

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2020

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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, 2020**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Amy Edwards	December 31, 2020	Chair
Kevin Campbell	December 31, 2020	Vice-Chair
Eric Gordee	December 31, 2021	Treasurer
Jessica Johnson	December 31, 2020	Clerk
Brady Anderson	December 31, 2021	Member
Beth Praska	December 31, 2021	Member

ADMINISTRATION

Rhonda Dean	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, 2020, 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.

Opinion

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, 2020, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's 2019 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 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the District's Net OPEB Liability (Asset) and Related Ratios, the schedule of money weighted rate of return on plan assets, 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. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the District's basic financial statements for the year ended June 30, 2019, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The individual fund financial statements for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2019 individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, 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 results 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 16, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 fiscal years include the following:

- Net position increased by approximately \$1,781,000 on revenues of \$27,341,000 compared to expenses of \$25,561,000.
- Total General Fund revenues were approximately \$20,749,000 as compared to about \$20,192,000 of expenditures.
- The fund balance of the General Fund increased by a net of approximately \$561,000 from the prior year due to the District receiving increased money from the state, federal, and levy dollars.

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, 2020**

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, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was a negative \$1,732,425 on June 30, 2020. This was an increase from the prior year net position of negative \$3,513,214.

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

	Governmental Activities		Percentage
	2020	2019	Change
Current and Other Assets	\$ 17,354,607	\$ 16,678,093	4.1 %
Capital Assets	42,656,486	44,473,922	(4.1)
Total Assets	60,011,093	61,152,015	(1.9)
Deferred Outflows of Resources	8,744,936	12,470,433	(29.9)
Current Liabilities	5,598,479	5,570,206	0.5
Long-Term Liabilities	43,786,361	47,446,273	-
Total Liabilities	49,384,840	53,016,479	(6.9)
Deferred Inflows of Resources	21,103,614	24,119,183	(12.5)
Net Position:			
Net Investment in Capital Assets	6,404,000	4,555,125	40.6
Restricted	3,339,531	3,225,669	3.5
Unrestricted	(11,475,956)	(11,294,008)	-
Total Net Position	<u>\$ (1,732,425)</u>	<u>\$ (3,513,214)</u>	50.7

The change in the District's financial position is due to the decrease of the outstanding long-term debt.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's revenues for all governmental activities were approximately \$27,341,000 for the year ended June 30, 2020.

The total cost for all governmental activities of all programs and services including interest and fiscal charges was approximately \$25,561,000. Total revenues exceeded expenses, increasing net position by about \$1,781,000 from the prior year. The increase is due to the increase in state aid, federal aid, and taxes.

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

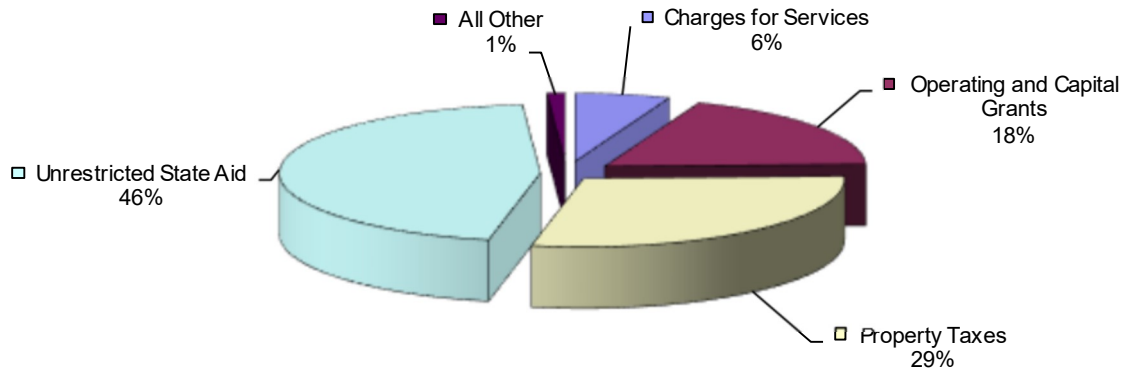
	Governmental Activities for the		Total %
	2020	2019	Change
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,605,631	\$ 1,994,208	(19.5)%
Operating Grants and Contributions	4,810,848	3,728,044	29.0
Capital Grants and Contributions	285,330	392,417	(27.3)
<u>General Revenues</u>			
Property Taxes	7,837,426	6,548,014	19.7
Unrestricted State Aid	12,501,318	12,144,346	2.9
Investment Earnings	107,427	152,187	(29.4)
Gain on Sale of Property and Equipment	-	36,310	(100.0)
Other	193,465	226,162	(14.5)
Total Revenues	27,341,445	25,221,688	8.4
Expenses			
Administration	1,061,872	762,942	39.2
District Support Services	1,104,485	779,626	41.7
Regular Instruction	10,986,545	7,313,513	50.2
Vocational Education Instruction	294,287	143,932	104.5
Special Education Instruction	2,600,831	1,862,628	39.6
Instructional Support Services	1,304,379	741,259	76.0
Pupil Support Services	2,963,532	2,473,955	19.8
Sites and Buildings	2,431,478	2,165,370	12.3
Fiscal and Other Fixed Cost Programs	101,606	125,855	(19.3)
Food Service	663,163	760,506	(12.8)
Community Service	1,220,850	1,151,825	6.0
Interest and Fiscal Charges on Long-Term Liabilities	827,628	970,173	(14.7)
Total Expenses	25,560,656	19,251,584	32.8
Change in Net Position	1,780,789	5,970,104	
Beginning Net Position	(3,513,214)	(9,483,318)	
Ending Net Position	\$ (1,732,425)	\$ (3,513,214)	

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

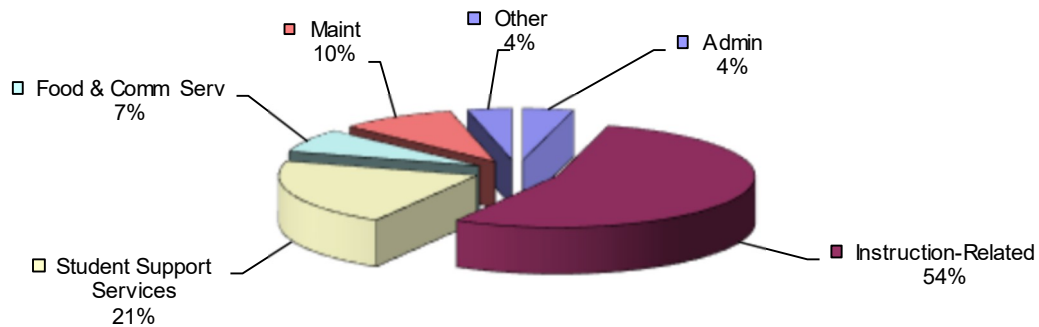
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was approximately \$25,561,000.

**Figure A-1
Sources of District's Revenues for Fiscal 2020**



**Figure A-2
District Expenses for Fiscal 2020**



**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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
	2020	2019		2020	2019	
Administration	\$ 1,061,872	\$ 762,942	39.2 %	\$ 1,061,868	\$ 758,131	40.1 %
District Support Services	1,104,485	779,626	41.7	846,698	609,844	38.8
Regular Instruction	10,986,545	7,313,513	50.2	9,373,861	6,027,486	55.5
Vocational Education Instruction	294,287	143,932	104.5	293,466	153,155	91.6
Special Education Instruction	2,600,831	1,862,628	39.6	330,584	124,283	166.0
Instructional Support Services	1,304,379	741,259	76.0	1,160,659	636,430	82.4
Pupil Support Services	2,963,532	2,473,955	19.8	2,361,600	1,828,576	29.1
Sites and Buildings	2,431,478	2,165,370	12.3	2,382,786	1,899,130	25.5
Fiscal and Other Fixed Cost Programs	101,606	125,855	(19.3)	101,606	125,855	(19.3)
Food Service	663,163	760,506	(12.8)	(70,617)	(3,953)	1,686.4
Community Service	1,220,850	1,151,825	6.0	188,708	7,805	2,317.8
Interest and Fiscal Charges on Long-Term Liabilities	827,628	970,173	(100.0)	827,628	970,173	(100.0)
Total	<u>\$ 25,560,656</u>	<u>\$ 19,251,584</u>	32.8	<u>\$ 18,858,847</u>	<u>\$ 13,136,915</u>	43.6

Expenses increased from the prior year due to the increase in pension expense compared to the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of approximately \$7,005,000 which is about \$518,000 more than last year's ending fund balance of \$6,486,815. This is due primarily to the District continuing to monitor expenditures and continuing to make cut backs, along with receiving more state, federal, and tax revenue than the prior 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.

