

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2017

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
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INTRODUCTORY SECTION

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2017**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Chuck Tryon	December 31, 2018	Chair
Amy Edwards	December 31, 2020	Director
Ted Botten	December 31, 2018	Treasurer
Kevin Campbell	December 31, 2020	Clerk
Lisa Hall	December 31, 2018	Director
Jessica Johnson	December 31, 2020	Director

ADMINISTRATION

Paul Durand	Superintendent
Sherlyn Tischner	Business Manager
Paula Wanous	Payroll Clerk
Sara Pepin	Account Clerk

District Offices:	Independent School District No. 883 Rockford Public Schools 6051 Ash Street Rockford, MN 55373 (763) 477-9165
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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 auditors' 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 District'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 District'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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 13). Our auditors' opinion was not modified with respect to the restatement.

Report on Summarized Comparative Information

We have previously audited the District's 2016 financial statements of the governmental activities, each major fund and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table 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 October 26, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 26, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

This section of Rockford Area Schools – Independent School District No. 883's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal years include the following:

- Net position decreased by approximately \$2,600,000 on revenues of \$25,000,000 compared to expenses of \$27,666,000.
- Total General Fund revenues were approximately \$18,400,000 as compared to about \$17,093,000 of expenditures.
- The fund balance of the General Fund increased by a net of approximately \$1,360,000 from the prior year due to the District receiving more revenues than budgeted and keeping expenditures within the budgeted amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – independent auditors' report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

The two District-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., food service).

The District has two kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements to explain the relationship (or differences) between them.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others such as the District's Postemployment Benefits Irrevocable Trust Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was a negative \$8,577,798 on June 30, 2017. This was a decrease from the prior year net position of \$3,065,926, after the restatement of \$477,665 (see Table A-1).

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2017	2016	
Current and Other Assets	\$ 12,283,822	\$ 11,465,585	7.1 %
Capital and Noncurrent Assets	48,746,351	50,741,418	(3.9)
Total Assets	<u>61,030,173</u>	<u>62,207,003</u>	(1.9)
Deferred Outflows of Resources	22,829,713	2,414,070	845.7
Current Liabilities	5,280,951	4,769,348	10.7
Long-Term Liabilities	80,536,414	58,318,829	38.1
Total Liabilities	<u>85,817,365</u>	<u>63,088,177</u>	36.0
Deferred Inflows of Resources	<u>6,620,319</u>	<u>7,044,768</u>	(6.0)
Net Position			
Net Investment in Capital Assets	2,044,932	1,616,337	(26.5)
Restricted	1,528,208	732,364	(108.7)
Unrestricted	<u>(12,150,938)</u>	<u>(7,860,573)</u>	(54.6)
Total Net Position	<u>\$ (8,577,798)</u>	<u>\$ (5,511,872)</u>	(55.6)

The change in the District's financial position is due to the increase in the net pension liability and the related deferred inflows and outflows of resources.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's revenues for all governmental activities were approximately \$25,000,000 for the year ended June 30, 2017.

The total cost for all governmental activities of all programs and services including interest and fiscal charges was approximately \$27,666,000. Total expenses exceeded revenues, decreasing net position by about \$3,066,000 from the prior year after the restatement. The decrease is due to the change in the net pension liability and the related deferred inflows and outflows of resources.

**Table A-2
Change in Net Position**

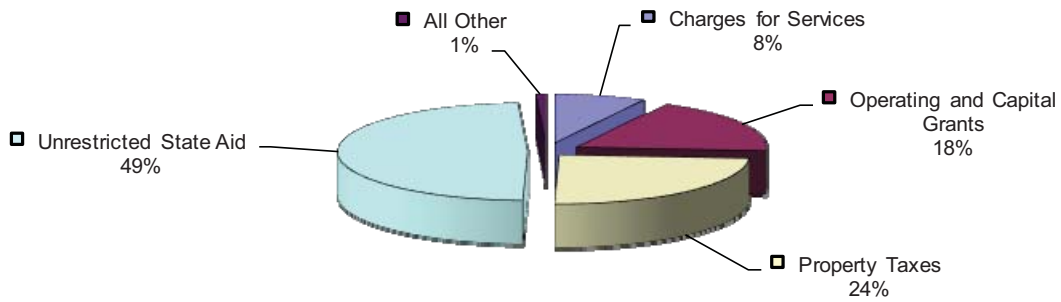
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2017	2016	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,958,793	\$ 1,987,769	(1.5)%
Operating Grants and Contributions	4,201,119	3,912,726	7.4
Capital Grants and Contributions	397,891	393,468	1.1
<u>General Revenues</u>			
Property Taxes	6,082,920	6,074,983	0.1
Unrestricted State Aid	12,225,916	11,828,969	3.4
Investment Earnings	22,391	9,641	132.2
Other	189,012	316,852	(40.3)
Total Revenues	<u>25,078,042</u>	<u>24,524,408</u>	2.3
Expenses			
Administration	1,263,670	981,991	28.7
District Support Services	416,791	425,904	(2.1)
Regular Instruction	12,708,684	9,793,758	29.8
Vocational Education Instruction	293,771	217,751	34.9
Special Education Instruction	3,101,133	2,499,986	24.0
Instructional Support Services	1,580,917	1,307,932	20.9
Pupil Support Services	2,419,171	2,227,248	8.6
Sites and Buildings	2,434,279	2,093,824	16.3
Fiscal and Other Fixed Cost Programs	120,472	118,308	1.8
Food Service	810,677	785,654	3.2
Community Service	1,384,444	1,200,109	15.4
Interest and Fiscal Charges on Long-Term Liabilities	<u>1,132,294</u>	<u>1,906,701</u>	(40.6)
Total Expenses	<u>27,666,303</u>	<u>23,559,166</u>	17.4
Change in Net Position	(2,588,261)	965,242	
Beginning Net Position	(5,511,872)	(6,477,114)	
Change in Accounting Principle	<u>(477,665)</u>	<u>-</u>	
Beginning Net Position, as Restated	<u>(5,989,537)</u>	<u>(6,477,114)</u>	
Ending Net Position	<u>\$ (8,577,798)</u>	<u>\$ (5,511,872)</u>	

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

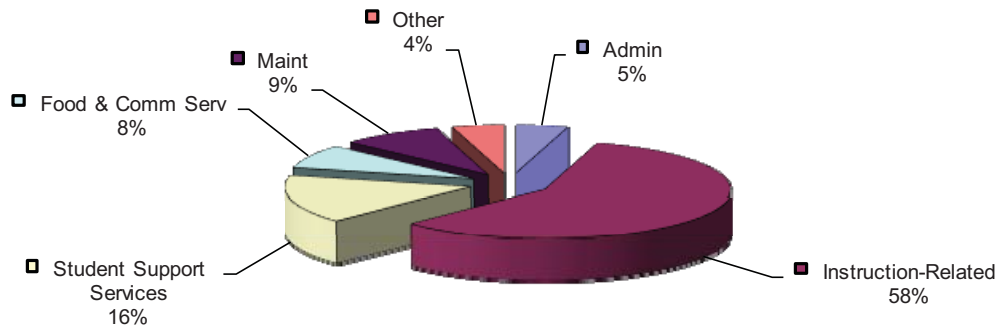
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was approximately \$27,666,000.

**Figure A-1
Sources of District's Revenues for Fiscal 2017**



**Figure A-2
District Expenses for Fiscal 2017**



**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

All governmental activities includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the other operating funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016		2017	2016	
Administration	\$ 1,263,670	\$ 981,991	28.7 %	\$ 1,250,975	\$ 789,487	58.5 %
District Support Services	416,791	425,904	(2.1)	416,791	425,904	(2.1)
Regular Instruction	12,708,684	9,793,758	29.8	10,756,682	8,027,029	34.0
Vocational Education Instruction	293,771	217,751	34.9	293,771	217,751	34.9
Special Education Instruction	3,101,133	2,499,986	24.0	1,268,587	1,042,503	21.7
Instructional Support Services	1,580,917	1,307,932	20.9	1,439,577	1,173,569	22.7
Pupil Support Services	2,419,171	2,227,248	8.6	1,847,508	1,617,161	14.2
Sites and Buildings	2,434,279	2,093,824	16.3	2,249,634	1,835,791	22.5
Fiscal and Other Fixed Cost Programs	120,472	118,308	1.8	120,472	118,308	1.8
Food Service	810,677	785,654	3.2	(10,152)	(95)	10,586.3
Community Service	1,384,444	1,200,109	15.4	342,361	111,094	208.2
Interest and Fiscal Charges on Long-Term Liabilities	1,132,294	1,906,701	(40.6)	1,132,294	1,906,701	(40.6)
Total	\$ 27,666,303	\$ 23,559,166	17.4	\$ 21,108,500	\$ 17,265,203	22.3

The increase in instruction expenses is due to the increase in the net pension liability and change in deferred inflows and outflows of resources. All other areas remained fairly consistent from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of approximately \$3,738,000 which is about \$1,002,000 more than last year's ending fund balance of \$2,736,000. This is due primarily to the District continuing to monitor expenditures and continuing to make cut backs.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

