

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2018**

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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, 2018**

**SCHOOL BOARD**

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

**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) 447-9165

## **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, 2018, 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, 2018, 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.

### **Report on Summarized Comparative Information**

We have previously audited the District's 2017 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 October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 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.



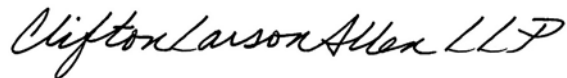
**Other Matters (Continued)**

*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 31, 2018, 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 31, 2018

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-2018 fiscal years include the following:

- Net position decreased by approximately \$906,000 on revenues of \$26,000,000 compared to expenses of \$26,900,000.
- Total General Fund revenues were approximately \$18,562,000 as compared to about \$17,600,000 of expenditures.
- The fund balance of the General Fund increased by a net of approximately \$2,395,000 from the prior year due to the District receiving money from the sale of land and a reduction of expenditures.

**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, 2018**

**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 nonfinancial 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, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's *combined* net position was a negative \$9,483,318 on June 30, 2018. This was a decrease from the prior year net position of \$905,520.

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

	Governmental Activities as of June 30,		Percentage Change
	2018	2017	
Current and Other Assets	\$ 14,929,355	\$ 12,283,822	21.5 %
Capital and Noncurrent Assets	46,200,302	48,746,351	(5.2)
Total Assets	<u>61,129,657</u>	<u>61,030,173</u>	0.2
Deferred Outflows of Resources	16,013,726	22,829,713	(29.9)
Current Liabilities	5,475,558	5,280,951	3.7
Long-Term Liabilities	<u>69,319,468</u>	<u>80,536,414</u>	(13.9)
Total Liabilities	<u>74,795,026</u>	<u>85,817,365</u>	(12.8)
Deferred Inflows of Resources	<u>11,831,675</u>	<u>6,620,319</u>	78.7
Net Position			
Net Investment in Capital Assets	2,795,194	2,044,932	36.7
Restricted	3,054,214	1,528,208	99.9
Unrestricted	<u>(15,332,726)</u>	<u>(12,150,938)</u>	(26.2)
Total Net Position	<u>\$ (9,483,318)</u>	<u>\$ (8,577,798)</u>	(10.6)

The change in the District's financial position is due to the increase of deferred inflows of resources with the offset of proceeds from the sale of land.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The District's revenues for all governmental activities were approximately \$26,000,000 for the year ended June 30, 2018.

The total cost for all governmental activities of all programs and services including interest and fiscal charges was approximately \$26,880,000. Total expenses exceeded revenues, decreasing net position by about \$906,000 from the prior year after the restatement. The decrease is due to the overall change in the net pension liability and related deferred inflows and outflows of resources.

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

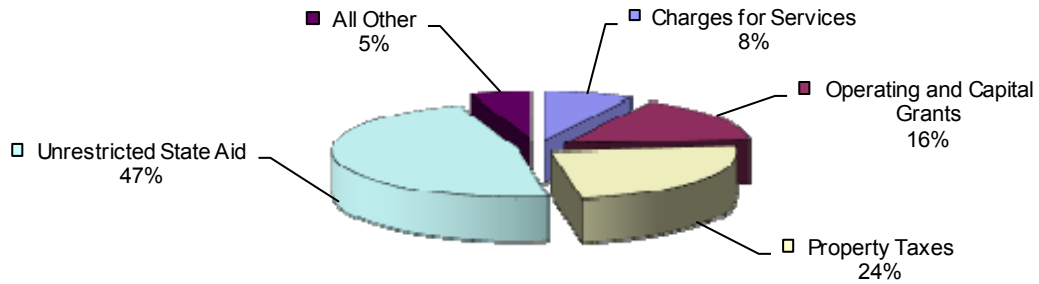
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2018	2017	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 1,994,970	\$ 1,958,793	1.8 %
Operating Grants and Contributions	3,827,395	4,201,119	(8.9)
Capital Grants and Contributions	283,664	397,891	(28.7)
<u>General Revenues</u>			
Property Taxes	6,211,392	6,082,920	2.1
Unrestricted State Aid	12,305,909	12,225,916	0.7
Investment Earnings	78,009	22,391	248.4
Other	358,847	189,012	89.9
Total Revenues	<u>25,973,128</u>	<u>25,078,042</u>	3.6
<b>Expenses</b>			
Administration	1,271,527	1,263,670	0.6
District Support Services	409,045	416,791	(1.9)
Regular Instruction	12,572,901	12,708,684	(1.1)
Vocational Education Instruction	280,240	293,771	(4.6)
Special Education Instruction	2,918,195	3,101,133	(5.9)
Instructional Support Services	1,361,508	1,580,917	(13.9)
Pupil Support Services	2,448,188	2,419,171	1.2
Sites and Buildings	2,160,853	2,434,279	(11.2)
Fiscal and Other Fixed Cost Programs	129,166	120,472	7.2
Food Service	777,220	810,677	(4.1)
Community Service	1,445,048	1,384,444	4.4
Interest and Fiscal Charges on Long-Term Liabilities	1,104,757	1,132,294	(2.4)
Total Expenses	<u>26,878,648</u>	<u>27,666,303</u>	(2.8)
<b>Change in Net Position</b>	(905,520)	(2,588,261)	
Beginning Net Position	(8,577,798)	(5,989,537)	
Ending Net Position	<u>\$ (9,483,318)</u>	<u>\$ (8,577,798)</u>	

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

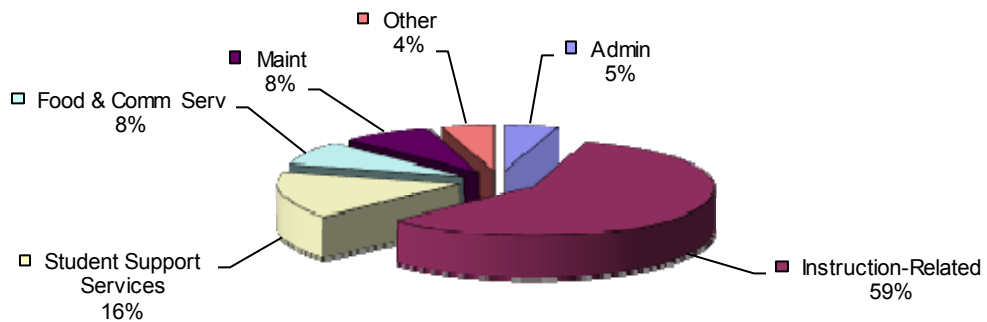
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The cost of all *governmental* activities this year was approximately \$26,880,000.

**Figure A-1  
Sources of District's Revenues for Fiscal 2018**



**Figure A-2  
District Expenses for Fiscal 2018**



**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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
	2018	2017		2018	2017	
Administration	\$ 1,271,527	\$ 1,263,670	0.6 %	\$ 1,267,801	\$ 1,250,975	1.3 %
District Support Services	409,045	416,791	(1.9)	409,045	416,791	(1.9)
Regular Instruction	12,572,901	12,708,684	(1.1)	10,709,241	10,756,682	(0.4)
Vocational Education Instruction	280,240	293,771	(4.6)	280,240	293,771	(4.6)
Special Education Instruction	2,918,195	3,101,133	(5.9)	1,450,341	1,268,587	14.3
Instructional Support Services	1,361,508	1,580,917	(13.9)	1,227,217	1,439,577	(14.8)
Pupil Support Services	2,448,188	2,419,171	1.2	1,860,570	1,847,508	0.7
Sites and Buildings	2,160,853	2,434,279	(11.2)	2,000,231	2,249,634	(11.1)
Fiscal and Other Fixed Cost Programs	129,166	120,472	7.2	129,166	120,472	7.2
Food Service	777,220	810,677	(4.1)	(65,580)	(10,152)	546.0
Community Service	1,445,048	1,384,444	4.4	399,590	342,361	16.7
Interest and Fiscal Charges on Long-Term Liabilities	1,104,757	1,132,294	(2.4)	1,104,757	1,132,294	(2.4)
Total	\$ 26,878,648	\$ 27,666,303	(2.8)	\$ 20,772,619	\$ 21,108,500	(1.6)

Expenses decreased from the prior year due to the district being conservative on spending during the 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 \$6,109,000 which is about \$2,370,000 more than last year's ending fund balance of \$3,738,000. This is due primarily to the District continuing to monitor expenditures and continuing to make cut backs, along with the sale of land in the current year.

