

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2023

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rocky Ford School District R-2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rocky Ford School District R-2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rocky Ford School District R-2's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rocky Ford School District R-2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rocky Ford School District R-2's basic financial statements. The individual major fund comparative financial statements, budget schedules, the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual major comparative fund financial statements, budget schedules, Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures, and the schedule of expenditures of federal awards are 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 December 7, 2023, 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 Rocky Ford School District R-2's internal control over financial reporting and compliance.



Hancock Froese & Company LLC

Rocky Ford, Colorado

December 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ROCKY FORD SCHOOL DISTRICT R2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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 \$10,787,385 in fiscal year 2023. This increase was due to the capitalization of expenses related to the Rocky Ford K-12 addition and renovation project as well as the increase in 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, 2023. These changes significantly impacted the unrestricted portion of net position.
- The assets exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,141,142 (net position) due to the significant increase in construction in process for the Rocky Ford K-12 addition and renovation project.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$8.5 million, 40 percent, of all revenues. Program specific revenues for services, grants and contributions accounted for \$12.8 million or 60 percent of the \$21.3 million in total revenues.
- The general fund ending fund balance is \$3,509,533 which is an increase of \$369,932 from last year. The increase was due to the decrease in transfers out, specifically no transfer was made to the building fund in FY 2023 for the Rocky Ford K-12 addition and renovation project.

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, capital reserve capital projects fund, building fund and bond redemption 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, 2023 and 2022:

	Governmental Activities	
	2023	2022
Assets:		
Current Assets	\$ 15,622,177	\$ 13,805,872
Capital Assets	<u>17,160,363</u>	<u>5,712,148</u>
Total Assets	32,782,540	19,518,020
Deferred Outflows of Resources	<u>2,666,093</u>	<u>1,737,197</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 35,448,633</u>	<u>\$ 21,255,217</u>
Liabilities:		
Current Liabilities	\$ 5,290,953	\$ 2,183,162
Non-Current Liabilities	<u>17,409,043</u>	<u>16,120,678</u>
Total Liabilities	<u>22,699,996</u>	<u>18,303,840</u>
Deferred Inflows of Resources	<u>2,607,495</u>	<u>3,597,620</u>
Net Position (Deficit):		
Net Investment in Capital Assets	16,321,890	5,528,839
Restricted	6,908,855	8,386,208
Unrestricted	<u>(13,089,603)</u>	<u>(14,561,290)</u>
Total Net Position (Deficit)	<u>10,141,142</u>	<u>(646,243)</u>
Total Liabilities, Deferred Inflow of Resources & Net Position (Deficit)	<u>\$ 35,448,633</u>	<u>\$ 21,255,217</u>

Changes in Net Position as of June 30, 2023 and 2022

Following is a summary of the School District's change in net position for the years ending June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
Revenues		
Program Revenues:		
Charges for Services	\$ 323,452	\$ 265,078
Operating Grants & Contributions	2,459,174	3,383,453
Capital Grants & Contributions	10,053,098	1,904,509
General Revenues:		
Taxes:		
Property Taxes	1,344,662	1,382,751
Specific Ownership Taxes	277,554	241,990
School Finance Act	6,552,318	6,608,950
Earnings (Losses) on Investments	(10,306)	(130,535)
Other	<u>365,094</u>	<u>315,988</u>
Total Revenues	<u>21,365,046</u>	<u>13,972,184</u>
Expenses		
Governmental Activities:		
Instruction	5,709,450	5,100,749
Support Service	4,030,812	2,558,395
Food Service Operations	644,195	448,086
Student Activities	<u>193,204</u>	<u>144,864</u>
Total Expenses	<u>10,577,661</u>	<u>8,252,094</u>

Changes in Net Position as of June 30, 2023 and 2022 (Continued)

	<u>2023</u>	<u>2022</u>
Change in Net Position	10,787,385	5,720,090
Net Position – Beginning	<u>(646,243)</u>	<u>(6,366,333)</u>
Net Position – Ending	<u>\$ 10,141,142</u>	<u>\$ (646,243)</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 \$10,743 per funded student. In fiscal year 2022-2023, the funded pupil count was 755.8. Funding for the School Finance Act comes from property taxes, specific ownership taxes and state equalization. The District received approximately 31 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, 2023 increased the Rocky Ford School District's net position by \$10,787,385.

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 preschool activity. As of June 30, 2023, the general fund shows an ending fund balance of \$3,509,533 up from \$3,139,601 for the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Rocky Ford School District began budget development for the 2022-2023 fiscal year in January 2022 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 2022. Adoption of the 2022-2023 budget occurred in June 2022 with revisions made in January 2023. A supplemental budget was adopted for the year ending June 30, 2023 because of additional funding and expenditures in the general fund. For the year ended June 30, 2023, the General Fund and the Bond Redemption Fund's expenditures exceeded appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's net investment in capital assets for its governmental activities as of June 30, 2023 amounts to \$16,321,890. This is a total cost of \$24,192,651, less accumulated depreciation of \$7,032,288, less general obligation bonds payable and lease payables of \$5,773,872 plus cash with fiscal agent of \$4,935,399. 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 2023-2024 will see a significant increase in revenues and expenses again due to the continuation of work performed on the Rocky Ford K-12 Addition and Renovation project. This project is funded by the Building Excellent Schools Today Act ("BEST" grant). The budget will also reflect an increase in expenditures such as technology equipment, salaries and benefits, and other general operating costs (fuel, food, supplies, etc..).

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, 2023

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,255,431	\$ -
Cash with fiscal agent	6,599,413	-
Investments	1,462,086	1,453,629
Restricted cash	59,178	33,321
Taxes receivable	76,400	-
Grants receivable	4,150,543	-
Inventories	9,383	-
Accrued interest receivable	9,743	1,903
TOTAL CURRENT ASSETS	15,622,177	1,488,853
CAPITAL ASSETS		
Land	34,575	-
Construction in Process	13,677,749	-
Buildings, improvements and equipment	10,480,327	-
Accumulated depreciation	(7,032,288)	-
CAPITAL ASSETS NET OF DEPRECIATION	17,160,363	-
TOTAL ASSETS	32,782,540	1,488,853
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	2,536,404	-
OPEB related amounts	129,689	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,666,093	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	4,307,424	-
Accrued salaries and benefits	889,196	-
Unearned revenues	94,333	-
TOTAL CURRENT LIABILITIES	5,290,953	-
NONCURRENT LIABILITIES		
Due within one year	250,782	-
Due in more than one year	5,615,223	-
Net pension liabilities	11,162,526	-
Net OPEB liabilities	380,512	-
TOTAL NONCURRENT LIABILITIES	17,409,043	-
TOTAL LIABILITIES	22,699,996	-
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	1,936,874	-
OPEB related amounts	670,621	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,607,495	-
NET POSITION		
Net investment in capital assets	16,321,890	-
Restricted	6,908,855	1,488,853
Unrestricted (deficit)	(13,089,603)	-
TOTAL NET POSITION	\$ 10,141,142	\$ 1,488,853