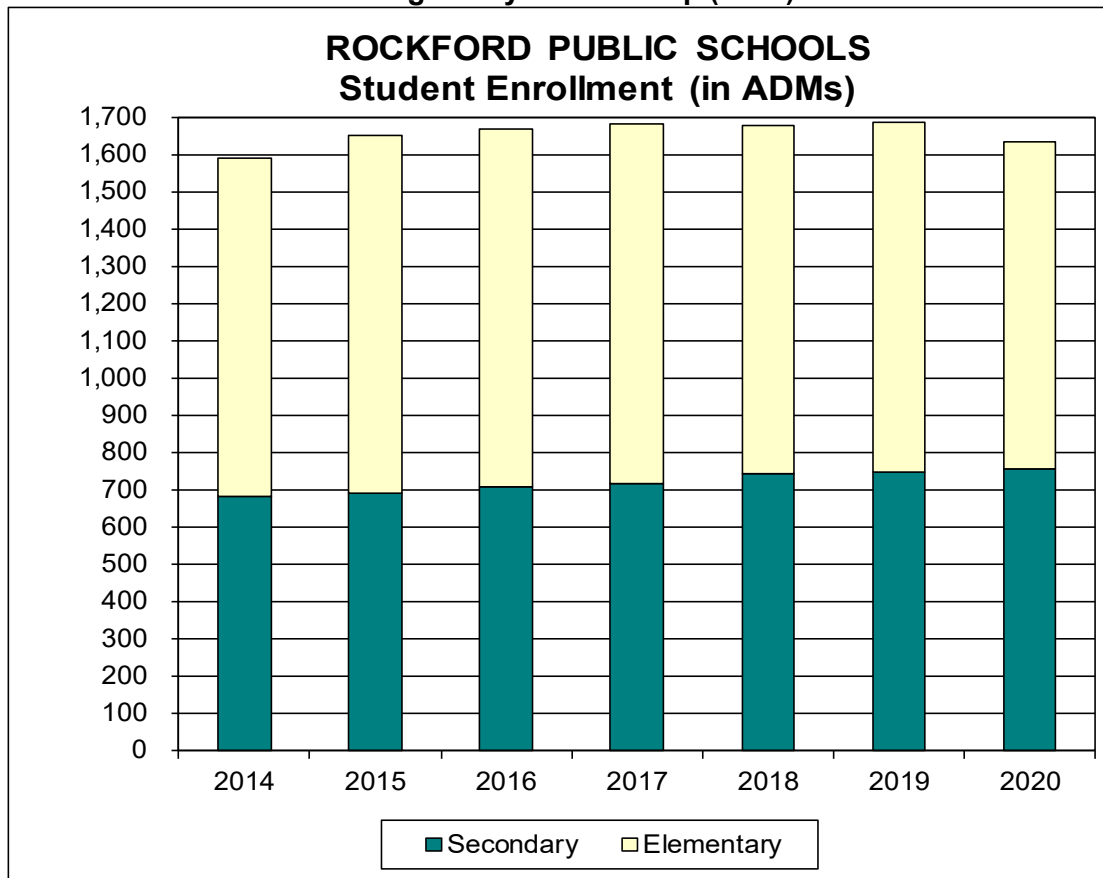
General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model. Other state formulas 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, 2020**

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 seven years, the District has experienced a decrease in average daily membership by 6 students. The enrollment is expected 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.

Table A-4

	2014	2015	2016	2017	2018	2019	2020
Reg K, Pre-K & KH	160	151	143	142	151	133	141
Elementary	805	809	825	795	788	745	737
Secondary	690	710	716	741	749	758	771
Total Students for Aid	1,655	1,670	1,684	1,678	1,688	1,636	1,649
Percent Change	3.96%	0.91%	0.83%	-0.33%	0.60%	-3.10%	0.79%

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 3,489,113	\$ 2,175,617	\$ 1,313,496	60.4 %
Earnings on Investments	68,086	106,204	(38,118)	(35.9)
Other	578,011	776,274	(198,263)	(25.5)
State Sources	15,859,975	15,503,916	356,059	2.3
Federal Sources	753,619	451,958	301,661	66.7
Total General Fund Revenue	<u>\$ 20,748,804</u>	<u>\$ 19,013,969</u>	<u>\$ 1,734,835</u>	9.1

Total General Fund revenue increased by approximately \$1,735,000 or 9.1% 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.

Federal revenue increased overall by \$301,661 due mostly to additional federal grant money that was received and spent in the current year.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of	Percent
	June 30, 2020	June 30, 2019	Increase (Decrease)	Increase (Decrease)
Salaries	\$ 10,560,390	\$ 9,890,464	\$ 669,926	6.8 %
Employee Benefits	3,260,033	2,959,597	300,436	10.2
Purchased Services	5,200,016	4,517,502	682,514	15.1
Supplies and Materials	827,260	931,966	(104,706)	(11.2)
Capital Expenditures	239,571	367,320	(127,749)	(34.8)
Other Expenditures	104,736	95,592	9,144	9.6
Total Expenditures	<u>\$ 20,192,006</u>	<u>\$ 18,762,441</u>	<u>\$ 1,429,565</u>	7.6

Total General Fund expenditures increased approximately \$1,430,000 or 7.6% due to an increase in purchase services which was due to an increase in overall transportation costs to the District. Salaries and benefits increased due to new positions added and regular salary rate increases.

Revenues exceeded expenditures which resulted in an increase in fund balance at the end of 2019-20.

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 \$298,000 less than expected from the budget, primarily due to a decrease in federal revenues received as the District anticipated more federal grant money would be spent.

The actual expenditures were approximately \$325,000 less than budgeted primarily due to less federal grant money being spent and a reduction in projects. Restricted safe schools fund balance ended with a positive balance of \$52,227. Restricted operating capital fund balance ended with a positive balance of \$1,160,379. Restricted long-term facilities maintenance fund balance ended with a positive balance of \$364,627. Restricted student activities fund balance ended with a positive balance of \$100,564. Restricted staff development fund balance ended with a positive balance of \$149,851.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

DEBT SERVICE FUNDS

The Debt Service Fund expenditures exceeded revenues by approximately \$88,996 for fiscal 2020.

OTHER MAJOR FUNDS

Revenue exceeded expenditures in the Food Service Fund by about \$71,425. Expenditures exceeded revenues in the Community Service Fund by approximately \$25,255.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the District had invested approximately \$79,253,000 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 \$2,141,050.

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

	2020	2019	Percentage Change
Land	\$ 1,224,853	\$ 1,224,853	- %
Construction-in-Progress	-	10,660	(100.0)
Land Improvements	9,345,624	9,301,700	0.5
Buildings and Improvements	62,658,342	62,647,682	0.0
Equipment	6,024,459	5,744,769	4.9
Less: Accumulated Depreciation	(36,596,792)	(34,455,742)	6.2
Total	<u>\$ 42,656,486</u>	<u>\$ 44,473,922</u>	(4.1)

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

LONG-TERM LIABILITIES

At year-end, the District had \$36,252,486 in general obligation bonds and net bond premium (discount) – a decrease of 30.8% 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 \$41,510 in vacation and severance payable at June 30, 2020, a decrease of \$112,391 from June 30, 2019.

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

	2020	2019	Percentage Change
General Obligation Bonds	\$ 34,735,000	\$ 37,965,000	(8.5)%
Net Bond Premium (Discount)	1,517,486	1,953,797	(22.3)
Obligations Under Capital Lease	6,038	-	N/A
Severance Benefits Payable	11,209	92,687	(87.9)
Compensated Absences Payable	30,301	61,214	(50.5)
Total	<u>\$ 36,300,034</u>	<u>\$ 40,072,698</u>	(9.4)
Long-Term Liabilities:			
Due within One Year	\$ 3,348,320	\$ 3,291,214	
Due in More than One Year	32,951,714	36,781,484	
Total	<u>\$ 36,300,034</u>	<u>\$ 40,072,698</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Bond Ratings

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

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$160 million.

BASIC FINANCIAL STATEMENTS

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 9,934,852	\$ 9,663,814
Receivables:		
Property Taxes	4,421,760	4,058,697
Other Governments	2,319,437	2,226,591
Other	123,699	45,312
Due from Fiduciary Funds	57,388	40,589
Prepaid Items	34,322	19,065
Net OPEB Asset	463,149	624,025
Capital Assets:		
Land	1,224,853	1,224,853
Construction-in-Progress	-	10,660
Other Capital Assets, Net of Depreciation	41,431,633	43,238,409
Total Assets	<u>60,011,093</u>	<u>61,152,015</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	8,613,987	12,426,409
OPEB Related	130,949	44,024
Total Deferred Outflows of Resources	<u>8,744,936</u>	<u>12,470,433</u>
LIABILITIES		
Salaries and Compensated Absences Payable	1,472,950	1,351,740
Accounts and Contracts Payable	98,366	214,140
Accrued Interest	490,245	551,620
Due to Other Governmental Units	29,077	340
Due to Other Minnesota School Districts	32,118	63,626
Unearned Revenue:		
Local Sources	127,403	97,526
Net Pension Liability	10,834,647	10,664,789
Long-Term Liabilities:		
Portion Due Within One Year	3,348,320	3,291,214
Portion Due in More Than One Year	32,951,714	36,781,484
Total Liabilities	<u>49,384,840</u>	<u>53,016,479</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related	13,316,869	16,436,461
OPEB Related	63,107	67,905
Property Taxes	7,723,638	7,614,817
Total Deferred Inflows of Resources	<u>21,103,614</u>	<u>24,119,183</u>
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	6,404,000	4,555,125
Restricted for:		
General Fund Operating Capital Purposes	1,160,379	1,229,339
General Fund State-Mandated Restricted	669,315	522,177
Food Service	173,244	101,819
Community Service	263,465	209,457
Other Postemployment Benefits	463,149	624,025
Debt Service	609,979	538,852
Unrestricted	(11,475,956)	(11,294,008)
Total Net Position (Deficit)	<u>\$ (1,732,425)</u>	<u>\$ (3,513,214)</u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