**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.

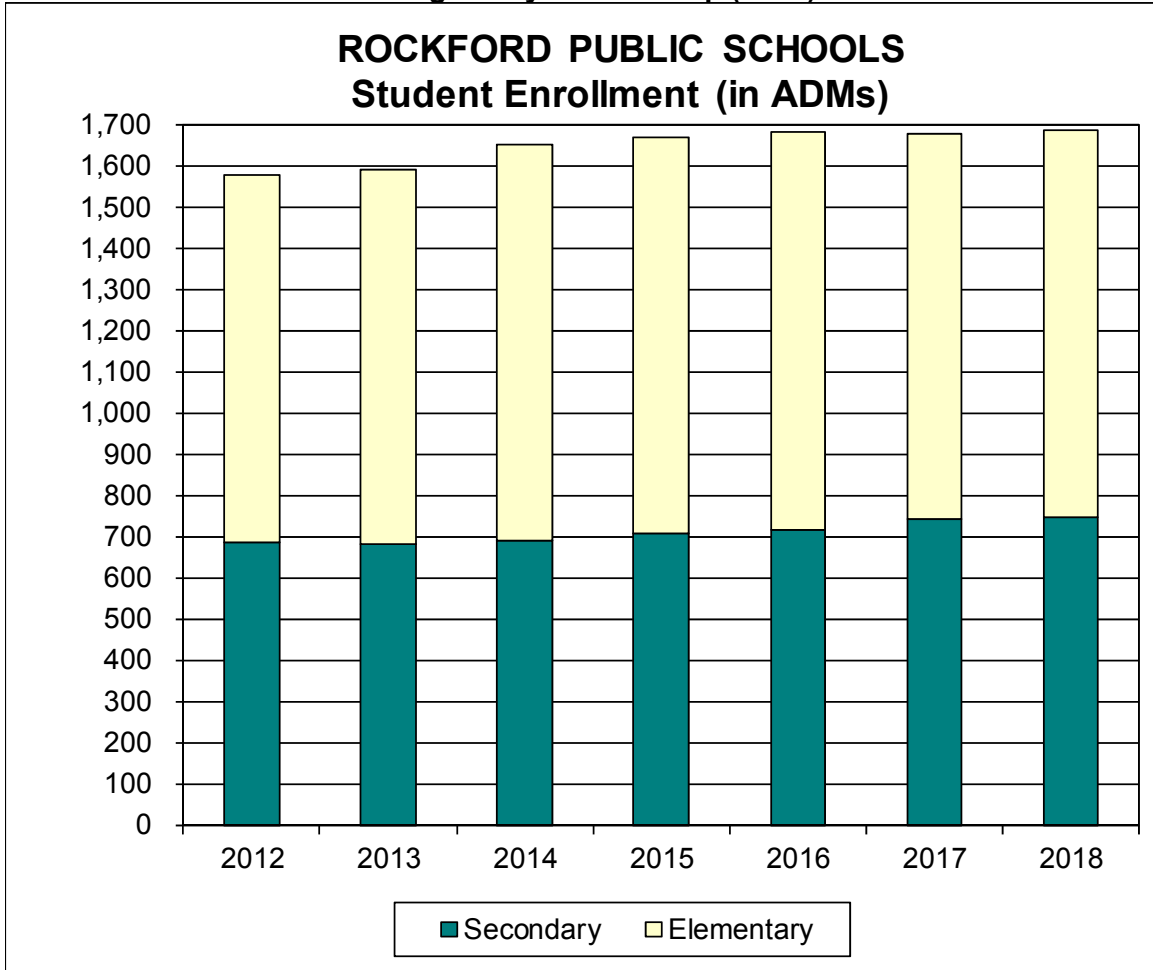


**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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 18 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.

	2012	2013	2014	2015	2016	2017	2018
Reg K, Pre-K & KH	146	155	160	151	143	142	151
Elementary	745	755	805	809	825	795	788
Secondary	686	682	690	710	716	741	749
Total Students for Aid	<u>1,577</u>	<u>1,592</u>	<u>1,655</u>	<u>1,670</u>	<u>1,684</u>	<u>1,678</u>	<u>1,688</u>
Percent Change	0.85%	0.95%	3.96%	0.91%	0.83%	-0.33%	0.60%

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**GENERAL FUND**

The following schedule presents a summary of General Fund revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2018	June 30, 2017	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 2,015,855	\$ 2,025,982	\$ (10,127)	(0.5)%
Earnings on Investments	50,469	21,059	29,410	139.7
Other	917,116	758,307	158,809	20.9
State Sources	15,343,274	15,354,860	(11,586)	(0.1)
Federal Sources	235,278	276,726	(41,448)	(15.0)
Total General Fund Revenue	<u>\$ 18,561,992</u>	<u>\$ 18,436,934</u>	<u>\$ 125,058</u>	0.7

Total General Fund revenue increased by approximately \$125,000 or 0.7% 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.

Other local revenue increased due to an increase in donations and grants received during the current year compared to the prior year.

Federal revenue decreased overall by \$41,448 due mostly to the decrease in general education aid in the current year.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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, 2018	June 30, 2017		
Salaries	\$ 9,548,995	\$ 9,137,208	\$ 411,787	4.5 %
Employee Benefits	2,794,954	2,759,084	35,870	1.3
Purchased Services	3,919,553	3,893,090	26,463	0.7
Supplies and Materials	824,789	938,761	(113,972)	(12.1)
Capital Expenditures	272,468	148,711	123,757	83.2
Other Expenditures	230,574	216,317	14,257	6.6
Total Expenditures	\$ 17,591,333	\$ 17,093,171	\$ 498,162	2.9

Total General Fund expenditures increased approximately \$498,000 or 2.9% due to an increase in capital projects and an increase in overall salaries and benefits.

Revenues exceeded expenditures which resulted in an increase in fund balance at the end of 2017-18.

**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. The school district monitored the budget closely and proposed one budget revision 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 \$63,320 more than expected from the budget, primarily due to an increase in donations received.

The actual expenditures were approximately \$903,000 less than budgeted. Restricted health and safety fund balance ended with a negative balance of \$57,517. Restricted safe schools fund balance ended with a positive balance of \$78,319. Restricted operating capital fund balance ended with a positive balance of \$1,615,729.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**DEBT SERVICE FUNDS**

The Debt Service Fund expenditures exceeded revenues by approximately \$15,651 for fiscal 2018.

**OTHER MAJOR FUNDS**

Revenue exceeded expenditures in the Food Service Fund by about \$66,000. Expenditures exceeded revenues in the Community Service Fund by approximately \$86,000. Revenues exceeded expenditures in the Building Construction Fund by approximately \$11,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2018, 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 \$2,153,185.

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

	2018	2017	Percentage Change
Land	\$ 1,224,853	\$ 1,735,919	(29.4)%
Construction-in-Progress	3,500	-	N/A
Land Improvements	9,181,925	9,149,635	0.4
Buildings and Improvements	62,445,747	62,436,756	0.0
Equipment	5,726,864	5,653,443	1.3
Less: Accumulated Depreciation	<u>(32,382,587)</u>	<u>(30,229,402)</u>	7.1
Total	<u>\$ 46,200,302</u>	<u>\$ 48,746,351</u>	(5.2)

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**LONG-TERM LIABILITIES**

At year-end, the District had \$43,405,108 in general obligation bonds and net bond premium (discount) – a decrease of 6.5% 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 \$133,778 in vacation and severance payable at June 30, 2018, an increase of \$15,108 from June 30, 2017.

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

	2018	2017	Percentage Change
General Obligation Bonds	\$ 41,015,000	\$ 43,875,000	(6.5)%
Net Bond Premium (Discount)	2,390,108	2,826,419	(15.4)
Severance Benefits Payable	81,154	71,126	14.1
Compensated Absences Payable	52,624	47,544	10.7
Total	<u>\$ 43,538,886</u>	<u>\$ 46,820,089</u>	(7.0)
Long-Term Liabilities:			
Due within One Year	\$ 3,102,624	\$ 2,907,544	
Due in More than One Year	40,436,262	43,912,545	
Total	<u>\$ 43,538,886</u>	<u>\$ 46,820,089</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.

