

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2017

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

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# HANCOCK FROESE & COMPANY LLC

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Rocky Ford School District R-2, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rocky Ford School District R-2's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Rocky Ford School District R-2, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

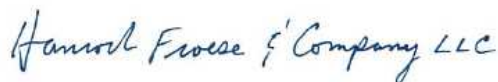
### *Other Information*

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

The individual major fund financial statements, the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rocky Ford School District R-2's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Hancock Froese & Company LLC". The signature is written in a cursive, flowing style.

Hancock Froese & Company LLC

Rocky Ford, Colorado

December 12, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ROCKY FORD SCHOOL DISTRICT R2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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 decreased by \$4,027,774 in fiscal year 2017. This decrease was due to the pension expense from the District's share of the Public Employees' Retirement Association of Colorado (PERA) net pension liability for the year ended June 30, 2017, totaling \$26 million. This change in the liability significantly impacted the unrestricted portion of net position.
- Deferred outflows of resources increased from the District's share of the PERA liability. The recognition of the difference between the expected and actual experience, contributions after the plan measurement date, changes in assumptions, changes in proportionate share, and change in the investment earnings added \$8.5 million.
- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$10,294,131 (net deficit) due to the District's share of additional pension liability from participation in PERA.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$6.7 million or 77 percent of all revenues. Program specific revenues for services, grants and contributions accounted for \$2.0 million or 23 percent of the \$8.7 million in total revenues.
- The general fund ending fund balance is \$3,162,010 which is an increase of \$199,630 from last year.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

Governmental activities consolidate all of the following Rocky Ford School District funds: general fund, governmental designated-purpose grants fund, capital projects fund, food services fund and student activity 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 two categories: governmental funds and proprietary 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, 2017 and 2016:

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Assets:		
Current Assets	\$ 4,429,446	\$ 4,239,891
Capital Assets	<u>2,932,419</u>	<u>2,945,804</u>
Total Assets	7,361,865	7,185,695
Deferred Outflows of Resources	<u>10,319,524</u>	<u>1,822,192</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 17,681,389</u>	<u>\$ 9,007,887</u>
Liabilities:		
Current Liabilities	\$ 846,276	\$ 772,389
Non-Current Liabilities		
Net Pension Liability	<u>26,624,260</u>	<u>14,078,112</u>
Total Liabilities	<u>27,470,536</u>	<u>14,850,501</u>
Deferred Inflows of Resources	<u>504,984</u>	<u>423,743</u>
Net Position:		
Net Investment in Capital Assets	2,932,419	2,945,804
Restricted	400,588	381,148
Unrestricted	<u>(13,627,138)</u>	<u>(9,593,309)</u>
Total Net Position	<u>(10,294,131)</u>	<u>(6,266,357)</u>
Total Liabilities, Deferred Inflow of Resources & Net Position	<u>\$ 17,681,389</u>	<u>\$ 9,007,887</u>

### Changes in Net Position as of June 30, 2017 and 2016

Following is a summary of the School District's change in net position for the years ending June 30, 2017 and 2016:

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Revenues		
Program Revenues:		
Charges for Services	\$ 334,142	\$ 326,711
Operating Grants & Contributions	1,593,073	1,688,893
Capital Grants & Contributions	75,685	16,195
General Revenues:		
Taxes:		
Property Taxes	936,667	916,057
Specific Ownership Taxes	181,425	187,482
School Finance Act	5,430,842	5,366,735
Earnings (Losses) on Investments	(58,087)	102,849
Other	<u>198,314</u>	<u>189,443</u>
Total Revenues	<u>8,692,061</u>	<u>8,794,365</u>
Expenses		
Governmental Activities:		
Instruction	7,084,557	5,028,071
Support Service	4,252,579	3,136,769
Community Services	121,252	69,836
Food Service Operations	1,033,889	654,726
Student Activities	<u>227,558</u>	<u>231,694</u>
Total Expenses	<u>12,719,835</u>	<u>9,121,096</u>

## Changes in Net Position as of June 30, 2017 and 2016 (Continued)

Change in Net Position	(4,027,774)	(326,731)
Net Position – Beginning	<u>(6,266,357)</u>	<u>(5,939,626)</u>
Net Position – Ending	<u><u>\$(10,294,131)</u></u>	<u><u>\$ (6,266,357)</u></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 \$8,157 per funded student. In fiscal year 2016-2017, the funded pupil count 803.5. Funding for the School Finance Act comes from property taxes, specific ownership taxes and state equalization. The District received approximately 63 percent of its funding from state equalization while the remaining amount comes from property taxes and specific ownership taxes.