Functions	2020				2019	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating	Capital	Total Governmental Activities	Total Governmental Activities
			Grants and Contributions	Grants and Contributions		
GOVERNMENTAL ACTIVITIES						
Administration	\$ 1,061,872	\$ -	\$ 4	\$ -	\$ (1,061,868)	\$ (758,131)
District Support Services	1,104,485	-	-	257,787	(846,698)	(609,844)
Regular Instruction	10,986,545	350,715	1,246,051	15,918	(9,373,861)	(6,027,486)
Vocational Education Instruction	294,287	-	821	-	(293,466)	(153,155)
Special Education Instruction	2,600,831	-	2,270,247	-	(330,584)	(124,283)
Instructional Support Services	1,304,379	6,327	137,393	-	(1,160,659)	(636,430)
Pupil Support Services	2,963,532	20,000	581,932	-	(2,361,600)	(1,828,576)
Sites and Buildings	2,431,478	22,117	14,950	11,625	(2,382,786)	(1,899,130)
Fiscal and Other Fixed Cost Programs	101,606	-	-	-	(101,606)	(125,855)
Food Service	663,163	324,413	409,367	-	70,617	3,953
Community Service	1,220,850	882,059	150,083	-	(188,708)	(7,805)
Interest and Fiscal Charges on Long-Term Liabilities	827,628	-	-	-	(827,628)	(970,173)
Total School District	<u>\$ 25,560,656</u>	<u>\$ 1,605,631</u>	<u>\$ 4,810,848</u>	<u>\$ 285,330</u>	<u>(18,858,847)</u>	<u>(13,136,915)</u>
GENERAL REVENUES						
Property Taxes Levied for:						
General Purposes					3,564,830	2,208,000
Community Service					129,418	130,057
Debt Service					4,143,178	4,209,957
State Aid Not Restricted to Specific Purposes					12,501,318	12,144,346
Earnings on Investments					107,427	152,187
Gain on Sale of Capital Assets					-	36,310
Miscellaneous					193,465	226,162
Total General Revenues					<u>20,639,636</u>	<u>19,107,019</u>
CHANGE IN NET POSITION					1,780,789	5,970,104
Net Position - Beginning of Year					<u>(3,513,214)</u>	<u>(9,483,318)</u>
NET POSITION - END OF YEAR					<u>\$ (1,732,425)</u>	<u>\$ (3,513,214)</u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 6,704,266	\$ 80,359	\$ 289,832
Receivables:			
Current Property Taxes	1,760,172	-	65,613
Delinquent Property Taxes	145,250	-	7,971
Accounts and Interest Receivable	43,328	60,929	8,395
Due from Other Minnesota School Districts	255,790	-	7,570
Due from Minnesota Department of Education	1,869,103	-	15,080
Due from Federal Government through Minnesota Department of Education	122,907	7,470	-
Due from Other Governmental Units	-	-	3,212
Due from Other Funds	54,869	-	2,519
Prepaid Items	-	34,322	-
Total Assets	<u>\$ 10,955,685</u>	<u>\$ 183,080</u>	<u>\$ 400,192</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Compensated Absences Payable	\$ 717,630	\$ -	\$ 33,898
Payroll Deductions and Employer Contributions Payable	721,422	-	-
Accounts and Contracts Payable	91,051	-	7,315
Due to Other Governmental Units	29,077	-	-
Due to Other Minnesota School Districts	32,118	-	-
Unearned Revenue	-	9,836	117,567
Total Liabilities	<u>1,591,298</u>	<u>9,836</u>	<u>158,780</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	3,340,919	-	130,442
Unavailable Revenue - Delinquent Taxes	145,250	-	7,971
Total Deferred Inflows of Resources	<u>3,486,169</u>	<u>-</u>	<u>138,413</u>
Fund Balance:			
Prepaid Items	-	34,322	-
Restricted:			
Student Activities	100,564	-	-
Staff Development	149,851	-	-
Operating Capital	1,160,379	-	-
Area Learning Center	-	-	-
Achievement & Integration	2,046	-	-
Safe Schools - Crime	52,227	-	-
Long-Term Facilities Maintenance	364,627	-	-
Community Education Programs	-	-	-
Early Childhood and Family Educations Programs	-	-	68,233
School Readiness	-	-	-
Other Restricted	-	138,922	34,766
Assigned:			
Q Comp	277,674	-	-
Greenhouse	38,180	-	-
Capital Projects	254,354	-	-
Scholarships	10,516	-	-
Unassigned	3,467,800	-	-
Total Fund Balance	<u>5,878,218</u>	<u>173,244</u>	<u>102,999</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 10,955,685</u>	<u>\$ 183,080</u>	<u>\$ 400,192</u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

Debt Service	Total Governmental Funds	
	2020	2019
\$ 2,860,395	\$ 9,934,852	\$ 9,663,814
2,192,115	4,017,900	3,833,633
250,639	403,860	225,064
11,047	123,699	45,312
-	263,360	138,560
38,305	1,922,488	1,969,817
-	130,377	118,214
-	3,212	-
-	57,388	40,589
-	34,322	19,065
<u>\$ 5,352,501</u>	<u>\$ 16,891,458</u>	<u>\$ 16,054,068</u>
\$ -	\$ 751,528	\$ 711,064
-	721,422	640,676
-	98,366	214,140
-	29,077	340
-	32,118	63,626
-	127,403	97,526
<u>-</u>	<u>1,759,914</u>	<u>1,727,372</u>
4,252,277	7,723,638	7,614,817
249,639	402,860	225,064
<u>4,501,916</u>	<u>8,126,498</u>	<u>7,839,881</u>
-	34,322	19,065
-	100,564	-
-	149,851	37,736
-	1,160,379	1,229,339
-	-	12,696
-	2,046	-
-	52,227	96,204
-	364,627	375,541
-	-	(76,563)
-	68,233	32,096
-	-	25,224
850,585	1,024,273	1,170,048
-	277,674	266,629
-	38,180	50,000
-	254,354	204,354
-	10,516	-
-	3,467,800	3,044,446
<u>850,585</u>	<u>7,005,046</u>	<u>6,486,815</u>
<u>\$ 5,352,501</u>	<u>\$ 16,891,458</u>	<u>\$ 16,054,068</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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
Total Fund Balance for Governmental Funds	\$ 7,005,046	\$ 6,486,815
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	1,224,853
Construction in Progress	-	10,660
Land Improvements, Net of Accumulated Depreciation	5,158,978	5,496,783
Buildings and Improvements, Net of Accumulated Depreciation	35,690,367	37,377,665
Equipment, Net of Accumulated Depreciation	582,288	363,961
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.		
	463,149	624,025
OPEB deferred outflows are reported only on the statement of net position.		
	130,949	44,024
OPEB deferred inflows are reported only on the statement of net position.		
	(63,107)	(67,905)
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	(10,834,647)	(10,664,789)
Deferred Inflows of Resources - Pension Related	(13,316,869)	(16,436,461)
Deferred Outflows of Resources - Pension Contributions	8,613,987	12,426,409
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.		
	402,860	225,064
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(490,245)	(551,620)
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	(34,735,000)	(37,965,000)
Unamortized Premiums	(1,517,486)	(1,953,797)
Obligations Under Capital Lease	(6,038)	-
Severance Benefits Payable	(11,209)	(92,687)
Compensated Absences Payable	(30,301)	(61,214)
Total Net Position of Governmental Activities	<u>\$ (1,732,425)</u>	<u>\$ (3,513,214)</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
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 3,489,113	\$ -	\$ 126,087
Earnings on Investments	68,086	808	3,021
Other	578,011	324,413	882,059
State Sources	15,859,975	25,371	188,563
Federal Sources	753,619	383,996	-
Total Revenues	20,748,804	734,588	1,199,730
EXPENDITURES			
Current:			
Administration	1,081,428	-	-
District Support Services	1,038,789	-	-
Regular Instruction	8,414,790	-	-
Vocational Education Instruction	270,428	-	-
Special Education Instruction	2,474,534	-	-
Instructional Support Services	1,233,574	-	-
Pupil Support Services	2,930,610	-	-
Sites and Buildings	2,406,676	-	-
Fiscal and Other Fixed Cost Programs	101,606	-	-
Food Service	-	663,163	-
Community Service	-	-	1,220,110
Capital Outlay	239,571	-	10,488
Debt Service:			
Principal	-	-	3,019
Interest and Fiscal Charges	-	-	425
Total Expenditures	20,192,006	663,163	1,234,042
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	556,798	71,425	(34,312)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Equipment	4	-	-
Insurance Recovery Proceeds	4,255	-	-
Capital Lease Proceeds	-	-	9,057
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	4,259	-	9,057
NET CHANGE IN FUND BALANCE	561,057	71,425	(25,255)
Fund Balance - Beginning of Year	5,317,161	101,819	128,254
FUND BALANCE - END OF YEAR	<u>\$ 5,878,218</u>	<u>\$ 173,244</u>	<u>\$ 102,999</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 (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