<p><b>Bond Ratings</b> The District's bonds presently carry a Standard &amp; Poor's "AA-" rating.</p> <p><b>Limitations on Debt</b> 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.</p>
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## **BASIC FINANCIAL STATEMENTS**

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
STATEMENT OF NET POSITION  
JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Governmental Activities	
	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 9,182,894	\$ 6,171,621
Receivables:		
Property Taxes	3,110,517	3,172,483
Other Governments	1,937,578	2,139,224
Other	47,426	87,803
Due from Fiduciary Funds	30,210	39,376
Net Prepaid OPEB Obligation	601,890	669,430
Inventories	18,840	3,885
Capital Assets:		
Land	1,224,853	1,735,919
Construction-in-Progress	3,500	-
Other Capital Assets, Net of Depreciation	44,971,949	47,010,432
Total Assets	<u>61,129,657</u>	<u>61,030,173</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	15,966,695	22,802,174
OPEB Related	47,031	27,539
Total Deferred Outflows of Resources	<u>16,013,726</u>	<u>22,829,713</u>
<b>LIABILITIES</b>		
Salaries and Compensated Absences Payable	1,304,066	1,255,398
Accounts and Contracts Payable	343,126	333,640
Accrued Interest	609,599	664,369
Due to Other Governmental Units	506	2,343
Due to Other Minnesota School Districts	56,740	47,391
Unearned Revenue:		
Local Sources	58,897	70,266
Net Pension Liability	28,883,206	36,623,869
Long-Term Liabilities:		
Portion Due Within One Year	3,102,624	2,907,544
Portion Due in More Than One Year	40,436,262	43,912,545
Total Liabilities	<u>74,795,026</u>	<u>85,817,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	5,499,290	586,291
Property Taxes	6,332,385	6,034,028
Total Deferred Inflows of Resources	<u>11,831,675</u>	<u>6,620,319</u>
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets	2,795,194	2,044,932
Restricted for:		
General Fund Operating Capital Purposes	1,615,729	206,288
General Fund State-Mandated Restricted	234,636	91,157
Food Service	97,205	30,782
Community Service	131,097	217,765
Other Postemployment Benefits	648,921	696,969
Debt Service	314,369	284,323
Capital Projects - Building Construction	12,257	924
Unrestricted	(15,332,726)	(12,150,938)
Total Net Position (Deficit)	<u>\$ (9,483,318)</u>	<u>\$ (8,577,798)</u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

Functions	2018				2017	2017
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<b>Governmental Activities</b>						
Administration	\$ 1,271,527	\$ -	\$ 3,726	\$ -	\$ (1,267,801)	\$ (1,250,975)
District Support Services	409,045	-	-	-	(409,045)	(416,791)
Regular Instruction	12,572,901	505,384	1,173,449	184,827	(10,709,241)	(10,756,682)
Vocational Education Instruction	280,240	-	-	-	(280,240)	(293,771)
Special Education Instruction	2,918,195	-	1,467,854	-	(1,450,341)	(1,268,587)
Instructional Support Services	1,361,508	12,040	122,251	-	(1,227,217)	(1,439,577)
Pupil Support Services	2,448,188	-	587,618	-	(1,860,570)	(1,847,508)
Sites and Buildings	2,160,853	50,497	11,288	98,837	(2,000,231)	(2,249,634)
Fiscal and Other Fixed Cost Programs	129,166	-	-	-	(129,166)	(120,472)
Food Service	777,220	496,636	346,164	-	65,580	10,152
Community Service	1,445,048	930,413	115,045	-	(399,590)	(342,361)
Interest and Fiscal Charges on Long-Term Liabilities	1,104,757	-	-	-	(1,104,757)	(1,132,294)
Total School District	<u>\$ 26,878,648</u>	<u>\$ 1,994,970</u>	<u>\$ 3,827,395</u>	<u>\$ 283,664</u>	(20,772,619)	(21,108,500)
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					2,015,243	2,018,342
Community Service					126,888	128,477
Debt Service					4,069,261	3,936,101
State Aid Not Restricted to Specific Purposes					12,305,909	12,225,916
Earnings on Investments					78,009	22,391
Gain on Sale of Capital Assets					912,942	-
Miscellaneous					358,847	189,012
Total General Revenues					<u>19,867,099</u>	<u>18,520,239</u>
Change in Net Position					(905,520)	(2,588,261)
Net Position - Beginning of Year					(8,577,798)	(5,989,537)
Net Position - End of Year					<u>\$ (9,483,318)</u>	<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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	Major Funds		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 5,641,983	\$ 98,763	\$ 239,565
Receivables:			
Current Property Taxes	967,961	-	60,575
Delinquent Property Taxes	35,393	-	2,546
Accounts and Interest Receivable	45,434	450	349
Due from Other Minnesota School Districts	25,754	-	7,570
Due from Minnesota Department of Education	1,765,466	1,040	14,174
Due from Federal Government through Minnesota Department of Education	82,898	6,959	-
Due from Other Funds	29,497	-	713
Prepaid Items	-	18,840	-
Total Assets	<u>\$ 8,594,386</u>	<u>\$ 126,052</u>	<u>\$ 325,492</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Salaries and Compensated Absences Payable	\$ 662,215	\$ -	\$ 11,003
Payroll Deductions and Employer Contributions Payable	630,848	-	-
Accounts and Contracts Payable	204,980	20,700	1,966
Due to Other Governmental Units	506	-	-
Due to Other Minnesota School Districts	56,740	-	-
Unearned Revenue	-	8,147	50,750
Total Liabilities	<u>1,555,289</u>	<u>28,847</u>	<u>63,719</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	1,971,879	-	130,676
Unavailable Revenue - Delinquent Taxes	37,150	-	2,546
Total Deferred Inflows of Resources	<u>2,009,029</u>	<u>-</u>	<u>133,222</u>
Fund Balance:			
Prepaid Items	-	18,840	-
Restricted:			
Staff Development	27,130	-	-
Health and Safety	(57,517)	-	-
Operating Capital	1,615,729	-	-
Area Learning Center	12,971	-	-
Safe Schools - Crime	78,319	-	-
Community Education Programs	-	-	(25,879)
Early Childhood and Family Educations Programs	-	-	26,323
School Readiness	-	-	28,690
Long-Term Facilities Maintenance	116,216	-	-
Other Restricted	-	78,365	99,417
Assigned:			
Q Comp	197,158	-	-
Greenhouse	50,000	-	-
Capital Projects	152,451	-	-
Unassigned	<u>2,837,611</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>5,030,068</u>	<u>97,205</u>	<u>128,551</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 8,594,386</u>	<u>\$ 126,052</u>	<u>\$ 325,492</u>

See accompanying Notes to Basic Financial Statements.

Building Construction	Debt Service	Total Governmental Funds	
		2018	2017
\$ 127,737	\$ 3,074,846	\$ 9,182,894	\$ 6,171,621
-	1,960,733	2,989,269	2,988,295
-	83,309	121,248	184,188
-	1,193	47,426	87,803
-	-	33,324	62,254
-	33,717	1,814,397	1,924,776
-	-	89,857	152,194
-	-	30,210	39,376
-	-	18,840	3,885
<u>\$ 127,737</u>	<u>\$ 5,153,798</u>	<u>\$ 14,327,465</u>	<u>\$ 11,614,392</u>
\$ -	\$ -	\$ 673,218	\$ 638,858
-	-	630,848	616,540
115,480	-	343,126	333,640
-	-	506	2,343
-	-	56,740	47,391
-	-	58,897	70,266
<u>115,480</u>	<u>-</u>	<u>1,763,335</u>	<u>1,709,038</u>
-	4,229,830	6,332,385	6,034,028
-	83,309	123,005	133,030
-	4,313,139	6,455,390	6,167,058
-	-	18,840	3,885
-	-	27,130	-
-	-	(57,517)	(54,096)
-	-	1,615,729	206,288
-	-	12,971	13,466
-	-	78,319	77,691
-	-	(25,879)	113,628
-	-	26,323	11,777
-	-	28,690	47,910
-	-	116,216	(3,184)
12,257	840,659	1,030,698	925,695
-	-	197,158	95,508
-	-	50,000	-
-	-	152,451	102,451
-	-	2,837,611	2,197,277
<u>12,257</u>	<u>840,659</u>	<u>6,108,740</u>	<u>3,738,296</u>
<u>\$ 127,737</u>	<u>\$ 5,153,798</u>	<u>\$ 14,327,465</u>	<u>\$ 11,614,392</u>

See accompanying Notes to Basic Financial Statements.

