Rockford Public Schools

Quality Community – Quality Schools

Together Building a Tradition of Excellence

Annual Financial Report

Year Ended: June 30, 2018

ROCKFORD PUBLIC SCHOOLS
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For the year ended June 30, 2018

Financial Section

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For the year ended June 30, 2018

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FINANCIAL SECTION

Hungerford Nichols CPAs + Advisors
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INDEPENDENT AUDITOR'S REPORT

October 24, 2018

The Board of Education
Rockford Public Schools

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 Rockford Public Schools (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Rockford Public Schools as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockford Public Schools' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements 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 combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note M to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 on our consideration of Rockford Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Rockford Public Schools' internal control over financial reporting and compliance.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Rockford Public Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, 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.

  - *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.

  - *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial 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.

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, deferred outflows of resources, 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 District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities*: The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

New Accounting Pronouncements Implemented

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. These changes resulted in a reduction of $40,947,665 in district-wide net position as of July 1, 2017, (to record the beginning net OPEB liability of $43,510,747 less the OPEB contributions made after the measurement date of $2,563,082) and now include the *net OPEB liability* of the District of $43,079,055 at June 30, 2018.

Condensed District-wide Financial Information

The Statement of Net Position provides financial information on the District as a whole.

	2018	2017
Assets		
Current assets	$ 42,599,320	$ 54,563,774
Net capital assets	106,833,418	100,659,472
Total Assets	**149,432,738**	**155,223,246**
Deferred Outflows of Resources	**34,771,990**	**23,785,449**
Liabilities		
Current liabilities	25,619,144	26,819,416
Long-term liabilities	119,019,378	129,738,509
Net pension liability	126,035,173	124,362,527
Net OPEB liability	43,079,055	-
Total Liabilities	**313,752,750**	**280,920,452**
Deferred Inflows of Resources	**10,582,437**	**611,616**
Net Position		
Net investment in capital assets	(295,302)	(3,633,688)
Restricted	2,902,306	2,015,601
Unrestricted (deficit)	(142,737,463)	(100,905,286)
Total Net Position	**$ (140,130,459)**	**$ (102,523,373)**

The Statement of Activities presents changes in net position from operating results:

	2018	2017
Program Revenues		
Charges for services	$ 4,205,844	$ 3,973,998
Operating grants	19,706,548	17,069,153
General Revenues		
Property taxes	21,558,123	20,885,988
State school aid, unrestricted	54,210,749	52,924,603
Interest and investment earnings	518,006	368,096
Other	2,745,834	2,801,122
Total Revenues	102,945,104	98,022,960
Expenses		
Instruction	54,860,676	51,893,558
Supporting services	33,135,621	33,849,227
Community services	2,977,230	2,764,252
Food service	2,547,509	2,455,159
Other	194,485	194,485
Interest on long-term debt	5,828,905	6,094,457
Depreciation – unallocated	60,099	59,201
Total Expenses	99,604,525	97,310,339
Change in net position	3,340,579	712,621
Net Position, Beginning of Year, as Restated	(143,471,038)	(103,235,994)
Net Position, End of Year	**$ (140,130,459)**	**$ (102,523,373)**

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. An increase in State aid combined with a slight increase in enrollment compared to prior year contributed to an increase in total revenues. The District also experienced an increase in taxable property values over prior year.

The District's total revenues were $102.9 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 74 percent of the total. The remainder came from State and federal aid for specific programs, fees charged for services, interest earnings and other local sources.

The total cost of all programs was $99.6 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (72 percent). The District's administrative and business services accounted for 8 percent of total costs and operation and maintenance services accounted for 9 percent of total costs.

Total revenues exceeded expenses by $3.3 million on the Statement of Activities, increasing total net position from a deficit of $143,471,039, as restated at June 30, 2017, to a deficit of $140,130,459 at June 30, 2018. Unrestricted net assets decreased by $41,832,177 to a deficit of $142,737,463 at June 30, 2018. This large decrease is mainly due to the restatement of net position at July 1, 2017 for the new accounting pronouncement, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's net pension liability, including deferred outflows and inflows of resources, increased by $2,290,143 during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, increased by $303,688 during the fiscal year.

The current position of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.

- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website, staff meetings and presentations.

- Collaboration with the surrounding districts has helped reduce expenditures in many areas. The seven school districts in the northwest region of Kent County continue to collaborate in combining services where possible.

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. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes 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 the reader 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, additional information following the governmental funds' statements explain the relationship (or differences) between them.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship and Student Activities Funds. 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. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Rockford Public School's funds are described as follows:

Major Funds

- The General Fund is our primary operating fund. The General Fund had total revenues of $83,667,079 and total expenditures of $82,257,152. The General Fund ended the fiscal year with a fund balance of $4,593,114, up from $3,183,187 at June 30, 2017.

- The 2016 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. During fiscal year 2017-18, revenues and expenditures totaled $337,119 and $12,767,711, respectively. The fund balance at year end was $20,362,449, and is to be used for facilities improvement projects in subsequent fiscal years.

Nonmajor Funds

- The Food Service Fund, which administers the hot lunch program of the District, had total revenues of $2,408,133 and total expenditures of $2,374,352 in 2017-18, increasing its fund balance to $167,318 at June 30, 2018, up from $133,537 at June 30, 2017.

- The District operates five Debt Service Funds to finance the repayment of general obligation bonds. Total revenues and expenditures were $15,167,427 and $14,249,535, respectively. The ending fund balances totaled $3,636,559, up from $2,718,667 at June 30, 2017.

- In the 2007-08 fiscal year, the District issued $45,250,000 in general obligation building and site bonds which are accounted for in the 2008 Construction Capital Projects Fund. Current year investment earnings totaled $829, and equipment and building improvement expenditures totaled $77,004. There is a remaining fund balance of $7,996 at June 30, 2018, down from $84,171 at June 30, 2017.

Fiduciary Funds

- The Scholarship Fund is operated as a Private Purpose Trust Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2018 totaled $456,130.

- The Student Activities Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2018 totaled $769,223.

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Changes made in the fall to account for the final student enrollment, which determines how much state foundation grant will be received during the fiscal year.
- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.
- The District increased its General Fund balance by $736,910 more than budgeted. This was due in part to the passing of a county wide enhancement millage in May of 2017 and additional participation in the District's Community Ed Child Care programs.
- The final budget for the General Fund anticipated the fund balance to be 4.70% of General Fund expenditures and transfers - the actual results equaled 5.56%

Capital Asset and Debt Administration

Capital Assets

By the end of 2018, the District had a $188,343,370 investment in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

At June 30, 2018, the District's investment in capital assets (net of accumulated depreciation), was $106,833,418. Capital asset additions totaled $11,044,367 for the fiscal year with accumulated depreciation increasing $4,870,421, leaving a net increase in the book value of capital assets of $6,173,946.

The District's net investment in capital assets, including land, land improvements, buildings and additions, vehicles and furniture and equipment, is detailed as follows:

Land	$ 2,093,127
Construction in progress	1,068,387
Land improvements	10,099,632
Buildings and improvements	87,792,826
Furniture and equipment	3,279,042
Vehicles	2,500,404
Net Capital Assets	$ 106,833,418

The District's net investment in capital assets is a deficit of $20,657,751 at June 30, 2018, resulting from the fact that significant amounts of new technology-related equipment which fall under the $5,000 capitalization threshold of the District were purchased with the proceeds of recent bond issues.