Governmental activities for the year ended June 30, 2017 decreased the Rocky Ford School District's net position by \$4,027,774.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

### Governmental Funds

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

The general fund is the major governmental fund of the Rocky Ford School District. The general fund includes the general fund and the preschool fund. As of June 30, 2017, the general fund shows an ending fund balance of \$3,162,010 up from \$2,962,380 for the prior year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Rocky Ford School District began budget development for the 2016-2017 fiscal year in January 2016 with analysis of enrollment projections and current revenue assumptions. The budget committee, consisting of stakeholders from the schools and the community met monthly prioritizing the needs of the District. The preliminary budget was presented to the Board of Education in May 2016. Adoption of the 2016-2017 budget occurred in June 2016 with revisions made in January 2017. Several supplemental budgets were adopted for the year ending June 30, 2017 because of additional funding and expenditures in the food service fund.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's net investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$2,932,419. This is a total cost of \$8,374,749 less accumulated depreciation of \$5,442,330. This net investment in capital assets includes land, construction in process, buildings and 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.

As of June 30, 2017, Rocky Ford School District did not have any bonded debt outstanding or capital lease obligations.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for 2017-2018 will see a slight increase in revenues due to improvement in economic conditions in the United States, the State of Colorado and the Arkansas Valley where the school district is located. The majority of the increase in revenues that will be received by the district will be offset by the increase in expenditures primarily in wages and retirement benefits. The District will complete the construction of a new football field and track in 2018, the majority of the funds will come from grants and donations. If these estimates are realized, the District's budgetary general fund balance will decrease by the close of 2018 due to a contribution to the new football field and track.

### 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. 8<sup>th</sup> Street, Rocky Ford, CO 81067.



## **BASIC FINANCIAL STATEMENTS**

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

STATEMENT OF NET POSITION

JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
ASSETS		
<b>CURRENT ASSETS</b>		
Cash in bank and savings	\$ 2,663,928	\$ -
Investments	1,446,991	1,344,049
Restricted cash	54,863	421,031
Taxes receivable	75,000	-
Accounts receivable	29,694	-
Grants receivable	134,757	-
Inventories	15,814	-
Accrued interest receivable	8,399	3,776
<b>TOTAL CURRENT ASSETS</b>	<b>4,429,446</b>	<b>1,768,856</b>
<b>CAPITAL ASSETS</b>		
Land	34,575	-
Construction in process	77,485	-
Buildings, improvements and equipment	8,262,689	-
Accumulated depreciation	(5,442,330)	-
<b>CAPITAL ASSETS NET OF DEPRECIATION</b>	<b>2,932,419</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>7,361,865</b>	<b>1,768,856</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related amounts	10,319,524	-
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	50,911	36,998
Accrued salaries and benefits	651,912	-
Unearned revenues	143,453	59,315
<b>TOTAL CURRENT LIABILITIES</b>	<b>846,276</b>	<b>96,313</b>
<b>NONCURRENT LIABILITIES</b>		
Net pension liabilities	26,624,260	-
<b>TOTAL LIABILITIES</b>	<b>27,470,536</b>	<b>96,313</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related amounts	504,984	-
<b>NET POSITION</b>		
Net investment in capital assets	2,932,419	-
Restricted for:		
3% statutory reserve - TABOR	219,000	-
Preschool	126,725	-
Scholarships	54,863	-
Temporarily restricted	-	1,672,543
Unrestricted (deficit)	(13,627,138)	-
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (10,294,131)</b>	<b>\$ 1,672,543</b>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 7,084,557	\$ 56,703	\$ 1,030,118	\$ 75,685
Support services	4,252,579	-	38,639	-
Community services	121,252	-	-	-
Food services operations	1,033,889	60,729	524,316	-
Student activities	227,558	216,710	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 12,719,835</u>	<u>\$ 334,142</u>	<u>\$ 1,593,073</u>	<u>\$ 75,685</u>
COMPONENT UNIT:	<u>\$ 99,686</u>	<u>\$ -</u>	<u>\$ 11,880</u>	<u>\$ 75,685</u>

GENERAL REVENUES

Taxes  
Property taxes  
Specific ownership taxes  
School finance act  
Earnings (Losses) on investments  
Other

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION (DEFICIT) - BEGINNING

NET POSITION (DEFICIT) - ENDING

GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
\$ (5,922,051)	\$ -
(4,213,940)	-
(121,252)	-
(448,844)	-
(10,848)	-
(10,716,935)	-
	(12,121)
936,667	-
181,425	-
5,430,842	-
(58,087)	3,347
198,314	-
6,689,161	3,347
(4,027,774)	(8,774)
(6,266,357)	1,681,317
\$ (10,294,131)	\$ 1,672,543