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 6,108,740</b>	<b>\$ 3,738,296</b>
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	1,224,853	1,735,919
Construction in Progress	3,500	-
Land Improvements, Net of Accumulated Depreciation	5,755,756	6,098,413
Buildings and Improvements, Net of Accumulated Depreciation	38,905,244	40,630,355
Equipment, Net of Accumulated Depreciation	310,949	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.		
	601,890	669,430
OPEB deferred inflows are reported only on the statement of net position.		
	47,031	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	(28,883,206)	(36,623,869)
Deferred Inflows of Resources - Pension Related	(5,499,290)	(586,291)
Deferred Outflows of Resources - Pension Contributions	15,966,695	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.		
	123,005	133,030
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(609,599)	(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	(41,015,000)	(43,875,000)
Unamortized Premiums	(2,390,108)	(2,826,419)
Severance Benefits Payable	(81,154)	(71,126)
Compensated Absences Payable	(52,624)	(47,544)
<b>Total Net Position of Governmental Activities</b>	<b>\$ (9,483,318)</b>	<b>\$ (8,577,798)</b>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	Major Funds		
	General	Food Service	Community Service
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 2,015,855	\$ -	\$ 127,228
Earnings on Investments	50,469	843	2,023
Other	917,116	496,636	930,413
State Sources	15,343,274	35,834	151,517
Federal Sources	235,278	310,330	-
Total Revenues	<u>18,561,992</u>	<u>843,643</u>	<u>1,211,181</u>
<b>EXPENDITURES</b>			
Current:			
Administration	995,481	-	-
District Support Services	389,930	-	-
Regular Instruction	7,991,900	-	-
Vocational Education Instruction	212,457	-	-
Special Education Instruction	2,341,627	-	-
Instructional Support Services	1,042,961	-	-
Pupil Support Services	2,304,618	-	-
Sites and Buildings	1,910,725	-	-
Fiscal and Other Fixed Cost Programs	129,166	-	-
Food Service	-	772,490	-
Community Service	-	-	1,294,691
Capital Outlay	272,468	4,730	2,818
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>17,591,333</u>	<u>777,220</u>	<u>1,297,509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	970,659	66,423	(86,328)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Real Property	1,424,008	-	-
Insurance Recovery Proceeds	-	-	-
Total Other Financing Sources (Uses)	<u>1,424,008</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,394,667	66,423	(86,328)
Fund Balance - Beginning of Year	<u>2,635,401</u>	<u>30,782</u>	<u>214,879</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,030,068</u>	<u>\$ 97,205</u>	<u>\$ 128,551</u>

See accompanying Notes to Basic Financial Statements.

Building Construction	Debt Service	Total Governmental Funds	
		2018	2017
\$ -	\$ 4,078,334	\$ 6,221,417	\$ 6,114,258
-	24,674	78,009	22,391
11,333	-	2,355,498	2,130,582
-	337,179	15,867,804	15,785,960
-	-	545,608	611,842
11,333	4,440,187	25,068,336	24,665,033
-	-	995,481	1,016,710
-	-	389,930	386,468
-	-	7,991,900	7,638,906
-	-	212,457	204,694
-	-	2,341,627	2,328,204
-	-	1,042,961	1,149,643
-	-	2,304,618	2,242,248
-	-	1,910,725	1,857,115
-	-	129,166	120,472
-	-	772,490	809,461
-	-	1,294,691	1,201,186
-	-	280,016	502,876
-	2,860,000	2,860,000	2,345,000
-	1,595,838	1,595,838	1,875,976
-	4,455,838	24,121,900	23,678,959
11,333	(15,651)	946,436	986,074
-	-	1,424,008	-
-	-	-	16,177
-	-	1,424,008	16,177
11,333	(15,651)	2,370,444	1,002,251
924	856,310	3,738,296	2,736,045
\$ 12,257	\$ 840,659	\$ 6,108,740	\$ 3,738,296

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018	2017
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 2,370,444</b>	<b>\$ 1,002,251</b>
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	118,202	163,404
Gain (Loss) on Disposal of Capital Assets	(511,066)	-
Depreciation Expense	(2,153,185)	(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.		
	(48,048)	(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.		
	(4,007,815)	(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	2,860,000	2,345,000
Change in Accrued Interest Expense - General Obligation Bonds	54,770	222,884
Amortization of Bond Premium	436,311	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.		
	(10,025)	(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).		
	(15,108)	(18,412)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (905,520)</b>	<b>\$ (2,588,261)</b>

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  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 2,030,836	\$ 2,024,418	\$ 2,015,855	\$ (8,563)
Earnings on Investments	15,000	25,000	50,469	25,469
Other	832,145	771,464	917,116	145,652
State Sources	15,112,599	15,401,952	15,343,274	(58,678)
Federal Sources	249,083	275,838	235,278	(40,560)
Total Revenues	<u>18,239,663</u>	<u>18,498,672</u>	<u>18,561,992</u>	<u>63,320</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,015,500	1,006,239	995,481	(10,758)
District Support Services	379,529	421,295	389,930	(31,365)
Elementary and Secondary Regular Instruction	7,900,881	8,072,437	7,991,900	(80,537)
Vocational Education Instruction	262,028	240,744	212,457	(28,287)
Special Education Instruction	2,538,441	2,678,984	2,341,627	(337,357)
Instructional Support Services	1,297,487	1,271,125	1,042,961	(228,164)
Pupil Support Services	2,273,990	2,182,108	2,304,618	122,510
Sites and Buildings	2,075,160	2,129,220	1,910,725	(218,495)
Fiscal and Other Fixed Cost Programs	130,000	130,000	129,166	(834)
Capital Outlay	367,690	362,069	272,468	(89,601)
Total Expenditures	<u>18,240,706</u>	<u>18,494,221</u>	<u>17,591,333</u>	<u>(902,888)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,043)	4,451	970,659	966,208
<b>OTHER FINANCING SOURCES</b>				
Sale of Real Property Proceeds	-	-	1,424,008	1,424,008
Net Change in Fund Balance	<u>\$ (1,043)</u>	<u>\$ 4,451</u>	2,394,667	<u>\$ 2,390,216</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>2,635,401</u>	
End of Year			<u>\$ 5,030,068</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ 843	\$ 843
Other - Primarily Meal Sales	426,614	479,738	496,636	16,898
State Sources	37,493	36,575	35,834	(741)
Federal Sources	313,886	304,838	310,330	5,492
Total Revenues	<u>777,993</u>	<u>821,151</u>	<u>843,643</u>	<u>22,492</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	774,890	809,499	772,490	(37,009)
Capital Outlay	-	-	4,730	4,730
Total Expenditures	<u>774,890</u>	<u>809,499</u>	<u>777,220</u>	<u>(32,279)</u>
Net Change in Fund Balance	<u>\$ 3,103</u>	<u>\$ 11,652</u>	66,423	<u>\$ 54,771</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>30,782</u>	
End of Year			<u>\$ 97,205</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, 2018**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 145,010	\$ 126,886	\$ 127,228	\$ 342
Earnings on Investments	-	-	2,023	2,023
Other - Primarily Tuition and Fees	859,001	923,491	930,413	6,922
State Sources	<u>152,853</u>	<u>154,899</u>	<u>151,517</u>	<u>(3,382)</u>
Total Revenues	1,156,864	1,205,276	1,211,181	5,905
<b>EXPENDITURES</b>				
Current:				
Community Service	1,167,810	1,354,465	1,294,691	(59,774)
Capital Outlay	<u>8,300</u>	<u>3,000</u>	<u>2,818</u>	<u>(182)</u>
Total Expenditures	<u>1,176,110</u>	<u>1,357,465</u>	<u>1,297,509</u>	<u>(59,956)</u>
Net Change in Fund Balance	<u>\$ (19,246)</u>	<u>\$ (152,189)</u>	(86,328)	<u>\$ 65,861</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>214,879</u>	
End of Year			<u>\$ 128,551</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, 2018**

	Postemployment Benefits Irrevocable Trust Fund
<b>ASSETS</b>	
Cash and Deposits	\$ 643,642
Investments:	
Money Market	43,517
Negotiable Certificates of Deposit	521,000
Total Investments	564,517
Interest Receivable	6,375
Total Assets	1,214,534
 <b>LIABILITIES</b>	
Due to Primary Government	30,210
 <b>NET POSITION</b>	
Restricted for Postemployment Benefits other than Pensions	\$ 1,184,324