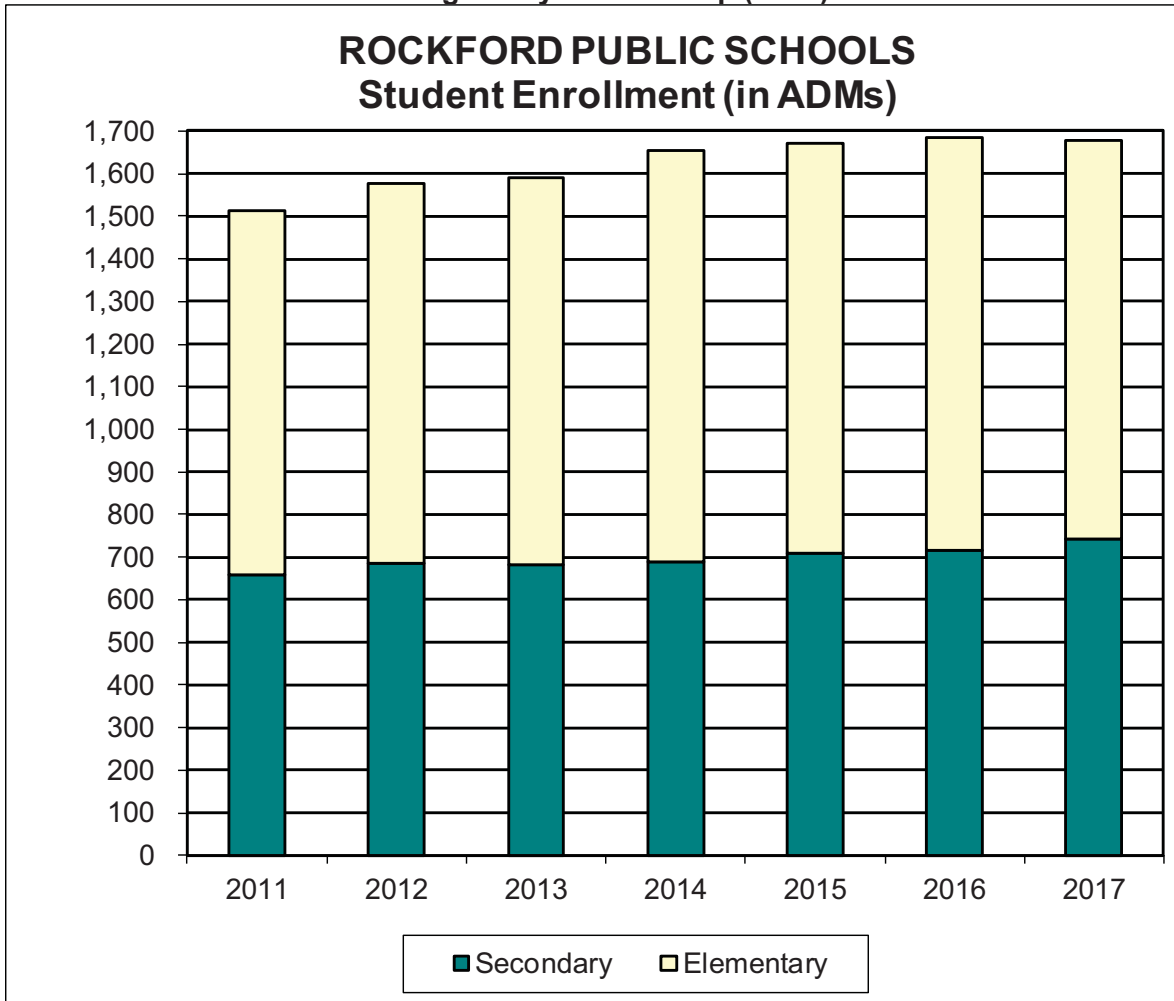
General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows that the number of students increased over the prior year.

**Table A-4
Seven-Year Enrollment Trend
Average Daily Membership (ADM)**



Over the last four years, the District has experienced an increase in average daily membership by 23 students. The enrollment is expected to continue to grow as the District has added new programs and is promoting many new initiatives. The District continues to encourage and welcome enrollment of students and hopes increased enrollment continues as new families move to the area and as students from neighboring areas choose to open enroll to Rockford.

	2011	2012	2013	2014	2015	2016	2017
Reg K, Pre-K & KH	117	146	155	160	151	143	142
Elementary	736	745	755	805	809	825	795
Secondary	660	686	682	690	710	716	741
Total Students for Aid	<u>1,513</u>	<u>1,577</u>	<u>1,592</u>	<u>1,655</u>	<u>1,670</u>	<u>1,684</u>	<u>1,678</u>
Percent Change	0.85%	4.23%	0.95%	3.96%	0.91%	0.83%	-0.33%

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GENERAL FUND

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 2,025,982	\$ 1,968,697	\$ 57,285	2.9 %
Earnings on Investments	21,059	3,841	17,218	448.3
Other	758,307	758,210	97	0.0
State Sources	15,354,860	14,893,617	461,243	3.1
Federal Sources	276,726	305,446	(28,720)	(9.4)
Total General Fund Revenue	<u>\$ 18,436,934</u>	<u>\$ 17,929,811</u>	<u>\$ 507,123</u>	2.8

Total General Fund revenue increased by approximately \$507,000 or 2.8% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of mostly state aid revenue. Other state-authorized revenue including operating levy referendum, operating capital revenue and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

State revenue increased overall by \$461,243 due mostly to the increase in general education aid in the current year.

Property taxes increased by \$57,285 due to a slight increase in the levy.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2017	June 30, 2016		
Salaries	\$ 9,137,208	\$ 9,421,089	\$ (283,881)	(3.0)%
Employee Benefits	2,759,084	2,959,489	(200,405)	(6.8)
Purchased Services	3,893,090	3,726,291	166,799	4.5
Supplies and Materials	938,761	907,086	31,675	3.5
Capital Expenditures	148,711	258,474	(109,763)	(42.5)
Other Expenditures	216,317	160,016	56,301	35.2
Total Expenditures	\$ 17,093,171	\$ 17,432,445	\$ (339,274)	(1.9)

Total General Fund expenditures decreased approximately \$339,000 or 1.9% due to a decrease in capital projects and a decrease in overall salaries and benefits.

Revenues exceeded expenditures which resulted in an increase in fund balance at the end of 2016-17.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. However, the school district monitored the budget closely and proposed two budget revisions in addition to the original adopted budget. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over.
- Increases in appropriations for significant unbudgeted costs.

Actual revenues were approximately \$212,000 more than expected from the budget, primarily due to an increase in state aid.

The actual expenditures were approximately \$649,000 less than budgeted. Restricted health and safety fund balance ended with a negative balance of \$54,096. Restricted safe schools fund balance ended with a positive balance of \$77,691. Restricted operating capital fund balance ended with a positive balance of \$206,288.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

DEBT SERVICE FUNDS

The Debt Service Fund expenditures exceeded revenues by approximately \$27,307 for fiscal 2017.

OTHER MAJOR FUNDS

Revenue exceeded expenditures in the Food Service Fund by about \$10,000. Revenues exceeded expenditures in the Community Service Fund by approximately \$13,000 due to an increase in revenues and expenditures remaining consistent. Expenditures exceeded revenues in the Building Construction Fund by approximately \$349,000 due to payments for capital outlay for the current building project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017, the District had invested approximately \$79.0 million in a broad range of capital assets (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$2,158,471.

**Table A-7
The District's Capital Assets**

	2017	2016	Percentage Change
Land	\$ 1,735,919	\$ 1,735,919	-
Land Improvements	9,149,635	9,142,386	0.1
Buildings and Improvements	62,436,756	62,339,274	0.2
Equipment	5,653,443	5,594,770	1.0
Less: Accumulated Depreciation	(30,229,402)	(28,070,931)	7.7
Total	<u>\$ 48,746,351</u>	<u>\$ 50,741,418</u>	(3.9)

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

LONG-TERM LIABILITIES

At year-end, the District had \$46,701,419 in general obligation bonds and net bond premium (discount) – a decrease of 5.7% from last year – as shown in Note 5 to the financial statements. The decrease is due to regular payments made on outstanding debt. The District also had an estimated \$118,670 in vacation and severance payable at June 30, 2017, an increase of \$18,412 from June 30, 2016.

**Table A-8
The District's Long-Term Liabilities**

	2017	2016	Percentage Change
General Obligation Bonds	\$ 43,875,000	\$ 46,220,000	(5.1)%
Net Bond Premium (Discount)	2,826,419	3,347,217	(15.6)
Severance Benefits Payable	71,126	72,244	(1.5)
Compensated Absences Payable	47,544	28,014	69.7
Total	<u>\$ 46,820,089</u>	<u>\$ 49,667,475</u>	(5.7)
Long-Term Liabilities:			
Due within One Year	\$ 2,907,544	\$ 2,397,004	
Due in More than One Year	43,912,545	47,270,471	
Total	<u>\$ 46,820,089</u>	<u>\$ 49,667,475</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has made significant infrastructure and program enhancements to increase enrollment.

The District will need to monitor enrollment growth and continue to monitor the expenses associated with the new programs, to ensure they can be sustained.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 883, 6051 Ash St., Rockford, Minnesota 55373.

Bond Ratings

The District's bonds presently carry a Standard & Poor's "AA-" rating.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$140 million.