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				COMPONENT UNIT FOUNDATION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 5,709,450	\$ 63,319	\$ 1,776,614	\$ -	\$ (3,869,517)
Support services	4,030,812	-	307,602	10,053,098	6,329,888
Food services operations	644,195	79,250	374,958	-	(189,987)
Student activities	193,204	180,883	-	-	(12,321)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,577,661	\$ 323,452	\$ 2,459,174	\$ 10,053,098	2,258,063
COMPONENT UNIT:	\$ 91,420	\$ -	\$ -	\$ 500	(90,920)
GENERAL REVENUES					
Taxes					
Property taxes, levied for general purposes					1,038,143
Property taxes, levied for debt service					306,519
Specific ownership taxes, levied for general purposes					214,864
Specific ownership taxes, levied for debt service					62,690
School finance act					6,552,318
Earnings (losses) on investments					(10,306)
Other					365,094
TOTAL GENERAL REVENUES					8,529,322
CHANGE IN NET POSITION					10,787,385
NET POSITION (DEFICIT) - BEGINNING					(646,243)
NET POSITION - ENDING					1,583,994
					\$ 10,141,142
					\$ 1,488,853

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2023

	MAJOR GOVERNMENTAL FUNDS								TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DESIGNATED PURPOSE GRANTS FUND	FOOD SERVICES FUND	STUDENT ACTIVITIES FUND	CAPITAL PROJECTS FUND	BUILDING FUND	BOND REDEMPTION FUND		
ASSETS									
Cash and cash equivalents	\$ 2,679,864	\$ -	\$ 124,143	\$ 143,417	\$ -	\$ -	\$ 308,007	\$ 3,255,431	
Cash with fiscal agent	27,183	-	-	-	-	6,564,203	8,027	6,599,413	
Investments	1,462,086	-	-	-	-	-	-	1,462,086	
Restricted cash	-	-	-	59,178	-	-	-	59,178	
Taxes receivable	58,800	-	-	-	-	-	17,600	76,400	
Grants receivable	23,950	320,289	18,383	-	346,326	3,441,595	-	4,150,543	
Accrued interest receivable	9,743	-	-	-	-	-	-	9,743	
Due from other fund	114,757	-	-	-	-	-	-	114,757	
TOTAL ASSETS	\$ 4,376,383	\$ 320,289	\$ 142,526	\$ 202,595	\$ 346,326	\$10,005,798	\$ 333,634	\$ 15,727,551	
LIABILITIES									
Accounts payable	\$ 37,725	\$ -	\$ 17,887	\$ 4,337	\$ 150,338	\$ 4,097,137	\$ -	\$ 4,307,424	
Due to other fund	-	107,085	-	-	7,672	-	-	114,757	
Accrued salaries and benefits	719,281	169,915	-	-	-	-	-	889,196	
Unearned revenue	51,044	43,289	-	-	-	-	-	94,333	
TOTAL LIABILITIES	808,050	320,289	17,887	4,337	158,010	4,097,137	-	5,405,710	
DEFERRED INFLOWS OF RESOURCES									
Deferred revenue - property taxes	58,800	-	-	-	-	-	17,600	76,400	
FUND BALANCE									
Restricted	500,343	-	124,639	59,178	-	5,908,661	316,034	6,908,855	
Committed	-	-	-	-	188,316	-	-	188,316	
Assigned	-	-	-	139,080	-	-	-	139,080	
Unassigned	3,009,190	-	-	-	-	-	-	3,009,190	
TOTAL FUND BALANCE	3,509,533	-	124,639	198,258	188,316	5,908,661	316,034	10,245,441	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 4,376,383	\$ 320,289	\$ 142,526	\$ 202,595	\$ 346,326	\$10,005,798	\$ 333,634	\$ 15,727,551	

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

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

JUNE 30, 2023

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

Governmental funds total fund balances		\$ 10,245,441
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.		76,400
Capital assets and right-to-use assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.		24,192,651
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.		(7,032,288)
Inventory. Inventories are expensed in the governmental funds upon acquisition, but recognized as an asset in the government wide financial statements.		9,383
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	\$ (92,133)	
General obligation bonds payable	(5,761,252)	
Leases payable	(12,620)	
Net pension liabilities	(11,162,526)	
Deferred outflows of resources - pension related amounts	2,536,404	
Deferred inflows of resources - pension related amounts	(1,936,874)	
Net OPEB liabilities	(380,512)	
Deferred outflows of resources - OPEB related amounts	129,689	
Deferred inflows of resources - OPEB related amounts	(670,621)	
		(17,350,445)
Governmental activities net position		\$ 10,141,142

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, 2023

MAJOR GOVERNMENTAL FUNDS

	GENERAL FUND	DESIGNATED PURPOSE GRANTS FUND	FOOD SERVICES FUND	STUDENT ACTIVITIES FUND	CAPITAL PROJECTS FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Local sources	\$ 1,466,542	\$ -	\$ 82,097	\$ -	\$ 1,104	\$ -	\$ 449,209	\$ 1,998,952
State sources	7,428,106	-	3,831	-	1,225,418	8,076,618	-	16,733,973
Federal sources	278,159	1,064,080	368,280	-	751,062	-	-	2,461,581
Student activities	-	-	-	180,883	-	-	-	180,883
TOTAL REVENUES	9,172,807	1,064,080	454,208	180,883	1,977,584	8,076,618	449,209	21,375,389
EXPENDITURES								
Instruction	5,102,865	797,407	-	-	-	-	-	5,900,272
Support services	3,468,275	266,673	-	-	-	-	-	3,734,948
Capital outlay	-	-	-	-	2,198,917	9,615,022	-	11,813,939
Debt service	32,135	-	-	-	-	-	383,823	415,958
Food service operations	-	-	600,911	-	-	-	-	600,911
Student activities	-	-	-	193,204	-	-	-	193,204
TOTAL EXPENDITURES	8,603,275	1,064,080	600,911	193,204	2,198,917	9,615,022	383,823	22,659,232
REVENUES OVER (UNDER) EXPENDITURES	569,532	-	(146,703)	(12,321)	(221,333)	(1,538,404)	65,386	(1,283,843)
OTHER FINANCING SOURCES (USES)								
Transfer in (out)	(199,600)	-	-	-	199,600	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(199,600)	-	-	-	199,600	-	-	-
NET CHANGE IN FUND BALANCE	369,932	-	(146,703)	(12,321)	(21,733)	(1,538,404)	65,386	(1,283,843)
FUND BALANCE JULY 1	3,139,601	-	271,342	210,579	210,049	7,447,065	250,648	11,529,284
FUND BALANCE JUNE 30	\$ 3,509,533	\$ -	\$ 124,639	\$ 198,258	\$ 188,316	\$ 5,908,661	\$ 316,034	\$ 10,245,441

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, 2023

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

Governmental funds changes in fund balances			\$ (1,283,843)
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.			76,400
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	\$ 11,753,601		
Depreciation expense	(277,347)		
Amortization expense	(28,039)		
			11,448,215
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.			(85,500)
Inventories are expensed at acquisition in the governmental funds and reported as expenses when used in the government wide statements.			1,457
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayment.			
General obligation bonds payable	\$ 238,748		
Leases payable	30,524		
			269,272
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	\$ (2,155)		
Pension related amounts	340,883		
OPEB related amounts	22,656		
			361,384
Governmental activities change in net position			\$ 10,787,385

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, 2023, the District received \$89,394 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, 2023.