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

GOVERNMENTAL FUNDS  
BALANCE SHEET

JUNE 30, 2017

	MAJOR GOVERNMENTAL FUNDS			
	GENERAL	CAPITAL PROJECTS	DESIGNATED PURPOSE GRANTS FUND	FOOD SERVICES
ASSETS				
Cash in bank and savings	\$ 2,308,859	\$ 86,757	\$ 136,597	\$ 7,245
Investments	1,446,991	-	-	-
Restricted cash	-	-	-	-
Taxes receivable	75,000	-	-	-
Accounts receivable	16,828	-	-	9,416
Grants receivable	73,896	-	-	60,861
Accrued interest receivable	8,399	-	-	-
TOTAL ASSETS	<u>\$ 3,929,973</u>	<u>\$ 86,757</u>	<u>\$ 136,597</u>	<u>\$ 77,522</u>
LIABILITIES				
Accounts payable	\$ 39,194	\$ -	\$ 1,075	\$ 7,541
Accrued salaries and benefits	581,493	-	64,345	-
Unearned revenue	72,276	-	71,177	-
TOTAL LIABILITIES	<u>692,963</u>	<u>-</u>	<u>136,597</u>	<u>7,541</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	75,000	-	-	-
FUND BALANCE				
Restricted for 3% statutory reserve-TABOR	219,000	-	-	-
Restricted for preschool	126,725	-	-	-
Restricted for scholarships	-	-	-	-
Assigned for capital projects	-	86,757	-	-
Assigned for food services	-	-	-	69,981
Assigned for student activities	-	-	-	-
Unassigned	2,816,285	-	-	-
TOTAL FUND BALANCE	<u>3,162,010</u>	<u>86,757</u>	<u>-</u>	<u>69,981</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3,929,973</u>	<u>\$ 86,757</u>	<u>\$ 136,597</u>	<u>\$ 77,522</u>

See Notes To Financial Statements

STUDENT ACTIVITIES	TOTAL GOVERNMENTAL FUNDS
\$ 124,470	\$ 2,663,928
-	1,446,991
54,863	54,863
-	75,000
-	26,244
-	134,757
-	8,399
\$ 179,333	\$ 4,410,182
\$ 3,101	\$ 50,911
-	645,838
-	143,453
3,101	840,202
-	75,000
-	219,000
-	126,725
54,863	54,863
-	86,757
-	69,981
121,369	121,369
-	2,816,285
176,232	3,494,980
\$ 179,333	\$ 4,410,182

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

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

JUNE 30, 2017

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

Governmental funds total fund balances		\$	3,494,980
Assets not available for current period expenditures and therefore are not reported in funds.			3,450
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.			75,000
Capital assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.			8,374,749
Inventory. Inventories are expensed in the governmental funds upon acquisition, but recognized as an asset in the government wide financial statements.			15,814
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.			(5,442,330)
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	\$	(6,074)	
Net pension liabilities		(26,624,260)	
Deferred outflows of resources - pension related amounts		10,319,524	
Deferred inflows of resources - pension related amounts		(504,984)	
			<u>(16,815,794)</u>
Governmental activities net position (deficit)		\$	<u><u>(10,294,131)</u></u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	MAJOR GOVERNMENTAL FUNDS			
	GENERAL	CAPITAL PROJECTS	DESIGNATED PURPOSE GRANTS FUND	FOOD SERVICES
REVENUES				
Local sources	\$ 1,261,744	\$ 78,185	\$ -	\$ 57,279
State sources	5,766,741	-	-	-
Federal sources	173,768	-	617,868	524,316
Student activities	-	-	-	-
TOTAL REVENUES	7,202,253	78,185	617,868	581,595
EXPENDITURES				
Instruction	4,068,037	-	617,868	-
Support services	2,661,834	39,320	-	-
Community services	121,252	-	-	-
Capital outlay	-	220,251	-	-
Food service operations	-	-	-	622,746
Student activities	-	-	-	-
TOTAL EXPENDITURES	6,851,123	259,571	617,868	622,746
REVENUES OVER (UNDER) EXPENDITURES	351,130	(181,386)	-	(41,151)
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	(151,500)	91,500	-	60,000
NET CHANGE IN FUND BALANCE	199,630	(89,886)	-	18,849
FUND BALANCE JULY 1	2,962,380	176,643	-	51,132
FUND BALANCE JUNE 30	\$ 3,162,010	\$ 86,757	\$ -	\$ 69,981