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BASIC FINANCIAL STATEMENTS

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Cash and Investments	\$ 6,171,621
Receivables:	
Property Taxes	3,172,483
Other Governments	2,139,224
Other	87,803
Due from Fiduciary Funds	39,376
Net Prepaid OPEB Obligation	669,430
Inventories	3,885
Capital Assets:	
Land	1,735,919
Other Capital Assets, Net of Depreciation	47,010,432
Total Assets	61,030,173

DEFERRED OUTFLOWS OF RESOURCES

Pension Related	22,802,174
OPEB Related	27,539
Total Deferred Outflows of Resources	22,829,713

LIABILITIES

Salaries and Compensated Absences Payable	1,255,398
Accounts and Contracts Payable	333,640
Accrued Interest	664,369
Due to Other Governmental Units	2,343
Due to Other Minnesota School Districts	47,391
Unearned Revenue:	
Local Sources	70,266
Net Pension Liability	36,623,869
Long-Term Liabilities:	
Portion Due Within One Year	2,907,544
Portion Due in More Than One Year	43,912,545
Total Liabilities	85,817,365

DEFERRED INFLOWS OF RESOURCES

Pension Related	586,291
Property Taxes	6,034,028
Total Deferred Inflows of Resources	6,620,319

NET POSITION (DEFICIT)

Net Investment in Capital Assets	2,044,932
Restricted for:	
General Fund Operating Capital Purposes	206,288
General Fund State-Mandated Restricted	91,157
Food Service	30,782
Community Service	217,765
Other Postemployment Benefits	696,969
Debt Service	284,323
Capital Projects - Building Construction	924
Unrestricted	(12,150,938)
Total Net Position (Deficit)	\$ (8,577,798)

See accompanying Notes to Basic Financial Statements.

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**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental Activities					
Administration	\$ 1,263,670	\$ -	\$ 12,695	\$ -	\$ (1,250,975)
District Support Services	416,791	-	-	-	(416,791)
Regular Instruction	12,708,684	502,680	1,149,188	300,134	(10,756,682)
Vocational Education Instruction	293,771	-	-	-	(293,771)
Special Education Instruction	3,101,133	-	1,832,546	-	(1,268,587)
Instructional Support Services	1,580,917	10,900	130,440	-	(1,439,577)
Pupil Support Services	2,419,171	-	571,663	-	(1,847,508)
Sites and Buildings	2,434,279	72,938	13,950	97,757	(2,249,634)
Fiscal and Other Fixed Cost Programs	120,472	-	-	-	(120,472)
Food Service	810,677	450,510	370,319	-	10,152
Community Service	1,384,444	921,765	120,318	-	(342,361)
Interest and Fiscal Charges on Long-Term Liabilities	1,132,294	-	-	-	(1,132,294)
Total School District	\$ 27,666,303	\$ 1,958,793	\$ 4,201,119	\$ 397,891	(21,108,500)
General Revenues					
Property Taxes Levied for:					
General Purposes					2,018,342
Community Service					128,477
Debt Service					3,936,101
State Aid Not Restricted to Specific Purposes					12,225,916
Earnings on Investments					22,391
Miscellaneous					189,012
Total General Revenues					<u>18,520,239</u>
Change in Net Position					(2,588,261)
Net Position - Beginning of Year					(5,511,872)
Change in Accounting Principle					(477,665)
Net Position - Beginning of Year, as Restated					<u>(5,989,537)</u>
Net Position - End of Year					<u>\$ (8,577,798)</u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 2,786,919	\$ 60,385	\$ 282,033
Receivables:			
Current Property Taxes	952,641	-	61,555
Delinquent Property Taxes	54,523	-	3,971
Accounts and Interest Receivable	82,862	1,616	3,325
Due from Other Minnesota School Districts	54,684	-	7,570
Due from Minnesota Department of Education	1,887,513	1,236	12,541
Due from Federal Government through Minnesota Department of Education	143,110	9,084	-
Due from Other Funds	38,663	-	713
Prepaid Items	-	3,885	-
Total Assets	<u>\$ 6,000,915</u>	<u>\$ 76,206</u>	<u>\$ 371,708</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Compensated Absences Payable	\$ 629,174	\$ -	\$ 9,684
Payroll Deductions and Employer Contributions Payable	616,540	-	-
Accounts and Contracts Payable	174,916	28,928	2,983
Due to Other Governmental Units	2,343	-	-
Due to Other Minnesota School Districts	47,391	-	-
Unearned Revenue	40,000	16,496	13,770
Total Liabilities	<u>1,510,364</u>	<u>45,424</u>	<u>26,437</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	1,817,388	-	127,506
Unavailable Revenue - Delinquent Taxes	37,762	-	2,886
Total Deferred Inflows of Resources	<u>1,855,150</u>	<u>-</u>	<u>130,392</u>
Fund Balance:			
Prepaid Items	-	3,885	-
Restricted:			
Health and Safety	(54,096)	-	-
Operating Capital	206,288	-	-
Area Learning Center	13,466	-	-
Safe Schools - Crime	77,691	-	-
Community Education Programs	-	-	113,628
Early Childhood and Family Educations Programs	-	-	11,777
School Readiness	-	-	47,910
Long-Term Facilities Maintenance	(3,184)	-	-
Other Restricted	-	26,897	41,564
Assigned:			
Q Comp	95,508	-	-
Capital Projects	102,451	-	-
Unassigned	2,197,277	-	-
Total Fund Balance	<u>2,635,401</u>	<u>30,782</u>	<u>214,879</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,000,915</u>	<u>\$ 76,206</u>	<u>\$ 371,708</u>

See accompanying Notes to Basic Financial Statements.

Building Construction	Debt Service	Total Governmental Funds	
		2017	2016
\$ 127,737	\$ 2,914,547	\$ 6,171,621	\$ 4,832,995
-	1,974,099	2,988,295	2,938,264
-	125,694	184,188	176,784
-	-	87,803	137,814
-	-	62,254	64,328
-	23,486	1,924,776	1,935,066
-	-	152,194	122,857
-	-	39,376	45,393
-	-	3,885	-
<u>\$ 127,737</u>	<u>\$ 5,037,826</u>	<u>\$ 11,614,392</u>	<u>\$ 10,253,501</u>
\$ -	\$ -	\$ 638,858	\$ 623,838
-	-	616,540	635,425
126,813	-	333,640	149,005
-	-	2,343	2,683
-	-	47,391	41,103
-	-	70,266	33,037
<u>126,813</u>	<u>-</u>	<u>1,709,038</u>	<u>1,485,091</u>
-	4,089,134	6,034,028	5,867,997
-	92,382	133,030	164,368
-	4,181,516	6,167,058	6,032,365
-	-	3,885	-
-	-	(54,096)	(113,590)
-	-	206,288	155,342
-	-	13,466	-
-	-	77,691	26,861
-	-	113,628	182,624
-	-	11,777	2,243
-	-	47,910	3,044
-	-	(3,184)	-
924	856,310	925,695	1,302,673
-	-	95,508	99,715
-	-	102,451	-
-	-	2,197,277	1,077,133
<u>924</u>	<u>856,310</u>	<u>3,738,296</u>	<u>2,736,045</u>
<u>\$ 127,737</u>	<u>\$ 5,037,826</u>	<u>\$ 11,614,392</u>	<u>\$ 10,253,501</u>

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**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total Fund Balance for Governmental Funds \$ 3,738,296

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	1,735,919
Land Improvements, Net of Accumulated Depreciation	6,098,413
Buildings and Improvements, Net of Accumulated Depreciation	40,630,355
Equipment, Net of Accumulated Depreciation	281,664

OPEB trust contributions net of the OPEB liability and deferred outflows of resources recognized to date, are not current financial resources and, therefore, are not reported at fund level. 669,430

OPEB deferred inflows are reported only on the statement of net position. 27,539

The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(36,623,869)
Deferred Inflows of Resources - Pension Related	(586,291)
Deferred Outflows of Resources - Pension Contributions	22,802,174

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds. 133,030

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (664,369)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Bonds Payable	(43,875,000)
Unamortized Premiums	(2,826,419)
Severance Benefits Payable	(71,126)
Compensated Absences Payable	(47,544)
	(47,544)

Total Net Position of Governmental Activities \$ (8,577,798)

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 2,025,982	\$ -	\$ 129,466
Earnings on Investments	21,059	-	-
Other	758,307	450,510	921,765
State Sources	15,354,860	35,203	161,038
Federal Sources	276,726	335,116	-
Total Revenues	<u>18,436,934</u>	<u>820,829</u>	<u>1,212,269</u>
EXPENDITURES			
Current:			
Administration	1,016,710	-	-
District Support Services	386,468	-	-
Regular Instruction	7,638,906	-	-
Vocational Education Instruction	204,694	-	-
Special Education Instruction	2,328,204	-	-
Instructional Support Services	1,149,643	-	-
Pupil Support Services	2,242,248	-	-
Sites and Buildings	1,857,115	-	-
Fiscal and Other Fixed Cost Programs	120,472	-	-
Food Service	-	809,461	-
Community Service	-	-	1,201,186
Capital Outlay	148,711	1,216	2,959
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>17,093,171</u>	<u>810,677</u>	<u>1,204,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,343,763	10,152	8,124
OTHER FINANCING SOURCES (USES)			
Insurance Recovery Proceeds	16,177	-	-
Bonds Proceeds	-	-	-
Principal Payment on Refunded Bonds	-	-	-
Bond Premium	-	-	-
Total Other Financing Sources (Uses)	<u>16,177</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,359,940	10,152	8,124
Fund Balance - Beginning of Year	<u>1,275,461</u>	<u>20,630</u>	<u>206,755</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,635,401</u>	<u>\$ 30,782</u>	<u>\$ 214,879</u>

See accompanying Notes to Basic Financial Statements.