Long-term Debt

At year end, the District had $129.9 million in general obligation bonds and other long-term debt outstanding – a net decrease of $10.1 million from June 30, 2017.

The District's bond rating for general obligation debt was affirmed by Standard and Poor's as AA-with a positive outlook. The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within a District's boundaries.

The District's other obligations include early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district.

- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to health care and pension contribution obligations in 2017-18 and beyond. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management.

- The District and bargaining units negotiated a three-year agreement expiring at the end of the 2019-20 school year. The current contract provides health insurance utilizing MESSA ABC High-Deductible Plan as the standard plan with staff paying premium costs above state mandated levels. Changes to laws regulating the bidding and procurement of health insurance may change the way insurance is provided to the bargaining units.

- As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with continued less revenue and increasing expenditures is the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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, Rockford Public Schools, 350 N. Main Street, Rockford, Michigan 49341

BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 2,750
Cash equivalents, deposits and investments (Note B)	29,607,487
Accounts receivable	87,487
Due from other governmental units (Note C)	12,818,550
Inventory	74,805
Prepaid expenses	8,241
Capital assets not being depreciated (Note E)	3,161,514
Capital assets being depreciated, net (Note E)	103,671,904
Total Assets	149,432,738
Deferred Outflows of Resources	
Loss on advance bond refundings, net	1,290,794
Deferred pension amounts	30,197,108
Deferred OPEB amounts	3,284,088
Total Deferred Outflows of Resources	34,771,990
Liabilities	
Accounts payable	1,364,065
State aid loan payable (Note F)	4,000,000
Due to other governmental units	4,111,208
Payroll withholdings payable	376,111
Accrued interest payable	963,417
Salaries payable	3,759,033
Unearned revenue	167,617
Long-term liabilities: (Note G)	
Due within one year	10,877,693
Due in more than one year	119,019,378
Net pension liability (Note H)	126,035,173
Net OPEB Liability (Note I)	43,079,055
Total Liabilities	313,752,750
Deferred Inflows of Resources	
Deferred pension amounts	9,126,051
Deferred OPEB amounts	1,456,386
Total Deferred Inflows of Resources	10,582,437
Net Position	
Net investment in capital assets	(295,302)
Restricted for:	
Capital outlay	7,996
Debt service	2,726,992
Food service	167,318
Unrestricted (deficit)	(142,737,463)
Total Net Position	$(140,130,459)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes In Net Position
Governmental Activities				
Instruction	$ 54,860,676	$ -	$ 17,830,237	$ (37,030,439)
Supporting services	33,135,621	588,179	968,304	(31,579,138)
Community services	2,977,230	1,976,936	-	(1,000,294)
Food service	2,547,509	1,640,729	764,490	(142,290)
Other	194,485	-	-	(194,485)
Interest on long-term debt	5,828,905	-	143,517	(5,685,388)
Depreciation - unallocated*	60,099	-	-	(60,099)
Total Governmental Activities	$ 99,604,525	$ 4,205,844	$ 19,706,548	(75,692,133)
	General Revenues			
	Taxes:			
	Property taxes, levied for general operations			6,634,096
	Property taxes, levied for debt service			14,924,027
	State school aid, unrestricted			54,210,749
	Interest and investment earnings			518,006
	Other			2,745,834
	Total General Revenues			79,032,712
	Change in Net Position			3,340,579
	Net Position - Beginning of year as restated (Note M)			(143,471,038)
	Net Position - End of Year			$ (140,130,459)

*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2018

	General	2016 Construction	Nonmajor	Total
Assets				
Cash	$ 1,250	$ -	$ 1,500	$ 2,750
Cash equivalents, deposits and investments (Note B)	4,572,280	20,947,553	4,087,654	29,607,487
Accounts receivable	81,397	-	6,090	87,487
Due from other funds (Note D)	315,800	-	33,920	349,720
Due from other governmental units (Note C)	12,818,550	-	-	12,818,550
Inventory	11,805	-	63,000	74,805
Prepaid expenditures	5,091	-	3,150	8,241
Total Assets	$ 17,806,173	$ 20,947,553	$ 4,195,314	$ 42,949,040
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 687,873	$ 585,104	$ 57,143	$ 1,330,120
State aid anticipation loan payable (Note F)	4,000,000	-	-	4,000,000
Due to other funds (Note D)	73,214	-	310,451	383,665
Due to other governmental units	4,096,987	-	14,221	4,111,208
Payroll withholdings payable	374,485	-	1,626	376,111
Accrued interest payable	53,850	-	-	53,850
Salaries payable	3,759,033	-	-	3,759,033
Unearned revenue	167,617	-	-	167,617
Total Liabilities	13,213,059	585,104	383,441	14,181,604
Fund Balances (Note A)				
Nonspendable	16,896	-	66,150	83,046
Restricted	-	20,362,449	3,745,723	24,108,172
Unassigned	4,576,218	-	-	4,576,218
Total Fund Balances	4,593,114	20,362,449	3,811,873	28,767,436
Total Liabilities and Fund Balances	$ 17,806,173	$ 20,947,553	$ 4,195,314	$ 42,949,040

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total governmental fund balances		$ 28,767,436
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $188,343,370 and accumulated depreciation is $81,509,952.		106,833,418
Bond refunding losses are not expensed but are amortized over the life of the new bond issue on the Statement of Activities.		1,290,794
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$(112,680,000)	
Energy conservation bonds	(310,000)	
Bond premium	(16,101,963)	
Early retirement incentive	(453,507)	
Accumulated sick leave	(351,601)	(129,897,071)
Accrued interest on long-term debt is not included as a liability in governmental funds.		(909,567)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(126,035,173)	
Deferred outflows	30,197,108	
Deferred inflows	(9,126,051)	(104,964,116)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(43,079,055)	
Deferred outflows	3,284,088	
Deferred inflows	(1,456,386)	(41,251,353)
Total net position - governmental activities		$(140,130,459)

ROCKFORD PUBLIC SCHOOLS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018

	General	2016 Construction	Nonmajor	Total
Revenues				
Local sources	$ 10,639,988	$ 337,119	$ 16,686,183	$ 27,663,290
State sources	65,211,783	-	322,278	65,534,061
Federal sources	1,693,682	-	567,928	2,261,610
Interdistrict sources	6,121,626	-	-	6,121,626
Total Revenues	83,667,079	337,119	17,576,389	101,580,587
Expenditures				
Current:				
Instruction	50,744,995	-	-	50,744,995
Supporting services	28,495,690	345,732	-	28,841,422
Food service	-	-	2,374,352	2,374,352
Community services	2,902,936	-	-	2,902,936
Capital outlay	-	12,421,979	77,004	12,498,983
Debt service:				
Principal repayment	95,000	-	8,425,000	8,520,000
Interest and fiscal charges	18,531	-	5,824,535	5,843,066
Total Expenditures	82,257,152	12,767,711	16,700,891	111,725,754
Net Change in Fund Balances	1,409,927	(12,430,592)	875,498	(10,145,167)
Fund Balances, Beginning of Year	3,183,187	32,793,041	2,936,375	38,912,603
Fund Balances, End of Year	$ 4,593,114	$ 20,362,449	$ 3,811,873	$ 28,767,436

