanying financial statements of the General Fund for \$645,296 and in the Designated Purpose Grants Fund for \$70,994.

NOTE - 6 LONG-TERM DEBT

The following is a summary of general long-term debt for the District as of June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Capital Lease	<u>\$ 55,829</u>	<u>\$ -</u>	<u>\$ (55,829)</u>	<u>\$ -</u>	<u>\$ -</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 6 LONG-TERM DEBT (Continued)

Capital Lease - The District entered into a Master Equipment Lease Purchase Agreement with Musco Finance, LLC on August 15, 2017 in the amount of \$109,500 with a 3.95% interest rate. The term of repayment is for 2 years. For the year ended June 30, 2020, interest incurred and expensed was \$2,246. The outstanding balance was paid in full in fiscal year 2020.

NOTE - 7 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Rocky Ford School District R-2 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 and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

Plan description. Eligible employees of the Rocky Ford School District R-2 are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent 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 annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent 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.

ROCKY FORD SCHOOL DISTRICT R-2
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NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

Contributions provisions as of June 30, 2020. Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

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

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

ROCKY FORD SCHOOL DISTRICT R-2
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NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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

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 \$868,514 for the year ended June 30, 2020.

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

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

At June 30, 2020, the District reported a liability of \$11,276,513 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

Rocky Ford School District R-2 proportionate share of the net pension liability	\$ 11,276,513
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Rocky Ford School District R-2	108,331
Total	11,384,844

At December 31, 2019, the District's proportion was 0.07548 percent, which was a decrease of 0.00236 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension revenue of \$1,391,659 and revenue of \$108,331 for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 614,577	\$ -
Changes of assumptions or other inputs	321,927	(6,111,990)
Net difference between projected and actual earnings on pension plan investments	52,454	(1,877,979)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	442,791	N/A
Total	1,431,749	(7,989,969)

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

\$442,791 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2020:	
2021	\$ (1,675,897)
2022	(2,086,229)
2023	(2,228,964)
2024	(1,009,921)
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) *	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) *	Financed by the Annual Increase Reserve

**For 2019, the annual increase was 0.00 percent.*

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

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

ROCKY FORD SCHOOL DISTRICT R-2
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NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District 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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 14,955,071	\$ 11,276,513	\$ 8,188,044

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 8 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the Rocky Ford School District R-2 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District has agreed to match employee contributions up to 0.00 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$0 and the District recognized pension expense and a liability of \$0 and \$0, respectively, for the Voluntary Investment Program.

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. Rocky Ford School District R-2 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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Rocky Ford School District R-2 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

PERA Benefit Structure

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

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

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for 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 percent 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 C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent 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 \$45,711 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$554,518 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District's proportion was 0.04933 percent, which was a decrease of 0.00126 from its proportion measured as of December 31, 2018.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

For the year ended June 30, 2020 the District recognized OPEB expense of \$21,181. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,840	\$ (91,574)
Changes of assumptions or other inputs	4,600	-
Net difference between projected and actual earnings on OPEB plan investments	32,345	(79,836)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	23,305	N/A
Total	62,090	(171,410)

\$23,305 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2020:	
2021	\$ (33,610)
2022	(33,610)
2023	(33,610)
2024	(7,542)
2025	(8,491)
Thereafter	(15,761)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2019, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

ROCKY FORD SCHOOL DISTRICT R-2
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NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

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

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

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

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

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

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

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

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

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

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

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

Sensitivity of the Rocky Ford School District R-2’s proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 541,345	\$ 554,518	\$ 569,739

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of liabilities and the fiduciary net position used to determine the discount rate was an actuarial valuation performed as of December 31, 2018, and the financial status of the HCTF as of the prior measurement date (December 31, 2018). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Rocky Ford School District R-2's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 626,994	\$ 554,518	\$ 492,535

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

NOTE -10 NET POSITION

Restricted net position represents net position whose users are subject to constraints that are either 1.) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or 2.) imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2020 is as follows:

	Governmental Activities	Component Unit Foundation	Total
3% Statutory Reserve - TABOR	\$ 256,800	\$ -	\$ 256,800
Preschool	72,501	-	72,501
Scholarships	54,365	-	54,365
Food Services	99,547	-	99,547
Foundation	-	1,662,192	1,662,192
	<u>\$ 483,213</u>	<u>\$ 1,662,192</u>	<u>\$ 2,145,405</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 10 NET POSITION (Continued)

Restricted for TABOR Reserve – This represents approximately 3% of the District’s 2020 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District’s net position can be used for declared emergencies only and the District must maintain 3% or more of its spending in this restricted account. The District does not believe this restriction meets the definition of a stabilization arrangement under generally accepted accounting principles.

Restricted for Preschool – This represents money received from the State of Colorado that is mandated for the Colorado Preschool Program. The program serves children in need of language development or social development, or who are receiving aid as neglected or dependent children.

Restricted for Scholarships – This represents money received from donations to be paid out for scholarships from qualified students.

Restricted for Food Service – This represents money received from the State of Colorado that is for future expenditures related to the operation and maintenance of food services.

Restricted for Foundation – This represents money received from investments and donations that is disbursed to the District exclusively for educational purposes.

NOTE -11 FUND BALANCES

At June 30, 2020, fund balances for governmental funds consist of the following:

	Restricted Fund Balance				
	Emergencies TABOR	Preschool	Future Expenditures		Total
			Food Services	Scholarships	
General Fund	\$ 256,800	\$ 72,501	\$ -	\$ -	\$ 329,301
Food Service Fund	-	-	99,547	-	99,547
Student Activity Fund	-	-	-	54,365	54,365
Total	\$ 256,800	\$ 72,501	\$ 99,547	\$ 54,365	\$ 483,213
			Committed/Assigned Fund Balance		
			Committed Capital Projects	Assigned Student Activities	Total
			\$ -	\$ 114,947	\$ 114,947
			195,621	-	195,621
			\$ 195,621	\$ 114,947	\$ 310,568

NOTE -12 TRANSFERS

Transfers are used to move revenues from the fund that collects them to specific programs accounted for in other funds, in accordance with budget authorization. Transferred funds are without recourse. Transfers during the fiscal year ended June 30, 2020, were as follows:

Transfers From	Transfers To	Amount
General	Food Services	\$ 60,000
General	Capital Projects	187,175
		\$ 247,175

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -13 CONTINGENT LIABILITIES

The District receives revenues from various Federal and State grant programs, which are subject to final review and approval as to allowability by the respective grantor agency. Management believes disallowances, if any, would be immaterial.

NOTE -14 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado School Districts Self Insurance Pool, which operates as a self-insurance pool comprised of various School Districts and other related public educational entities within the State of Colorado. The District pays an annual premium to the Pool for its property and liability insurance.

For Workers' Compensation, health, accident, and other types of insurance programs maintained by the District, commercial insurance companies are utilized. Settled claims have not exceeded insurance coverage in each of the last three years.

NOTE -15 TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention on such revenue.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect.

In November 1996 the voters of the District approved an amendment to allow the District to collect, retain and spend all revenues and other funds collected from any source notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution.

NOTE -16 COMMITMENTS

The District entered into a power purchase agreement where the District has agreed to purchase all of the power produced by solar facility at rates set forth in the agreement. The agreement is for a period of twenty years beginning in 2010.