Building Construction	Debt Service	Total Governmental Funds	
		2017	2016
\$ -	\$ 3,958,810	\$ 6,114,258	\$ 6,071,839
1,332	-	22,391	9,641
-	-	2,130,582	2,303,100
-	234,859	15,785,960	15,499,349
-	-	611,842	636,135
<u>1,332</u>	<u>4,193,669</u>	<u>24,665,033</u>	<u>24,520,064</u>
-	-	1,016,710	967,746
-	-	386,468	420,676
-	-	7,638,906	7,747,522
-	-	204,694	215,148
-	-	2,328,204	2,445,915
-	-	1,149,643	1,289,528
-	-	2,242,248	2,201,218
-	-	1,857,115	1,767,910
-	-	120,472	118,308
-	-	809,461	779,778
-	-	1,201,186	1,179,117
349,990	-	502,876	874,064
-	2,345,000	2,345,000	2,740,000
-	1,875,976	1,875,976	1,871,492
<u>349,990</u>	<u>4,220,976</u>	<u>23,678,959</u>	<u>24,618,422</u>
(348,658)	(27,307)	986,074	(98,358)
-	-	16,177	1,200
-	-	-	17,690,000
-	-	-	(20,390,000)
-	-	-	2,810,864
<u>-</u>	<u>-</u>	<u>16,177</u>	<u>112,064</u>
(348,658)	(27,307)	1,002,251	13,706
<u>349,582</u>	<u>883,617</u>	<u>2,736,045</u>	<u>2,722,339</u>
<u>\$ 924</u>	<u>\$ 856,310</u>	<u>\$ 3,738,296</u>	<u>\$ 2,736,045</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance - Total Governmental Funds \$ 1,002,251

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	163,404
Depreciation Expense	(2,158,471)

Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net prepaid OPEB obligation and deferred outflows of resources is recognized in the statement of net position. (37,450)

Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources. (4,596,927)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	2,345,000
Change in Accrued Interest Expense - General Obligation Bonds	222,884
Amortization of Bond Premium	520,798

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds. (31,338)

In the statement of activities, certain operating expenses - severance benefits and compensated absences - 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 (essentially, the amounts actually paid). (18,412)

Change in Net Position of Governmental Activities \$ (2,588,261)

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 2,015,110	\$ 2,007,849	\$ 2,025,982	\$ 18,133
Earnings on Investments	700	15,000	21,059	6,059
Other	521,541	764,538	758,307	(6,231)
State Sources	15,121,402	15,166,872	15,354,860	187,988
Federal Sources	302,510	270,394	276,726	6,332
Total Revenues	<u>17,961,263</u>	<u>18,224,653</u>	<u>18,436,934</u>	<u>212,281</u>
EXPENDITURES				
Current:				
Administration	924,145	1,032,416	1,016,710	(15,706)
District Support Services	410,172	383,973	386,468	2,495
Elementary and Secondary Regular Instruction	7,446,593	7,748,390	7,638,906	(109,484)
Vocational Education Instruction	177,249	223,337	204,694	(18,643)
Special Education Instruction	2,483,726	2,461,288	2,328,204	(133,084)
Instructional Support Services	1,358,969	1,219,833	1,149,643	(70,190)
Pupil Support Services	2,146,486	2,263,187	2,242,248	(20,939)
Sites and Buildings	1,777,765	1,978,663	1,857,115	(121,548)
Fiscal and Other Fixed Cost Programs	125,000	120,600	120,472	(128)
Capital Outlay	213,404	310,800	148,711	(162,089)
Total Expenditures	<u>17,063,509</u>	<u>17,742,487</u>	<u>17,093,171</u>	<u>(649,316)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	897,754	482,166	1,343,763	861,597
OTHER FINANCING SOURCES				
Insurance Recovery Proceeds	-	16,178	16,177	(1)
Net Change in Fund Balance	<u>\$ 897,754</u>	<u>\$ 498,344</u>	<u>1,359,940</u>	<u>\$ 861,596</u>
FUND BALANCE				
Beginning of Year			<u>1,275,461</u>	
End of Year			<u>\$ 2,635,401</u>	

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 429,835	\$ 426,614	\$ 450,510	\$ 23,896
State Sources	33,681	37,493	35,203	(2,290)
Federal Sources	311,484	313,886	335,116	21,230
Total Revenues	<u>775,000</u>	<u>777,993</u>	<u>820,829</u>	<u>42,836</u>
EXPENDITURES				
Current:				
Food Service	760,000	774,890	809,461	34,571
Capital Outlay	-	-	1,216	1,216
Total Expenditures	<u>760,000</u>	<u>774,890</u>	<u>810,677</u>	<u>35,787</u>
Net Change in Fund Balance	<u>\$ 15,000</u>	<u>\$ 3,103</u>	10,152	<u>\$ 7,049</u>
FUND BALANCE				
Beginning of Year			<u>20,630</u>	
End of Year			<u>\$ 30,782</u>	

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 114,008	\$ 127,376	\$ 129,466	\$ 2,090
Other - Primarily Tuition and Fees	928,649	873,370	921,765	48,395
State Sources	133,913	153,591	161,038	7,447
Total Revenues	<u>1,176,570</u>	<u>1,154,337</u>	<u>1,212,269</u>	<u>57,932</u>
EXPENDITURES				
Current:				
Community Service	1,151,570	1,125,947	1,201,186	75,239
Capital Outlay	-	8,100	2,959	(5,141)
Total Expenditures	<u>1,151,570</u>	<u>1,134,047</u>	<u>1,204,145</u>	<u>70,098</u>
Net Change in Fund Balance	<u>\$ 25,000</u>	<u>\$ 20,290</u>	8,124	<u>\$ (12,166)</u>
FUND BALANCE				
Beginning of Year			<u>206,755</u>	
End of Year			<u>\$ 214,879</u>	

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ASSETS	
Cash and Deposits	\$ 131,000
Investments:	
Money Market	120,469
Negotiable Certificates of Deposit	984,387
Total Investments	<u>1,104,856</u>
Total Assets	<u>1,235,856</u>
 LIABILITIES	
Due to Primary Government	<u>39,376</u>
 NET POSITION	
Restricted for Postemployment Benefits other than Pensions	<u><u>\$ 1,196,480</u></u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ADDITIONS	
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	\$ (10,132)
Interest and Dividends	17,820
Less Investment Expense	(250)
Net Investment Income	<u>7,438</u>
DEDUCTIONS	
Benefit Payments	<u>39,376</u>
CHANGE IN NET POSITION	(31,938)
Net Position - Beginning of Year	<u>1,228,418</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,196,480</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 883 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Independent School District No. 883 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

Student activities of the District are under the School Board's Control; therefore, activity is included within the General Fund.

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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 or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: expendable trust and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds would be excluded from the District-wide statements. The District has one trust fund.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes 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 be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report are as follows:

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state aids.

Capital Projects – Building Construction Fund

The Building Construction Fund is used to account for financial resources restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources restricted, committed, or assigned to pay general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service except for refunding bond issues, for which a separate refunding bond trust account is established.

Fiduciary Funds

Postemployment Benefits Irrevocable Trust Fund

This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that increased or decreased revenue and expenditure budgets as follows:

<u>Revenues and Other Financing Sources</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 17,961,263	\$ 279,568	\$ 18,240,831
Special Revenue Funds:			
Food Service Fund	775,000	2,993	777,993
Community Service Fund	1,176,570	(22,233)	1,154,337
Building Construction Fund	-	1,400	1,400
Debt Service Fund	4,130,675	(1)	4,130,674
<u>Expenditures</u>			
General Fund	\$ 17,063,509	\$ 678,978	\$ 17,742,487
Special Revenue Funds:			
Food Service Fund	760,000	14,890	774,890
Community Service Fund	1,151,570	(17,523)	1,134,047
Building Construction Fund	-	350,982	350,982
Debt Service Fund	4,031,000	191,602	4,222,602

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted amounts specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, Bankers' acceptances, and U.S. Treasury and agency obligations.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflows of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$108,596) for the District. Certain other portions of the District's 2016 pay 2017 levy, normally revenue for the 2017-18 fiscal year are also advance recognized as of June 30, 2017, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2017 are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

I. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflow until a future event occurs.

K. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of applicable premiums and discounts which are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

L. Accrued Employee Benefits

Vacation Pay

The District's twelve-month employees are entitled to annual vacations. These benefits are reported as liabilities in the District-wide financial statements and as expenditures when taken in the fund financial statements.

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. For certain employees, unused sick leave is a factor in the calculation of an employee's severance pay upon retirement.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and postemployment health care benefits. Accounting policies for severance and health benefits are described below.

1. Severance and Convertible Sick Leave

The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements and unused accumulated sick leave upon termination subject to certain conditions. No employee can receive severance payments exceeding one year's salary. If retirement occurs by year-end, the related benefits are included with salaries and other compensated absences as a current liability. Effective for contracts beginning July 1, 2005, the District provides Health Care Savings Account contributions based upon contract agreements. These amounts, to the extent applicable, are included in the calculation of severance liability.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Employee Benefits (Continued)

Severance and Health Benefits (Continued)

1. Severance and Convertible Sick Leave (Continued)

During fiscal year 2017, the District's expenditures for convertible sick leave related to severance totaled \$24,086. At June 30, 2017, the long-term portion of the early retirement incentive and convertible sick leave liability is included as part of non-current liabilities on the statement of net position.