See Notes To Financial Statements



STUDENT ACTIVITIES	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 1,397,208
-	5,766,741
-	1,315,952
216,710	216,710
216,710	8,696,611
-	4,685,905
-	2,701,154
-	121,252
-	220,251
-	622,746
227,558	227,558
227,558	8,578,866
(10,848)	117,745
-	-
(10,848)	117,745
187,080	3,377,235
\$ 176,232	\$ 3,494,980

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, 2017

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

Governmental funds changes in fund balances		\$	117,745
Revenues in the Government-Wide Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			3,450
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.			75,000
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.			
Capital outlay	\$	220,251	
Depreciation expense		(233,636)	
			(13,385)
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.			(83,000)
Inventories. Inventories are expensed at acquisition in the governmental funds and reported as expenses when used in the government wide statements.			1,901
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	\$	572	
Pension related amounts		(4,130,057)	
			(4,129,485)
Governmental activities change in net position		\$	(4,027,774)

See Notes to Financial Statements

## **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.

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 units, if applicable.

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, 2017, the District received \$97,590 in 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, 2017.

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 \$171,065 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, Capital Projects Fund, Federal Grant Fund, Food Service Fund and Student Activity Fund.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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:

Major Governmental Funds

*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.

*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 proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Designated Purpose Grants Fund* – Used to account for resources of various federal grant programs.

*Food Services Fund* – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

*Student Activity Fund* – 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.

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.

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 2017, but not yet collected in 2018, are identified as property taxes receivable.

Inventories

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

Capital Assets

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

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

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Liabilities

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

Accrued Vacation and Sick Pay

District policy allows employees to accumulate unused vacation pay up to a specified limit and is paid annually for sick leave accumulated in excess of 70 days. Accrued vacation and sick leave is payable upon resignation, termination, retirement or death.

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net position. Net pension liabilities, associated with the School Division Trust Fund (SCHDTF) administered by PERA, represent the District's proportionate share of total pension 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 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/Inflows 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 one item that qualifies for reporting in this category which is for pension 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/Inflows of Resources (Continued)

Pension related amounts include items related to the District's portion of the Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions or other inputs, and the net difference between projected and actual investment earnings on pension plan investments. More information on pension related items is included in Note 6.

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 two items reported in this category.

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.

The other item included in this category is the pension related deferred inflows of resources. These deferred inflows result from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension plan investments. More information on pension related items is included in Note 6.

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.



ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

Estimates

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

Budgetary Information

Expenditures may not legally exceed appropriations at the fund level. For the year ended June 30, 2017, expenditures exceeded appropriations in the Food Services Fund.

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).

NOTE - 2 DEPOSITS AND INVESTMENTS

Deposits

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

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

District Investments

As of June 30, 2017, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agencies	Variable	\$ 4,961
	2019	93,758
	2025	435,876
	2030	529,750
	2033	382,646
Total		<u>\$ 1,446,991</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

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

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

Foundation Investments

As of June 30, 2017, the Foundation had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agencies and Banks		
	2018	\$ 400,089
	2019	220,196
	2020	331,540
	2021	197,360
	2022	<u>194,864</u>
Total		<u>\$ 1,344,049</u>

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, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2017</u>
<u>Governmental Activities:</u>				
Non-depreciable assets:				
Land	\$ 34,575	\$ -	\$ -	\$ 34,575
Construction in Process	<u>1,800</u>	<u>75,685</u>	<u>-</u>	<u>77,485</u>
Total non-depreciable assets	<u>36,375</u>	<u>75,685</u>	<u>-</u>	<u>112,060</u>
Depreciable assets:				
Land improvements	292,539	-	-	292,539
Buildings	6,605,185	-	-	6,605,185
Equipment	<u>1,404,998</u>	<u>144,566</u>	<u>(184,599)</u>	<u>1,364,965</u>
Total depreciable assets	<u>8,302,722</u>	<u>144,566</u>	<u>(184,599)</u>	<u>8,262,689</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 4 CAPITAL ASSETS (Continued)

	Balances June 30, 2016	Additions	Deletions	Balances June 30, 2017
<u>Governmental Activities:</u>				
Less accumulated Depreciation for:				
Land improvements	(241,148)	(6,596)	-	(247,744)
Buildings	(4,178,958)	(152,056)	-	(4,331,014)
Equipment	(973,187)	(74,984)	184,599	(863,572)
Total accumulated depreciation	(5,393,293)	(233,636)	184,599	(5,442,330)
Total capital assets net	\$ 2,945,804	\$ (13,385)	\$ -	\$ 2,932,419

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

Governmental Activities:	
Instruction	\$ 171,193
Food service operations	3,273
Support services	59,170
Total depreciation expense – governmental activities	\$ 233,636

NOTE - 5 ACCRUED TEACHERS' SALARIES AND EMPLOYEE BENEFITS

Teachers' contracts are for a nine or ten-month period; but are paid in twelve equal payments. At the end of the fiscal year an accrual exists for the difference between the amounts due on the contract and the amounts paid.