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

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 \$150,177 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.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Designated Purpose Grants Fund, Food Service Fund, Student Activities Fund, Capital Reserve Capital Projects Fund, Building Fund, and Bond Redemption 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.

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.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Activities 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/ Capital Reserve Funds

Building Fund – Used to account for the revenues from a bond issuance, as well as District matching dollars and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

Capital Reserve 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.

Debt Service Fund

Bond Redemption Fund – Used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

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 2023, 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, except for lease assets, include property, vehicles and equipment and are utilized for general District operations and 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

Leased Assets – Right-to-Use Asset

Leased assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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, Capital Reserve Capital Projects Fund, and Bond Redemption 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 is payable upon resignation or termination.

Discretionary leave is established by policy to be earned at a rate of 96 hours to 120 hours depending on the employee contract. The leave granted the employee for the school year may be used for sick, personal, or bereavement purposes. Any hours not used will be accumulated for the employee as sick leave. Sick leave will be allowed to accumulate to a total of 560 hours. Any hours exceeding 560 hours will be bought back at the employee at a rate of 50% of the current daily substitute rate.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation and Sick Pay (Continued)

In accordance with the governmental accounting standards, the District has recorded the accrued liability for vacation and sick 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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. Bond premiums and amounts deferred upon refunding are amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources (Continued)

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

Difference Between Expected and Actual Experience	\$ 105,641
Changes of Assumptions or Other Inputs	197,725
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	1,744,831
Contributions Made Subsequent to the Measurement Date	<u>488,207</u>
Total Pension Related Deferred Outflows	<u>\$ 2,536,404</u>

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	\$ 49
Changes of Assumptions or Other Inputs	6,116
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	99,090
Contributions Made Subsequent to the Measurement Date	<u>24,434</u>
Total OPEB Related Deferred Outflows	<u>\$ 129,689</u>

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.

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

Difference Between Expected and Actual Experience	\$ -
Changes of Assumptions or Other Inputs	(569,362)
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	<u>(1,367,512)</u>
Total Pension Related Deferred Inflows	<u>\$ (1,936,874)</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	\$ (90,415)
Changes of Assumptions or Other Inputs	(41,997)
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	<u>(538,209)</u>
Total OPEB Related Deferred Inflows	<u>\$ (670,621)</u>

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 included in 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, 2023, the General Fund and the Bond Redemption Fund's 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.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2023, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 262,176	\$ 262,161
Uninsured, Collateralized under the Public Deposit Protection Act	3,007,193	3,120,761
Cash Equivalent – BEST	6,564,203	6,564,203
Cash with County Treasurer	35,210	-
Cash in Money Market Fund – RBC Cash Plus	44,629	44,629
Cash on Hand	<u>611</u>	<u>-</u>
	<u>\$ 9,914,022</u>	<u>\$ 9,991,754</u>

The carrying amount is reflected in the accompanying financial statements as follows:

Governmental Activities – Cash & Cash Equivalents	\$ 3,255,431
Governmental Activities – Cash with Fiscal Agent	6,599,413
Governmental Activities – Restricted Cash	<u>59,178</u>
	<u>\$ 9,914,022</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.

As of June 30, 2023, 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	\$ 641,326	N/A	Level 1
<i>Government National Mortgage Association</i>				
Various Pass Thru Pools	Various	370	N/R	Level 2
<i>Government Agency Securities</i>				
Federal Home Loan Banks VM	2030	480,850	AA+	Level 2
Federal Farm Credit Bank	2033	<u>339,540</u>	AA+	Level 2
		<u>\$ 1,462,086</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.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

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, 2023, 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	\$ 1,453,629	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.

NOTE - 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balances June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2023</u>
<u>Governmental Activities:</u>				
Non-depreciable assets:				
Land	\$ 34,575	\$ -	\$ -	\$ 34,575
Construction in Process	2,086,248	11,591,501	-	13,677,749
Total non-depreciable assets	2,120,823	11,591,501	-	13,712,324
Depreciable assets:				
Land improvements	1,649,032	-	-	1,649,032
Buildings	6,614,988	-	-	6,614,988
Equipment	1,914,009	162,100	-	2,076,109
Total depreciable assets	10,178,029	162,100	-	10,340,129
Less accumulated Depreciation for:				
Land improvements	(382,104)	(38,603)	-	(420,707)
Buildings	(5,008,268)	(133,187)	-	(5,141,455)
Equipment	(1,235,776)	(105,557)	-	(1,341,333)
Total accumulated depreciation	(6,626,148)	(277,347)	-	(6,903,495)
Leased capital assets - amortized:				
Equipment	140,198	-	-	140,198
Less accumulated amortization:				
Equipment	(100,754)	(28,039)	-	(128,793)
Total capital assets net	\$ 5,712,148	\$ 11,448,215	\$ -	\$ 17,160,363

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 4 CAPITAL ASSETS (Continued)

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

Governmental Activities:	
Instruction	\$ 198,153
Food service operations	2,205
Support services	<u>105,028</u>
Total depreciation expense – governmental activities	<u>\$ 305,386</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, 2023, was \$889,196. Accordingly, the accrued salaries and benefits is reflected as a liability in the accompanying financial statements of the General Fund for \$719,281 and in the Designated Purpose Grants Fund for \$169,915.

NOTE - 6 CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the District for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 89,978	\$ 2,826	\$ (671)	\$ 92,133	\$ -
General Obligation Bond Payable	6,000,000	-	(238,748)	5,761,252	241,349
Leases Payable (right-to-use-assets)	43,144	-	(30,524)	12,620	9,433
Net Pension Liability	9,526,653	3,797,230	(2,161,357)	11,162,526	-
Net OPEB Liability	<u>460,903</u>	<u>92,543</u>	<u>(172,934)</u>	<u>380,512</u>	<u>-</u>
Total	<u>\$ 16,120,678</u>	<u>\$ 3,892,599</u>	<u>\$ (2,604,234)</u>	<u>\$ 17,409,043</u>	<u>\$ 250,782</u>

General obligation bond is liquidated in the debt service fund. Leases are liquidated in the general fund. Approximately 94% of compensated absences, net pension liabilities, and net OPEB liabilities are normally liquidated in the general fund, with remaining amounts liquidated in other governmental funds.