NOTE -17 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTAL INFORMATION

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources	\$ 1,550,808	\$ 1,550,808	\$ 1,570,510	\$ 19,702
State sources	7,092,203	7,224,133	7,007,263	(216,870)
Federal sources	189,761	235,786	226,282	(9,504)
TOTAL REVENUES	8,832,772	9,010,727	8,804,055	(206,672)
EXPENDITURES				
Instruction	5,009,524	5,167,479	4,981,435	186,044
Supporting services				
Pupils	314,458	314,458	207,735	106,723
Instruction staff	468,780	468,780	442,020	26,760
General administration	293,915	293,915	274,265	19,650
School administration	526,548	526,548	518,320	8,228
Other business services	165,585	165,585	169,219	(3,634)
Operations and maintenance	1,481,170	1,501,170	1,302,286	198,884
Pupil transportation	323,585	323,585	262,802	60,783
Support services	76,917	76,917	35,640	41,277
Community services	56,847	56,847	44,421	12,426
TOTAL EXPENDITURES	8,717,329	8,895,284	8,238,143	657,141
REVENUES OVER (UNDER) EXPENDITURES	115,443	115,443	565,912	450,469
OTHER FINANCING SOURCES				
Contributions	30,000	30,000	25,900	(4,100)
Transfers out	(247,175)	(247,175)	(247,175)	-
NET CHANGE IN FUND BALANCE	(101,732)	(101,732)	344,637	446,369
FUND BALANCE JULY 1	3,277,493	3,277,493	3,277,493	-
FUND BALANCE JUNE 30	\$ 3,175,761	\$ 3,175,761	\$ 3,622,130	\$ 446,369

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

STATEMENTS OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Federal grants earned	\$ 492,996	\$ 1,110,932	\$ 492,040	\$ (618,892)
EXPENDITURES				
Instruction	\$ 492,996	\$ 1,110,932	\$ 492,040	\$ 618,892

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Meal charges				
Students and faculty	\$ 65,991	\$ 65,991	\$ 27,178	\$ (38,813)
Special events	12,468	12,468	38,671	26,203
Federal reimbursement	569,457	569,457	518,655	(50,802)
State reimbursement	4,019	4,019	5,079	1,060
Other	-	-	12,655	12,655
TOTAL REVENUES	651,935	651,935	602,238	(49,697)
EXPENDITURES				
Salaries and benefits	28,435	28,435	25,192	3,243
Contracted services	644,000	644,000	582,378	61,622
Supplies	32,000	32,000	30,540	1,460
Repairs & maintenance	7,500	7,500	21,285	(13,785)
TOTAL EXPENDITURES	711,935	711,935	659,395	52,540
REVENUES OVER (UNDER) EXPENDITURES	(60,000)	(60,000)	(57,157)	2,843
OTHER FINANCING SOURCES				
Transfer in (out)	60,000	60,000	60,000	-
NET CHANGE IN FUND BALANCE	-	-	2,843	2,843
FUND BALANCE JULY 1	96,704	96,704	96,704	-
FUND BALANCE JUNE 30	\$ 96,704	\$ 96,704	\$ 99,547	\$ 2,843

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STUDENT ACTIVITY FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Student activities	\$ 250,000	\$ 250,000	\$ 173,712	\$ (76,288)
EXPENDITURES				
Student activities	<u>250,000</u>	<u>250,000</u>	<u>164,466</u>	<u>85,534</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	9,246	9,246
FUND BALANCE JULY 1	<u>160,066</u>	<u>160,066</u>	<u>160,066</u>	-
FUND BALANCE JUNE 30	<u><u>\$ 160,066</u></u>	<u><u>\$ 160,066</u></u>	<u><u>\$ 169,312</u></u>	<u><u>\$ 9,246</u></u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE - SCHOOL DIVISION TRUST FUND