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2018

Net change in fund balances - total governmental funds		$ (10,145,167)
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, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays	$ 11,044,367	
Depreciation expense	(4,870,421)	6,173,946
Bond refunding losses are amortized over the life of the new bond issue on the Statement of Activities.		(194,485)
Bond premium is amortized over the life of the new bond issue on the Statement of Activities.		1,364,517
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not effect the Statement of Activities:		
Repayment of general obligation bonds	8,425,000	
Repayment of energy conservation improvement bonds	95,000	8,520,000
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.		14,161
In the Statement of Net Position, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these amounts used/paid ($567,749) exceeded the benefits earned ($366,311).		201,438
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		(2,290,143)
The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		(303,688)
Total changes in net position - governmental activities		$ 3,340,579

ROCKFORD PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 9,899,632	$10,009,632	$10,639,988	$ 630,356
State sources	63,612,483	65,094,533	65,211,783	117,250
Federal sources	1,763,345	1,724,868	1,693,682	(31,186)
Interdistrict sources	5,861,859	5,913,892	6,121,626	207,734
Total Revenues	81,137,319	82,742,925	83,667,079	924,154
Expenditures				
Instruction:				
Basic programs	42,629,176	43,032,852	42,802,468	230,384
Added needs	7,924,744	7,923,052	7,795,395	127,657
Adult education	174,519	165,626	147,132	18,494
Supporting services:				
Pupil services	4,313,228	4,339,058	4,339,040	18
Instructional staff services	2,041,764	2,137,968	2,648,140	(510,172)
General administrative services	690,552	698,370	714,123	(15,753)
School administrative services	4,650,779	4,640,085	4,755,481	(115,396)
Business services	1,228,932	1,299,002	1,396,210	(97,208)
Operation and maintenance services	6,715,544	6,967,244	7,292,686	(325,442)
Pupil transportation services	4,168,006	4,253,027	4,102,737	150,290
Central services	1,814,687	1,909,185	1,880,656	28,529
Other supporting services	1,341,681	1,341,681	1,366,617	(24,936)
Community services:	2,959,056	3,250,031	2,902,936	347,095
Debt service:				
Principal repayment	234,424	95,000	95,000	-
Interest and fiscal charges	12,968	17,727	18,531	(804)
Total Expenditures	80,900,060	82,069,908	82,257,152	(187,244)
Net Change in Fund Balances	237,259	673,017	1,409,927	736,910
Fund Balances, Beginning of Year	3,183,187	3,183,187	3,183,187	-
Fund Balances, End of Year	$ 3,420,446	$ 3,856,204	$ 4,593,114	$ 736,910

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	$ 456,130	$ 729,929
Due from other funds (Note D)	-	39,294
Total Assets	456,130	$ 769,223
Liabilities		
Accounts Payable	-	$ 1,672
Due to other funds (Note D)	-	5,349
Due to student groups	-	762,202
Total Liabilities	-	$ 769,223
Net Position		
Held in trust for:		
Individuals and organizations	$ 456,130	

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2018

	Private Purpose Trust Fund
Additions	
Interest earnings	$ 5,863
Donations	76,453
Total Additions	82,316
Deductions	
Endowment activities - scholarships	60,651
Change In Net Position	21,665
Net Position, Beginning of Year	434,465
Net Position, End of Year	$ 456,130

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Rockford Public Schools (the "District") was organized under the School Code of the State of Michigan, and services a population of approximately 7,977 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-wide and Fund Financial Statements

District-wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2016 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate schedules.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. 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 recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation allowance is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Major Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

The *2016 Construction Capital Projects Fund* is used to record the bond proceeds, investment earnings and the disbursement of the monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Nonmajor Funds:

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Fund maintained by the District is the Food Service Special Revenue Fund.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Trust Funds—Trust Fund net position and results of operations are not included in the district-wide financial statements. Trust funds are reported using the economic resources measurement focus. The District presently maintains a private purpose scholarship fund for the benefit of students.

Agency Funds—Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Rockford Public Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Rockford Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent of Finance to establish proposed operating budgets for the fiscal year commencing the following July 1.

- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them. The legal level of budgetary control is at the function level.

- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.

- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.

- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).

- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventories/Prepaid Items

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the General Fund consist of teaching and custodial supplies, while inventories of the Food Service Fund consist of food, and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed (consumption method) rather than when purchased.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, furniture and equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	40-50 years
Furniture and equipment	3-10 years
Vehicles	5-10 years

9. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2018 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2018, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to $453,507 and $351,601, respectively.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

12. Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establish standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three such items that qualify for reporting in this category: the deferred charge on a previous year's bond refunding, the deferred outflows relating to the recognition of net pension liability on the financial statements and the deferred outflows relating to the recognition of net OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position 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 future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

15. Fund Balance

The District has adopted Governmental Accounting Standards Board (GASB) No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* The stated objective GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Rockford Public Schools' Board of Education has delegated authority to assign fund balances for a specific purpose to the Superintendent and the Assistant Superintendent of Finance. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2018, Rockford Public Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally charted bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.

- Commercial paper

- Securities issued or guaranteed by agencies or instrumentalities of the United States government.

- United States government or Federal agency obligation repurchase agreements.

- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.

- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.

- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2018 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 29,607,487
Fiduciary Funds:	
Trust and Agency Funds	1,186,059
	$ 30,793,546

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2018 balances are detailed as follows:

Cash equivalents	$ 140,943

Custodial Credit Risk Related to Cash Equivalents
Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents was $140,943, and the bank balance was $141,487, all of which was covered by federal depository insurance.

Investments

As of June 30, 2018, the District had the following investments:

Surplus Funds Investment Pool Accounts:	
Michigan Liquid Asset Fund Plus	$ 30,652,603

The Michigan Liquid Asset Fund Plus (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2018. The MILAF fund is rated AAAm by Standard & Poor's rating agency.

Custodial Credit Risk Related to Investments
Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2018, the District had no investments that were subject to custodial credit risk.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk
The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk
The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk
The District in not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2017 and October 2017. The 2017-18 "Foundation Allowance" for Rockford Public Schools was $7,631 for 7,970 "Full Time Equivalent" students, generating $64,584,154 in state aid payments to the District of which $11,555,760 was paid to the District in July and August 2018 and included in "Due From Other Governmental Units" of the General Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the City of Rockford and the Townships of Algoma, Cannon, Courtland, Grattan, Oakfield and the Charter Township of Plainfield, and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill “Local Enhancement Millage” which must be shared between all local districts in each respective county intermediate district.

As Rockford Public Schools’ electors had previously (November, 2014) approved a ten year 18 mill operating millage extension, due to Headlee rollbacks only 17.3894 mills of non-homestead property tax was levied in the District for 2017.