General Obligation Bond Payable

In November 2021, the voters of the District approved a bond issue in the amount of \$6,000,000 to supplement a BEST grant awarded by the State of Colorado to build and improve buildings on the existing District land. The general obligation bond payable is dated December 9, 2021, due in annual installments beginning fiscal year 2023 ranging from \$378,862 to \$383,823, has a fixed interest rate of 2.467%, and is payable semi-annually on June 30th and December 30th.

As of June 30, 2023, the bond matures as follows:

	Principal	Interest	Total
2024	\$ 241,349	\$ 139,153	\$ 380,502
2025	247,303	133,126	380,429
2026	253,404	126,949	380,353
2027	259,655	120,621	380,276
2028	266,061	114,136	380,197
2029-2033	1,432,059	467,670	1,899,729
2034-2038	1,617,637	279,804	1,897,441
2039-2042	<u>1,443,784</u>	<u>72,321</u>	<u>1,516,105</u>
Total	<u>\$ 5,761,252</u>	<u>1,453,780</u>	<u>7,215,032</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 6 CHANGES IN LONG-TERM OBLIGATIONS (Continued)

Leases Payable (right-to-use-assets)

The District, as a lessee, has entered into lease agreements involving equipment with lease terms of 5 years. The total costs of these right-to-use lease assets are recorded at \$140,198, less accumulated amortization of \$128,793. The District has determined that as of June 30, 2023, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 9,433	\$ 326	\$ 9,759
2025	2,599	110	2,709
2026	588	16	604
Total	<u>\$ 12,620</u>	<u>\$ 452</u>	<u>\$ 13,072</u>

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 (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

Benefits provided as of December 31, 2022. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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% 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
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP.

Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of 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, 2023: Eligible employees of, Rocky Ford School District R-2 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
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	10.38%
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	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Rocky Ford School District R-2 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Rocky Ford School District R-2 were \$965,461 for the year ended June 30, 2023.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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

The net pension liability for the SCHDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The Rocky Ford School District R-2 proportion of the net pension liability was based on Rocky Ford School District R-2 contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the Rocky Ford School District R-2 reported a liability of \$11,162,526 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the Rocky Ford School District R-2 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 Rocky Ford School District R-2 were as follows:

Rocky Ford School District R-2 proportionate share of the net pension liability	\$11,162,526
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Rocky Ford School District R-2	277,386
Total	\$11,439,912

At December 31, 2022, the Rocky Ford School District R-2 proportion was 0.06130%, which was a decrease of 0.02056% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Rocky Ford School District R-2 recognized pension revenue of \$340,883 and revenue of \$277,386 for support from the State as a nonemployer contributing entity. At June 30, 2023, the Rocky Ford School District R-2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 105,641	\$ -
Changes of assumptions or other inputs	197,725	(569,362)
Net difference between projected and actual earnings on pension plan investments	1,744,831	(1,367,512)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	488,207	N/A
Total	\$ 2,536,404	(\$1,936,874)

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

\$488,206 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, 2024. 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, 2023	
2024	\$227,793
2025	(42,119)
2026	(54,289)
2027	(20,062)
2028	-
Thereafter	-

Actuarial assumptions. The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%- 11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis. Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

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

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

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

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting. The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	\$14,607,907	\$11,162,526	\$8,285,280

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

NOTE – 8 DEFINED CONTRIBUTION PENSION PLANS

Voluntary Investment Program (PERAPlus 401(k) Plan)

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 (PERAPlus 401(k) Plan), 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 ACFR which includes additional information on the PERAPlus 401(k) Plan. That report 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 PLANS (Continued)

Funding Policy - The PERAPlus 401(k) Plan 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 Rocky Ford School District R-2 has agreed to match employee contributions up to 0% 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, 2023, program members contributed \$9,673 and Rocky Ford School District R-2 recognized pension expense and a liability of \$0 and \$0, respectively, for the PERAPlus 401(k) Plan.

Deferred Compensation Plan (PERAPlus 457 Plan)

Plan Description - Employees of the Rocky Ford School District R-2 may voluntarily contribute to the Deferred Compensation Plan (PERAPlus 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 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 ACFR which includes additional information on the PERAPlus 457 Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The PERAPlus 457 Plan 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 1603 of the C.R.S., as amended. In addition, the Rocky Ford School District R-2 has agreed to match employee contributions up to 0% of covered salary as determined by the Internal Revenue Service. Members are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2023, program members contributed \$0 and Rocky Ford School District R-2 recognized pension expense and a liability of \$0 and \$0, respectively, for the PERAPlus 457 Plan.

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 (FNP) and additions to/deductions from the FNP 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.

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 (FNP) and additions to/deductions from the FNP 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, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Rocky Ford School District R-2 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Rocky Ford School District R-2 were \$48,320 for the year ended June 30, 2023.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

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

At June 30, 2023, the Rocky Ford School District R-2 reported a liability of \$380,512 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The Rocky Ford School District R-2 proportion of the net OPEB liability was based on Rocky Ford School District R-2 contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the Rocky Ford School District R-2 proportion was 0.04660%, which was a decrease of 0.00685% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Rocky Ford School District R-2 recognized OPEB revenue of \$22,656. At June 30, 2023, the Rocky Ford School District R-2 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Difference between expected and actual experience	\$ 49	\$ (90,415)
Changes of assumptions or other inputs	6,116	(41,997)
Net difference between projected and actual earnings on OPEB plan investments	99,090	(538,209)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	24,434	N/A
Total	\$129,689	\$ (670,621)

\$24,434 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, 2024. 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, 2023:	
2024	\$(85,400)
2025	(86,297)
2026	(86,476)
2027	(86,486)
2028	(87,441)
Thereafter	(133,266)

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method		Entry age		
Price inflation		2.30%		
Real wage growth		0.70%		
Wage inflation		3.00%		
Salary increases, including wage inflation				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%- 11.30%	2.80%- 5.30%
State Troopers	3.20%-12.40%	N/A	3.20%- 12.40%	N/A
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	6.50% in 2022, gradually decreasing to 4.50% in 2030			
Medicare Part A premiums	3.75% in 2022, 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		

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date. Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

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

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

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.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

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

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

Sensitivity of the Rocky Ford School District R-2 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 ¹	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$369,741	\$380,512	\$392,231

¹For the January 1, 2023, plan year.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$441,126	\$380,512	\$328,667

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

NOTE -10 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, 2022 is as follows:

	Governmental Activities	Component Unit Foundation	Total
3% Statutory Reserve - TABOR	\$ 319,900	\$ -	\$ 319,900
Preschool	180,443	-	180,443
Scholarships	59,178	-	59,178
Food Services	124,639	-	124,639
Bond Redemption	316,034	-	316,034
Capital Projects	5,908,661	-	5,908,661
Foundation for Rocky Ford Schools	-	1,488,853	1,488,853
	<u>\$ 6,908,855</u>	<u>\$ 1,488,853</u>	<u>\$ 8,397,708</u>

Restricted for TABOR Reserve – This represents approximately 3% of the District's 2023 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 Capital Projects – This represents unspent cash proceeds received from the bond issuance and the District match that are for the Rocky Ford K-12 Addition and Renovation project.