Debt Service	Total Governmental Funds	
	2020	2019
\$ 4,044,430	\$ 7,659,630	\$ 6,445,955
35,512	107,427	152,187
-	1,784,483	2,206,926
386,376	16,460,285	16,124,021
-	1,137,615	762,063
4,466,318	27,149,440	25,691,152
-	1,081,428	1,039,842
-	1,038,789	784,618
-	8,414,790	8,009,026
-	270,428	213,003
-	2,474,534	2,455,292
-	1,233,574	1,134,873
-	2,930,610	2,610,625
-	2,406,676	2,021,987
-	101,606	125,855
-	663,163	760,506
-	1,220,110	1,305,557
-	250,059	372,995
3,230,000	3,233,019	3,050,000
1,325,314	1,325,739	1,464,463
4,555,314	26,644,525	25,348,642
(88,996)	504,915	342,510
-	4	31,310
-	4,255	4,255
-	9,057	-
-	-	12,257
-	-	(12,257)
-	13,316	35,565
(88,996)	518,231	378,075
939,581	6,486,815	6,108,740
\$ 850,585	\$ 7,005,046	\$ 6,486,815

See accompanying Notes to Basic Financial Statements.

**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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	2020	2019
Net Change in Fund Balance - Total Governmental Funds	\$ 518,231	\$ 378,075
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	323,614	430,201
Depreciation Expense	(2,141,050)	(2,156,581)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a sources of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Other Financing Sources - Capital Lease Proceeds	(9,057)	-
Principal Payments - Capital Lease	3,019	-
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net prepaid OPEB obligation, deferred outflows of resources and deferred inflows of resources is recognized in the statement of net position.		
	(69,153)	(48,777)
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.		
	(862,688)	3,740,960
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	3,230,000	3,050,000
Change in Accrued Interest Expense - General Obligation Bonds	61,375	57,979
Amortization of Bond Premium	436,311	436,311
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.		
	177,796	102,059
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).		
	112,391	(20,123)
Change in Net Position of Governmental Activities	\$ 1,780,789	\$ 5,970,104

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, 2020**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 3,449,028	\$ 3,507,519	\$ 3,489,113	\$ (18,406)
Earnings on Investments	100,000	110,000	68,086	(41,914)
Other	601,150	598,251	578,011	(20,240)
State Sources	15,626,768	15,887,273	15,859,975	(27,298)
Federal Sources	877,595	943,639	753,619	(190,020)
Total Revenues	<u>20,654,541</u>	<u>21,046,682</u>	<u>20,748,804</u>	<u>(297,878)</u>
EXPENDITURES				
Current:				
Administration	1,113,646	1,032,916	1,081,428	48,512
District Support Services	878,111	997,718	1,038,789	41,071
Elementary and Secondary Regular				
Instruction	8,270,161	8,452,401	8,414,790	(37,611)
Vocational Education Instruction	290,986	256,719	270,428	13,709
Special Education Instruction	2,610,634	2,635,310	2,474,534	(160,776)
Instructional Support Services	1,379,801	1,458,145	1,233,574	(224,571)
Pupil Support Services	2,453,047	2,535,451	2,930,610	395,159
Sites and Buildings	2,412,116	2,705,421	2,406,676	(298,745)
Fiscal and Other Fixed Cost Programs	135,200	135,200	101,606	(33,594)
Capital Outlay	234,250	307,394	239,571	(67,823)
Total Expenditures	<u>19,777,952</u>	<u>20,516,675</u>	<u>20,192,006</u>	<u>(324,669)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	876,589	530,007	556,798	26,791
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	-	-	4	4
Insurance Recovery Proceeds	-	-	4,255	4,255
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>4,259</u>	<u>4,259</u>
NET CHANGE IN FUND BALANCE	<u>\$ 876,589</u>	<u>\$ 530,007</u>	561,057	<u>\$ 31,050</u>
FUND BALANCE				
Beginning of Year			<u>5,317,161</u>	
End of Year			<u>\$ 5,878,218</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, 2020**

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under) Final Budget
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ 808	\$ 808
Other - Primarily Meal Sales	491,298	479,923	324,413	(155,510)
State Sources	36,623	35,613	25,371	(10,242)
Federal Sources	286,377	297,005	383,996	86,991
Total Revenues	<u>814,298</u>	<u>812,541</u>	<u>734,588</u>	<u>(77,953)</u>
EXPENDITURES				
Current:				
Food Service	<u>801,240</u>	<u>793,936</u>	<u>663,163</u>	<u>(130,773)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 13,058</u>	<u>\$ 18,605</u>	71,425	<u>\$ 52,820</u>
FUND BALANCE				
Beginning of Year			<u>101,819</u>	
End of Year			<u>\$ 173,244</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, 2020**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 129,383	\$ 129,417	\$ 126,087	\$ (3,330)
Earnings on Investments	-	-	3,021	3,021
Other - Primarily Tuition and Fees	1,128,379	1,092,341	882,059	(210,282)
State Sources	157,640	184,065	188,563	4,498
Total Revenues	1,415,402	1,405,823	1,199,730	(206,093)
EXPENDITURES				
Current:				
Community Service	1,309,450	1,313,883	1,220,110	(93,773)
Capital Outlay	10,000	10,000	10,488	488
Debt Service:				
Principal	-	-	3,019	3,019
Interest and Fiscal Charges	-	-	425	425
Total Expenditures	1,319,450	1,323,883	1,234,042	(89,841)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 95,952	\$ 81,940	(34,312)	\$ (116,252)
OTHER FINANCING SOURCES				
Capital Lease Proceeds	-	-	9,057	9,057
NET CHANGE IN FUND BALANCE	<u>\$ 95,952</u>	<u>\$ 81,940</u>	(25,255)	<u>\$ (107,195)</u>
FUND BALANCE				
Beginning of Year			128,254	
End of Year			<u>\$ 102,999</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, 2020**

	Postemployment Benefits Irrevocable Trust Fund
ASSETS	
Negotiable Certificates of Deposit	\$ 955,000
Investments:	
Money Market	219,331
Interest Receivable	25,407
Total Assets	<u>1,199,738</u>
LIABILITIES	
Due to Primary Government	<u>57,388</u>
NET POSITION	
Restricted for Postemployment Benefits other than Pensions	<u><u>\$ 1,142,350</u></u>

See accompanying Notes to Basic Financial Statements.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Postemployment Benefits Irrevocable Trust Fund
ADDITIONS	
Investment Income:	
Interest and Dividends	\$ 27,079
Less Investment Expense	<u>(250)</u>
Net Investment Income	26,829
DEDUCTIONS	
Benefit Payments	<u>57,388</u>
CHANGE IN NET POSITION	(30,559)
Net Position - Beginning of Year	<u>1,172,909</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,142,350</u></u>

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, 2020**

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.

Accounting principles generally accepted in the United States of America (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.

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, 2020**

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 GAAP. 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, 2020**

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 is 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.

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Private Purpose Trust Fund

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 GAAP. 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.

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

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 20,654,541	\$ 392,141	\$ 21,046,682
Special Revenue Funds:			
Food Service Fund	814,298	(1,757)	812,541
Community Service Fund	1,415,402	(9,579)	1,405,823
<u>Expenditures</u>			
General Fund	\$ 19,777,952	\$ 738,723	\$ 20,516,675
Special Revenue Funds:			
Food Service Fund	801,240	(7,304)	793,936
Community Service Fund	1,319,450	4,433	1,323,883

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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.

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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 2019 pay 2020 levy, normally revenue for the 2020-21 fiscal year are also advance recognized as of June 30, 2020, 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, 2020 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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Employee Benefits (Continued)

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.

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Due to/from Other Funds

	<u>Payable Fund</u>
	OPEB Trust
	<u>Fund</u>
Receivable Fund:	
General Fund	\$ 54,869
Community Service Fund	2,519
Total	<u>\$ 57,388</u>

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

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

The District's deposits in banks at June 30, 2020 were entirely covered by federal depositories 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

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- 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, 2020, the District’s investment balances were as follows:

Type	Amount
Nonnegotiable Certificates of Deposit	\$ 3,256,900
MN Trust Investment Shares	4,249,096
MN Trust Term Series	1,000,000
MN Trust Limited Term Duration Series	532,850
OPEB Trust	
MN Trust Investment Shares	219,331
Total	<u>\$ 9,258,177</u>

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
Nonnegotiable Certificates of Deposit	\$ 3,256,900	\$ 3,018,600	\$ 238,300	\$ -
MN Trust Investment Shares	4,249,096	4,249,096	-	-
MN Trust Term Series	1,000,000	1,000,000	-	-
MN Trust Limited Term Duration Series	532,850	532,850	-	-
OPEB Trust				
MN Trust Investment Shares	219,331	219,331	-	-
Total	<u>\$ 9,258,177</u>	<u>\$ 9,019,877</u>	<u>\$ 238,300</u>	<u>\$ -</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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
Nonnegotiable Certificate of Deposits	NR	\$ 3,256,900
MN Trust Investment Shares	AAA+	4,249,096
MN Trust Term Series	AAA+	1,000,000
MN Trust Limited Term Duration Series	AAA+	532,850
OPEB Trust		
MN Trust Investment Shares	AAA+	219,331
Total		<u>\$ 9,258,177</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, 2020, the investment balances were fully covered by insurance.