The District levied a .9689 recreation millage and 8.50 mills for debt service purposes in 2017, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted “Local Enhancement Millage” nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax exemptions); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Kent with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2018, the District’s property tax revenues were reduced by approximately $88,050 under these agreements.

Note D – Interfund Receivables/Payables

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2018, are detailed as follows:

	Due From	Due To
Major Funds		
General Fund:		
Special Revenue Fund:		
Food Service Fund	$ 310,451	$ 33,920
Agency Fund:		
Student Activity Fund	5,349	39,294
Total Major Funds	315,800	73,214
Nonmajor Fund		
Special Revenue Fund:		
Food Service Fund:		
General Fund	33,920	310,451
Fiduciary Fund		
Agency Fund:		
Student Activity Fund:		
General Fund	39,294	5,349
Total All Funds	$ 389,014	$ 389,014

Note E – Capital Assets

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

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
Capital assets not being depreciated:				
Land	$ 2,093,127	$ -	$ -	$ 2,093,127
Construction in progress	12,309,026	9,951,232	21,191,871	1,068,387
Totals capital assets not being depreciated	14,402,153	$ 9,951,232	$ 21,191,871	3,161,514
Capital assets being depreciated:				
Land improvements	18,708,756	$ -	$ -	18,708,756
Buildings and improvements	121,649,054	21,309,850	-	142,958,904
Furniture and equipment	16,917,975	585,628	-	17,503,603
Vehicles	5,918,989	389,528	297,924	6,010,593
Totals capital assets being depreciated	163,194,774	$ 22,285,006	$ 297,924	185,181,856
Less accumulated depreciation for:				
Land improvements	7,841,050	$ 768,074	$ -	8,609,124
Buildings and improvements	52,311,770	2,854,308	-	55,166,078
Furniture and equipment	13,398,007	826,554	-	14,224,561
Vehicles	3,386,628	421,485	297,924	3,510,189
Total accumulated depreciation	76,937,455	$ 4,870,421	$ 297,924	81,509,952
Total capital assets being depreciated, net	86,257,319			103,671,904
Net Capital Assets	$ 100,659,472			$ 106,833,418

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	$ 2,888,395
Supporting services	1,809,273
Community services	4,284
Food service	108,370
Unallocated	60,099
	$ 4,870,421

Note F – Short-term Debt

On August 20, 2017, the District repaid the $5,200,000 August 22, 2016 State aid anticipation loan. On August 21, 2017, the District borrowed $4,000,000 for cash flow purposes, in anticipation of State aid (interest at 1.35%). The loan is due in full on August 20, 2018. Net interest cost on the loans was $53,850 for the fiscal year. This was included as an expenditure in General Fund Other Business Services as required by the Michigan Department of Education.

	Debt Outstanding July 1, 2017	Debt Added	Debt Retired	Debt Outstanding June 30, 2018
State Aid Anticipation Loans	$ 5,200,000	$ 4,000,000	$ 5,200,000	$ 4,000,000

Note G – Long-term Debt

Changes in long-term debt for the year ended June 30, 2018 are summarized as follows:

	Debt Outstanding July 1, 2017	Debt Added	Debt Retired	Debt Outstanding June 30, 2018
General obligation bonds:				
May 29, 2008	$ 1,000,000	$ -	$ 1,000,000	$ -
February 4, 2012	5,665,000	-	2,805,000	2,860,000
June 3, 2014	31,780,000	-	500,000	31,280,000
February 6, 2015	21,075,000	-	2,440,000	18,635,000
June 6, 2016	380,000	-	195,000	185,000
June 6, 2016	27,135,000	-	175,000	26,960,000
June 6, 2016	34,070,000	-	1,310,000	32,760,000
Bond premium	17,466,480	-	1,364,517	16,101,963
Energy conservation improvement bonds:				
May 22, 2006	405,000	-	95,000	310,000
Early retirement incentive- contractual	744,658	107,220	398,371	453,507
Accumulated sick leave	261,888	259,091	169,378	351,601
	$ 139,983,026	$ 366,311	$ 10,452,266	$ 129,897,071

Long-term debt outstanding at June 30, 2018 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
$22,960K 2012 General Obligation Refunding:				
Annual maturity of $2,860K	May 1, 2019	5.00	$ 2,860,000	$ 2,860,000
$31,780K 2014 Building and Site:				
Annual maturities of $500K to $1,755K	May 1, 2039	4.00 - 5.00	31,280,000	500,000
$26,375K 2015 General Obligation Refunding:				
Annual maturities of $1,895K to $2,225K	May 1, 2027	5.00	18,635,000	2,225,000
$575K 2016 General Obligation Refunding Series A:				
Annual maturity of $185K	May 1, 2019	4.00	185,000	185,000
$27,440K 2016 General Obligation Refunding Series B:				
Annual maturities of $530K to $3,890K	May 1, 2039	4.00 - 5.00	26,960,000	1,185,000
$35,070K 2016 Building and Site:				
Annual maturities of $200K to $2,080K	May 1, 2044	4.00 - 5.00	32,760,000	2,080,000
Bond premium			16,101,963	1,167,693
Energy Conservation Improvement Bonds				
$1,200K 2006 Improvement:				
Annual maturities of $100K to $105K	May 1, 2021	4.35 - 4.45	310,000	100,000
Other Obligations				
Early retirement incentive - contractual			453,507	400,000
Accumulated sick leave			351,601	175,000
			$ 129,897,071	$10,877,693

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2019	$ 9,135,000	$ 5,457,398	$ 14,592,398
2020	3,700,000	5,035,792	8,735,792
2021	3,865,000	4,853,422	8,718,422
2022	3,920,000	4,663,550	8,583,550
2023	4,225,000	4,472,100	8,697,100
2024	4,475,000	4,268,550	8,743,550
2025	4,770,000	4,055,200	8,825,200
2026	5,025,000	3,816,700	8,841,700
2027	5,275,000	3,565,450	8,840,450
2028	5,555,000	3,301,700	8,856,700
2029	5,790,000	3,064,500	8,854,500
2030	6,085,000	2,775,000	8,860,000
2031	6,380,000	2,470,750	8,850,750
2032	6,525,000	2,151,750	8,676,750
2033	6,545,000	1,825,500	8,370,500
2034	3,220,000	1,498,250	4,718,250
2035	3,380,000	1,337,250	4,717,250
2036	3,535,000	1,185,800	4,720,800
2037	3,695,000	1,026,600	4,721,600
2038	3,805,000	859,400	4,664,400
2039	3,805,000	686,700	4,491,700
2040	2,050,000	514,000	2,564,000
2041	2,050,000	411,500	2,461,500
2042	2,050,000	309,000	2,359,000
2043	2,055,000	206,500	2,261,500
2044	2,075,000	103,750	2,178,750
	$ 112,990,000	$ 63,916,112	$ 176,906,112

Note H – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the "System"), is a cost sharing, multiple employer, state-wide, defined benefit public employee retirement system governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor, and the State Superintendent of Instruction, who serves as the ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management and Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of pension plans offered by MPSERS are detailed as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Membership

At September 30, 2017, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	189,960
Survivor benefits	17,878
Disability benefits	6,151
Total	**213,989**
Inactive plan members entitled to but not yet receiving benefits:	**18,004**
Active plan members:	
Vested	101,574
Non-vested	102,407
Total	**203,981**
Total plan members	**435,974**

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

<u>Option 1</u> members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members; 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

<u>Option 2</u> members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

<u>Option 3</u> members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Compensation plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in the 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law, The legislation closed the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012 and is shown below:

Option 1: FAC x total years of service x 1.5%
Option 2: FAC x 30 years of service x 1.5% + FAC x years of service beyond 30 x 1.25%
Option 3: FAC x years of service as of transition date x 1.5% + FAC x years of service after transition date x 1.25%
Option 4: FAC as of transition date x years of service as of transition date x 1.5%

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

A Basic Plan member may retire at:

- age 55 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A MIP or Basic member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early retirement pension is computed in the same manner as a regular pension, but permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc.).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by 2% for each year retired; first year 100%, next year 102%, etc.).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – the Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of the retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiary.