Restricted for Bond Redemption – This represents unspent cash received from a specific tax levy restricted for the purpose of repayment of debt principal, interest and other fiscal charges related to the Rocky Ford K-12 Addition and Renovation project.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -10 NET POSITION (Continued)

Restricted for Foundation for Rocky Ford Schools – 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, 2023, fund balances for governmental funds consist of the following:

	Restricted Fund Balance			
	Emergencies TABOR	Preschool	Future Expenditures	
			Food Services	Scholarships
General Fund	\$ 319,900	\$ 180,443	\$ -	\$ -
Food Service Fund	-	-	124,639	-
Bond Redemption Fund	-	-	-	-
Building Fund	-	-	-	-
Student Activities Fund	-	-	-	59,178
Total	<u>\$ 319,900</u>	<u>\$ 180,443</u>	<u>\$ 124,639</u>	<u>\$ 59,178</u>

	Restricted Fund Balance (Continued)		
	Capital Projects	Debt Service	Total Restricted
General Fund	\$ -	\$ -	\$ 500,343
Food Service Fund	-	-	124,639
Bond Redemption Fund	-	316,034	316,034
Building Fund	5,908,661	-	5,908,661
Student Activities Fund	-	-	59,178
Total	<u>\$ 5,908,661</u>	<u>\$ 316,034</u>	<u>\$ 6,908,855</u>

	Committed/Assigned Fund Balance		
	Committed Capital Projects	Assigned Student Activities	Total
Student Activities Fund	\$ -	\$ 139,080	\$ 139,080
Capital Projects Fund	188,316	-	188,316
Total	<u>\$ 188,316</u>	<u>\$ 139,080</u>	<u>\$ 327,396</u>

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, 2023, were as follows:

Transfers From	Transfers To	Amount
General	Capital Projects	<u>\$ 199,600</u>

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 CONSTRUCTION COMMITMENTS

The District began a construction project to build a new facility during the 2021-2022 school year at an estimated cost of \$56,484,570 (updated in 2022-2023), funded in part with local bond and District matching funds, as well as state BEST Grant funds. At year-end, the District had approximately \$45,733,678 in uncompleted construction contracts, which will be paid from remaining local funds as well as BEST Grant funds.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -18 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 SUPPLEMENTARY 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, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources	\$ 1,552,129	\$ 1,552,129	\$ 1,466,542	\$ (85,587)
State sources	7,551,568	7,598,054	7,428,106	(169,948)
Federal sources	70,000	182,902	278,159	95,257
TOTAL REVENUES	9,173,697	9,333,085	9,172,807	(160,278)
EXPENDITURES				
Instruction	4,736,432	4,736,432	5,102,865	(366,433)
Supporting services				
Pupils	206,738	206,738	233,778	(27,040)
Instruction staff	379,467	379,467	349,748	29,719
General administration	422,992	582,380	592,557	(10,177)
School administration	572,670	572,670	560,651	12,019
Business services	198,426	198,426	184,795	13,631
Operations and maintenance	1,442,762	1,442,762	1,176,098	266,664
Pupil transportation	360,188	360,188	325,744	34,444
Central services	31,500	31,500	43,050	(11,550)
Property services	-	-	1,854	(1,854)
Debt service	-	-	32,135	(32,135)
TOTAL EXPENDITURES	8,351,175	8,510,563	8,603,275	(92,712)
REVENUES OVER (UNDER) EXPENDITURES	822,522	822,522	569,532	(252,990)
OTHER FINANCING SOURCES				
Transfers out	(229,600)	(229,600)	(199,600)	30,000
NET CHANGE IN FUND BALANCE	592,922	592,922	369,932	(222,990)
FUND BALANCE JULY 1	3,139,601	3,139,601	3,139,601	-
FUND BALANCE JUNE 30	\$ 3,732,523	\$ 3,732,523	\$ 3,509,533	\$ (222,990)

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, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Federal grants earned	\$ 3,291,390	\$ 3,291,390	\$ 1,064,080	\$ (2,227,310)
EXPENDITURES				
Instruction	619,275	619,275	797,407	(178,132)
Supporting services				
Pupils	-	-	127,847	(127,847)
Instruction staff	-	-	36,149	(36,149)
General administration	-	-	33,288	(33,288)
School administration	-	-	21,107	(21,107)
Pupil transportation	-	-	37,478	(37,478)
Other support	-	-	10,804	(10,804)
Capital outlay	2,672,115	2,672,115	-	2,672,115
TOTAL EXPENDITURES	\$ 3,291,390	\$ 3,291,390	\$ 1,064,080	\$ 2,227,310

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, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Meal charges				
Students and faculty	\$ 39,700	\$ 39,700	\$ 42,012	\$ 2,312
Special events	10,000	10,000	37,238	27,238
State reimbursement	3,300	3,300	3,831	531
Federal reimbursement	636,000	636,000	368,280	(267,720)
Other	-	-	2,847	2,847
TOTAL REVENUES	689,000	689,000	454,208	(234,792)
EXPENDITURES				
Salaries and benefits	30,800	30,800	28,533	2,267
Contracted services	660,000	660,000	530,380	129,620
Supplies	51,200	51,200	29,300	21,900
Repairs & maintenance	7,000	7,000	12,698	(5,698)
TOTAL EXPENDITURES	749,000	749,000	600,911	148,089
REVENUES OVER (UNDER) EXPENDITURES	(60,000)	(60,000)	(146,703)	(86,703)
OTHER FINANCING SOURCES				
Transfer in (out)	60,000	60,000	-	(60,000)
NET CHANGE IN FUND BALANCE	-	-	(146,703)	(146,703)
FUND BALANCE JULY 1	271,342	271,342	271,342	-
FUND BALANCE JUNE 30	\$ 271,342	\$ 271,342	\$ 124,639	\$ (146,703)