2. Other Postemployment Benefits Payable

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

M. Deferred Inflows of Resources

In addition to liabilities, the financial statements 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.

N. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has legal claim to them. The District has reported unearned revenues for the unearned grant revenue, charges for services and school lunch deposits.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items and inventory. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Business Manager to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District's policy to strive to maintain a minimum unassigned fund balance in the General Fund of 8% of the General Fund annual expenditure budget.

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources in the District-wide and Fiduciary Fund financial statements. Net Investment in Capital Assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

R. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund at June 30, 2017.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund:			
Food Service Fund	\$ 774,890	\$ 810,677	\$ 35,787
Community Service Fund	1,134,047	1,204,145	70,098

The overages were considered by District management to be the result of necessary expenditures critical to operations and were approved by the Board.

B. Due to/from Other Funds

	<u>Payable Fund</u>
	OPEB Trust
Receivable Fund:	Fund
General Fund	\$ 38,663
Community Service Fund	713
Total	<u>\$ 39,376</u>

The amount due to the General and Community Service Fund from the OPEB Trust Fund relates to OPEB expenditures paid by the General and Community Service Fund to be reimbursed by the Trust.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Investments." The District does have an investment policy which follows Minnesota Statutes. The District maintains deposits at financial institutions which are authorized by the School District's Board.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

The District's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2017, the District's investment balances were as follows:

Type	Amount
Negotiable Certificates of Deposit	\$ 4,599,237
MN Trust Investment Shares	2,767,067
Total	\$ 7,366,304

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months	24 Months or More
Negotiable Certificates of Deposit	\$ 4,599,237	\$ 3,821,093	\$ 647,144	\$ 131,000
MN Trust Investment Shares	2,767,067	2,767,067	-	-
Total	<u>\$ 7,366,304</u>	<u>\$ 6,588,160</u>	<u>\$ 647,144</u>	<u>\$ 131,000</u>

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District’s investments as rated by Standard & Poor’s:

Type	Credit Quality Rating	Amount
Negotiable Certificate of Deposits	NR	\$ 4,599,237
MN Trust Investment Shares	AAAm	2,767,067
Total		<u>\$ 7,366,304</u>

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s bond documents require insurance of all balances held with each investment account. As of June 30, 2017, the investment balances were fully covered by insurance.

The District’s deposits (\$41,173) and investments (\$7,366,304) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 6,171,621
Cash and Investments - Statement of Fiduciary Net Position	1,235,856
Total Cash and Investments	<u>\$ 7,407,477</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

<u>Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable Certificates of Deposit	\$ -	\$ 984,387	\$ -	\$ 984,387

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,735,919	\$ -	\$ -	\$ 1,735,919
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	1,735,919	-	-	1,735,919
Capital Assets, Being Depreciated:				
Land Improvements	9,142,386	7,249	-	9,149,635
Buildings and Improvements	62,339,274	97,482	-	62,436,756
Equipment	5,594,770	58,673	-	5,653,443
Total Capital Assets, Being Depreciated	77,076,430	163,404	-	77,239,834
Accumulated Depreciation for:				
Land Improvements	(2,677,264)	(373,958)	-	(3,051,222)
Buildings and Improvements	(20,070,535)	(1,735,866)	-	(21,806,401)
Equipment	(5,323,132)	(48,647)	-	(5,371,779)
Total Accumulated Depreciation	(28,070,931)	(2,158,471)	-	(30,229,402)
Total Capital Assets, Being Depreciated, Net	49,005,499	(1,995,067)	-	47,010,432
Governmental Activities Capital Assets, Net	<u>\$ 50,741,418</u>	<u>\$ (1,995,067)</u>	<u>\$ -</u>	<u>\$ 48,746,351</u>

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

Governmental Activities	
Regular Instruction	\$ 1,913,120
Instructional Support Services	2,198
Pupil Support Services	19,296
Sites and Buildings	223,857
Total Depreciation Expense, Governmental Activities	<u>\$ 2,158,471</u>

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
2010	2.00% - 3.50%	\$ 1,875,000	2/1/2025	\$ 120,000	\$ 1,065,000
2013	2.00%	26,890,000	2/1/2029	295,000	26,030,000
2016	5.00%	17,690,000	2/1/2023	2,445,000	16,780,000
Total General Obligation Bonds				2,860,000	43,875,000
Bond Premium - Net				-	2,826,419
Severance Benefits Payable				-	71,126
Compensated Absences Payable				47,544	47,544
Total				\$ 2,907,544	\$ 46,820,089

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance, other postemployment benefits payable, or other compensated absences are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2018	\$ 2,860,000	\$ 1,594,488
2019	3,050,000	1,463,038
2020	3,230,000	1,323,888
2021	3,315,000	1,176,588
2022	3,465,000	1,023,188
2023 - 2027	19,560,000	2,988,400
2028 - 2029	8,395,000	379,650
Total	\$ 43,875,000	\$ 9,949,240

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

General Obligation School Building Bonds

These bonds were issued to finance acquisition, construction, and/or improvement of capital facilities or to refinance (refund) previous bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2017 are \$60,945,585. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

On November 10, 2010, the District issued \$6,240,000 of General Obligation School Building Refunding Bonds, Series 2010B. The proceeds of this issue were used on February 1, 2011 to refund the \$11,425,000 General Obligation School Building Bonds, Series 2001.

On January 30, 2013, the District issued \$26,890,000 of General Obligation Building Bonds, Series 2013A. The proceeds of this issue are being used for the maintenance, renovation, and remodeling of the Middle School and High School and to renovate athletic facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds.

In November 2015, the District issued \$17,690,000 General Obligation School Building Refunding Bonds, Series 2015A. The Bonds were issued for a current refunding of: 2006A General Obligation School Building Refunding Bonds of \$21,265,000. The total gross savings to the District attributable to the refunding and defeasance of these bonds is \$2,361,656 with a net present value savings of approximately \$2,221,212.

General Obligation Taxable OPEB Bonds

On October 13, 2009, the District issued \$1,865,000 General Obligation Taxable OPEB Bonds, Series 2009B. The proceeds are to be used to finance the OPEB liability. Repayment of the principal will be in seven annual installments, plus variable interest at 1.35% to 4.00%, commencing February 1, 2011.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

General Obligation Capital Facilities Bonds

On March 3, 2010, the District issued \$1,875,000 General Obligation Capital Facilities Bonds, Series 2010A. The proceeds are being used to complete capital improvements to enhance the energy efficiency of District school buildings.

Severance Benefits Payable

Severance benefits payable consist of administrator experience benefits and other severance pay. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

During fiscal 2005, the District initiated a Health Reimbursement Plan. The purpose of the Plan is to provide certain Employees with an opportunity to receive reimbursement for certain Health Care Expenses as provided in the Plan. It is the intention of the Adopting Employer that the benefits payable under this Plan be eligible for exclusion from the gross income of Participants as provided by Sections 105(b) and 106 of the Code. In addition, it is the intention of the Adopting Employer that the Plan qualify as a Health Reimbursement Arrangement (HRA) under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

D. Changes in Long-Term Debt

	June 30, 2016	Net Additions	Retirements	June 30, 2017
Bonds Payable	\$ 46,220,000	\$ -	\$ (2,345,000)	\$ 43,875,000
Bond Premium	3,347,217	-	(520,798)	2,826,419
Severance Benefits Payable	72,244	22,968	(24,086)	71,126
Compensated Absences Payable - Net	28,014	23,145	(3,615)	47,544
Total	<u>\$ 49,667,475</u>	<u>\$ 46,113</u>	<u>\$ (2,893,499)</u>	<u>\$ 46,820,089</u>

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Health and Safety

The District levies taxes and receives state aid to be used for health and safety projects in accordance with a plan approved by the State. The balance in the account represents approved expenditures incurred by the District for which it has future levy authority.

B. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment or facilities. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

C. Restricted for Area Learning Center

This restriction represents amounts restricted for students attending area learning centers.

D. Restricted for Safe Schools

This restriction represents the unspent resources from the crime levy to be used for crime prevention, student and staff safety, and violence prevention measures.

E. Restricted for Long-term Facilities Maintenance (LTFM)

This restriction represents available resources to be used for LTFM projects in accordance with the 10 year capital plan.

F. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

G. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

H. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

I. Restricted for Greenhouse

The fund balance restriction of \$30,000 in the General Fund represents accumulated resources available for the construction of a greenhouse at the Middle School.

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

J. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. See amounts below:

Other Restricted:	
Food Service	\$ 26,897
Community Service	41,564
Building Construction	924
Debt Service	856,310
Total Other Restricted	<u>\$ 925,695</u>

NOTE 7 ASSIGNED FUND BALANCES

A. Assigned for Q Comp

This represents an amount set aside for Q Comp expenditures of \$95,508.

B. Assigned for Capital Projects

This represents an amount set aside for District capital projects.