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.075480%	0.077836%	0.088154%	0.089422%	0.092048%	0.093629%	0.094864%
District's proportionate share of the net pension liability	\$11,276,513	\$13,782,463	\$28,505,860	\$26,624,260	\$14,078,112	\$12,689,902	\$12,099,852
State's Proportionate Share of the net pension liability	108,331	111,931	-	-	-	-	-
	<u>\$11,384,844</u>	<u>\$13,894,394</u>	<u>\$28,505,860</u>	<u>\$26,624,260</u>	<u>\$14,078,112</u>	<u>\$12,689,902</u>	<u>\$12,099,852</u>
District's covered payroll	\$ 4,435,942	\$ 4,279,062	\$ 4,077,619	\$ 4,013,400	\$ 4,011,437	\$ 3,922,392	\$ 3,824,261
District's proportionate share of the net pension liability as a percentage of its covered payroll	254.21%	322.09%	699.08%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.13%	59.16%	62.84%	64.07%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 868,514	\$ 834,400	\$ 751,033	\$ 691,325	\$ 673,322	\$ 648,222	\$ 621,374
Contributions in relation to the contractually required contribution	(868,514)	(834,400)	(751,033)	(691,325)	(673,322)	(648,222)	(621,374)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,481,490	\$ 4,361,727	\$ 4,194,209	\$ 4,018,699	\$ 3,990,591	\$ 4,012,497	\$ 3,887,220
Contributions as a percentage of covered payroll	19.38%	19.13%	17.91%	17.20%	16.87%	16.16%	15.99%

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE - HEALTH CARE TRUST FUND

DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017	2016
District's proportion of the net OPEB liability	0.04933439%	0.05059381%	0.05007423%	0.05082829%
District's proportionate share of the net OPEB liability	554,518	688,350	650,765	659,006
District's covered payroll	4,435,942	4,279,062	4,077,619	4,013,400
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.50%	16.09%	15.96%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS - HEALTH CARE TRUST FUND

DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

FOR THE LAST 10 FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 45,711	\$ 44,489	\$ 42,781	\$ 40,991
Contributions in relation to the statutorily required contribution	<u>(45,711)</u>	<u>(44,489)</u>	<u>(42,781)</u>	<u>(40,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 4,481,490	 \$ 4,361,727	 \$ 4,194,209	 \$ 4,018,699
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

ROCKY FORD SCHOOL DISTRICT R2
OTERO COUNTY COLORADO

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE -1 BUDGETS AND BUDGETARY ACCOUNTING

Budgets are required by state law for all funds. At least thirty days prior to July 1, the Superintendent submits to the Board of Education a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and means of financing them.

Public hearings are conducted by the Board of Education to obtain taxpayer comments. The budget must be adopted by formal resolution prior to June 30, although it may be subsequently revised by January 31 of the following year.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments, within any fund and the reallocation of budget line items within any department or within any fund rests with the Superintendent of Schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the fiscal year. Appropriations are based on total resources expected to be available in each budget year, including reserves as established by the Board of Education. Variances between budget and actual expenditures result from non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects and normal operating variances.

SUPPLEMENTAL INFORMATION

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

SPECIAL REVENUE FUNDS

Designated Purpose Grants Fund – Is used to account for resources of various federal grant programs. Revenues include federal and state grants

Food Services Fund – This fund is used to account for all food service activities related to serving student meals. Revenues include federal and state grants and food sales.

Student Activity Fund – This fund is used to account for the various activities of student groups. These activities are supported in whole or in part by revenues from pupils and other fund-raising activities.

CAPITAL PROJECTS FUND

Capital Reserve Capital Projects Fund – This fund is authorized by Colorado School Law and is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases. Revenues include transfers from general fund, debt proceeds, and sale of fixed assets, as applicable.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GENERAL FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash	\$ 2,610,650	\$ 2,584,008
Investments	1,734,944	1,577,799
Taxes receivable	79,700	82,700
Accounts receivable	9,448	985
Grants receivable	100,291	15,694
Accrued interest receivable	9,663	6,943
	\$ 4,544,696	\$ 4,268,129
 LIABILITIES		
Accounts payable	\$ 28,966	\$ 78,948
Accrued salaries and benefits	645,296	606,723
Unearned revenue	168,604	222,265
	842,866	907,936
 DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	79,700	82,700
 FUND BALANCE		
Restricted for 3% statutory reserve - TABOR	256,800	252,000
Restricted for preschool	72,501	86,317
Unassigned	3,292,829	2,939,176
	3,622,130	3,277,493
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 4,544,696	\$ 4,268,129