NOTE - 6 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

*Pensions.* Rocky Ford School District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

*Benefits provided.* 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.

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 6 DEFINED BENEFIT PENSION PLAN (Continued)

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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 retirement benefit formula 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.* Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	4.50%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	18.63%	18.13%

<sup>1</sup> Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 6 DEFINED BENEFIT PENSION PLAN (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$768,566 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$26,624,260 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was 0.08942%, which was a decrease of 0.00263 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,909,837. At June 30, 2017, the District 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	\$ 332,844	\$ (234)
Changes of assumptions or other inputs	8,639,017	(504,749)
Net difference between projected and actual earnings on pension plan investments	946,807	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	400,855	-
Total	\$ 10,319,523	\$ (504,983)

\$400,855 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, 2017. 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, 2017:	
2018	\$ 2,712,877
2019	2,712,877
2020	2,712,877
2021	1,275,054

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 6 DEFINED BENEFIT PENSION PLAN (Continued)

*Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in December 31, 2015, valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 6 DEFINED BENEFIT PENSION PLAN (Continued)

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experiences studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analysis was outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

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

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 6 DEFINED BENEFIT PENSION PLAN (Continued)

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

*Discount rate.* The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions as noted above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. 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 and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on those assumptions, the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the GASB Statement No 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

*Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent as of the measurement date, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:



ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED CONTRIBUTION PENSION PLAN

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 33,479,152	\$ 26,624,261	\$ 21,041,200

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2017, program members contributed \$0 and the District recognized pension expense and a liability of \$0 and \$0, respectively, for the Voluntary Investment Program.

NOTE - 8 OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

*Plan Description* – The Rocky Ford School District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, 2015, the District contributions to the HCTF were \$77,241, \$75,229 and \$70,459, respectively, equal to their required contributions for each year.

NOTE -9 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, 2017, were as follows:

Transfers From	Transfers To	Amount
General	Food Services	\$ 60,000
General	Capital Projects	91,500
		<u>\$ 151,500</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -10 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 -11 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 -12 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 not withstanding the limitations of Article X, Section 20 of the Colorado Constitution.

NOTE -13 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.

NOTE -14 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.

## **REQUIRED SUPPLEMENTAL INFORMATION**

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources	\$ 1,374,390	\$ 1,374,390	\$ 1,261,744	\$ (112,646)
State sources	5,699,869	5,699,869	5,766,741	66,872
Federal sources	136,984	136,984	173,768	36,784
TOTAL REVENUES	7,211,243	7,211,243	7,202,253	(8,990)
EXPENDITURES				
Instruction	4,196,199	4,196,199	4,068,037	128,162
Supporting services				
Pupils	184,235	184,235	180,892	3,343
Instruction staff	331,430	331,430	327,119	4,311
General administration	230,643	230,643	245,239	(14,596)
School administration	506,493	506,493	481,103	25,390
Other business services	145,835	145,835	138,242	7,593
Operations and maintenance	1,092,288	1,092,288	987,502	104,786
Pupil transportation	270,723	270,723	255,125	15,598
Support services	66,152	66,152	46,612	19,540
Community services	62,000	62,000	121,252	(59,252)
TOTAL EXPENDITURES	7,085,998	7,085,998	6,851,123	234,875
REVENUES OVER (UNDER) EXPENDITURES	125,245	125,245	351,130	225,885
OTHER FINANCING SOURCES				
Transfers in (out)	(151,500)	(151,500)	(151,500)	-
NET CHANGE IN FUND BALANCE	(26,255)	(26,255)	199,630	225,885
FUND BALANCE JULY 1	2,962,380	2,962,380	2,962,380	-
FUND BALANCE JUNE 30	\$ 2,936,125	\$ 2,936,125	\$ 3,162,010	\$ 225,885