NOTE 8 PENSION PLANS

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Plan. The General Employees members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the city of St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the Plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Plan Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2017. Coordinated Plan members contributed 6.5% of pay in fiscal year 2017. In fiscal year 2017, the District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the General Employees Plan for the Plan's fiscal year ended June 30, 2017, were \$191,263. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Ending June 30, 2016		Ending June 30, 2017	
	Employee	Employer	Employee	Employer
Basic	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated	7.5	7.5	7.5	7.5

The District's contributions to TRA for the Plan's fiscal year ended June 30, 2017, were \$533,548. The District's contributions were equal to the required contributions for each year as set by state statute.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2017, the District reported a liability of \$3,564,462 for its proportionate share of the General Employees Plan's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing District and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$46,581. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was .0439% which was a decrease of .0017% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$460,690 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$13,889 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At June 30, 2017, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 10,549	\$ 289,560
Changes in Actuarial Assumptions	768,769	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	397,948	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	64,926	70,563
District Contributions Subsequent to the Measurement Date	191,263	-
Total	<u>\$ 1,433,455</u>	<u>\$ 360,123</u>

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

\$191,263 reported as deferred outflows of resources related to pensions resulting from District contributions to General Employees Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to General Employees Plan pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 257,009
2019	175,616
2020	320,689
2021	128,755

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$33,059,407 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was .1386% at the end of the measurement period and .1404% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 33,059,407
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	3,318,302

For the year ended June 30, 2017, the District recognized pension expense of \$4,883,672. It also recognized \$463,346 as pension expense for the support provided by direct aid.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2017, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 323,831	\$ 922
Changes in Actuarial Assumptions	18,851,733	-
Net Difference Between Projected and Actual Investment Earnings	1,430,172	-
Changes in Proportion Differences Between Contributions and Made and the District's Proportionate Share of Contributions	229,435	225,246
District Contributions Subsequent to the Measurement Date	533,548	-
Total	<u>\$ 21,368,719</u>	<u>\$ 226,168</u>

\$533,548 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 4,099,624
2019	4,099,624
2020	4,560,433
2021	4,200,710
2022	3,648,612

The District's total pension expense for all plans for the year ended June 30, 2017 was \$5,821,597.

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.75%
Active Member Payroll Growth	3.25% per Year	3.50% Based on Years of Service
Investment Rate of Return	7.50% per Year	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to stay level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

**ROCKFORD AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total General Employees Plan pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 5,062,593	\$ 3,564,462	\$ 2,330,410
<u>TRA Discount Rate</u>	3.66%	4.66%	5.66%
District's Proportionate Share of the TRA Net Pension Liability	\$ 42,588,779	\$ 33,059,407	\$ 25,298,044

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides health and dental insurance to retired and active eligible employees and their spouses through the District's health insurance plan. There are 120 active participants and 8 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which are included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2017, the District made no contribution to the plan; the current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2017, were as follows:

Total OPEB Liability	\$	526,163
Plan Fiduciary Net Position		1,195,593
District's net OPEB Liability (Asset)	<u>\$</u>	<u>(669,430)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)		227%

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability (asset) was measured as of June 30, 2017, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	3.50%
Investment Rate of Return	3.50%
Health Care Trend Rates	6.80% decreasing to 4.40% in FY2075

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	5.58 %	8.33 %
International Equity	5.71	8.46
Fixed Income	2.27	5.02
Real Estate and Alternatives	4.44	7.19
Cash and Equivalents	0.84	3.59
Total		3.58
Reduced for Assumed Investment Expense		(0.02)
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		<u>3.50 %</u>

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OEPB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using our capital market assumption model.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Since the most recent GASB 45 valuation, the following changes have been made:

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 3.00% to 3.50%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- A salary scale assumption was added to reflect the cost method change.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 80% to 60% to reflect recent plan experience.
- The percent of future Superintendent retirees assumed to elect coverage at retirement change from 0% to 100% to reflect the addition of the direct subsidy benefits.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

E. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 493,563	\$ 1,227,982	\$ (734,419)
Changes for the Year:			
Service Cost	53,517	-	53,517
Interest	18,459	-	18,459
Net Investment Income		7,237	(7,237)
Benefit Payments	(39,376)	(39,376)	-
Administrative Expense	-	(250)	250
Net Changes	<u>32,600</u>	<u>(32,389)</u>	<u>64,989</u>
Balances at June 30, 2017	<u>\$ 526,163</u>	<u>\$ 1,195,593</u>	<u>\$ (669,430)</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB Liability (Asset)	\$ (639,362)	\$ (669,430)	\$ (699,360)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.8% decreasing to 3.4%) or 1% point higher (7.8% decreasing to 5.4%) than the current healthcare cost trend rates:

	1% Decrease (5.8% Decreasing to 3.4%)	Current Trend Rates (6.8% Decreasing to 4.4%)	1% Increase (7.8% Decreasing to 5.4%)
Net OPEB Liability (Asset)	\$ (731,962)	\$ (669,430)	\$ (595,217)

For the year ended June 30, 2017, the District recognized OPEB expense of \$79,111. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ -	\$ -
Change of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	27,539	-
Contributions Between Measurement Date and Reporting Date	N/A	N/A
Total	\$ 27,539	\$ -

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Future Recognition
2018	6,885
2019	6,885
2020	6,885
2021	6,884
	\$ 27,539

At June 30, 2017, the District reported a payable of \$39,376 for the outstanding amount of contributions to the trust required for the year ended June 30, 2017.

NOTE 10 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

All assets of the plan are administered by a third party administrator. Payments are made by the third party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District’s general creditors. Participants’ rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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; and natural disasters. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 13 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These pronouncements require the restatement of the June 30, 2016 net position of the governmental activities as follows:

	Governmental Activities
Net Position, June 30, 2016, as Previously Reported	\$ (5,511,872)
Cumulative Affect of Application of GASB 75, Net Pension Liability	(477,665)
Net Position, June 30, 2016, as Restated	\$ (5,989,537)

REQUIRED SUPPLEMENTARY INFORMATION

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND
RELATED RATIOS
JUNE 30, 2017**

Total OPEB Liability	
Service Cost	\$ 53,517
Interest	18,459
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Changes of Assumptions	
Benefit Payments	(39,376)
Net Change in Total OPEB Liability	<u>32,600</u>
Total OPEB Liability - Beginning	493,563
Total OPEB Liability - Ending (a)	<u><u>\$ 526,163</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ -
Net Investment Income	7,237
Benefit Payments	(39,376)
Administrative Expense	(250)
Net Change in Plan Fiduciary Net Position	<u>(32,389)</u>
Plan Fiduciary Net Position - Beginning	1,227,982
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,195,593</u></u>
 District's Net OPEB Liability - Ending (a) - (b)	 \$ (669,430)
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 227.23 %
 Covered-employee Payroll	 \$ 9,958,587
 District's Net OPEB Liability as a Percentage of Covered Payroll	 (6.72)%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to ten years of information as the information becomes available.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2017**

Actuarially Determined Contribution (ADC)	N/A
Contributions in Relation to the ADC	N/A
Contribution Deficiency (Excess)	N/A
Covered Payroll	\$ 9,958,587
Contributions as a Percentage of Covered Payroll	- %

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to ten years of information as the information becomes available.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
JUNE 30, 2017**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.60%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to ten years of information as the information becomes available.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017**

	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
General Employees Plan			
District's Proportion of the Net Pension Liability (Asset)	0.04%	0.05%	0.04%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,564,462	\$ 2,363,229	\$ 2,030,005
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	46,581	-	-
Total District's Proportionate Share of the Net Pension Liability (Asset) and State's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,611,043	\$ 2,363,229	\$ 2,030,005
District's Covered Payroll	\$ 2,724,708	\$ 2,551,634	\$ 2,278,585
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	132.53%	92.62%	89.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%	78.75%
TRA			
District's Proportion of the Net Pension Liability (Asset)	0.14%	0.14%	0.15%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 33,059,407	\$ 8,685,129	\$ 6,853,290
District's Covered Payroll	\$ 7,178,669	\$ 7,177,021	\$ 6,892,344
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	460.52%	121.01%	99.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.77%	81.50%

Note: Information is presented prospectively and an accumulation of ten years will be provided.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST FOUR FISCAL YEARS**

	2017	2016	2015	2014
General Employees Plan				
Contractually Required Contribution	\$ 191,263	\$ 204,438	\$ 188,695	\$ 165,198
Contributions in Relation to the Contractually Required Contribution	(191,263)	(204,438)	(188,695)	(165,198)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,550,173	\$ 2,724,708	\$ 2,551,634	\$ 2,278,585
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.40%	7.25%
TRA				
Contractually Required Contribution	\$ 533,548	\$ 538,361	\$ 538,422	\$ 484,692
Contributions in Relation to the Contractually Required Contribution	(533,548)	(538,361)	(538,422)	(484,692)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,113,973	\$ 7,178,669	\$ 7,177,021	\$ 6,892,344
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.03%

Note: Information is presented prospectively and an accumulation of ten years will be provided.