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STUDENT ACTIVITIES FUND

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

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Student activities	\$ 250,000	\$ 250,000	\$ 180,883	\$ (69,117)
EXPENDITURES				
Student activities	250,000	250,000	193,204	56,796
REVENUES OVER (UNDER) EXPENDITURES	-	-	(12,321)	(12,321)
FUND BALANCE JULY 1	210,579	210,579	210,579	-
FUND BALANCE JUNE 30	<u>\$ 210,579</u>	<u>\$ 210,579</u>	<u>\$ 198,258</u>	<u>\$ (12,321)</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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.061301%	0.081863%	0.083766%	0.075480%	0.077836%	0.088154%	0.089422%	0.092048%	0.093629%	0.094864%
District's proportionate share of the net pension liability	\$11,162,526	\$ 9,526,653	\$12,663,672	\$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	277,386	116,597	-	108,331	111,931	-	-	-	-	-
	<u>\$11,439,912</u>	<u>\$ 9,643,250</u>	<u>\$12,663,672</u>	<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	\$ 4,729,208	\$ 5,116,154	\$ 4,481,028	\$ 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	236.03%	186.21%	282.61%	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	61.79%	74.86%	66.99%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 965,461	\$ 1,028,617	\$ 899,714	\$ 868,514	\$ 834,400	\$ 751,033	\$ 691,325	\$ 673,322	\$ 648,222	\$ 621,374
Contributions in relation to the contractually required contribution	(965,461)	(1,028,617)	(899,714)	(868,514)	(834,400)	(751,033)	(691,325)	(673,322)	(648,222)	(621,374)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,737,290	\$ 5,174,119	\$ 4,525,712	\$ 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	20.38%	19.88%	19.88%	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

	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability	0.04660397%	0.05345007%	0.04845684%	0.04933439%	0.05059381%	0.05007423%	0.05082829%
District's proportionate share of the net OPEB liability	380,512	460,903	460,449	554,518	688,350	650,765	659,006
District's covered payroll	4,729,208	5,116,154	4,481,028	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	8.05%	9.01%	10.28%	12.50%	16.09%	15.96%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	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

	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 48,320	\$ 52,776	\$ 46,163	\$ 45,711	\$ 44,489	\$ 42,781	\$ 40,991
Contributions in relation to the statutorily required contribution	(48,320)	(52,776)	(46,163)	(45,711)	(44,489)	(42,781)	(40,991)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,737,290	\$ 5,174,119	\$ 4,525,712	\$ 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%	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.

SUPPLEMENTARY 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 FUNDS

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.

Building Fund – This fund is used to account for the revenues from a bond issuance, as well as District matching dollars and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

DEBT SERVICE FUND

Bond Redemption Fund – Used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest, and other fiscal charges.

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GENERAL FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash	\$ 2,679,864	\$ 2,220,539
Cash with fiscal agent	27,183	27,344
Investments	1,462,086	1,498,996
Taxes receivable	58,800	66,000
Grants receivable	23,950	48,451
Accrued interest receivable	9,743	9,643
Due from other fund	114,757	171,868
TOTAL ASSETS	<u>\$ 4,376,383</u>	<u>\$ 4,042,841</u>
LIABILITIES		
Accounts payable	\$ 37,725	\$ 37,742
Accrued salaries and benefits	719,281	725,494
Unearned revenue	51,044	74,004
TOTAL LIABILITIES	<u>808,050</u>	<u>837,240</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	58,800	66,000
FUND BALANCE		
Restricted for 3% statutory reserve - TABOR	319,900	284,400
Restricted for preschool	180,443	74,143
Unassigned	3,009,190	2,781,058
TOTAL FUND BALANCE	<u>3,509,533</u>	<u>3,139,601</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 4,376,383</u>	<u>\$ 4,042,841</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
Local sources	\$ 1,466,542	\$ 1,446,627
State sources	7,428,106	7,301,198
Federal sources	278,159	359,219
TOTAL REVENUES	9,172,807	9,107,044
EXPENDITURES		
Instruction	5,102,865	5,225,861
Supporting services		
Pupils	233,778	199,383
Instruction staff	349,748	502,017
General administration	592,557	423,931
School administration	560,651	554,859
Business services	184,795	177,701
Operations and maintenance	1,176,098	1,142,662
Pupil transportation	325,744	298,993
Central services	43,050	36,925
Property services	1,854	-
Debt service	32,135	32,135
TOTAL EXPENDITURES	8,603,275	8,594,467
REVENUES OVER (UNDER) EXPENDITURES	569,532	512,577
OTHER FINANCING SOURCES (USES)		
Transfers out	(199,600)	(1,700,089)
TOTAL OTHER FINANCING SOURCES (USES)	(199,600)	(1,700,089)
NET CHANGE IN FUND BALANCE	369,932	(1,187,512)
FUND BALANCE JULY 1	3,139,601	4,327,113
FUND BALANCE JUNE 30	\$ 3,509,533	\$ 3,139,601

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash	\$ -	\$ -
Grants receivable	320,289	348,968
TOTAL ASSETS	\$ 320,289	\$ 348,968
LIABILITIES		
Accounts payable	\$ -	\$ 234
Due to other fund	107,085	171,868
Accrued salaries and benefits	169,915	149,289
Unearned revenues	43,289	27,577
TOTAL LIABILITIES	\$ 320,289	\$ 348,968

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

STATEMENT OF REVENUES AND EXPENDITURES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
Federal grants earned	\$ 1,064,080	\$ 1,849,572
EXPENDITURES		
Instruction	797,407	1,333,133
Supporting services		
Pupils	127,847	96,325
Instruction staff	36,149	266,221
General administration	33,288	46,569
School administration	21,107	28,946
Business services	-	4,462
Operations and maintenance	-	20,284
Pupil transportation	37,478	44,652
Other support	10,804	8,980
TOTAL EXPENDITURES	\$ 1,064,080	\$ 1,849,572

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash	\$ 124,143	\$ 215,855
Grants receivable	18,383	68,699
TOTAL ASSETS	<u>\$ 142,526</u>	<u>\$ 284,554</u>
LIABILITIES		
Accounts payable	<u>\$ 17,887</u>	<u>\$ 13,212</u>
FUND BALANCE		
Restricted for food services	<u>124,639</u>	<u>271,342</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 142,526</u>	<u>\$ 284,554</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
Meal charges		
Students and faculty	\$ 42,012	\$ 18,482
Special events	37,238	12,939
State reimbursement	3,831	3,353
Federal reimbursement	368,280	577,445
Other	2,847	3,103
TOTAL REVENUES	454,208	615,322
EXPENDITURES		
Salaries and benefits	28,533	27,317
Contracted services	530,380	497,000
Supplies	29,300	35,668
Repairs and maintenance	12,698	11,955
TOTAL EXPENDITURES	600,911	571,940
REVENUES OVER (UNDER) EXPENDITURES	(146,703)	43,382
OTHER FINANCING SOURCES (USES)		
Transfers in (out)	-	60,000
NET CHANGE IN FUND BALANCE	(146,703)	103,382
FUND BALANCE JULY 1	271,342	167,960
FUND BALANCE JUNE 30	\$ 124,639	\$ 271,342