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Insurance proceeds	\$ -	\$ -	\$ -	\$ -
Contributions	75,685	75,685	75,685	-
Sale of assets	-	-	2,500	2,500
TOTAL REVENUES	75,685	75,685	78,185	2,500
EXPENDITURES				
Capital outlay	196,676	196,676	220,251	(23,575)
Major repairs	91,500	91,500	39,320	52,180
TOTAL EXPENDITURES	288,176	288,176	259,571	28,605
REVENUES OVER (UNDER) EXPENDITURES	(212,491)	(212,491)	(181,386)	31,105
OTHER FINANCING SOURCES				
Transfer from general fund	91,500	91,500	91,500	-
NET CHANGE IN FUND BALANCE	(120,991)	(120,991)	(89,886)	31,105
FUND BALANCE JULY 1	176,643	176,643	176,643	-
FUND BALANCE JUNE 30	\$ 55,652	\$ 55,652	\$ 86,757	\$ 31,105

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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Federal grants earned	\$ 668,860	\$ 668,860	\$ 617,868	\$ (50,992)
EXPENDITURES				
Instruction	\$ 668,860	\$ 668,860	\$ 617,868	\$ 50,992

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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Meal charges				
Students and faculty	\$ 57,000	\$ 57,000	\$ 32,447	\$ (24,553)
Special events	8,400	12,200	14,274	2,074
Federal reimbursement	401,025	454,025	524,316	70,291
Other	5,600	8,800	10,558	1,758
TOTAL REVENUES	472,025	532,025	581,595	49,570
EXPENDITURES				
Salaries and benefits	20,842	20,842	17,410	3,432
Contracted services	481,183	537,983	556,185	(18,202)
Supplies	24,000	24,000	36,937	(12,937)
Repairs & maintenance	6,000	9,200	12,214	(3,014)
TOTAL EXPENDITURES	532,025	592,025	622,746	(30,721)
REVENUES OVER (UNDER) EXPENDITURES	(60,000)	(60,000)	(41,151)	18,849
OTHER FINANCING SOURCES				
Transfer in (out)	60,000	60,000	60,000	-
NET CHANGE IN FUND BALANCE	-	-	18,849	18,849
FUND BALANCE JULY 1	51,132	51,132	51,132	-
FUND BALANCE JUNE 30	\$ 51,132	\$ 51,132	\$ 69,981	\$ 18,849

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

STUDENT ACTIVITY FUNDS

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

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Student activities	\$ 250,000	\$ 250,000	\$ 216,710	\$ (33,290)
EXPENDITURES				
Student activities	250,000	250,000	227,558	22,442
REVENUES OVER (UNDER) EXPENDITURES	-	-	(10,848)	(10,848)
FUND BALANCE JULY 1	187,080	187,080	187,080	-
FUND BALANCE JUNE 30	<u>\$ 187,080</u>	<u>\$ 187,080</u>	<u>\$ 176,232</u>	<u>\$ (10,848)</u>



ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

DEFINED BENEFIT PENSION PLAN

LAST 4 FISCAL YEARS \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.089421574%	0.092048135%	0.093629209%	0.094863802%
District's proportionate share of the net pension liability	26,624,260	14,078,112	12,689,902	12,099,852
District's covered-employee payroll	4,018,699	3,990,591	4,012,497	3,887,220
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	662.51%	352.78%	316.26%	311.27%
Plan fiduciary net position as a percentage of the total pension liability	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.

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS

DEFINED BENEFIT PENSION PLAN

LAST 4 FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	\$ 691,325	\$ 673,322	\$ 648,222	\$ 621,374
Contributions in relation to the contractually required contribution	(691,325)	(673,322)	(648,222)	(621,374)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,018,699	\$ 3,990,591	\$ 4,012,497	\$ 3,887,220
Contributions as a percentage of covered-employee payroll	17.20%	16.87%	16.16%	15.99%

ROCKY FORD SCHOOL DISTRICT R2  
OTERO COUNTY COLORADO

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE -1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