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, 2018**

	Postemployment Benefits Irrevocable Trust Fund
<b>ADDITIONS</b>	
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	\$ 2,630
Interest and Dividends	15,674
Less Investment Expense	(250)
Net Investment Income	18,054
<b>DEDUCTIONS</b>	
Benefit Payments	30,210
<b>CHANGE IN NET POSITION</b>	(12,156)
Net Position - Beginning of Year	1,196,480
<b>NET POSITION - END OF YEAR</b>	\$ 1,184,324

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018**

**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: Postemployment Benefits Irrevocable Trust Fund. 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, 2018**

**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, 2018**

**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, 2018**

**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	\$ 18,239,663	\$ 259,009	\$ 18,498,672
Special Revenue Funds:			
Food Service Fund	777,993	43,158	821,151
Community Service Fund	1,156,864	48,412	1,205,276
<u>Expenditures</u>			
General Fund	\$ 18,240,706	\$ 253,515	\$ 18,494,221
Special Revenue Funds:			
Food Service Fund	774,890	34,609	809,499
Community Service Fund	1,176,110	181,355	1,357,465

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, 2018**

**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, 2018**

**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 2017 pay 2018 levy, normally revenue for the 2018-19 fiscal year are also advance recognized as of June 30, 2018, 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, 2018 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 acquisition 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, 2018**

**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, 2018**

**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)**

At June 30, 2018, the long-term portion of the early retirement incentive and convertible sick leave liability is included as part of noncurrent 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, 2018**

**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, 2017, from which the summarized information was derived.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

A. Due to/from Other Funds

	Payable Fund
	OPEB Trust
	Fund
Receivable Fund:	
General Fund	\$ 29,497
Community Service Fund	713
Total	\$ 30,210

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, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

A. Deposits (Continued)

The District's deposits in banks at June 30, 2018 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, 2018, the District's investment balances were as follows:

<u>Type</u>	<u>Amount</u>
Negotiable Certificates of Deposit	\$ 643,642
MN Trust Investment Shares	3,898,806
MN Trust Term Series	2,800,000
MN Trust Limited Term Duration Series	504,900
Total	<u>\$ 7,847,348</u>



**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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	\$ 643,642	\$ 643,642	\$ -	\$ -
MN Trust Investment Shares	3,898,806	3,898,806	-	-
MN Trust Term Series	2,800,000	2,800,000	-	-
MN Trust Limited Term Duration Series	504,900	504,900	-	-
Total	<u>\$ 7,847,348</u>	<u>\$ 7,847,348</u>	<u>\$ -</u>	<u>\$ -</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	\$ 643,642
MN Trust Investment Shares	AA+	3,898,806
MN Trust Term Series	AA+	2,800,000
MN Trust Limited Term Duration Series	AA+	504,900
Total		<u>\$ 7,847,348</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, 2018, the investment balances were fully covered by insurance.

The District’s deposits (\$2,543,705) and investments (\$7,847,348) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 9,182,894
Cash and Investments - Statement of Fiduciary Net Position	1,208,159
Total Cash and Investments	<u>\$ 10,391,053</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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	\$ -	\$ 643,642	\$ -	\$ 643,642

**ROCKFORD AREA SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,735,919	\$ -	\$ (511,066)	\$ 1,224,853
Construction in Progress	-	3,500	-	3,500
Total Capital Assets, Not Being Depreciated	1,735,919	3,500	(511,066)	1,228,353
Capital Assets, Being Depreciated:				
Land Improvements	9,149,635	32,290	-	9,181,925
Buildings and Improvements	62,436,756	8,991	-	62,445,747
Equipment	5,653,443	73,421	-	5,726,864
Total Capital Assets, Being Depreciated	77,239,834	114,702	-	77,354,536
Accumulated Depreciation for:				
Land Improvements	(3,051,222)	(374,947)	-	(3,426,169)
Buildings and Improvements	(21,806,401)	(1,734,102)	-	(23,540,503)
Equipment	(5,371,779)	(44,136)	-	(5,415,915)
Total Accumulated Depreciation	(30,229,402)	(2,153,185)	-	(32,382,587)
Total Capital Assets, Being Depreciated, Net	47,010,432	(2,038,483)	-	44,971,949
Governmental Activities Capital Assets, Net	<u>\$ 48,746,351</u>	<u>\$ (2,034,983)</u>	<u>\$ (511,066)</u>	<u>\$ 46,200,302</u>

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

<b>Governmental Activities</b>	
Regular Instruction	\$ 1,915,968
Instructional Support Services	1,099
Pupil Support Services	12,208
Sites and Buildings	223,910
Total Depreciation Expense, Governmental Activities	<u>\$ 2,153,185</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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	\$ 945,000
2013	2.00%	26,890,000	2/1/2029	355,000	25,735,000
2016	5.00%	17,690,000	2/1/2023	2,575,000	14,335,000
Total General Obligation Bonds				3,050,000	41,015,000
Bond Premium - Net				-	2,390,108
Severance Benefits Payable				-	81,154
Compensated Absences Payable				52,624	52,624
Total				<u>\$ 3,102,624</u>	<u>\$ 43,538,886</u>

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
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	3,630,000	861,900
2024 - 2028	20,065,000	2,378,350
2029	4,260,000	127,800
Total	<u>\$ 41,015,000</u>	<u>\$ 8,354,752</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018 are \$51,838,238. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

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.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2017	Net Additions	Retirements	June 30, 2018
Bonds Payable	\$ 43,875,000	\$ -	\$ (2,860,000)	\$ 41,015,000
Bond Premium	2,826,419	-	(436,311)	2,390,108
Severance Benefits Payable	71,126	10,028	-	81,154
Compensated Absences Payable - Net	47,544	12,094	(7,014)	52,624
Total	<u>\$ 46,820,089</u>	<u>\$ 22,122</u>	<u>\$ (3,303,325)</u>	<u>\$ 43,538,886</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 RESTRICTED FUND BALANCES**

A. Restricted for Staff Development

The fund balance restriction represents accumulated unspent staff development dollars.

B. 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.

C. 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.

D. Restricted for Area Learning Center

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

E. 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.

F. 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.

G. Restricted for Community Education Programs

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

H. 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.

I. 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.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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	\$ 78,365
Community Service	99,417
Building Construction	12,257
Debt Service	840,659
Total Other Restricted	<u>\$ 1,030,698</u>

**NOTE 7 ASSIGNED FUND BALANCES**

A. Assigned for Q Comp

This represents an amount set aside for Q Comp expenditures of \$197,158.

B. Assigned for Greenhouse

This represents an amount set aside for Greenhouse projects.

C. 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, 2018**

**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  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018**

**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, 206 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.

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.

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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 2018. In fiscal year 2018, 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, 2018, were \$200,752. 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:

	<u>Ending June 30, 2017</u>		<u>Ending June 30, 2018</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
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, 2018, were \$561,241. 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, 2018**

**NOTE 8 PENSION PLANS (CONTINUED)**

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2018, the District reported a liability of \$2,553,574 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 2018. The State of Minnesota is considered a nonemployer 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 \$32,094. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was .0400% which was a decrease of .0039% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$280,264 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$927 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, 2018, 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	\$ 84,158	\$ 164,278
Changes in Actuarial Assumptions	423,948	255,996
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	110,433
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	32,463	225,391
District Contributions Subsequent to the Measurement Date	200,752	-
Total	<u>\$ 741,321</u>	<u>\$ 756,098</u>

**ROCKFORD AREA SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

\$200,752 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to General Employees Plan pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Pension Expenses Amount</u>
2019	\$ (64,314)
2020	64,987
2021	(107,807)
2022	(108,395)

2. TRA Pension Costs

At June 30, 2018, the District reported a liability of \$26,329,632 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2017, 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 .1319% at the end of the measurement period and .1386% 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:

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 26,329,632
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	2,546,075

For the year ended June 30, 2018, the District recognized pension expense of \$4,490,343. It also recognized \$48,815 as pension expense for the support provided by direct aid.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2018, 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	\$ 198,271	\$ 184,891
Changes in Actuarial Assumptions	14,318,662	3,688,366
Net Difference Between Projected and Actual Investment Earnings	-	206,319
Changes in Proportion Differences Between Contributions and Made and the District's Proportionate Share of Contributions	147,200	663,616
District Contributions Subsequent to the Measurement Date	561,241	-
Total	<u>\$ 15,225,374</u>	<u>\$ 4,743,192</u>

\$561,241 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	Pension Expenses Amount
2019	\$ 2,673,658
2020	3,111,357
2021	2,768,095
2022	2,242,685
2023	(874,854)

The District's total pension expense for all plans for the year ended June 30, 2018 was \$4,820,349.