Survivor Options - Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. The Pension Plus plan provides for a survivor pension with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement benefits.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under the method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability will be amortized over a 22 year period for the 2017 fiscal year.

The schedule below summarized pension contribution rate in effect for the plan fiscal year 2017.

Pension Contribution Rates:

Plan Name	Member	District
Member Investment Plan (MIP)	0.0 – 4.0%	19.03%
Basic	3.0 – 7.0 %	19.03%
Pension Plus	3.0 – 6.4%	18.40%
Defined Contribution	0.0%	15.27%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2018, inclusive of the MSPERS UAAL Stabilization, totaled $12,493,773.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	$ 73,501,296
Plan Fiduciary Net Position	47,011,783
Net Pension Liability	$ 26,489,513
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%
Net Pension Liability as a Percentage of Covered Employee Payroll	313.37%
Total Covered Payroll	$ 8,452,983

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2018, the District reported a liability of $126,035,173 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2017 the District's proportion was .48635468%, which was a decrease from .49846335% at September 30, 2016.

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

For the year ended June 30, 2018, the District recognized pension expense of $13,639,688. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,095,332	$ 618,428
Changes of assumptions	13,808,155	—
Net difference between projected and actual earnings on pension plan investment earnings	—	6,025,310
Changes in proportion and differences between District contributions and proportionate share of contributions	3,166,434	2,482,313
District contributions subsequent to the measurement date*	12,127,187	—
Total	$ 30,197,108	$ 9,126,051

*This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2019	$ 2,871,958
2020	4,853,290
2021	1,782,602
2022	(563,980)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	7.5%
Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation of 3.5%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males, and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017 is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers, 1.4186 for university employers].

- Recognition period for assets in years is 5.000.

- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	(0.1%)
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short-term Investment Pools	2.0%	(0.9%)
Total	**100.0%**	

* Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changed amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan,). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (Non-Hybrid/Hybrid) 6.5%/6.0%	Current Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5%/7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5%/8.0%
District's proportionate share of the net pension liability	$ 164,181,910	$ 126,035,173	$ 93,918,050

Michigan Public School Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System September 30, 2017 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employee Retirement System (MPSERS)

Payables to the pension plan totaling $2,034,328 at June 30, 2018 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note I – Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS or "System") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Plan Participants

At September 30, 2017, the System's membership consisted of the following:

Eligible participants	211,051
Participants receiving benefits:	
Health	152,154
Dental/Vision	165,532
Vested plan members:	
Active	190,537
Non-active	2,349

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0 %	5.69%

Required contributions to the OPEB plan from the District were $3,123,745 for the year ended September 30, 2017.

Net OPEB Liability (in thousands)

Total OPEB Liability	$ 14,175,547
Plan Fiduciary Net Position	5,177,775
Net OPEB Liability	$ 8,997,772
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.53%
Net OPEB Liability as a Percentage of Covered Employee Payroll	106.44%
Total Covered Payroll	$ 8,452,983

At June 30, 2018, the District reported a liability of $43,079,055 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was .48646825%.

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

For the year ended June 30, 2018, the District recognized OPEB expense of $2,902,059. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 458,665
Changes of assumptions	—	—
Net difference between projected and actual earnings on OPEB plan investment earnings	—	997,721
Changes in proportion and differences between District contributions and proportionate share of contributions	92,195	—
District contributions subsequent to the measurement date*	3,191,893	—
Total	$ 3,284,088	$ 1,456,386

*This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year ended June 30	Amount
2019	$ (331,334)
2020	(331,334)
2021	(331,334)
2022	(38,855)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation of 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males, and 70% of the table rates were used for females.

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retires are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assume to elect coverage for 1 or more dependents

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]

- Recognition period for assets in years is 5.0000

- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Investments

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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	(0.1%)
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short-term Investment Pools	2.0%	(0.9%)
Total	**100.0%**	

*Long-term rates of return are net of administrative expenses and 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 6.5%	Current Discount Rate Assumption 7.5%	1% Increase 8.5%
District's proportionate share of the net OPEB liability	$ 50,458,024	$ 43,079,055	$ 36,816,621

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net OPEB liability	$ 36,482,169	$ 43,079,055	$ 50,569,360

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $504,742 at June 30, 2018 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note J – Risk Management and Benefits

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, employee medical benefits, workers' compensation, and errors and omissions.

The District is a member of the Michigan School Insurance Programs (MSIP), a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the MSIP are determined through standard underwriting procedures. The members of the MSIP have contributed amounts sufficient to fund individual and aggregate losses up to $250,000 and $1,125,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A $1,000 per occurrence deductible for property losses is maintained. The District paid $263,186 in premiums to the MSIP for the year ended June 30, 2018.

The MSIP also allows for the pooling together of Districts to insure workers' compensation and employers' liability exposures. The MSIP pays the first $450,000 of any workers' compensation or employers' liability loss out of a $2,323,211 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2018, there were no material pending claims against the District. The District paid $280,676 in premiums to the Fund for the year ended June 30, 2018.

Health, life, and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in the 2017-18 fiscal year.

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted amounts for the year ended June 30, 2018, as follows:

	Budget	Actual	Variance
General Fund			
Supporting services:			
Instructional staff services	$ 2,137,968	$ 2,648,140	$ 510,172
General administrative services	698,370	714,123	15,753
School administrative services	4,640,085	4,755,481	115,396
Business services	1,299,002	1,396,210	97,208
Operation and maintenance services	6,967,244	7,292,686	325,442
Other supporting services	1,341,681	1,366,617	24,936
Debt service:			
Interest and fiscal charges	17,727	18,531	804
Food Service Special Revenue Fund			
Food Service	2,329,164	2,374,352	45,188

The District has an unrestricted net position deficit of $142,737,463 and a total net position deficit of $140,130,459 as of June 30, 2018. These deficit net positions result primarily from recording a net pension liability of $104,964,116 (net of deferred outflows and inflows of resources related to the pension plan) and a net OPEB liability of $41,251,353 (net of deferred outflows and inflows of resources related to the OPEB plan).

Note L– Commitments

On June 5, 2008, the District issued $45,250,000 of general obligation 2008 Construction bonds whose proceeds are being used for land improvements, building renovations and additions and furniture and equipment purchases. At June 30, 2018, unspent balances committed to these construction projects totaled $7,996, which are expected to be fully expended by the year ended June 30, 2019.