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUES		
Local sources	\$ 1,570,510	\$ 1,536,788
State sources	7,007,263	6,827,764
Federal sources	226,282	207,152
	8,804,055	8,571,704
TOTAL REVENUES		
EXPENDITURES		
Instruction	4,981,435	4,785,690
Supporting services		
Pupils	207,735	187,138
Instruction staff	442,020	355,960
General administration	274,265	259,107
School administration	518,320	516,608
Other business services	169,219	154,544
Operations and maintenance	1,302,286	1,234,041
Pupil transportation	262,802	273,989
Support services	35,640	71,881
Community services	44,421	74,796
	8,238,143	7,913,754
TOTAL EXPENDITURES		
REVENUES OVER (UNDER) EXPENDITURES	565,912	657,950
OTHER FINANCING SOURCES (USES)		
Contributions	25,900	-
Transfers out	(247,175)	(252,175)
	(221,275)	(252,175)
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCE	344,637	405,775
FUND BALANCE JULY 1	3,277,493	2,871,718
FUND BALANCE JUNE 30	\$ 3,622,130	\$ 3,277,493

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 571,591	\$ 10,629
Grants receivable	78,980	58,278
	<u>78,980</u>	<u>58,278</u>
TOTAL ASSETS	<u><u>\$ 650,571</u></u>	<u><u>\$ 68,907</u></u>
LIABILITIES		
Accounts Payable	\$ 4,052	\$ -
Accrued salaries and benefits	70,994	68,907
Unearned revenues	575,525	-
	<u>575,525</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 650,571</u></u>	<u><u>\$ 68,907</u></u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

STATEMENT OF REVENUES AND EXPENDITURES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Federal grants earned	\$ 492,040	\$ 552,970
	<u>492,040</u>	<u>552,970</u>
EXPENDITURES		
Instruction	\$ 492,040	\$ 552,970
	<u>492,040</u>	<u>552,970</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 33,381	\$ 48,108
Accounts receivable	11,654	9,300
Grants receivable	108,781	48,776
	<u>153,816</u>	<u>106,184</u>
TOTAL ASSETS	<u>\$ 153,816</u>	<u>\$ 106,184</u>
LIABILITIES		
Accounts payable	\$ 54,269	\$ 9,480
FUND BALANCE		
Restricted for food services	<u>99,547</u>	<u>96,704</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 153,816</u>	<u>\$ 106,184</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUES		
Meal charges		
Students and faculty	\$ 27,178	\$ 31,585
Special events	38,671	50,958
Federal reimbursement	518,655	454,225
State reimbursement	5,079	5,372
Other	12,655	10,131
	<hr/>	<hr/>
TOTAL REVENUES	602,238	552,271
	<hr/>	<hr/>
EXPENDITURES		
Salaries and benefits	25,192	21,204
Contracted services	582,378	537,072
Supplies	30,540	26,329
Repairs and maintenance	21,285	7,255
	<hr/>	<hr/>
TOTAL EXPENDITURES	659,395	591,860
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(57,157)	(39,589)
OTHER FINANCING SOURCES (USES)		
Transfers in (out)	60,000	60,000
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	2,843	20,411
FUND BALANCE JULY 1	96,704	76,293
	<hr/>	<hr/>
FUND BALANCE JUNE 30	\$ 99,547	\$ 96,704
	<hr/> <hr/>	<hr/> <hr/>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STUDENT ACTIVITY FUNDS