## **SUPPLEMENTAL INFORMATION**

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

GENERAL FUND

BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash in bank and savings	\$ 2,308,859	\$ 2,059,420
Investments	1,446,991	1,507,870
Taxes receivable	75,000	83,000
Accounts receivable	16,828	10,286
Grants receivable	73,896	72,081
Accrued interest receivable	8,399	10,778
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,929,973	\$ 3,743,435
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts payable	\$ 39,194	\$ 33,820
Accrued salaries and benefits	581,493	578,390
Unearned revenue	72,276	85,845
	<hr/>	<hr/>
TOTAL LIABILITIES	692,963	698,055
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	75,000	83,000
	<hr/>	<hr/>
FUND BALANCE		
Restricted for 3% statutory reserve - TABOR	219,000	229,000
Restricted for preschool	126,725	106,222
Unassigned	2,816,285	2,627,158
	<hr/>	<hr/>
TOTAL FUND BALANCE	3,162,010	2,962,380
	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 3,929,973	\$ 3,743,435
	<hr/> <hr/>	<hr/> <hr/>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
REVENUES		
Local sources	\$ 1,261,744	\$ 1,395,964
State sources	5,766,741	5,823,338
Federal sources	173,768	229,907
	<hr/>	<hr/>
TOTAL REVENUES	7,202,253	7,449,209
	<hr/>	<hr/>
EXPENDITURES		
Instruction	4,068,037	4,056,657
Supporting services		
Pupils	180,892	166,979
Instruction staff	327,119	323,463
General administration	245,239	223,754
School administration	481,103	553,179
Other business services	138,242	142,020
Operations and maintenance	987,502	982,817
Pupil transportation	255,125	243,075
Support services	46,612	56,836
Community services	121,252	69,836
	<hr/>	<hr/>
TOTAL EXPENDITURES	6,851,123	6,818,616
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	351,130	630,593
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers in (out)	(151,500)	(291,000)
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	199,630	339,593
	<hr/>	<hr/>
FUND BALANCE JULY 1	2,962,380	2,622,787
	<hr/>	<hr/>
FUND BALANCE JUNE 30	<u>\$ 3,162,010</u>	<u>\$ 2,962,380</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

CAPITAL PROJECTS FUND

BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash in bank and savings	<u>\$ 86,757</u>	<u>\$ 176,643</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
FUND BALANCE		
Assigned for capital projects	<u>86,757</u>	<u>176,643</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 86,757</u>	<u>\$ 176,643</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

CAPITAL PROJECTS FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
REVENUES		
Insurance proceeds	\$ -	\$ 6,589
Contributions	75,685	16,195
Sale of assets	2,500	1,150
TOTAL REVENUES	78,185	23,934
EXPENDITURES		
Capital outlay	220,251	223,476
Major repairs	39,320	61,504
TOTAL EXPENDITURES	259,571	284,980
REVENUES OVER (UNDER) EXPENDITURES	(181,386)	(261,046)
OTHER FINANCING SOURCES		
Transfer from general fund	91,500	231,000
NET CHANGE IN FUND BALANCE	(89,886)	(30,046)
FUND BALANCE JULY 1	176,643	206,689
FUND BALANCE JUNE 30	\$ 86,757	\$ 176,643



ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash in bank	\$ 136,597	\$ 3,597
Grants receivable	-	58,905
	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 136,597</u>	<u>\$ 62,502</u>
LIABILITIES		
Accounts Payable	\$ -	\$ -
Due to state and others	1,075	1,075
Accrued salaries and benefits	64,345	61,099
Unearned revenues	71,177	328
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>\$ 136,597</u>	<u>\$ 62,502</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

DESIGNATED PURPOSE GRANTS FUND

STATEMENT OF REVENUES AND EXPENDITURES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Federal grants earned	<u>\$    617,868</u>	<u>\$    572,489</u>
EXPENDITURES		
Instruction	<u>\$    617,868</u>	<u>\$    572,489</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash in bank	\$ 7,245	\$ 38,403
Accounts receivable	9,416	6,855
Grants receivable	60,861	10,743
	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 77,522</u>	<u>\$ 56,001</u>
LIABILITIES		
Accounts payable	\$ 7,541	\$ 4,869
	<u>          </u>	<u>          </u>
FUND BALANCE		
Assigned for food services	69,981	51,132
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 77,522</u>	<u>\$ 56,001</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

FOOD SERVICES FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
REVENUES		
Meal charges		
Students and faculty	\$ 32,447	\$ 30,495
Special events	14,274	13,459
Federal reimbursement	524,316	461,400
Other	10,558	10,192
	<hr/>	<hr/>
TOTAL REVENUES	581,595	515,546
	<hr/>	<hr/>
EXPENDITURES		
Salaries and benefits	17,410	20,879
Contracted services	556,185	494,619
Supplies	36,937	31,715
Repairs and maintenance	12,214	8,904
	<hr/>	<hr/>
TOTAL EXPENDITURES	622,746	556,117
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(41,151)	(40,571)
OTHER FINANCING SOURCES (USES)		
Transfers in (out)	60,000	60,000
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	18,849	19,429
FUND BALANCE JULY 1	51,132	31,703
	<hr/>	<hr/>
FUND BALANCE JUNE 30	\$ 69,981	\$ 51,132
	<hr/> <hr/>	<hr/> <hr/>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