On June 6, 2016, the District issued $35,070,000 of general obligation 2016 Construction bonds whose proceeds are being used for land improvements, building renovations and additions and furniture and equipment purchases. At June 30, 2018, unspent balances committed to these construction projects totaled $20,362,449, which are expected to be fully expended by the year ended June 30, 2020.

Note M – New Accounting Pronouncement Adopted

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was adopted by the District during the fiscal year ended June 30, 2018. This Statement replaces the requirements of GASB Statement No. 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (OPEB). Changes/additions to deferred outflows of resources, deferred inflows of resources and net OPEB liability required by the Statement decreased beginning net position by $40,947,665 at July 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
District's proportion of the net pension liability	0.47302115%	0.48283576%	0.49846335%	0.48635468%
District's proportionate share of the net pension liability	$104,190,018	$117,932,764	$124,362,527	$126,035,173
District's covered-employee payroll	$ 40,397,194	$ 40,229,246	$ 42,356,434	$ 39,898,626
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257.91%	293.15%	293.61%	315.89%
Plan fiduciary net position as a percentage of the total pension liability	66.15%	62.92%	63.01%	63.96%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	0.48646825%
District's proportionate share of the net OPEB liability	$ 43,079,055
District's covered-employee payroll	$ 39,898,626
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	107.97%
Plan fiduciary net position as a percentage of the total OPEB liability	36.53%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District's Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018
Contractually required contribution	$ 12,675,872	$ 12,493,230	$ 13,702,535	$ 12,493,773
Contributions in relation to the contractually required contribution	12,675,872	12,493,230	13,702,535	12,493,773
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 40,390,791	$ 40,605,013	$ 40,944,291	$ 42,136,916
Contributions as a percentage of covered employee payroll	31.38%	30.77%	33.47%	29.65%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District's OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2018

	Year Ended June 30, 2018
Contractually required contribution	$ 3,123,745
Contributions in relation to the contractually required contribution	3,123,745
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 42,136,916
Contributions as a percentage of covered employee payroll	7.41%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See accompanying notes to required supplementary information.

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2017-18.

Changes of assumptions: There were no changes of benefit assumptions in 2017-18.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2017-18.

Changes of assumptions: There were no changes of benefit assumptions in 2017-18.

SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	$ 1,250	$ 1,250
Cash equivalents, deposits and investments	4,572,280	4,201,858
Accounts receivable	81,397	40,091
Due from other funds	315,800	272,310
Due from other governmental units	12,818,550	12,437,986
Inventory	11,805	34,845
Prepaid expenditures	5,091	4,952
Total Assets	$ 17,806,173	$ 16,993,292
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 687,873	$ 631,999
State aid anticipation loan payable	4,000,000	5,200,000
Due to other funds	73,214	285,900
Due to other governmental units	4,096,987	3,625,902
Payroll withholdings payable	374,485	104,613
Accrued interest payable	53,850	46,151
Salaries payable	3,759,033	3,598,973
Unearned revenue	167,617	316,567
Total Liabilities	13,213,059	13,810,105
Fund Balances		
Nonspendable	16,896	39,797
Unassigned	4,576,218	3,143,390
Total Fund Balances	4,593,114	3,183,187
Total Liabilities and Fund Balances	$ 17,806,173	$ 16,993,292

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2018 and 2017

	2018	2017
Local sources:		
Property taxes:		
Operating	$ 4,904,641	$ 4,948,937
Recreation	1,697,199	1,640,711
Industrial facilities taxes	1,971	2,479
Delinquent and other property taxes	23,436	25,463
Interest on delinquent taxes	6,849	6,914
	6,634,096	6,624,504
Interest earnings:		
Interest on deposits and investments	75,130	30,971
Revenues from student activities:		
Gate fees	202,741	167,410
Pay to participate	237,855	234,442
	440,596	401,852
Other local revenue:		
Preschool fees	173,458	187,847
Adult/community education fees	447,451	392,967
Transportation fees	63,588	64,520
Child care fees	1,345,938	1,311,751
Third party testing	50,367	39,708
Beverage consortium commissions	30,128	31,731
Sale of school property	7,928	-
Pool fees	183,547	130,864
Rental of school facilities	175,598	123,623
Donations	122,574	116,773
Universal service credit	33,628	77,405
Miscellaneous	855,961	579,813
	3,490,166	3,057,002
Total local sources	10,639,988	10,114,329
State sources:		
State school aid	64,437,015	62,051,497
Special education - transportation	538,532	590,713
Special education - itinerants	204,355	209,639
Payment in lieu of taxes	17,801	17,459
Great Start Readiness site reimbursement	14,080	14,080
Total state sources	65,211,783	62,883,388
Federal sources:		
Title I	419,600	427,854
Title IIA	148,317	127,321
Title IV	9,453	-
I.D.E.A. program	1,084,214	1,156,459
Welfare to work	16,800	55,500
Medicaid - Outreach	15,298	19,113
Groundswell grant	-	1,075
Total federal sources	1,693,682	1,787,322

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2018 and 2017

	2018	2017
Interdistrict sources:		
County enhancement millage	$ 1,706,305	$ -
Special education - county	3,878,855	3,791,687
Special education - tuition	143,204	196,953
Medicaid fee for service	193,677	304,215
Adult continuing education	106,345	36,961
Bus driver safety	2,373	3,761
Foreign exchange program	90,867	86,000
Total interdistrict sources	4,415,321	4,419,577
Total Revenues	$ 81,960,774	$ 79,204,616

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	$ 11,562,062	$ 11,149,199
Employee benefits	7,933,704	7,264,841
Purchased services	190,096	193,460
Supplies	148,131	158,208
Capital outlay	1,527	951
Miscellaneous	-	31
	19,835,520	18,766,690
Middle school:		
Salaries	5,659,048	5,493,498
Employee benefits	3,903,597	3,636,925
Purchased services	91,673	78,852
Supplies	84,377	70,308
Capital outlay	531	407
Miscellaneous	807	295
	9,740,033	9,280,285
High school:		
Salaries	7,344,250	7,267,418
Employee benefits	5,092,409	4,909,129
Purchased services	311,315	306,181
Supplies	279,447	132,155
Capital outlay	662	135
Miscellaneous	11,900	8,624
	13,039,983	12,623,642
Preschool:		
Salaries	81,856	89,015
Employee benefits	86,899	93,149
Purchased services	488	124
Supplies	2,856	4,101
	172,099	186,389
Summer school:		
Salaries	10,000	11,200
Employee benefits	4,833	5,097
	14,833	16,297
Total basic programs	42,802,468	40,873,303
Added needs:		
Special education:		
Salaries	3,401,449	3,309,862
Employee benefits	2,101,886	2,089,795
Purchased services	59,792	63,802
Supplies	12,312	24,968
Capital outlay	3,504	4,885
Payments to other districts	637,086	595,760
	6,216,029	6,089,072

(Continued)