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 117,486	\$ 108,166
Restricted cash	54,365	54,532
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 171,851</u>	<u>\$ 162,698</u>
LIABILITIES		
Accounts payable	\$ 2,539	\$ 2,630
	<u> </u>	<u> </u>
FUND BALANCE		
Restricted for scholarships	54,365	54,532
Assigned for student activities	114,947	105,534
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>169,312</u>	<u>160,066</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 171,851</u>	<u>\$ 162,696</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STUDENT ACTIVITY FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Student activities	\$ 173,712	\$ 244,607
EXPENDITURES		
Student activities	<u>164,466</u>	<u>238,001</u>
NET CHANGE IN FUND BALANCE	9,246	6,606
FUND BALANCE JULY 1	<u>160,066</u>	<u>153,460</u>
FUND BALANCE JUNE 30	<u><u>\$ 169,312</u></u>	<u><u>\$ 160,066</u></u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

CAPITAL PROJECTS FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 195,621	\$ 160,982
	<u>195,621</u>	<u>160,982</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
FUND BALANCE		
Committed for capital projects	195,621	160,982
	<u>195,621</u>	<u>160,982</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 195,621</u>	<u>\$ 160,982</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

CAPITAL PROJECTS FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	2020 ACTUAL	2020 BUDGET	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2019 ACTUAL
REVENUES				
Contributions	\$ 9,803	\$ -	\$ 9,803	\$ 6,825
Other	2,900	-	2,900	2,100
TOTAL REVENUES	<u>12,703</u>	<u>-</u>	<u>12,703</u>	<u>8,925</u>
EXPENDITURES				
Capital outlay	104,934	124,175	19,241	101,767
Major repairs	2,230	5,000	2,770	38,556
Debt service	58,075	58,000	(75)	58,075
TOTAL EXPENDITURES	<u>165,239</u>	<u>187,175</u>	<u>21,936</u>	<u>198,398</u>
REVENUES OVER (UNDER) EXPENDITURES	(152,536)	(187,175)	34,639	(189,473)
OTHER FINANCING SOURCES				
Transfers in (out)	187,175	187,175	-	192,175
TOTAL OTHER FINANCING SOURCES	<u>187,175</u>	<u>187,175</u>	<u>-</u>	<u>192,175</u>
NET CHANGE IN FUND BALANCE	34,639	-	34,639	2,702
FUND BALANCE JULY 1	<u>160,982</u>	<u>160,982</u>	<u>-</u>	<u>158,280</u>
FUND BALANCE JUNE 30	<u><u>\$ 195,621</u></u>	<u><u>\$ 160,982</u></u>	<u><u>\$ 34,639</u></u>	<u><u>\$ 160,982</u></u>

SINGLE AUDIT SECTION

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

PROGRAM TITLE	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed through to Sub- recipients	Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through Colorado Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4010		\$ 357,544
Rural Education	84.358	4358		11,756
Supporting Effective Instruction State Grants	84.367	4367		48,564
Student Support and Academic Enrichment Program	84.424	4424		31,765
Passed Through the State Board of Community Colleges:				
Career and Technical Education - Basic Grants to States	84.048	5048		10,078
Total U.S. Department of Education				<u>459,707</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
477 Cluster / TANF Cluster				
Passed Through Otero County, Colorado:				
Temporary Assistance for Needy Families	* 93.558	8558		74,908
Total U.S. Department of Health and Human Services				<u>74,908</u>
U.S. DEPARTMENT OF TREASURY				
Passed Through Colorado Department of Education:				
Coronavirus Relief Fund	21.019	4012		42,410
Total U.S. Department of Treasury				<u>42,410</u>
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster				
Passed Through Colorado Department of Education:				
School Breakfast Program	* 10.553	4553		97,426
National School Lunch Program	* 10.555	4555		355,820
Summer Food Service Program For Children	* 10.559	4559		6,234
Passed Through State Department of Human Services:				
USDA Commodities	* 10.555	4010-4555		29,345
Total Child Nutrition Cluster - Cluster				<u>488,825</u>
Passed Through Colorado Department of Education:				
Fresh Fruit and Vegetable Program	10.582	4582		19,271
Passed Through Colorado Department of Public Health & Environment:				
Child and Adult Care Food Program	10.558	4558		10,560
Total U.S. Department of Agriculture				<u>518,656</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,095,681</u></u>

* Represents those programs that are considered to be clusters of programs.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE -1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Rocky Ford School District R-2 under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Rocky Ford School District R-2, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Rocky Ford School District R-2.