The District's deposits (\$1,851,006) and investments (\$9,258,177) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 9,934,852
Cash and Investments - Statement of Fiduciary Net Position	1,174,331
Total Cash and Investments	<u>\$ 11,109,183</u>

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

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:

Type	Level 1	Level 2	Level 3	Total
Nonnegotiable Certificates of Deposit	\$ -	\$ 3,256,900	\$ -	\$ 3,256,900

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,224,853	\$ -	\$ -	\$ 1,224,853
Construction in Progress	10,660	-	(10,660)	-
Total Capital Assets, Not Being Depreciated	1,235,513	-	(10,660)	1,224,853
Capital Assets, Being Depreciated:				
Land Improvements	9,301,700	43,924	-	9,345,624
Buildings and Improvements	62,647,682	10,660	-	62,658,342
Equipment	5,744,769	279,690	-	6,024,459
Total Capital Assets, Being Depreciated	77,694,151	334,274	-	78,028,425
Accumulated Depreciation for:				
Land Improvements	(3,804,917)	(381,729)	-	(4,186,646)
Buildings and Improvements	(25,270,017)	(1,697,958)	-	(26,967,975)
Equipment	(5,380,808)	(61,363)	-	(5,442,171)
Total Accumulated Depreciation	(34,455,742)	(2,141,050)	-	(36,596,792)
Total Capital Assets, Being Depreciated, Net	43,238,409	(1,806,776)	-	41,431,633
Governmental Activities Capital Assets, Net	\$ 44,473,922	\$ (1,806,776)	\$ (10,660)	\$ 42,656,486

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

Governmental Activities	
Regular Instruction	\$ 1,923,549
Pupil Support Services	345
Sites and Buildings	216,136
Community Service	1,020
Total Depreciation Expense, Governmental Activities	<u>\$ 2,141,050</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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	\$ 130,000	\$ 700,000
2013	2.00%	26,890,000	2/1/2029	325,000	24,990,000
2015	5.00%	17,690,000	2/1/2023	2,860,000	9,045,000
Total General Obligation Bonds				3,315,000	34,735,000
Bond Premium - Net				-	1,517,486
Lease Purchase Obligations:					
RCC Treadmill Lease				3,019	6,038
Severance Benefits Payable				-	11,209
Compensated Absences Payable				30,301	30,301
Total				<u>\$ 3,348,320</u>	<u>\$ 36,300,034</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		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2021	\$ 3,315,000	\$ 1,176,588	\$ 3,019	\$ 425
2022	3,465,000	1,023,188	3,019	425
2023	3,630,000	861,900	-	-
2024	3,990,000	692,300	-	-
2025	3,985,000	591,100	-	-
2026 - 2029	16,350,000	1,222,750	-	-
Total	<u>\$ 34,735,000</u>	<u>\$ 5,567,826</u>	<u>\$ 6,038</u>	<u>\$ 850</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 are \$42,317,966. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

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 \$2,221,212.

Capital Lease Obligations

On July 30, 2019, the District entered into a lease agreement to finance three treadmills. The total lease was for \$9,057 which matures June 30, 2022. The District is to make monthly payments of \$287.

The assets acquired through a capital lease, is summarized as follows:

Equipment	\$ 9,057
Less: Accumulated Depreciation	<u>(1,020)</u>
Total	<u><u>\$ 8,037</u></u>

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).

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Debt

	June 30, 2019	Net Additions	Retirements	June 30, 2020
Bonds Payable	\$ 37,965,000	\$ -	\$ (3,230,000)	\$ 34,735,000
Bond Premium	1,953,797	-	(436,311)	1,517,486
Lease Purchase Obligations	-	9,057	(3,019)	6,038
Severance Benefits Payable	92,687	318	(81,796)	11,209
Compensated Absences				
Payable - Net	61,214	5,311	(36,224)	30,301
Total	<u>\$ 40,072,698</u>	<u>\$ 14,686</u>	<u>\$ (3,787,350)</u>	<u>\$ 36,300,034</u>

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

B. Restricted for Staff Development

The fund balance restriction represents accumulated unspent staff development dollars.

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 Achievement and Integration

The unspent resources available from the achievement and integration program must be restricted and spent on the students that generated the revenue in the current year.

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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

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.

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	\$ 138,922
Community Service	34,766
Debt Service	<u>850,585</u>
Total Other Restricted	<u><u>\$ 1,024,273</u></u>

NOTE 7 ASSIGNED FUND BALANCES

A. Assigned for Q Comp

This represents an amount set aside for Q Comp expenditures of \$266,629.

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.

D. Assigned for Scholarship

This represents an amount set aside for scholarships.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's 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)

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

The Teacher's Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. 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.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the State of Minnesota.

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. 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, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 Statute 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
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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.

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

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were \$215,850. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$649,734. 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, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2020, the District reported a liability of \$2,134,108 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 \$16 million to the fund in 2019. 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 \$66,330, for a total liability of \$2,200,438 associated with the District. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the District's proportion was .0386% which was a decrease of .0012% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$157,290 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$4,968 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, 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	\$ 59,144	\$ -
Changes in Actuarial Assumptions	-	167,742
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	216,317
Changes in Proportion and Differences Between		
District Contributions and Proportionate Share		
of Contributions	-	121,896
District Contributions Subsequent to the		
Measurement Date	215,850	-
Total	<u>\$ 274,994</u>	<u>\$ 505,955</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. General Employees Plan Pension Costs (Continued)

\$215,850 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, 2021. 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>
2021	\$ (195,186)
2022	(193,672)
2023	(61,392)
2024	3,439

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$8,700,539 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 1899, 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 .1365% at the end of the measurement period and .1346% 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	\$ 8,700,539
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	769,972
Total Liability	<u>\$ 9,470,511</u>

For the year ended June 30, 2020, the District recognized pension expense of \$1,567,839. It also recognized \$58,527 as an increase to pension expense and grant revenue for the support provided by direct aid.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2020, 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	\$ 1,237	\$ 211,280
Changes in Actuarial Assumptions	7,321,870	11,542,392
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	721,011
Changes in Proportion and Differences Between		
District Contributions and Proportionate Share		
of Contributions	366,152	336,231
District Contributions Subsequent to the		
Measurement Date	649,734	-
Total	<u>\$ 8,338,993</u>	<u>\$ 12,810,914</u>

\$649,734 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2021	\$ 470,658
2022	(73,075)
2023	(3,299,955)
2024	(2,233,016)
2025	13,733

The District's total pension expense for all plans for the year ended June 30, 2020 was \$1,788,624.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 1899 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	11.25% after 1 year of service decreasing to 3.25% per year after 26 years	2.85% for 10 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the PERA June 30, 1899 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 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

TRA pre-retirement mortality rates were based on the RP-2014 white-collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white-collar annuitant table, male rates set back 3 years, and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Postdisability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

TRA assumptions are based on the full experience study dated June 2015 and the study of the economic assumptions presented to the Board in November 2017.

The following changes in actuarial assumptions for PERA occurred in 1899:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

There were no changes in actuarial assumptions for TRA.

The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	35.5 %	5.10 %
International Equity	17.5	5.90
Fixed Income	20.0	0.75
Private Markets	25.0	5.90
Cash	2.0	-
Totals	100.0 %	

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2019 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 positions of the General Employees Fund were 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 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 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 not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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	\$ 3,508,358	\$ 2,134,108	\$ 999,391
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 13,870,786	\$ 8,700,539	\$ 4,437,746

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides health and dental insurance to retired and active eligible employees and their spouses through the District's health insurance plan. There are 137 active participants and 7 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.

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 2020, 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, 2020, were as follows:

Total OPEB Liability	\$ 679,201
Plan Fiduciary Net Position	1,142,350
District's net OPEB Liability (Asset)	<u>\$ (463,149)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	168%

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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, 2020, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	3.00%
Health Care Trend Rates	6.90%
	Decreasing to
	4.00% in
	FY2076

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, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

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 (2.50%). 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:

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	4.95 %	7.45 %
International Equity	5.24	7.74
Fixed Income	1.99	4.49
Real Estate and Alternatives	4.19	6.69
Cash and Equivalents	0.58	3.08
Total		3.06
Reduced for Assumed Investment Expense		-
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		<u>3.00 %</u>

The discount rate used to measure the total OPEB liability was 2.73%. 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 long-term asset class returns and the District's target asset allocation.