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**NOTE 8 PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50%
	3.25% per Year	2.85% for 10 years and 3.25%, thereafter
Active Member Payroll Growth		
Investment Rate of Return	7.50% per Year	5.12%

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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and then 2.5%.

Actuarial assumptions used in the June 30, 2017 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 2017 for PERA:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

The following changes in actuarial assumptions occurred in 2017 for TRA:

- The cost of living (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.



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JUNE 30, 2018**

**NOTE 8 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The long-term rate of return on pension plan investments is 7.5% for General Employees Fund and 5.12% for TRA. 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	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total General Employees Plan pension liability in 2017 was 7.50%. 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 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. 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 2053 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 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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	\$ 3,960,782	\$ 2,553,574	\$ 1,401,518
<u>TRA Discount Rate</u>	4.12%	5.12%	6.12%
District's Proportionate Share of the TRA Net Pension Liability	\$ 34,750,042	\$ 26,329,632	\$ 19,230,204

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](http://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](http://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.

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INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 2018, 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, 2018, were as follows:

Total OPEB Liability	\$	582,434
Plan Fiduciary Net Position		1,184,324
District's net OPEB Liability (Asset)	<u>\$</u>	<u>(601,890)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)		203%

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, 2018, 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	3.53%
Health Care Trend Rates	6.80% decreasing to 4.40% in FY2075

**ROCKFORD AREA SCHOOLS  
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JUNE 30, 2018**

**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:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Long-Term Expected Nominal Rate of Return</b>
Domestic Equity	5.39 %	8.14 %
International Equity	5.20	7.95
Fixed Income	1.98	4.73
Real Estate and Alternatives	4.25	7.00
Cash and Equivalents	0.79	3.54
Total		3.52
Reduced for Assumed Investment Expense		-
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 3.53%. 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 OPEB 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.

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INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

D. Actuarial Methods and Assumptions (Continued)

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 3.50% to 3.53 %.
- The health care trend rates were changed to better anticipate short term and long term medical increases.

E. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 526,163	\$ 1,196,480	\$ (670,317)
Changes for the Year:			
Service Cost	57,124	-	57,124
Interest	19,886	-	19,886
Net Investment Income	-	18,304	(18,304)
Changes of Assumptions	9,471	-	9,471
Benefit Payments	(30,210)	(30,210)	-
Administrative Expense	-	(250)	250
Net Changes	<u>56,271</u>	<u>(12,156)</u>	<u>68,427</u>
Balances at June 30, 2018	<u>\$ 582,434</u>	<u>\$ 1,184,324</u>	<u>\$ (601,890)</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 (2.53%)	Discount Rate (3.53%)	1% Increase (4.53%)
Net OPEB Liability (Asset)	\$ (568,784)	\$ (601,890)	\$ (634,820)

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)	\$ (675,590)	\$ (601,890)	\$ (513,977)

For the year ended June 30, 2018, the District recognized OPEB expense of \$48,048. At June 30, 2018, 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	8,257	-
Net Difference Between Projected and Actual Investment Earnings	38,774	-
Contributions Between Measurement Date and Reporting Date	N/A	N/A
Total	\$ 47,031	\$ -

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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:

<u>Year Ended June 30.</u>	<u>Future Recognition</u>
2019	12,629
2020	12,629
2021	12,628
2022	5,744
2023	1,214
Thereafter	2,187
	\$ 47,031

At June 30, 2018, the District's trust reported a payable, which is due to the General Fund, of \$30,210 for the outstanding amount of contributions paid by the General Fund for the year ended June 30, 2018.

**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, 2018**

**NOTE 11 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2018, 2017 and 2016 were \$94,444, \$122,105, \$121,114, respectively. The related employee contributions were \$257,806, \$237,056, and \$253,302 for the years ended June 30, 2018, 2017 and 2016, respectively.

**NOTE 12 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 13 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.



## **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, 2018**

<b>Total OPEB Liability</b>	<u>FY 2018</u>	<u>FY 2017</u>
Service Cost	\$ 57,124	\$ 53,517
Interest	19,886	18,459
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	9,471	-
Benefit Payments	<u>(30,210)</u>	<u>(39,376)</u>
<b>Net Change in Total OPEB Liability</b>	56,271	32,600
<b>Total OPEB Liability - Beginning</b>	526,163	493,563
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 582,434</u></u>	<u><u>\$ 526,163</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ -	\$ -
Net Investment Income	18,304	8,124
Benefit Payments	(30,210)	(39,376)
Administrative Expense	<u>(250)</u>	<u>(250)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(12,156)	(31,502)
<b>Plan Fiduciary Net Position - Beginning</b>	1,196,480	1,227,982
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 1,184,324</u></u>	<u><u>\$ 1,196,480</u></u>
<b>District's Net OPEB Liability (Asset) - Ending (a) - (b)</b>	\$ (601,890)	\$ (670,317)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	203.34 %	227.40 %
Covered-employee Payroll	\$ 10,495,521	\$ 9,958,587
District's Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(5.73)%	(6.73)%

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, 2018**

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.61%
2018	1.61%

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, 2018**

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>General Employees Plan</b>				
District's Proportion of the Net Pension Liability	0.04%	0.04%	0.05%	0.04%
District's Proportionate Share of the Net Pension Liability	\$ 2,553,574	\$ 3,564,462	\$ 2,363,229	\$ 2,030,005
State's Proportionate Share of the Net Pension Liability Associated with the District	32,094	46,581	-	-
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 2,585,668	\$ 3,611,043	\$ 2,363,229	\$ 2,030,005
District's Covered Payroll	\$ 2,550,173	\$ 2,724,708	\$ 2,551,634	\$ 2,278,585
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.39%	132.53%	92.62%	89.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.91%	78.20%	78.75%
<b>TRA</b>				
District's Proportion of the Net Pension Liability	0.13%	0.14%	0.14%	0.15%
District's Proportionate Share of the Net Pension Liability	\$ 26,329,632	\$ 33,059,407	\$ 8,685,129	\$ 6,853,290
State's Proportionate Share of the Net Pension Liability Associated with the District	2,546,075	3,318,302	1,065,169	-
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 28,875,707	\$ 36,377,709	\$ 9,750,298	\$ 6,853,290
District's Covered Payroll	\$ 7,113,973	\$ 7,178,669	\$ 7,177,021	\$ 6,892,344
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	370.11%	460.52%	121.01%	99.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.57%	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 FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
<b>General Employees Plan</b>					
Contractually Required Contribution	\$ 200,752	\$ 191,263	\$ 204,438	\$ 188,695	\$ 165,198
Contributions in Relation to the Contractually Required Contribution	(200,752)	(191,263)	(204,438)	(188,695)	(165,198)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,676,693	\$ 2,550,173	\$ 2,724,708	\$ 2,551,634	\$ 2,278,585
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.40%	7.25%
<b>TRA</b>					
Contractually Required Contribution	\$ 561,241	\$ 533,548	\$ 538,361	\$ 538,422	\$ 484,692
Contributions in Relation to the Contractually Required Contribution	(561,241)	(533,548)	(538,361)	(538,422)	(484,692)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,483,213	\$ 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%	7.50%	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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 5,641,983	\$ 2,786,919
Receivables:		
Current Taxes	967,961	952,641
Delinquent Taxes	35,393	54,523
Accounts and Interest Receivable	45,434	82,862
Due from Other Minnesota School Districts	25,754	54,684
Due from Minnesota Department of Education	1,765,466	1,887,513
Due from Federal Government through the Minnesota Department of Education	82,898	143,110
Due from Other Funds	29,497	38,663
	<u>\$ 8,594,386</u>	<u>\$ 6,000,915</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 662,215	\$ 629,174
Payroll Deductions and Employer Contributions Payable	630,848	616,540
Accounts and Contracts Payable	204,980	174,916
Due to Other Minnesota School Districts	56,740	47,391
Due to Other Governmental Units	506	2,343
Unearned Revenue	-	40,000
Total Liabilities	<u>1,555,289</u>	<u>1,510,364</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	1,971,879	1,817,388
Unavailable Revenue - Delinquent Taxes	37,150	37,762
Total Deferred Inflows of Resources	<u>2,009,029</u>	<u>1,855,150</u>
Fund Balance:		
Restricted:		
Staff Development	27,130	-
Health and Safety	(57,517)	(54,096)
Operating Capital	1,615,729	206,288
Area Learning Center	12,971	13,466
Safe Schools - Crime	78,319	77,691
Long-Term Facilities Maintenance	116,216	(3,184)
Assigned:		
Q Comp	197,158	95,508
Greenhouse	50,000	-
Capital Projects	152,451	102,451
Unassigned	2,837,611	2,197,277
Total Fund Balance	<u>5,030,068</u>	<u>2,635,401</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 8,594,386</u>	<u>\$ 6,000,915</u>