SUPPLEMENTARY INFORMATION

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
GENERAL FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Investments	\$ 2,786,919	\$ 1,333,475
Receivables:		
Current Taxes	952,641	957,666
Delinquent Taxes	54,523	48,794
Accounts and Interest Receivable	82,862	133,128
Due from Other Minnesota School Districts	54,684	53,769
Due from Minnesota Department of Education	1,887,513	1,878,208
Due from Federal Government through the Minnesota Department of Education	143,110	122,857
Due from Other Funds	38,663	45,393
Total Assets	<u>\$ 6,000,915</u>	<u>\$ 4,573,290</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 629,174	\$ 614,427
Payroll Deductions and Employer Contributions Payable	616,540	635,425
Accounts and Contracts Payable	174,916	144,945
Due to Other Minnesota School Districts	47,391	41,103
Due to Other Governmental Units	2,343	2,683
Unearned Revenue	40,000	-
Total Liabilities	<u>1,510,364</u>	<u>1,438,583</u>
 Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	1,817,388	1,813,844
Unavailable Revenue - Delinquent Taxes	37,762	45,402
Total Deferred Inflows of Resources	<u>1,855,150</u>	<u>1,859,246</u>
 Fund Balance:		
Restricted:		
Health and Safety	(54,096)	(113,590)
Operating Capital	206,288	155,342
Area Learning Center	13,466	-
Safe Schools - Crime	77,691	26,861
Long-Term Facilities Maintenance	(3,184)	-
Other Restricted	-	30,000
Assigned:		
Q Comp	95,508	43,057
Capital Projects	102,451	56,658
Unassigned	2,197,277	1,077,133
Total Fund Balance	<u>2,635,401</u>	<u>1,275,461</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,000,915</u>	<u>\$ 4,573,290</u>

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**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 2,007,849	\$ 2,025,982	\$ 18,133	\$ 1,968,697
Earnings on Investments	15,000	21,059	6,059	3,841
Other	764,538	758,307	(6,231)	758,210
State Sources	15,166,872	15,354,860	187,988	14,893,617
Federal Sources	270,394	276,726	6,332	305,446
Total Revenues	18,224,653	18,436,934	212,281	17,929,811
EXPENDITURES				
Current:				
Administration:				
Salaries	707,495	703,880	(3,615)	683,440
Employee Benefits	236,555	221,999	(14,556)	205,405
Purchased Services	32,800	30,675	(2,125)	32,755
Supplies and Materials	17,600	20,107	2,507	14,100
Other Expenditures	37,966	40,049	2,083	32,046
Total Administration	1,032,416	1,016,710	(15,706)	967,746
District Support Services:				
Salaries	187,988	189,137	1,149	229,577
Employee Benefits	51,880	52,839	959	67,939
Purchased Services	138,912	138,516	(396)	116,702
Supplies and Materials	4,858	5,531	673	6,129
Other Expenditures	335	445	110	329
Total District Support Services	383,973	386,468	2,495	420,676
Elementary and Secondary Regular Instruction:				
Salaries	4,880,168	4,812,624	(67,544)	4,849,925
Employee Benefits	1,753,847	1,633,566	(120,281)	1,747,529
Purchased Services	523,808	506,971	(16,837)	502,842
Supplies and Materials	586,067	648,766	62,699	642,712
Capital Expenditures	201,300	57,245	(144,055)	87,361
Other Expenditures	4,500	36,979	32,479	4,514
Total Elementary and Secondary Regular Instruction	7,949,690	7,696,151	(253,539)	7,834,883

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under)	2016
	Final Budget	Actual Amounts		Final Budget
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 128,772	\$ 121,056	\$ (7,716)	\$ 140,527
Employee Benefits	41,915	33,676	(8,239)	39,123
Purchased Services	46,330	45,316	(1,014)	27,111
Supplies and Materials	6,320	3,729	(2,591)	8,387
Other Expenditures	-	917	917	-
Total Vocational Education Instruction	223,337	204,694	(18,643)	215,148
Special Education Instruction:				
Salaries	1,665,724	1,615,273	(50,451)	1,733,600
Employee Benefits	482,062	431,934	(50,128)	440,553
Purchased Services	288,617	220,144	(68,473)	258,604
Supplies and Materials	24,160	53,381	29,221	12,433
Capital Expenditures	-	-	-	15,350
Other Expenditures	725	7,472	6,747	725
Total Special Education Instruction	2,461,288	2,328,204	(133,084)	2,461,265
Instructional Support Services:				
Salaries	844,461	812,609	(31,852)	875,865
Employee Benefits	157,324	140,487	(16,837)	214,278
Purchased Services	112,971	104,919	(8,052)	100,263
Supplies and Materials	99,877	83,161	(16,716)	95,028
Capital Expenditures	-	8,435	8,435	-
Other Expenditures	5,200	8,467	3,267	4,094
Total Instructional Support Services	1,219,833	1,158,078	(61,755)	1,289,528
Pupil Support Services:				
Salaries	331,453	309,984	(21,469)	304,586
Employee Benefits	61,327	63,227	1,900	67,355
Purchased Services	1,858,000	1,853,625	(4,375)	1,821,800
Supplies and Materials	12,407	13,896	1,489	7,477
Other Expenditures	-	1,516	1,516	-
Total Pupil Support Services	2,263,187	2,242,248	(20,939)	2,201,218

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 583,676	\$ 572,645	\$ (11,031)	\$ 603,569
Employee Benefits	205,150	181,356	(23,794)	177,307
Purchased Services	981,860	992,924	11,064	866,214
Supplies and Materials	207,977	110,190	(97,787)	120,820
Capital Expenditures	109,500	83,031	(26,469)	155,763
Total Sites and Buildings	2,088,163	1,940,146	(148,017)	1,923,673
Fiscal and Other Fixed Cost Programs:				
Purchased Services	120,600	120,472	(128)	118,308
Total Expenditures	17,742,487	17,093,171	(649,316)	17,432,445
Deficiency of Revenues Under Expenditures	482,166	1,343,763	861,597	497,366
OTHER FINANCING SOURCES				
Insurance Recovery Proceeds	16,178	16,177	(1)	1,200
Net Change in Fund Balance	\$ 498,344	1,359,940	\$ 861,596	498,566
FUND BALANCE				
Beginning of Year		1,275,461		776,895
End of Year		\$ 2,635,401		\$ 1,275,461

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 60,385	\$ 31,311
Receivables:		
Accounts and Interest Receivable	1,616	4,686
Due from Minnesota Department of Education	1,236	-
Due from Federal Government through the Minnesota Department of Education	9,084	-
Prepaid Items	3,885	-
Total Assets	\$ 76,206	\$ 35,997
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 28,928	\$ -
Unearned Revenue	16,496	15,367
Total Liabilities	45,424	15,367
Fund Balance:		
Prepaid Items	3,885	-
Restricted:		
Other Restricted	26,897	20,630
Total Fund Balance	30,782	20,630
Total Liabilities and Fund Balance	\$ 76,206	\$ 35,997

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
FOOD SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 426,614	\$ 450,510	\$ 23,896	\$ 422,056
State Sources	37,493	35,203	(2,290)	33,004
Federal Sources	313,886	335,116	21,230	330,689
Total Revenues	777,993	820,829	42,836	785,749
EXPENDITURES				
Current:				
Salaries	328,052	356,778	28,726	337,931
Purchased Services	39,507	53,330	13,823	27,789
Supplies and Materials	407,331	399,353	(7,978)	414,058
Capital Outlay	-	1,216	1,216	3,704
Total Expenditures	774,890	810,677	35,787	783,482
Net Change in Fund Balance	\$ 3,103	10,152	\$ 7,049	2,267
FUND BALANCE				
Beginning of Year		20,630		18,363
End of Year		\$ 30,782		\$ 20,630

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Investments	\$ 282,033	\$ 281,350
Receivables:		
Current Taxes	61,555	62,569
Delinquent Taxes	3,971	4,137
Accounts and Interest Receivable	3,325	-
Due from Other Minnesota School Districts	7,570	10,559
Due from Minnesota Department of Education	12,541	11,232
Due from Other Funds	713	-
	<u>371,708</u>	<u>369,847</u>
Total Assets	<u>\$ 371,708</u>	<u>\$ 369,847</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 9,684	\$ 9,411
Accounts and Contracts Payable	2,983	4,060
Unearned Revenue	13,770	17,670
Total Liabilities	<u>26,437</u>	<u>31,141</u>
 Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	127,506	128,076
Unavailable Revenue - Delinquent Taxes	2,886	3,875
Total Deferred Inflows of Resources	<u>130,392</u>	<u>131,951</u>
 Fund Balance:		
Restricted:		
Community Education Programs	113,628	182,624
Early Childhood and Family Education Programs	11,777	2,243
School Readiness	47,910	3,044
Other Restricted	41,564	18,844
Total Fund Balance	<u>214,879</u>	<u>206,755</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 371,708</u>	<u>\$ 369,847</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
COMMUNITY SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 127,376	\$ 129,466	\$ 2,090	\$ 123,907
Other - Primarily Tuition and Fees	873,370	921,765	48,395	1,009,334
State Sources	153,591	161,038	7,447	116,462
Total Revenues	1,154,337	1,212,269	57,932	1,249,703
EXPENDITURES				
Current:				
Salaries	776,845	843,819	66,974	838,909
Employee Benefits	172,781	171,736	(1,045)	150,010
Purchased Services	103,975	119,948	15,973	110,831
Supplies and Materials	71,730	65,067	(6,663)	78,800
Other Expenditures	616	616	-	567
Capital Outlay	8,100	2,959	(5,141)	8,168
Total Expenditures	1,134,047	1,204,145	70,098	1,187,285
Net Change in Fund Balance	\$ 20,290	8,124	\$ (12,166)	62,418
FUND BALANCE				
Beginning of Year		206,755		144,337
End of Year		\$ 214,879		\$ 206,755

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
BUILDING CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 127,737	\$ 349,582
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 126,813	\$ -
Fund Balance:		
Restricted:		
Capital Projects	924	349,582
Total Liabilities and Fund Balance	\$ 127,737	\$ 349,582