	2018	2017
Compensatory education:		
Salaries	$ 707,747	$ 659,468
Employee benefits	377,490	329,407
Purchased services	88,288	26,576
Supplies	52,979	35,341
Miscellaneous	16	5,426
	1,226,520	1,056,218
Vocational education:		
Salaries	207,865	202,443
Employee benefits	130,928	134,686
Purchased services	9,110	7,289
Supplies	4,943	13,838
	352,846	358,256
Total added needs	7,795,395	7,503,546
Adult education services:		
Basic:		
Salaries	97,066	104,879
Employee benefits	46,837	55,492
Purchased services	1,187	1,287
Supplies	1,698	1,530
Miscellaneous	344	295
Total adult education services	147,132	163,483
Total instruction	50,744,995	48,540,332
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	861,715	900,063
Employee benefits	658,311	569,402
Purchased services	6,322	5,918
Capital outlay	200	-
	1,526,548	1,475,383
Occupational therapist services:		
Salaries	91,712	94,692
Employee benefits	45,907	46,622
Purchased services	17,950	18,837
Supplies	2,726	15,943
Payments to other districts	252,210	243,633
	410,505	419,727
Psychological services:		
Purchased services	865	678
Supplies	2,575	885
Payments to other districts	470,443	455,672
	473,883	457,235
Speech pathology services:		
Employee benefits	-	399
Purchased services	1,013	914
Supplies	2,122	3,272
Payments to other districts	694,091	678,349
	697,226	682,934

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Social worker services:		
Purchased services	$ 1,279	$ 1,338
Supplies	1,945	6,229
Payments to other districts	825,388	694,009
	828,612	701,576
Teacher consultant services:		
Salaries	250	153,875
Employee benefits	(2,041)	92,289
Purchased services	2,762	2,167
Supplies	1,747	1,722
Payments to other districts	399,548	514,967
	402,266	765,020
Total pupil services	4,339,040	4,501,875
Instructional staff services:		
Improvement of instruction:		
Salaries	227,849	231,822
Employee benefits	122,966	130,315
Purchased services	143,420	122,020
Supplies	540,065	291,818
Miscellaneous	12,760	13,710
	1,047,060	789,685
Library:		
Salaries	526,597	509,279
Employee benefits	340,307	306,799
Purchased services	1,500	712
Supplies	134,685	126,775
Capital outlay	-	10
	1,003,089	943,575
Educational television:		
Purchased services	5,085	1,883
Supplies	-	396
Capital outlay	4,574	-
	9,659	2,279
Instructional technology:		
Salaries	124,735	117,111
Employee benefits	54,256	54,220
Purchased services	5,276	2,291
	184,267	173,622
Supervision and direction of instruction:		
Salaries	211,167	187,345
Employee benefits	117,921	115,892
Purchased services	18,195	12,482
Supplies	56,548	23,491
Capital outlay	234	912
	404,065	340,122
Total instructional staff services	2,648,140	2,249,283

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
General administrative services:		
Board of education:		
Purchased services	$ 169,612	$ 173,126
Supplies	13,028	6,942
Capital outlay	-	42
Miscellaneous	11,830	14,690
	194,470	194,800
Executive administration:		
Salaries	311,924	305,221
Employee benefits	175,652	162,748
Purchased services	22,514	20,359
Supplies	4,596	4,240
Miscellaneous	4,967	3,601
	519,653	496,169
Total general administrative services	714,123	690,969
School administrative services:		
Office of the principal:		
Salaries	2,768,299	2,735,708
Employee benefits	1,944,312	1,766,047
Purchased services	16,497	18,757
Supplies	22,434	13,668
Capital outlay	1,286	917
Miscellaneous	2,653	4,281
Total school administrative services	4,755,481	4,539,378
Business services:		
Fiscal services:		
Salaries	522,420	509,382
Employee benefits	386,113	363,983
Purchased services	46,325	44,261
Supplies	76,414	73,583
Capital outlay	(100)	-
Miscellaneous	393	569
	1,031,565	991,778
Document center:		
Salaries	33,043	32,530
Employee benefits	29,287	27,056
Purchased services	111,808	91,056
Supplies	48,717	70,913
	222,855	221,555
Other business services:		
Miscellaneous	141,790	112,349
Total business services	1,396,210	1,325,682

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Operation and maintenance services:		
Operation and maintenance:		
Salaries	$ 1,974,549	$ 1,905,761
Employee benefits	1,468,732	1,387,356
Purchased services	1,368,633	1,280,980
Supplies	1,905,825	1,888,310
Capital outlay	61,215	6,271
Miscellaneous	2,560	1,403
	6,781,514	6,470,081
Security services:		
Salaries	281,851	270,410
Employee benefits	224,824	193,127
Purchased services	4,497	3,779
	511,172	467,316
Total operation and maintenance services	7,292,686	6,937,397
Pupil transportation services:		
Pupil transportation:		
Salaries	1,532,481	1,471,090
Employee benefits	1,055,800	997,163
Purchased services	80,109	36,669
Supplies	636,851	523,631
Capital outlay	19,867	27,028
Miscellaneous	3,516	2,485
Payments to other districts	774,113	796,300
Total pupil transportation services	4,102,737	3,854,366
Central services:		
Personnel services:		
Salaries	290,453	282,672
Employee benefits	206,789	191,366
Purchased services	87,854	50,020
Supplies	11,096	11,297
Miscellaneous	654	1,045
	596,846	536,400
Operational technology services:		
Salaries	539,133	507,942
Employee benefits	402,690	365,782
Purchased services	320,974	270,069
Supplies	20,663	26,083
Capital outlay	350	802
Miscellaneous	-	336
	1,283,810	1,171,014
Total central services	1,880,656	1,707,414

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2018 and 2017

	2018	2017
Other supporting services:		
Athletics:		
Salaries	$ 732,600	$ 731,138
Employee benefits	347,949	362,797
Purchased services	175,075	165,951
Supplies	74,663	50,792
Capital outlay	3,052	2,146
Miscellaneous	33,278	36,808
Total other supporting services	1,366,617	1,349,632
Total supporting services	28,495,690	27,155,996
Community services:		
Community education, pool and CDL testing:		
Salaries	322,945	273,851
Employee benefits	171,511	160,737
Purchased services	3,363	3,288
Supplies	35	5,156
	497,854	443,032
Leisure time activities:		
Salaries	431,105	397,152
Employee benefits	283,927	247,734
Purchased services	103,946	90,430
Supplies	103,605	112,933
Capital outlay	-	182
Miscellaneous	20,172	21,730
	942,755	870,161
Custody and care of children:		
Salaries	906,204	865,522
Employee benefits	404,953	405,955
Purchased services	120,158	119,274
Supplies	17,597	20,501
Capital outlay	13,415	9,128
	1,462,327	1,420,380
Total community services	2,902,936	2,733,573
Debt service:		
Principal repayment	95,000	223,648
Interest and fiscal charges	18,531	24,548
Total debt service	113,531	248,196
Total Expenditures	$ 82,257,152	$ 78,678,097