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 2,024,418	\$ 2,015,855	\$ (8,563)	\$ 2,025,982
Earnings on Investments	25,000	50,469	25,469	21,059
Other	771,464	917,116	145,652	758,307
State Sources	15,401,952	15,343,274	(58,678)	15,354,860
Federal Sources	275,838	235,278	(40,560)	276,726
Total Revenues	18,498,672	18,561,992	63,320	18,436,934
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	713,240	698,316	(14,924)	703,880
Employee Benefits	226,373	215,758	(10,615)	221,999
Purchased Services	17,212	23,322	6,110	30,675
Supplies and Materials	14,381	12,890	(1,491)	20,107
Other Expenditures	35,033	45,195	10,162	40,049
Total Administration	1,006,239	995,481	(10,758)	1,016,710
District Support Services:				
Salaries	194,225	179,581	(14,644)	189,137
Employee Benefits	63,368	54,297	(9,071)	52,839
Purchased Services	154,621	146,302	(8,319)	138,516
Supplies and Materials	6,550	7,219	669	5,531
Other Expenditures	2,531	2,531	-	445
Total District Support Services	421,295	389,930	(31,365)	386,468
Elementary and Secondary				
Regular Instruction:				
Salaries	5,164,702	5,216,190	51,488	4,812,624
Employee Benefits	1,744,652	1,636,060	(108,592)	1,633,566
Purchased Services	499,174	516,192	17,018	506,971
Supplies and Materials	659,274	581,114	(78,160)	648,766
Capital Expenditures	196,286	180,519	(15,767)	57,245
Other Expenditures	4,635	42,344	37,709	36,979
Total Elementary and Secondary Regular Instruction	8,268,723	8,172,419	(96,304)	7,696,151



**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 139,955	\$ 179,407	\$ 39,452	\$ 121,056
Employee Benefits	45,080	29,428	(15,652)	33,676
Purchased Services	46,586	-	(46,586)	45,316
Supplies and Materials	8,123	2,745	(5,378)	3,729
Other Expenditures	1,000	877	(123)	917
Total Vocational Education Instruction	240,744	212,457	(28,287)	204,694
Special Education Instruction:				
Salaries	1,780,177	1,652,320	(127,857)	1,615,273
Employee Benefits	591,942	434,740	(157,202)	431,934
Purchased Services	284,991	248,676	(36,315)	220,144
Supplies and Materials	21,129	5,177	(15,952)	53,381
Other Expenditures	745	714	(31)	7,472
Total Special Education Instruction	2,678,984	2,341,627	(337,357)	2,328,204
Instructional Support Services:				
Salaries	889,274	702,555	(186,719)	812,609
Employee Benefits	175,988	170,839	(5,149)	140,487
Purchased Services	115,560	96,494	(19,066)	104,919
Supplies and Materials	85,103	64,777	(20,326)	83,161
Capital Expenditures	4,104	4,104	-	8,435
Other Expenditures	5,200	8,296	3,096	8,467
Total Instructional Support Services	1,275,229	1,047,065	(228,164)	1,158,078
Pupil Support Services:				
Salaries	309,583	311,885	2,302	309,984
Employee Benefits	56,057	57,051	994	63,227
Purchased Services	1,802,793	1,923,541	120,748	1,853,625
Supplies and Materials	12,150	10,690	(1,460)	13,896
Other Expenditures	1,525	1,451	(74)	1,516
Total Pupil Support Services	2,182,108	2,304,618	122,510	2,242,248

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 603,412	\$ 608,741	\$ 5,329	\$ 572,645
Employee Benefits	202,461	196,781	(5,680)	181,356
Purchased Services	1,126,265	965,026	(161,239)	992,924
Supplies and Materials	197,082	140,177	(56,905)	110,190
Capital Expenditures	161,679	87,845	(73,834)	83,031
Total Sites and Buildings	<u>2,290,899</u>	<u>1,998,570</u>	<u>(292,329)</u>	<u>1,940,146</u>
Fiscal and Other Fixed Cost Programs:				
Purchased Services	<u>130,000</u>	<u>129,166</u>	<u>(834)</u>	<u>120,472</u>
Total Expenditures	<u>18,494,221</u>	<u>17,591,333</u>	<u>(902,888)</u>	<u>17,093,171</u>
Excess (Deficiency) of Revenues Under Expenditures	4,451	970,659	966,208	1,343,763
<b>OTHER FINANCING SOURCES</b>				
Sale of Real Property Proceeds	-	1,424,008	1,424,008	-
Insurance Recovery Proceeds	-	-	-	16,177
Total Other Financing Sources	<u>-</u>	<u>1,424,008</u>	<u>1,424,008</u>	<u>16,177</u>
Net Change in Fund Balance	<u>\$ 4,451</u>	2,394,667	<u>\$ 2,390,216</u>	1,359,940
<b>FUND BALANCE</b>				
Beginning of Year		<u>2,635,401</u>		<u>1,275,461</u>
End of Year		<u>\$ 5,030,068</u>		<u>\$ 2,635,401</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
FOOD SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and Investments	\$ 98,763	\$ 60,385
Receivables:		
Accounts and Interest Receivable	450	1,616
Due from Minnesota Department of Education	1,040	1,236
Due from Federal Government through the Minnesota Department of Education	6,959	9,084
Prepaid Items	<u>18,840</u>	<u>3,885</u>
 Total Assets	 <u><u>\$ 126,052</u></u>	 <u><u>\$ 76,206</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts and Contracts Payable	\$ 20,700	\$ 28,928
Unearned Revenue	<u>8,147</u>	<u>16,496</u>
Total Liabilities	28,847	45,424
 Fund Balance:		
Prepaid Items	18,840	3,885
Restricted:		
Other Restricted	<u>78,365</u>	<u>26,897</u>
Total Fund Balance	<u>97,205</u>	<u>30,782</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 126,052</u></u>	 <u><u>\$ 76,206</u></u>

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ -	\$ 843	\$ 843	\$ -
Other - Primarily Meal Sales	479,738	496,636	16,898	450,510
State Sources	36,575	35,834	(741)	35,203
Federal Sources	304,838	310,330	5,492	335,116
Total Revenues	821,151	843,643	22,492	820,829
<b>EXPENDITURES</b>				
Current:				
Salaries	360,914	330,168	(30,746)	356,778
Purchased Services	48,736	70,059	21,323	53,330
Supplies and Materials	399,849	372,263	(27,586)	399,353
Capital Outlay	-	4,730	4,730	1,216
Total Expenditures	809,499	777,220	(32,279)	810,677
Net Change in Fund Balance	\$ 11,652	66,423	\$ 54,771	10,152
<b>FUND BALANCE</b>				
Beginning of Year		30,782		20,630
End of Year		\$ 97,205		\$ 30,782

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 239,565	\$ 282,033
Receivables:		
Current Taxes	60,575	61,555
Delinquent Taxes	2,546	3,971
Accounts and Interest Receivable	349	3,325
Due from Other Minnesota School Districts	7,570	7,570
Due from Minnesota Department of Education	14,174	12,541
Due from Other Funds	713	713
	<u>325,492</u>	<u>371,708</u>
Total Assets	\$ 325,492	\$ 371,708
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 11,003	\$ 9,684
Accounts and Contracts Payable	1,966	2,983
Unearned Revenue	50,750	13,770
Total Liabilities	<u>63,719</u>	<u>26,437</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	130,676	127,506
Unavailable Revenue - Delinquent Taxes	2,546	2,886
Total Deferred Inflows of Resources	<u>133,222</u>	<u>130,392</u>
Fund Balance:		
Restricted:		
Community Education Programs	(25,879)	113,628
Early Childhood and Family Education Programs	26,323	11,777
School Readiness	28,690	47,910
Other Restricted	99,417	41,564
Total Fund Balance	<u>128,551</u>	<u>214,879</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 325,492	\$ 371,708