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
BUILDING CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 1,400	\$ 1,332	\$ (68)	\$ 811
Other	-	-	-	113,500
Total Revenues	1,400	1,332	(68)	114,311
EXPENDITURES				
Current:				
Purchased Services	-	(50)	(50)	16,304
Supplies and Materials	-	913	913	867
Capital Outlay	350,982	349,127	(1,855)	586,547
Total Expenditures	350,982	349,990	(992)	603,718
 Net Change in Fund Balance	 \$ (349,582)	 (348,658)	 \$ 924	 (489,407)
FUND BALANCE				
Beginning of Year		349,582		838,989
End of Year		\$ 924		\$ 349,582

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	2017	2016
ASSETS		
Cash and Investments	\$ 2,914,547	\$ 2,837,277
Receivables:		
Current Taxes	1,974,099	1,918,029
Delinquent Taxes	125,694	123,853
Due from Minnesota Department of Education	23,486	45,626
Total Assets	\$ 5,037,826	\$ 4,924,785
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 4,089,134	\$ 3,926,077
Unavailable Revenue - Delinquent Taxes	92,382	115,091
Total Deferred Inflows of Resources	4,181,516	4,041,168
 Fund Balance:		
Restricted	856,310	883,617
Total Deferred Inflows of Resources and Fund Balance	\$ 5,037,826	\$ 4,924,785

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	2017		Over (Under) Final Budget	2016
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Tax	\$ 3,926,078	\$ 3,958,810	\$ 32,732	\$ 3,979,235
Earnings on Investments	-	-	-	4,989
State Sources	<u>204,596</u>	<u>234,859</u>	<u>30,263</u>	<u>456,266</u>
Total Revenues	4,130,674	4,193,669	62,995	4,440,490
EXPENDITURES				
Debt Service:				
Bond Principal	2,345,000	2,345,000	-	2,740,000
Bond Interest	1,874,177	1,874,176	(1)	1,869,242
Paying Agent Fees and Other	<u>3,425</u>	<u>1,800</u>	<u>(1,625)</u>	<u>2,250</u>
Total Expenditures	<u>4,222,602</u>	<u>4,220,976</u>	<u>(1,626)</u>	<u>4,611,492</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,928)	(27,307)	64,621	(171,002)
OTHER FINANCING SOURCES				
Bonds Proceeds	-	-	-	17,690,000
Principal Payment on Refunded Bonds	-	-	-	(20,390,000)
Bond Premium	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,810,864</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,864</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (91,928)</u></u>	<u><u>(27,307)</u></u>	<u><u>\$ 64,621</u></u>	<u><u>(60,138)</u></u>
Fund Balance - Beginning of Year		<u>883,617</u>		<u>943,755</u>
FUND BALANCE - END OF YEAR		<u><u>\$ 856,310</u></u>		<u><u>\$ 883,617</u></u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2017**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 18,453,111	\$ 18,453,117	\$ (6)	Total Revenues	\$ 1,332	\$ 1,332	\$ -
Total Expenditures	17,093,171	17,093,177	(6)	Total Expenditures	349,990	349,990	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Fac. Program	-	-	-
406 Health & Safety	(54,096)	(54,096)	-	413 Projects Funded by COP/LP	-	-	-
407 Capital Project Levy	-	-	-	<i>Restricted:</i>			
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	924	924	-
409 Alternative Facilities	-	-	-	<i>Unassigned:</i>			
413 Projects Funded by COP/LP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	-	-	-	Total Revenues	3,913,044	3,913,044	-
423 Certain Teacher Programs	-	-	-	Total Expenditures	3,939,951	3,939,951	-
424 Operating Capital	206,288	206,288	-	<i>Nonspendable:</i>			
426 \$25 Taconite	-	-	-	460 Nonspendable Fund Balance	-	-	-
427 Disabled Accessibility	-	-	-	<i>Restricted/Reserved:</i>			
428 Learning & Development	-	-	-	425 Bond Refundings	-	-	-
434 Area Learning Center	13,466	13,466	-	451 QZAB and QSCB Payments	-	-	-
435 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	-	-	-	464 Restricted	786,252	786,252	-
438 Gifted & Talented	-	-	-	<i>Unassigned:</i>			
441 Basic Skills	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
449 Safe Schools Levy	77,691	77,691	-	08 TRUST			
450 Pre-Kindergarten	-	-	-	Total Revenues	-	-	-
451 QZAB and QSCB Payments	-	-	-	Total Expenditures	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-				
467 Long Term Facilities Maintenance	(3,184)	(3,184)	-	09 AGENCY			
<i>Restricted:</i>				<i>Unrestricted: Should Always Be -0-</i>			
464 Restricted Fund Balance	-	-	-	422 Unassigned	-	-	-
<i>Committed:</i>							
418 Committed for Separation	-	-	-	20 INTERNAL SERVICE			
461 Committed Fund Balance	-	-	-	Total Revenues	-	-	-
<i>Assigned:</i>				Total Expenditures	-	-	-
462 Assigned Fund Balance	197,959	197,959	-	422 Net Assets	-	-	-
<i>Unassigned:</i>							
422 Unassigned	2,197,277	2,197,278	(1)	25 OPEB REVOCABLE TRUST			
				Total Revenues	-	-	-
02 FOOD SERVICE				Total Expenditures	-	-	-
Total Revenues	820,829	820,828	1	422 Net Assets	-	-	-
Total Expenditures	810,677	810,677	-				
<i>Nonspendable:</i>				45 OPEB IRREVOCABLE TRUST			
460 Nonspendable Fund Balance	-	-	-	Total Revenues	7,688	7,688	-
<i>Restricted/Reserved:</i>				Total Expenditures	39,626	39,626	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	1,196,480	1,196,480	-
464 Restricted Fund Balance	26,897	26,897	-				
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
463 Unassigned Fund Balance	-	-	-	Total Revenues	280,625	280,625	-
				Total Expenditures	281,025	281,025	-
04 COMMUNITY SERVICE				<i>Nonspendable:</i>			
Total Revenues	1,212,269	1,212,266	3	460 Nonspendable Fund Balance	-	-	-
Total Expenditures	1,204,145	1,204,142	3	<i>Restricted:</i>			
<i>Nonspendable:</i>				425 Bond Refundings	-	-	-
460 Nonspendable Fund Balance	-	-	-	464 Restricted Fund Balance	70,058	70,058	-
<i>Restricted/Reserved:</i>				<i>Unassigned:</i>			
426 \$25 Taconite	-	-	-	463 Unassigned Fund Balance	-	-	-
431 Community Education	113,628	113,628	-				
432 E.C.F.E.	11,777	11,777	-				
444 School Readiness	47,910	47,910	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	41,564	41,565	(1)				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

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, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2017-001 and 2017-002 to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-003 to be a significant deficiency.

Compliance and Other Matters

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

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 26, 2017

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District), as of June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated October 26, 2017.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 26, 2017

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**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS

Finding 2017-001 - Financial Statement Preparation

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with Governmental Accounting Standards Board Statement No. 34.

Condition: The District does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Effect: The design of controls over the financial reporting process would affect the ability of the District to report financial data consistently with the assertions of management in the financial statements.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

VIEWS OF RESPONSIBLE OFFICIALS:

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will continue to have the audit firm prepare the financial statements; however, the District has established internal control procedures to document the annual review of the financial statements.

Official Responsible for Ensuring Completion:

The District's Business Manager is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date:

The plan will be implemented beginning with the audit for the year ending June 30, 2018.

Plan to Monitor Completion of Plan:

The plan will be monitored each year jointly by the audit firm, District financial staff and the School Board as a part of the process of developing the annual audit report.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS (CONTINUED)

Finding 2017-002 – Material Audit Adjustments

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. generally accepted accounting principles. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

Condition: As part of the audit, we proposed material adjustments related to capital assets and revenues.

Cause: The District does not have enough office staff with enough time to record these adjustments.

Effect: Controls over year end closing could affect the District's ability to detect or prevent errors.

Recommendation: We recommend that District management and financial personnel continue to work on establishing a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

VIEWS OF RESPONSIBLE OFFICIALS:

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will create a process to ensure the proper and timely recording of all adjustments in order to produce accurate and timely financial statements.

Official Responsible for Ensuring Completion:

The District's Business Manager is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date:

The plan will be implemented beginning with the audit for the year ending June 30, 2018.

Plan to Monitor Completion of Plan:

The Board of Education will be monitoring this plan.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

FINDINGS – FINANCIAL STATEMENT AUDIT – SIGNIFICANT DEFICIENCY

Finding 2017-003 – Unauthorized Bank Signer

Criteria: Upon transition of board members, financial institutions should be notified immediately in order to remove signers that are no longer District employees.

Condition: As part of the audit confirmations received directly from the banks, we noted that a former board member was not removed as signer on the District's bank accounts.

Cause: Rotation of board member during the year.

Effect: The District is at an increased risk of misuse or loss of assets.

Recommendation: We recommend that District management contact all financial institutions with accounts and ensure proper signers are on file at each location.

VIEWS OF RESPONSIBLE OFFICIALS:

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will create a process to ensure proper signers are on all financial institutions.

Official Responsible for Ensuring Completion:

The District's Business Manager is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date:

The plan will be implemented beginning with the audit for the year ending June 30, 2018.

Plan to Monitor Completion of Plan:

The Board of Education will be monitoring this plan.

FINDINGS – MINNESOTA LEGAL COMPLIANCE

NONE