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STUDENT ACTIVITIES FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 143,417	\$ 154,153
Restricted cash	<u>59,178</u>	<u>58,610</u>
TOTAL ASSETS	<u>\$ 202,595</u>	<u>\$ 212,763</u>
LIABILITIES		
Accounts payable	<u>\$ 4,337</u>	<u>\$ 2,184</u>
FUND BALANCE		
Restricted for scholarships	59,178	58,610
Assigned for student activities	<u>139,080</u>	<u>151,969</u>
TOTAL FUND BALANCE	<u>198,258</u>	<u>210,579</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 202,595</u>	<u>\$ 212,763</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

STUDENT ACTIVITIES FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES		
Student activities	\$ 180,883	\$ 157,281
EXPENDITURES		
Student activities	<u>193,204</u>	<u>144,864</u>
NET CHANGE IN FUND BALANCE	(12,321)	12,417
FUND BALANCE JULY 1	<u>210,579</u>	<u>198,162</u>
FUND BALANCE JUNE 30	<u><u>\$ 198,258</u></u>	<u><u>\$ 210,579</u></u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

CAPITAL RESERVE CAPITAL PROJECTS FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash	\$ -	\$ 210,049
Grant receivable	346,326	735,537
TOTAL ASSETS	346,326	945,586
LIABILITIES		
Accounts payable	\$ 150,338	\$ 735,537
Due to other fund	7,672	\$ -
TOTAL LIABILITIES	158,010	735,537
FUND BALANCE		
Committed for capital projects	188,316	210,049
TOTAL LIABILITIES AND FUND BALANCE	\$ 346,326	\$ 945,586

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

CAPITAL RESERVE CAPITAL PROJECTS FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
Local sources	\$ 1,104	\$ 3,503
State sources	1,225,418	589,234
Federal sources	751,062	361,144
TOTAL REVENUES	1,977,584	953,881
EXPENDITURES		
Capital outlay	2,138,580	950,378
Major repairs	60,337	11,285
TOTAL EXPENDITURES	2,198,917	961,663
REVENUES OVER (UNDER) EXPENDITURES	(221,333)	(7,782)
OTHER FINANCING SOURCES		
Transfers in (out)	199,600	11,285
TOTAL OTHER FINANCING SOURCES	199,600	11,285
NET CHANGE IN FUND BALANCE	(21,733)	3,503
FUND BALANCE JULY 1	210,049	206,546
FUND BALANCE JUNE 30	\$ 188,316	\$ 210,049

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

BUILDING FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash with fiscal agent	\$ 6,564,203	\$ 7,513,927
Grants receivable	3,441,595	351,027
TOTAL ASSETS	<u>\$ 10,005,798</u>	<u>\$ 7,864,954</u>
LIABILITIES		
Accounts payable	\$ 4,097,137	\$ 417,889
FUND BALANCE		
Restricted for capital projects	<u>5,908,661</u>	<u>7,447,065</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,005,798</u>	<u>\$ 7,864,954</u>

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

BUILDING FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
State sources	\$ 8,076,618	\$ 954,131
TOTAL REVENUES	8,076,618	954,131
EXPENDITURES		
Capital outlay		
Building and site improvements	9,615,022	1,135,870
TOTAL EXPENDITURES	9,615,022	1,135,870
REVENUES OVER (UNDER) EXPENDITURES	(1,538,404)	(181,739)
OTHER FINANCING SOURCES		
Transfers in	-	1,628,804
Proceeds from bond issuance	-	6,000,000
TOTAL OTHER FINANCING SOURCES	-	7,628,804
NET CHANGE IN FUND BALANCE	(1,538,404)	7,447,065
FUND BALANCE JULY 1	7,447,065	-
FUND BALANCE JUNE 30	\$ 5,908,661	\$ 7,447,065

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

BOND REDEMPTION FUND

BALANCE SHEET

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash	\$ 308,007	\$ 242,621
Cash with fiscal agent	8,027	8,027
Taxes receivable	17,600	19,500
TOTAL ASSETS	\$ 333,634	\$ 270,148
LIABILITIES		
Accounts payable	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	17,600	19,500
FUND BALANCE		
Restricted for debt service	316,034	250,648
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 333,634	\$ 270,148

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

BOND REDEMPTION FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
Local sources		
Property taxes	\$ 306,519	\$ 293,371
Specific ownership taxes	62,690	26,806
Personal property exemption	-	1,192
Contributions	80,000	-
TOTAL REVENUES	449,209	321,369
EXPENDITURES		
Debt service		
Principal	238,748	-
Interest	145,075	70,721
TOTAL EXPENDITURES	383,823	70,721
NET CHANGE IN FUND BALANCE	65,386	250,648
FUND BALANCE JULY 1	250,648	-
FUND BALANCE JUNE 30	\$ 316,034	\$ 250,648

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

CAPITAL RESERVE CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources	\$ -	\$ -	\$ 1,104	\$ 1,104
State sources	1,955,332	1,955,332	1,225,418	(729,914)
Federal sources	1,183,118	1,183,118	751,062	(432,056)
TOTAL REVENUES	3,138,450	3,138,450	1,977,584	(1,160,866)
EXPENDITURES				
Capital outlay	3,280,950	3,280,950	2,138,580	1,142,370
Major repairs	27,100	27,100	60,337	(33,237)
TOTAL EXPENDITURES	3,308,050	3,308,050	2,198,917	1,109,133
REVENUES OVER (UNDER) EXPENDITURES	(169,600)	(169,600)	(221,333)	(51,733)
OTHER FINANCING SOURCES				
Transfers in	169,600	169,600	199,600	30,000
NET CHANGE IN FUND BALANCE	-	-	(21,733)	(21,733)
FUND BALANCE JULY 1	210,049	210,049	210,049	-
FUND BALANCE JUNE 30	\$ 210,049	\$ 210,049	\$ 188,316	\$ (21,733)

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

BUILDING FUND

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

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
State sources	\$ 47,495,858	\$ 47,495,858	\$ 8,076,618	\$ (39,419,240)
TOTAL REVENUES	47,495,858	47,495,858	8,076,618	(39,419,240)
EXPENDITURES				
Capital outlay				
Building and site improvements	47,495,858	47,495,858	9,615,022	37,880,836
TOTAL EXPENDITURES	47,495,858	47,495,858	9,615,022	37,880,836
REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,538,404)	(1,538,404)
OTHER FINANCING SOURCES				
Transfer in (out)	-	-	-	-
Proceeds from bond issuance	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	(1,538,404)	(1,538,404)
FUND BALANCE JULY 1	-	-	7,447,065	7,447,065
FUND BALANCE JUNE 30	\$ -	\$ -	\$ 5,908,661	\$ 5,908,661