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

- The discount rate was changed from 3.06% to 2.73% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Index rate for 20-year, tax-exempt bonds used in discount rate determination went from 3.13% to 2.45%.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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 - June 30, 2019	\$ 548,884	\$ 1,172,909	\$ (624,025)
Changes for the Year:			
Service Cost	66,414	-	66,414
Interest	17,950	-	17,950
Differences Between Expected and Actual Experience	107,858	-	107,858
Net Investment Income	-	27,079	(27,079)
Changes of Assumptions	(4,517)	-	(4,517)
Benefit Payments	(57,388)	(57,388)	-
Administrative Expense	-	(250)	250
Net Changes	130,317	(30,559)	160,876
Balances - June 30, 2020	\$ 679,201	\$ 1,142,350	\$ (463,149)

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 (1.73%)	Discount Rate (2.73%)	1% Increase (3.73%)
Net OPEB Liability (Asset)	\$ (423,878)	\$ (463,149)	\$ (501,371)

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 healthcare cost trend rates that are 1% point lower (5.9% decreasing to 3.0%) or 1% point higher (7.9% decreasing to 5.0%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.9%) Decreasing to 3.0%	Current Trend Rates (6.9%) Decreasing to 4.0%	1% Increase (7.9%) Decreasing to 5.0%
Net OPEB Liability (Asset)	\$ (378,208)	\$ (463,149)	\$ (534,570)

For the year ended June 30, 2020, the District recognized OPEB expense of \$69,153. At June 30, 2020, 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	\$ 95,475	\$ 39,652
Change of Assumptions	5,829	23,455
Net Difference Between Projected and Actual Investment Earnings	29,645	-
Contributions Between Measurement Date and Reporting Date	N/A	N/A
Total	\$ 130,949	\$ 63,107

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>
2021	\$ 19,722
2022	12,838
2023	8,310
2024	5,903
2025	4,041
Thereafter	17,028
Total	\$ 67,842

At June 30, 2020, the District's trust reported a payable, which is due to the General and Community Service Fund, of \$57,388 for the outstanding amount of contributions paid by the General and Community Service Fund for the year ended June 30, 2020.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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, 2020, 2019, and 2018 were \$109,493, \$105,104, and \$94,444, respectively. The related employee contributions were \$310,353, \$283,509, and \$257,806 for the years ended June 30, 2020, 2019, and 2018, respectively.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

	FY 2020	FY 2019	FY 2018	FY 2017
Total OPEB Liability				
Service Cost	\$ 66,414	\$ 61,718	\$ 57,124	\$ 53,517
Interest	17,950	22,022	19,886	18,459
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	107,858	(51,454)	-	-
Changes of Assumptions	(4,517)	(25,247)	9,471	-
Benefit Payments	(57,388)	(40,589)	(30,210)	(39,376)
Net Change in Total OPEB Liability	130,317	(33,550)	56,271	32,600
Total OPEB Liability - Beginning	548,884	582,434	526,163	493,563
Total OPEB Liability - Ending (a)	\$ 679,201	\$ 548,884	\$ 582,434	\$ 526,163
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ -	\$ -	\$ -
Net Investment Income	27,079	29,424	18,304	8,124
Benefit Payments	(57,388)	(40,589)	(30,210)	(39,376)
Administrative Expense	(250)	(250)	(250)	(250)
Net Change in Plan Fiduciary Net Position	(30,559)	(11,415)	(12,156)	(31,502)
Plan Fiduciary Net Position - Beginning	1,172,909	1,184,324	1,196,480	1,227,982
Plan Fiduciary Net Position - Ending (b)	\$ 1,142,350	\$ 1,172,909	\$ 1,184,324	\$ 1,196,480
District's Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (463,149)	\$ (624,025)	\$ (601,890)	\$ (670,317)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	168.19 %	213.69 %	203.34 %	227.40 %
Covered-employee Payroll	\$ 11,504,615	\$ 9,684,811	\$ 10,495,521	\$ 9,958,587
District's Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(4.03)%	(6.44)%	(5.73)%	(6.73)%

Note 1: 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.

Note 2: Changes in significant OPEB plan provisions, actuarial methods, and assumptions:

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

July 1, 2020

- The discount rate was changed from 3.06% to 2.73% based on updated expectations of long-term returns
- Index rate for 20-year, tax-exempt bonds used in discount rate determination went from 3.13% to 2.45%.

July 1, 2019

- The discount rate was changed from 3.53% to 3.06% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The health care trend rates were changed to reflect updated cost increase expectations.

See accompanying Note to 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 (CONTINUED)
JUNE 30, 2020**

Note 2: Changes in significant OPEB plan provisions, actuarial methods, and assumptions (Continued):

July 1, 2019 (Continued)

- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 60% to 40% to reflect recent plan experience.
- The percent of future retirees other than the Superintendent assumed to elect spouse coverage at retirement changed from 0% to 20% based on recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

July 1, 2018

- 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.

July 1, 2017

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

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
JUNE 30, 2020**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.61%
2018	1.61%
2019	2.48%
2020	2.31%

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, 2020**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
General Employees Plan			
District's Proportion of the Net Pension Liability	0.0386%	0.0398%	0.0400%
District's Proportionate Share of the Net Pension Liability	\$ 2,134,108	\$ 2,207,941	\$ 2,553,574
State's Proportionate Share of the Net Pension Liability Associated with the District	66,330	72,415	32,094
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	<u>\$ 2,200,438</u>	<u>\$ 2,280,356</u>	<u>\$ 2,585,668</u>
District's Covered Payroll	\$ 2,735,307	\$ 2,676,693	\$ 2,550,173
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	80.45%	85.19%	101.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.50%	75.90%
TRA			
District's Proportion of the Net Pension Liability	0.1365%	0.1346%	0.1319%
District's Proportionate Share of the Net Pension Liability	\$ 8,700,539	\$ 8,456,848	\$ 26,329,632
State's Proportionate Share of the Net Pension Liability Associated with the District	769,972	794,544	2,546,075
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	<u>\$ 9,470,511</u>	<u>\$ 9,251,392</u>	<u>\$ 28,875,707</u>
District's Covered Payroll	\$ 7,807,471	\$ 7,483,213	\$ 7,113,973
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	111.44%	113.01%	370.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%

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

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2020**

Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
0.0439%	0.0456%	0.0432%
\$ 3,564,462	\$ 2,363,229	\$ 2,030,005
46,581	-	-
<u>\$ 3,611,043</u>	<u>\$ 2,363,229</u>	<u>\$ 2,030,005</u>
\$ 2,724,708	\$ 2,551,634	\$ 2,278,585
132.53%	92.62%	89.09%
68.91%	78.20%	78.75%
0.1386%	0.1404%	0.1487%
\$ 33,059,407	\$ 8,685,129	\$ 6,853,290
3,318,302	1,065,169	-
<u>\$ 36,377,709</u>	<u>\$ 9,750,298</u>	<u>\$ 6,853,290</u>
\$ 7,178,669	\$ 7,177,021	\$ 6,892,344
460.52%	121.01%	99.43%
44.88%	76.77%	81.50%

See accompanying Note to Required Supplementary Information

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

	2020	2019	2018
General Employees Plan			
Contractually Required Contribution	\$ 215,850	\$ 205,148	\$ 200,752
Contributions in Relation to the Contractually Required Contribution	<u>(215,850)</u>	<u>(205,148)</u>	<u>(200,752)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 District's Covered Payroll	 \$ 2,878,000	 \$ 2,735,307	 \$ 2,676,693
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%
 TRA			
Contractually Required Contribution	\$ 649,734	\$ 601,956	\$ 561,241
Contributions in Relation to the Contractually Required Contribution	<u>(649,734)</u>	<u>(601,956)</u>	<u>(561,241)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 District's Covered Payroll	 \$ 8,203,712	 \$ 7,807,471	 \$ 7,483,213
 Contributions as a Percentage of Covered Payroll	 7.92%	 7.71%	 7.50%

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 SEVEN FISCAL YEARS**

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 191,263	\$ 204,438	\$ 188,695	\$ 165,198
<u>(191,263)</u>	<u>(204,438)</u>	<u>(188,695)</u>	<u>(165,198)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,550,173	\$ 2,724,708	\$ 2,551,634	\$ 2,278,585
7.50%	7.50%	7.40%	7.25%
\$ 533,548	\$ 538,361	\$ 538,422	\$ 484,692
<u>(533,548)</u>	<u>(538,361)</u>	<u>(538,422)</u>	<u>(484,692)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,113,973	\$ 7,178,669	\$ 7,177,021	\$ 6,892,344
7.50%	7.50%	7.50%	7.03%

See accompanying Note to Required Supplementary Information

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumption

- 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 postretirement 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.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017 (Continued)

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- 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 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The postdisability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