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 126,886	\$ 127,228	\$ 342	\$ 129,466
Earnings on Investments	-	2,023	2,023	-
Other - Primarily Tuition and Fees	923,491	930,413	6,922	921,765
State Sources	<u>154,899</u>	<u>151,517</u>	<u>(3,382)</u>	<u>161,038</u>
Total Revenues	1,205,276	1,211,181	5,905	1,212,269
<b>EXPENDITURES</b>				
Current:				
Salaries	966,299	921,243	(45,056)	843,819
Employee Benefits	213,081	190,667	(22,414)	171,736
Purchased Services	106,346	114,847	8,501	119,948
Supplies and Materials	68,109	66,808	(1,301)	65,067
Other Expenditures	630	1,126	496	616
Capital Outlay	<u>3,000</u>	<u>2,818</u>	<u>(182)</u>	<u>2,959</u>
Total Expenditures	<u>1,357,465</u>	<u>1,297,509</u>	<u>(59,956)</u>	<u>1,204,145</u>
Net Change in Fund Balance	<u>\$ (152,189)</u>	(86,328)	<u>\$ 65,861</u>	8,124
<b>FUND BALANCE</b>				
Beginning of Year		<u>214,879</u>		<u>206,755</u>
End of Year		<u>\$ 128,551</u>		<u>\$ 214,879</u>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
BUILDING CONSTRUCTION FUND  
BALANCE SHEET  
JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 127,737	\$ 127,737
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts and Contracts Payable	\$ 115,480	\$ 126,813
Fund Balance:		
Restricted:		
Capital Projects	12,257	924
Total Liabilities and Fund Balance	\$ 127,737	\$ 127,737

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ -	\$ 1,332
Other	-	11,333	11,333	-
Total Revenues	-	11,333	11,333	1,332
<b>EXPENDITURES</b>				
Current:				
Purchased Services	-	-	-	(50)
Supplies and Materials	924	-	(924)	913
Capital Outlay	-	-	-	349,127
Total Expenditures	924	-	(924)	349,990
 Net Change in Fund Balance	<u>\$ (924)</u>	11,333	<u>\$ 12,257</u>	(348,658)
<b>FUND BALANCE</b>				
Beginning of Year		924		349,582
End of Year		<u>\$ 12,257</u>		<u>\$ 924</u>



**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
DEBT SERVICE FUND  
BALANCE SHEET  
JUNE 30, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and Investments	\$ 3,074,846	\$ 2,914,547
Receivables:		
Current Taxes	1,960,733	1,974,099
Delinquent Taxes	83,309	125,694
Accounts and Interest Receivable	1,193	-
Due from Minnesota Department of Education	<u>33,717</u>	<u>23,486</u>
Total Assets	<u><u>\$ 5,153,798</u></u>	<u><u>\$ 5,037,826</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 4,229,830	\$ 4,089,134
Unavailable Revenue - Delinquent Taxes	<u>83,309</u>	<u>92,382</u>
Total Deferred Inflows of Resources	4,313,139	4,181,516
 Fund Balance:		
Restricted	<u>840,659</u>	<u>856,310</u>
Total Deferred Inflows of Resources and Fund Balance	<u><u>\$ 5,153,798</u></u>	<u><u>\$ 5,037,826</u></u>

**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, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2017)**

	2018		Over (Under) Final Budget	2017
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Tax	\$ 4,069,261	\$ 4,078,334	\$ 9,073	\$ 3,958,810
Earnings on Investments	-	24,674	24,674	-
State Sources	337,179	337,179	-	234,859
Total Revenues	4,406,440	4,440,187	33,747	4,193,669
<b>EXPENDITURES</b>				
Debt Service:				
Bond Principal	2,860,000	2,860,000	-	2,345,000
Bond Interest	1,594,488	1,594,488	-	1,874,176
Paying Agent Fees and Other	1,600	1,350	(250)	1,800
Total Expenditures	4,456,088	4,455,838	(250)	4,220,976
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (49,648)</b>	<b>(15,651)</b>	<b>\$ 33,997</b>	<b>(27,307)</b>
Fund Balance - Beginning of Year		856,310		883,617
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 840,659</b>		<b>\$ 856,310</b>

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2018**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenues	\$ 18,561,992	\$ 18,561,989	\$ 3	Total Revenues	\$ 11,333	\$ 11,333	\$ -
Total Expenditures	17,591,333	17,591,336	(3)	Total Expenditures	-	-	-
<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	27,130	27,130	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Fac. Program	-	-	-
406 Health & Safety	(57,517)	(57,517)	-	413 Projects Funded by COP/LP	-	-	-
407 Capital Project Levy	-	-	-	<i>Restricted:</i>			
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	12,257	12,257	-
409 Alternative Facilities	-	-	-	<i>Unassigned:</i>			
413 Projects Funded by COP/LP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	<b>07 DEBT SERVICE</b>			
417 Excess Taconite Building Maint. Funds	-	-	-	Total Revenues	4,431,977	4,431,977	-
423 Certain Teacher Programs	-	-	-	Total Expenditures	4,455,838	4,455,838	-
424 Operating Capital	1,615,729	1,615,729	-	<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	12,971	12,971	-	451 QZAB and QSCB Payments	-	-	-
435 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	-	-	-	464 Restricted	762,391	762,392	(1)
438 Gifted & Talented	-	-	-	<i>Unassigned</i>			
441 Basic Skills	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
449 Safe Schools Levy	78,319	78,319	-	<b>08 TRUST</b>			
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	116,216	116,216	-	<b>09 AGENCY</b>			
<i>Restricted:</i>				<i>Unrestricted: Should Always Be 0-</i>			
464 Restricted Fund Balance	-	-	-	422 Unassigned	-	-	-
<i>Committed:</i>							
418 Committed for Separation	-	-	-	<b>20 INTERNAL SERVICE</b>			
461 Committed Fund Balance	-	-	-	Total Revenues	-	-	-
<i>Assigned:</i>				Total Expenditures	-	-	-
462 Assigned Fund Balance	399,609	399,608	1	422 Net Assets	-	-	-
<i>Unassigned:</i>							
422 Unassigned	2,837,611	2,837,606	5	<b>25 OPEB REVOCABLE TRUST</b>			
				Total Revenues	-	-	-
<b>02 FOOD SERVICE</b>				Total Expenditures	-	-	-
Total Revenues	843,643	843,642	1	422 Net Assets	-	-	-
Total Expenditures	777,220	777,220	-				
<i>Nonspendable:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
460 Nonspendable Fund Balance	18,840	18,840	-	Total Revenues	18,304	18,304	-
<i>Restricted/Reserved:</i>				Total Expenditures	30,460	30,460	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	1,184,324	1,184,324	-
464 Restricted Fund Balance	78,365	78,365	-				
<i>Unassigned:</i>				<b>47 OPEB DEBT SERVICE</b>			
463 Unassigned Fund Balance	-	-	-	Total Revenues	8,210	8,210	-
				Total Expenditures	-	-	-
<b>04 COMMUNITY SERVICE</b>				<i>Nonspendable:</i>			
Total Revenues	1,211,181	1,211,181	-	460 Nonspendable Fund Balance	-	-	-
Total Expenditures	1,297,509	1,297,510	(1)	<i>Restricted:</i>			
<i>Nonspendable:</i>				425 Bond Refundings	-	-	-
460 Nonspendable Fund Balance	-	-	-	464 Restricted Fund Balance	78,268	78,268	-
<i>Restricted/Reserved:</i>				<i>Unassigned</i>			
426 \$25 Taconite	-	-	-	463 Unassigned Fund Balance	-	-	-
431 Community Education	(25,879)	(25,879)	-				
432 E.C.F.E.	26,323	26,323	-				
444 School Readiness	28,690	28,690	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	99,417	99,417	-				
<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, 2018, 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 31, 2018.

**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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness identified as 2018-001.

**Compliance and Other Matters**

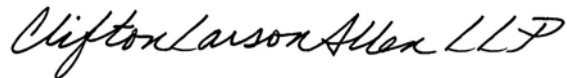
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 Response to Finding**

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

**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 31, 2018

## 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, 2018, and the related notes to the financial statements and have issued our report thereon dated October 31, 2018.

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 31, 2018

**ROCKFORD AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 883  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS**

**Finding 2018-001 - 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, 2019.

**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, 2018**

**FINDINGS – MINNESOTA LEGAL COMPLIANCE**

NONE

**PREVIOUSLY REPORTED ITEMS RESOLVED – SIGNIFICANT DEFICIENCIES**

**Finding 2017-003 – UNAUTHORIZED BANK SIGNER**

The District had not removed a former board member as an authorized signer on a bank account in a timely manner.