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE – 3 INDIRECT COST RATES

The Rocky Ford School District R-2 has elected to not use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance. All grants have been received from the Colorado Department of Education (CDE). CDE calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The Rocky Ford School District R-2 has recovered indirect cost from grant funds at an amount no greater than that allowed by CDE.

NOTE – 4 NONCASH PROGRAMS

Commodities donated to the Rocky Ford School District R-2 by the U.S. Department of Agriculture (USDA) of \$29,345 are reported in the schedule at the fair market value of commodities received. These are shown as part of the National School Lunch program (10.555).

NOTE – 5 SUB-RECIPIENTS

No payments were made to sub-recipients in the fiscal year ended June 30, 2020.

HANCOCK FROESE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
601 SOUTH EIGHTH STREET
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812
Andrew H. Froese CPA 719-980-1962

**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
Rocky Ford School District R-2
Rocky Ford, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit and each major fund of the Rocky Ford School District R-2's (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Rocky Ford School District R-2's basic financial statements, and have issued our report thereon dated January 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rocky Ford School District R-2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rocky Ford School District R-2's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rocky Ford School District R-2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rocky Ford School District R-2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Hancock Froese & Company LLC
Rocky Ford, Colorado
January 18, 2021

HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
601 SOUTH EIGHTH STREET
ROCKY FORD, COLORADO 81067

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Rocky Ford School District R-2
Rocky Ford, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Rocky Ford School District R-2's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rocky Ford School District R-2's major federal programs for the year ended June 30, 2020. The Rocky Ford School District R-2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rocky Ford School District R-2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rocky Ford School District R-2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Rocky Ford School District R-2's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rocky Ford School District R-2's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

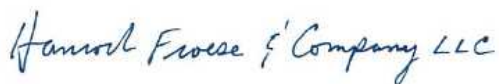
Report on Internal Control over Compliance

Management of the Rocky Ford School District R-2's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Rocky Ford School District R-2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rocky Ford School District R-2's internal control over compliance.

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

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

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



Hancock Froese & Company LLC

Rocky Ford, Colorado

January 18, 2021

**Rocky Ford School District R-2
Otero County, Colorado**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting as reported in the INDEPENDENT AUDITORS’ 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*:

- Material weakness(es) identified? ___ yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___yes no

Noncompliance material to financial statements noted ___yes no

Federal Awards

Internal control over major programs as reported in the INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE:

- Material weakness(es) identified? ___ yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___yes no

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) ___yes no

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555 and 10.559	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee	<u> </u> yes <u> </u> no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

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

Section IV – Prior Year Findings

There were no findings in the prior year that were required to be reported.

**COLORADO DEPARTMENT OF EDUCATION AUDITORS' ELECTRONIC FINANCIAL
DATA INTEGRITY CHECK FIGURES**



Colorado Department of Education

Auditors Integrity Report

District: 2530 - Rocky Ford R-2

Fiscal Year 2019-20

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	3,191,177	8,287,518	7,929,065	3,549,629
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	86,317	295,262	309,078	72,501
Sub- Total	3,277,494	8,582,780	8,238,143	3,622,130
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	96,704	662,238	659,395	99,547
22 Govt Designated-Purpose Grants Fund	0	492,040	492,040	0
23 Pupil Activity Special Revenue Fund	160,066	173,712	164,466	169,312
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	160,982	199,878	165,239	195,621
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,695,247	10,110,647	9,719,284	4,086,610
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	1,613,778	94,703	46,289	1,662,193
Totals	1,613,778	94,703	46,289	1,662,193

FINAL