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

BOND REDEMPTION FUND

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

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources				
Property taxes	\$ 312,714	\$ 312,714	\$ 306,519	\$ (6,195)
Specific ownership taxes	-	-	62,690	62,690
Contributions and other	100	100	80,000	79,900
	<u>312,814</u>	<u>312,814</u>	<u>449,209</u>	<u>136,395</u>
TOTAL REVENUES	<u>312,814</u>	<u>312,814</u>	<u>449,209</u>	<u>136,395</u>
EXPENDITURES				
Debt service				
Principal	238,748	238,748	238,748	-
Interest	73,316	73,316	145,075	(71,759)
Appropriated reserves	750	750	-	750
	<u>312,814</u>	<u>312,814</u>	<u>383,823</u>	<u>(71,009)</u>
TOTAL EXPENDITURES	<u>312,814</u>	<u>312,814</u>	<u>383,823</u>	<u>(71,009)</u>
NET CHANGE IN FUND BALANCE	-	-	65,386	65,386
FUND BALANCE JULY 1	<u>250,648</u>	<u>250,648</u>	<u>250,648</u>	<u>-</u>
FUND BALANCE JUNE 30	<u>\$ 250,648</u>	<u>\$ 250,648</u>	<u>\$ 316,034</u>	<u>\$ 65,386</u>

SINGLE AUDIT SECTION

ROCKY FORD SCHOOL DISTRICT R-2
OTERO COUNTY, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

PROGRAM TITLE	Assistance Listing Number	Pass- Through Entity Identifying Number	Passed through to Sub- recipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through Colorado Department of Education:				
COVID-19 Education Stabilization Fund	84.425U	4414		\$ 441,374
COVID-19 ESSER II (ARPA) 9.5% State Set-Aside, Curricula Materials Grant Program	84.425U	4431		<u>27,900</u>
Total ALN 84.425U				469,274
Passed Through Colorado Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4010		460,660
Rural Education	84.358B	6358		37,332
Supporting Effective Instruction State Grants	84.367	4367		85,519
Student Support and Academic Enrichment Program	84.424A	4424		27,219
Title III Set Aside: Immigrant: Every Student Succeeds Act (ESSA), Title III Part A:				
English Language Acquisition, Language Enhancement Set Aside	84.365A	7365		11,976
Special Education: Grants to States IDEA Part B	* 84.027	4027		52,559
Individuals with Disabilities Education Act (IDEA), Part D, State Program				
Improvement Grant	84.323	5323		3,162
GEER II - Governor's Emergency Education Relief Fund	84.425C	6426		1,998
ESSER II - Distribution 90%	84.425D	4420		751,062
Passed Through the Colorado Board of Community Colleges:				
Strengthening Career and Technical Education - Basic Grants to States	84.048	5048		<u>4,559</u>
Total U.S. Department of Education				<u>1,905,320</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Otero County, Colorado:				
Temporary Assistance for Needy Families	* 93.558	8558		52,352
Passed Through Colorado Department of Education:				
CDC Healthy Schools Grant	93.981	7981		<u>1,230</u>
Total U.S. Department of Health and Human Services				<u>53,582</u>
NATIONAL ENDOWMENT FOR HUMANITIES				
Passed Through Colorado Department of Education:				
State Library Program - COVID 19	45.310	7310		<u>4,364</u>
Total U.S. Department of Treasury				<u>4,364</u>
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster				
Passed Through Colorado Department of Education:				
School Breakfast Program	* 10.553	4553		86,341
School Breakfast Program	* 10.553	5553		<u>14,044</u>
Total ALN 10.553				<u>100,385</u>
Passed Through Colorado Department of Education:				
National School Lunch Program	* 10.555	4555		181,831
National School Lunch Program	* 10.555	5555		34,141
National School Lunch Program - Supply Chain Assistance	* 10.555	6555		24,473
Passed Through Colorado Department of Human Services:				
USDA Commodities	* 10.555	4555		<u>25,480</u>
Total ALN 10.555				<u>265,925</u>
Passed Through Colorado Department of Education:				
Summer Food Service Program For Children - COVID 19	* 10.559	4559		<u>17,509</u>
Fresh Fruit and Vegetable Program	* 10.582	4582		<u>26,571</u>
Total Child Nutrition Cluster - Cluster				410,390
Passed Through Colorado Department of Education:				
Child Adult Care Food Program	10.558	4558		8,205
Pandemic EBT Administrative Costs - COVID 19	10.649	4649		<u>628</u>
Total U.S. Department of Agriculture				<u>419,223</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 2,382,489</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, 2023. 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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements of the federal program. 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.

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 \$25,480 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, 2023.

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 Rocky Ford School District R-2, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Rocky Ford School District R-2's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rocky Ford School District R-2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rocky Ford School District R-2's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
December 7, 2023

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 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

Opinion on Each Major Federal Program

We have audited Rocky Ford School District R-2's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rocky Ford School District R-2's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Rocky Ford School District R-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rocky Ford School District R-2 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rocky Ford School District R-2's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rocky Ford School District R-2's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rocky Ford School District R-2's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rocky Ford School District R-2's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rocky Ford School District R-2's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rocky Ford School District R-2's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rocky Ford School District R-2's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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



Hancock Froese & Company LLC

Rocky Ford, Colorado
December 7, 2023

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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 X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X no

Noncompliance material to financial statements noted

___ yes X 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 X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X 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 X no

ALN(s)

Name of Federal Program or Cluster

84.425U, 84.425C, 84.425D

COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee

___ yes X 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 2022-23

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental					
10 General Fund	3,139,600	8,973,207	8,603,275		3,509,532
18 Risk Mgmt Sub-Fund of General Fund	0	0	0		0
19 Colorado Preschool Program Fund	0	0	0		0
Sub-Total	3,139,600	8,973,207	8,603,275		3,509,532
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	271,342	454,207	600,910		124,639
22 Govt Designated-Purpose Grants Fund	0	1,064,080	1,064,080		0
23 Pupil Activity Special Revenue Fund	210,578	180,883	193,204		198,257
25 Transportation Fund	0	0	0		0
31 Bond Redemption Fund	250,648	449,209	383,823		316,034
39 Certificate of Participation (COP) Debt Service Fund	0	0	0		0
41 Building Fund	7,447,065	8,076,618	9,615,022		5,908,661
42 Special Building Fund	0	0	0		0
43 Capital Reserve Capital Projects Fund	210,048	2,177,185	2,198,917		188,315
46 Supplemental Cap Const, Tech, Main Fund	0	0	0		0
Totals	11,529,281	21,375,388	22,659,231		10,245,439
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	1,583,994	-3,721	91,420		1,488,853
Totals	1,583,994	-3,721	91,420		1,488,853
FINAL					