STUDENT ACTIVITY FUNDS

BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash in bank	\$ 124,470	\$ 130,606
Restricted cash	<u>54,863</u>	<u>56,791</u>
TOTAL ASSETS	<u>\$ 179,333</u>	<u>\$ 187,397</u>
LIABILITIES		
Accounts payable	<u>\$ 3,101</u>	<u>\$ 317</u>
FUND BALANCE		
Restricted for scholarships	54,863	56,791
Assigned for student activities	<u>121,369</u>	<u>130,289</u>
TOTAL FUND BALANCE	<u>176,232</u>	<u>187,080</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 179,333</u>	<u>\$ 187,397</u>

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

STUDENT ACTIVITY FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Student activities	\$ 216,710	\$ 223,187
EXPENDITURES		
Student activities	<u>227,558</u>	<u>231,694</u>
REVENUES OVER (UNDER) EXPENDITURES	(10,848)	(8,507)
FUND BALANCE JULY 1	<u>187,080</u>	<u>195,587</u>
FUND BALANCE JUNE 30	<u>\$ 176,232</u>	<u>\$ 187,080</u>

## **SINGLE AUDIT SECTION**

ROCKY FORD SCHOOL DISTRICT R-2  
OTERO COUNTY, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

PROGRAM TITLE	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed through to Subrecipients	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through Colorado Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4010		\$ 594,809
Special Education Grant to States	84.027	4027		68,784
Rural Education	84.358	4358		23,060
Race to the Top ? Early Learning Challenge	84.412	5412		116
Passed Through the State Board of Community Colleges:				
Career and Technical Education - Basic Grants to States	84.048	5048		9,278
Total U.S. Department of Education				<u>696,047</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through Otero County, Colorado:				
Temporary Assistance for Needy Families	93.558	8558		36,812
Total U.S. Department of Health and Human Services				<u>36,812</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through Colorado Department of Education:				
School Breakfast Program	* 10.553	4553		143,120
National School Lunch Program	* 10.555	4555		308,227
Summer Food Service Program For Children	* 10.559	4559		11,513
Fresh Fruit and Vegetable Program	10.582	4582		24,976
Passed Through State Department of Human Services:				
USDA Commodities	* 10.555	4010-4555		34,000
Total U.S. Department of Agriculture				<u>521,836</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 1,254,695</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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Rocky Ford School District R-2, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Rocky Ford School District R-2.

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE – 3 INDIRECT COST RATES

The Rocky Ford School District R-2 has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

# 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, each major fund, and the aggregate remaining fund information of the Rocky Ford School District R-2's (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rocky Ford School District R-2's basic financial statements, and have issued our report thereon dated December 12, 2017.

### Internal Control over Financial Reporting

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

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

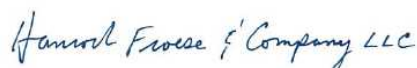
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

### Compliance and Other Matters

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

### Purpose of this Report

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



Hancock Froese & Company LLC  
Rocky Ford, Colorado  
December 12, 2017

# 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**

We have audited the Rocky Ford School District R-2's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rocky Ford School District R-2's major federal programs for the year ended June 30, 2017. The Rocky Ford School District R-2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the Rocky Ford School District R-2's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

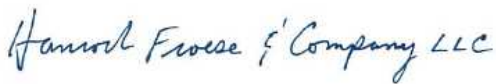
### **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in blue ink that reads "Hancock Froese & Company LLC". The signature is written in a cursive, flowing style.

Hancock Froese & Company LLC

Rocky Ford, Colorado  
December 12, 2017

Rocky Ford School District R-2  
Otero County, Colorado

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards**

Internal control over major programs		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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 510(a) of Circular A-133	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**CFDA Number(s)**

**Name of Federal Program or Cluster**

84.010	Title I Grants to Local Educational Agencies
--------	--

Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee	<input checked="" type="checkbox"/> yes <input type="checkbox"/> 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 2016-17

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	2,856,158	6,834,572	6,655,445	3,035,285
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	106,222	216,180	195,677	126,725
Sub- Total	2,962,381	7,050,752	6,851,122	3,162,011
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
21 Food Service Spec Revenue Fund	51,132	641,595	622,746	69,981
22 Govt Designated-Purpose Grants Fund	0	617,868	617,868	0
23 Pupil Activity Special Revenue Fund	187,080	216,710	227,558	176,232
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	176,643	169,685	259,571	86,757
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,377,236	8,696,611	8,578,865	3,494,981
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	1,681,317	90,911	99,686	1,672,543
Totals	1,681,317	90,911	99,686	1,672,543

FINAL