SUPPLEMENTARY INFORMATION

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
GENERAL FUND
BALANCE SHEET
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Investments	\$ 6,704,266	\$ 6,310,592
Receivables:		
Current Taxes	1,760,172	1,655,292
Delinquent Taxes	145,250	69,533
Accounts and Interest Receivable	43,328	33,169
Due from Other Minnesota School Districts	255,790	130,990
Due from Minnesota Department of Education	1,869,103	1,905,068
Due from Federal Government through the Minnesota Department of Education	122,907	77,396
Due from Other Funds	54,869	37,181
Prepaid Items	-	216
Total Assets	<u>\$ 10,955,685</u>	<u>\$ 10,219,437</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 717,630	\$ 683,103
Payroll Deductions and Employer Contributions Payable	721,422	640,676
Accounts and Contracts Payable	91,051	207,739
Due to Other Minnesota School Districts	32,118	63,626
Due to Other Governmental Units	29,077	340
Total Liabilities	<u>1,591,298</u>	<u>1,595,484</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	3,340,919	3,237,259
Unavailable Revenue - Delinquent Taxes	145,250	69,533
Total Deferred Inflows of Resources	<u>3,486,169</u>	<u>3,306,792</u>
Fund Balance:		
Prepaid Items	-	216
Restricted:		
Student Activities	100,564	97,719
Staff Development	149,851	37,736
Operating Capital	1,160,379	1,229,339
Area Learning Center	-	12,696
Achievement & Integration	2,046	-
Safe Schools - Crime	52,227	96,204
Long-Term Facilities Maintenance	364,627	375,541
Assigned:		
Q Comp	277,674	266,629
Greenhouse	38,180	50,000
Capital Projects	254,354	204,354
Scholarships	10,516	-
Unassigned	3,467,800	2,946,727
Total Fund Balance	<u>5,878,218</u>	<u>5,317,161</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 10,955,685</u>	<u>\$ 10,219,437</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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020		2019	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 3,507,519	\$ 3,489,113	\$ (18,406)	\$ 2,175,617
Earnings on Investments	110,000	68,086	(41,914)	106,204
Other	598,251	578,011	(20,240)	776,274
State Sources	15,887,273	15,859,975	(27,298)	15,503,916
Federal Sources	943,639	753,619	(190,020)	451,958
Total Revenues	21,046,682	20,748,804	(297,878)	19,013,969
EXPENDITURES				
Current:				
Administration:				
Salaries	711,343	758,302	46,959	733,558
Employee Benefits	216,429	245,490	29,061	228,699
Purchased Services	61,154	34,999	(26,155)	30,079
Supplies and Materials	13,310	11,759	(1,551)	11,949
Other Expenditures	30,680	30,878	198	35,557
Total Administration	1,032,916	1,081,428	48,512	1,039,842
District Support Services:				
Salaries	439,113	468,214	29,101	397,239
Employee Benefits	158,553	159,398	845	113,026
Purchased Services	286,312	329,015	42,703	179,907
Supplies and Materials	105,440	82,162	(23,278)	94,446
Capital Expenditures	95,000	74,311	(20,689)	349
Other Expenditures	8,300	-	(8,300)	-
Total District Support Services	1,092,718	1,113,100	20,382	784,967
Elementary and Secondary				
Regular Instruction:				
Salaries	5,171,376	5,472,573	301,197	5,148,118
Employee Benefits	1,830,415	1,813,157	(17,258)	1,685,482
Purchased Services	598,219	589,858	(8,361)	581,989
Supplies and Materials	785,701	473,707	(311,994)	544,417
Capital Expenditures	48,700	50,007	1,307	23,814
Other Expenditures	66,690	65,495	(1,195)	49,020
Total Elementary and Secondary Regular Instruction	8,501,101	8,464,797	(36,304)	8,032,840

**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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020		2019	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 215,508	\$ 217,300	\$ 1,792	\$ 173,222
Employee Benefits	34,781	38,723	3,942	35,234
Purchased Services	215	9,409	9,194	215
Supplies and Materials	6,215	4,996	(1,219)	3,535
Capital Expenditures	50,000	9,520	(40,480)	-
Other Expenditures	-	-	-	797
Total Vocational Education Instruction	306,719	279,948	(26,771)	213,003
Special Education Instruction:				
Salaries	1,692,735	1,718,876	26,141	1,731,250
Employee Benefits	603,354	496,327	(107,027)	451,623
Purchased Services	325,381	254,839	(70,542)	261,268
Supplies and Materials	12,750	4,014	(8,736)	10,673
Capital Expenditures	2,750	-	(2,750)	1,642
Other Expenditures	1,090	478	(612)	478
Total Special Education Instruction	2,638,060	2,474,534	(163,526)	2,456,934
Instructional Support Services:				
Salaries	1,022,969	884,295	(138,674)	754,985
Employee Benefits	209,190	196,932	(12,258)	173,850
Purchased Services	122,240	79,466	(42,774)	98,059
Supplies and Materials	99,946	68,882	(31,064)	99,787
Other Expenditures	3,800	3,999	199	8,192
Total Instructional Support Services	1,458,145	1,233,574	(224,571)	1,134,873
Pupil Support Services:				
Salaries	322,300	333,273	10,973	320,488
Employee Benefits	68,736	65,238	(3,498)	62,419
Purchased Services	2,125,000	2,510,091	385,091	2,209,615
Supplies and Materials	16,415	18,122	1,707	16,555
Other Expenditures	3,000	3,886	886	1,548
Total Pupil Support Services	2,535,451	2,930,610	395,159	2,610,625

**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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020			2019
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 671,850	\$ 707,557	\$ 35,707	\$ 631,604
Employee Benefits	246,282	244,768	(1,514)	209,264
Purchased Services	1,610,049	1,290,733	(319,316)	1,030,515
Supplies and Materials	177,240	163,618	(13,622)	150,604
Capital Expenditures	110,944	105,733	(5,211)	341,515
Total Sites and Buildings	2,816,365	2,512,409	(303,956)	2,363,502
Fiscal and Other Fixed Cost Programs:				
Purchased Services	135,200	101,606	(33,594)	125,855
Total Expenditures	20,516,675	20,192,006	(324,669)	18,762,441
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	530,007	556,798	26,791	251,528
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	-	-	-	31,310
Sale of Real Property Proceeds	-	4	4	-
Insurance Recovery Proceeds	-	4,255	4,255	4,255
Total Other Financing Sources	-	4,259	4,259	35,565
NET CHANGE IN FUND BALANCE	<u>\$ 530,007</u>	561,057	<u>\$ 31,050</u>	287,093
FUND BALANCE				
Beginning of Year		5,317,161		5,030,068
End of Year		<u>\$ 5,878,218</u>		<u>\$ 5,317,161</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 80,359	\$ 45,134
Receivables:		
Accounts and Interest Receivable	60,929	-
Due from Minnesota Department of Education	-	5,867
Due from Federal Government through the Minnesota Department of Education	7,470	40,818
Prepaid Items	<u>34,322</u>	<u>18,849</u>
 Total Assets	 <u><u>\$ 183,080</u></u>	 <u><u>\$ 110,668</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Unearned Revenue	9,836	8,849
 Fund Balance:		
Prepaid Items	34,322	18,849
Restricted:		
Other Restricted	<u>138,922</u>	<u>82,970</u>
Total Fund Balance	<u><u>173,244</u></u>	<u><u>101,819</u></u>
 Total Liabilities and Fund Balance	 <u><u>\$ 183,080</u></u>	 <u><u>\$ 110,668</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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020			2019
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ 808	\$ 808	\$ 661
Other - Primarily Meal Sales	479,923	324,413	(155,510)	419,630
State Sources	35,613	25,371	(10,242)	34,724
Federal Sources	297,005	383,996	86,991	310,105
Total Revenues	<u>812,541</u>	<u>734,588</u>	<u>(77,953)</u>	<u>765,120</u>
EXPENDITURES				
Current:				
Salaries	375,920	354,731	(21,189)	335,928
Purchased Services	47,458	54,115	6,657	67,114
Supplies and Materials	370,558	254,317	(116,241)	357,464
Total Expenditures	<u>793,936</u>	<u>663,163</u>	<u>(130,773)</u>	<u>760,506</u>
NET CHANGE IN FUND BALANCE	<u>\$ 18,605</u>	71,425	<u>\$ 52,820</u>	4,614
FUND BALANCE				
Beginning of Year		<u>101,819</u>		<u>97,205</u>
End of Year		<u>\$ 173,244</u>		<u>\$ 101,819</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Investments	\$ 289,832	\$ 284,386
Receivables:		
Current Taxes	65,613	63,376
Delinquent Taxes	7,971	4,640
Accounts and Interest Receivable	8,395	4,952
Due from Other Minnesota School Districts	7,570	7,570
Due from Minnesota Department of Education	15,080	17,575
Due from Other Governmental Units	3,212	-
Due from Other Funds	2,519	3,408
	<u>400,192</u>	<u>385,907</u>
Total Assets	<u>\$ 400,192</u>	<u>\$ 385,907</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 33,898	\$ 27,961
Accounts and Contracts Payable	7,315	6,401
Unearned Revenue	117,567	88,677
Total Liabilities	<u>158,780</u>	<u>123,039</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	130,442	129,974
Unavailable Revenue - Delinquent Taxes	7,971	4,640
Total Deferred Inflows of Resources	<u>138,413</u>	<u>134,614</u>
Fund Balance:		
Restricted:		
Community Education Programs	-	(76,563)
Early Childhood and Family Education Programs	68,233	32,096
School Readiness	-	25,224
Other Restricted	34,766	147,497
Total Fund Balance	<u>102,999</u>	<u>128,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 400,192</u>	<u>\$ 385,907</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
COMMUNITY SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020			
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 129,417	\$ 126,087	\$ (3,330)	\$ 127,963
Earnings on Investments	-	3,021	3,021	-
Other - Primarily Tuition and Fees	1,092,341	882,059	(210,282)	1,011,022
State Sources	184,065	188,563	4,498	171,950
Total Revenues	1,405,823	1,199,730	(206,093)	1,310,935
EXPENDITURES				
Current:				
Salaries	909,561	879,393	(30,168)	913,991
Employee Benefits	188,036	167,458	(20,578)	192,353
Purchased Services	151,596	123,434	(28,162)	134,471
Supplies and Materials	63,815	49,279	(14,536)	64,010
Other Expenditures	875	546	(329)	732
Capital Outlay	10,000	10,488	488	5,675
Debt Service:				
Principal	-	3,019	3,019	-
Interest and Fiscal Charges	-	425	425	-
Total Expenditures	1,323,883	1,234,042	(89,841)	1,311,232
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	81,940	(34,312)	(116,252)	(297)
OTHER FINANCING SOURCES				
Capital Lease Proceeds	-	9,057	9,057	-
NET CHANGE IN FUND BALANCE	<u>\$ 81,940</u>	<u>(25,255)</u>	<u>\$ (107,195)</u>	<u>(297)</u>
FUND BALANCE				
Beginning of Year		128,254		128,551
End of Year		<u>\$ 102,999</u>		<u>\$ 128,254</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 2,860,395	\$ 3,023,702
Receivables:		
Current Taxes	2,192,115	2,114,965
Delinquent Taxes	250,639	150,891
Accounts and Interest Receivable	11,047	7,191
Due from Minnesota Department of Education	<u>38,305</u>	<u>41,307</u>
Total Assets	<u><u>\$ 5,352,501</u></u>	<u><u>\$ 5,338,056</u></u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 4,252,277	\$ 4,247,584
Unavailable Revenue - Delinquent Taxes	<u>249,639</u>	<u>150,891</u>
Total Deferred Inflows of Resources	4,501,916	4,398,475
Fund Balance:		
Restricted	<u>850,585</u>	<u>939,581</u>
Total Deferred Inflows of Resources and Fund Balance	<u><u>\$ 5,352,501</u></u>	<u><u>\$ 5,338,056</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, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020			2019
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Tax	\$ 4,144,375	\$ 4,044,430	\$ (99,945)	\$ 4,142,375
Earnings on Investments	-	35,512	35,512	45,322
State Sources	383,062	386,376	3,314	413,431
Total Revenues	4,527,437	4,466,318	(61,119)	4,601,128
EXPENDITURES				
Debt Service:				
Bond Principal	3,230,000	3,230,000	-	3,050,000
Bond Interest	1,323,888	1,323,888	-	1,463,038
Paying Agent Fees and Other	1,500	1,426	(74)	1,425
Total Expenditures	4,555,388	4,555,314	(74)	4,514,463
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(27,951)	(88,996)	(61,045)	86,665
OTHER FINANCING SOURCES				
Transfers In	-	-	-	12,257
NET CHANGE IN FUND BALANCE	<u>\$ (27,951)</u>	<u>(88,996)</u>	<u>\$ (61,045)</u>	98,922
Fund Balance - Beginning of Year		939,581		840,659
FUND BALANCE - END OF YEAR		<u>\$ 850,585</u>		<u>\$ 939,581</u>

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2020**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 20,753,059	\$ 20,753,059	\$ -	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	20,192,006	20,192,005	1	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	100,564	100,564	-	407 Capital Projects Levy	-	-	-
403 Staff Development	149,851	149,851	-	409 Alternative Fac. Program	-	-	-
406 Health & Safety	-	-	-	413 Projects Funded by COP/LP	-	-	-
407 Capital Project Levy	-	-	-	<i>Restricted:</i>			
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	-	-	-
409 Alternative Facilities	-	-	-	<i>Unassigned:</i>			
413 Projects Funded by COP/LP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	-	-	-	Total Revenues	4,449,808	4,449,807	1
423 Certain Teacher Programs	-	-	-	Total Expenditures	4,555,314	4,555,313	1
424 Operating Capital	1,160,379	1,160,379	-	<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	-	-	-	451 QZAB and QSCB Payments	-	-	-
435 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	-	-	-	464 Restricted	731,702	731,702	-
438 Gifted & Talented	-	-	-	<i>Unassigned</i>			
441 Basic Skills	-	-	-	463 Unassigned Fund Balance	-	-	-
448 Achievement & Integration	2,046	2,046	-				
449 Safe Schools Levy	52,227	52,227	-	08 TRUST			
450 Pre-Kindergarten	-	-	-	Total Revenues	-	-	-
451 QZAB and QSCB Payments	-	-	-	Total Expenditures	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-				
467 Long Term Facilities Maintenance	364,627	364,627	-	09 AGENCY			
<i>Restricted:</i>				<i>Unrestricted: Should Always Be -0-</i>			
464 Restricted Fund Balance	-	-	-	422 Unassigned	-	-	-
<i>Committed:</i>							
418 Committed for Separation	-	-	-	20 INTERNAL SERVICE			
461 Committed Fund Balance	-	-	-	Total Revenues	-	-	-
<i>Assigned:</i>				Total Expenditures	-	-	-
462 Assigned Fund Balance	580,724	580,723	1	422 Net Assets	-	-	-
<i>Unassigned:</i>							
422 Unassigned	3,467,800	3,467,798	2	25 OPEB REVOCABLE TRUST			
02 FOOD SERVICE				Total Revenues	-	-	-
Total Revenues	734,588	734,588	-	Total Expenditures	-	-	-
Total Expenditures	663,163	663,163	-	422 Net Assets	-	-	-
<i>Nonspendable:</i>				45 OPEB IRREVOCABLE TRUST			
460 Nonspendable Fund Balance	34,322	34,322	-	Total Revenues	27,079	27,079	-
<i>Restricted/Reserved:</i>				Total Expenditures	57,638	57,638	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	1,142,350	1,142,349	1
464 Restricted Fund Balance	138,922	138,922	-				
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
463 Unassigned Fund Balance	-	-	-	Total Revenues	16,510	16,510	-
04 COMMUNITY SERVICE				Total Expenditures	-	-	-
Total Revenues	1,199,730	1,199,727	3	<i>Nonspendable:</i>			
Total Expenditures	1,243,099	1,243,097	2	460 Nonspendable Fund Balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
460 Nonspendable Fund Balance	-	-	-	425 Bond Refundings	-	-	-
<i>Restricted/Reserved:</i>				464 Restricted Fund Balance	118,883	118,883	-
426 \$25 Taconite	-	-	-	<i>Unassigned</i>			
431 Community Education	*(145,241)	(145,240)	(1)	463 Unassigned Fund Balance	-	-	-
432 E.C.F.E.	68,233	68,233	-				
444 School Readiness	*(7,254)	(7,254)	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	187,261	187,260	1				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*
AND SINGLE AUDIT**



**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, 2020, 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 16, 2020.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs at item 2020-001 that we consider to be a material weakness.

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 Findings

The District's response to the findings 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 results 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 16, 2020



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 883's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 16, 2020

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Agency/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Minnesota Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	1-0883-000	\$ 53,286	\$ -
Cash Assistance:				
School Breakfast Program	10.553	1-0883-000	28,195	-
National School Lunch Program	10.555	1-0883-000	160,611	-
Summer Food Service Program for Children	10.559	1-0883-000	141,904	-
Total Child Nutrition Cluster			<u>383,996</u>	<u>-</u>
Total U.S. Department of Agriculture			383,996	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through Northwest Suburban Integration School District:				
Magney Schools Assistance	84.165	U165A180040	462,005	-
Passed Through Great River Perkins Consortium:				
Carl Perkins Vocational and Applied Technology	84.048	N/A	2,430	-
Passed Through Minnesota Department of Education:				
Title I Grants for Local Educational Agencies	84.010	S010A180023A	142,357	-
Special Education Cluster:				
Special Education Grants to States	84.027	1-6050-061	84,330	-
Special Education Preschool Grants	84.173	H173A180086	11,502	-
Total Special Education Cluster			<u>95,832</u>	<u>-</u>
Title II, Part A - Teacher and Principal Training and Recruiting	84.367	S367A180022	30,393	-
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	N/A	20,601	-
Total U.S. Department of Education			<u>753,618</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,137,614</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Rockford Area Schools.

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Notes to Schedule of Expenditures of Federal Awards (Continued):

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the District. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10% de minimis indirect costs rate as allowed under Uniform Guidance.

Note 3:

The total of CFDA #10.555 is \$213,897.



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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2020, 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 16, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat §6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* 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 16, 2020

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

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

Identification of major programs:

CFDA Numbers

10.553, 10.555, and 10.559
84.027 and 84.173

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

B. FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS

Finding 2020-001 - 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 AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Sherlyn Tischner, Business Manager

Corrective Action Plan: A corrective action plan is in place.

Anticipated Completion Date: June 30, 2021.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL

None noted

D. FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

None noted