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NONMAJOR GOVERNMENTAL FUNDS

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018

	Special Revenue		
	Food Service	2008	2012
Assets			
Cash	$ 1,500	$ -	$ -
Cash equivalents, deposits and investments	394,194	60,220	591,882
Accounts receivable	6,090	-	-
Due from other funds	33,920	-	-
Inventory	63,000	-	-
Prepaid expenditures	3,150	-	-
Total Assets	$ 501,854	$ 60,220	$ 591,882
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 8,238	$ -	$ -
Due to other funds	310,451	-	-
Due to other governmental units	14,221	-	-
Payroll taxes payable	1,626	-	-
Total Liabilities	334,536	-	-
Fund Balances			
Nonspendable	66,150	-	-
Restricted	101,168	60,220	591,882
Total Fund Balances	167,318	60,220	591,882
Total Liabilities and Fund Balances	$ 501,854	$ 60,220	$ 591,882

Debt Service			Capital Projects	
2014	2015	2016	2008 Construction	Total
$ -	$ -	$ -	$ -	$ 1,500
323,161	704,524	1,956,772	56,901	4,087,654
-	-	-	-	6,090
-	-	-	-	33,920
-	-	-	-	63,000
-	-	-	-	3,150
$ 323,161	$ 704,524	$ 1,956,772	$ 56,901	$ 4,195,314
$ -	$ -	$ -	$ 48,905	$ 57,143
-	-	-	-	310,451
-	-	-	-	14,221
-	-	-	-	1,626
-	-	-	48,905	383,441
-	-	-	-	66,150
323,161	704,524	1,956,772	7,996	3,745,723
323,161	704,524	1,956,772	7,996	3,811,873
$ 323,161	$ 704,524	$ 1,956,772	$ 56,901	$ 4,195,314

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2018

	Special Revenue Food Service	2008	2012
Revenues			
Local sources:			
Property taxes	$ -	$ 878,120	$ 2,984,838
Interest earnings	2,914	6,890	22,943
Food sales	1,635,195	-	-
Other local sources	5,534	-	15,670
Total local sources	1,643,643	885,010	3,023,451
State sources	196,562	11,028	37,494
Federal sources	567,928	-	-
Total Revenues	2,408,133	896,038	3,060,945
Expenditures			
Food service	2,374,352	-	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	1,000,000	2,805,000
Interest and fiscal charges	-	40,824	283,627
Total Expenditures	2,374,352	1,040,824	3,088,627
Net Change in Fund Balances	33,781	(144,786)	(27,682)
Fund Balances, Beginning of Year	133,537	205,006	619,564
Fund Balances, End of Year	$ 167,318	$ 60,220	$ 591,882

Debt Service			Capital Projects	
2014	2015	2016	2008 Construction	Total
$ 1,755,787	$ 3,687,170	$ 5,618,112	$ -	$ 14,924,027
11,734	24,121	36,326	829	105,757
-	-	-	-	1,635,195
-	-	-	-	21,204
1,767,521	3,711,291	5,654,438	829	16,686,183
-	46,316	30,878	-	322,278
-	-	-	-	567,928
1,767,521	3,757,607	5,685,316	829	17,576,389
-	-	-	-	2,374,352
-	-	-	77,004	77,004
500,000	2,440,000	1,680,000	-	8,425,000
1,501,654	1,054,471	2,943,959	-	5,824,535
2,001,654	3,494,471	4,623,959	77,004	16,700,891
(234,133)	263,136	1,061,357	(76,175)	875,498
557,294	441,388	895,415	84,171	2,936,375
$ 323,161	$ 704,524	$ 1,956,772	$ 7,996	$ 3,811,873

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2018

	Budget	Actual	Variance
Revenues			
Local sources	$ 1,624,465	$ 1,643,643	$ 19,178
State sources	160,242	196,562	36,320
Federal sources	566,776	567,928	1,152
Total Revenues	2,351,483	2,408,133	56,650
Expenditures			
Food service	2,329,164	2,374,352	(45,188)
Net Change in Fund Balances	22,319	33,781	11,462
Fund Balances, Beginning of Year	133,537	133,537	-
Fund Balances, End of Year	$ 155,856	$ 167,318	$ 11,462

SPECIAL REVENUE FUND

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	$ 1,500	$ 1,500
Cash equivalents, deposits and investments	394,194	326,961
Accounts receivable	6,090	2,776
Due from other funds	33,920	34,189
Inventory	63,000	75,819
Prepaid expenditures	3,150	3,045
Total Assets	$ 501,854	$ 444,290
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 8,238	$ 15,842
Due to other funds	310,451	271,441
Due to other governmental units	14,221	18,470
Payroll taxes payable	1,626	-
Unearned revenue	-	5,000
Total Liabilities	334,536	310,753
Fund Balances		
Nonspendable	66,150	78,864
Restricted	101,168	54,673
Total Fund Balances	167,318	133,537
Total Liabilities and Fund Balances	$ 501,854	$ 444,290

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	$ 2,914	$ 1,003
Sales and admissions:		
Children's lunches	700,608	696,466
Adult lunches	21,149	23,924
Ala carte	732,095	655,278
Catering	181,343	171,875
	1,635,195	1,547,543
Other local sources:		
Miscellaneous	5,534	7,388
Total local sources	1,643,643	1,555,934
State sources	196,562	192,195
Federal sources	567,928	602,073
Total Revenues	2,408,133	2,350,202
Expenditures		
Food service:		
Salaries	666,772	657,859
Employee benefits	517,529	492,038
Purchased services	108,139	89,632
Supplies	1,073,913	1,078,304
Capital outlay	-	770
Miscellaneous	7,999	9,372
Total Expenditures	2,374,352	2,327,975
Net Change in Fund Balances	33,781	22,227
Fund Balances, Beginning of Year	133,537	111,310
Fund Balances, End of Year	$ 167,318	$ 133,537

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DEBT SERVICE FUNDS

To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

ROCKFORD PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2018

	2008	2012	2014
Assets			
Cash equivalents, deposits and investments	$ 60,220	$ 591,882	$ 323,161
Liabilities and Fund Balances			
Liabilities	$ -	$ -	$ -
Fund Balances			
Restricted	60,220	591,882	323,161
Total Liabilities and Fund Balances	$ 60,220	$ 591,882	$ 323,161

2015	2016	Totals 2018	2017
$ 704,524	$ 1,956,772	$ 3,636,559	$ 2,718,667
$ -	$ -	$ -	$ -
704,524	1,956,772	3,636,559	2,718,667
$ 704,524	$ 1,956,772	$ 3,636,559	$ 2,718,667

ROCKFORD PUBLIC SCHOOLS
Debt Service Debts
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	2008	2012	2014
Revenues			
Local sources:			
Property taxes:			
Current property taxes	$ 875,841	$ 2,977,853	$ 1,751,679
Industrial facilities taxes	1,017	3,459	2,034
Delinquent and other property taxes	631	1,501	885
Interest on delinquent taxes	631	2,025	1,189
	878,120	2,984,838	1,755,787
Interest earnings:			
Interest on deposits and investments	6,890	22,943	11,734
Other local sources:			
Miscellaneous	-	15,670	-
Total local sources	885,010	3,023,451	1,767,521
State sources	11,028	37,494	-
Total Revenues	896,038	3,060,945	1,767,521
Expenditures			
Debt service:			
Principal repayment	1,000,000	2,805,000	500,000
Interest and fiscal charges:			
Interest expense	40,000	283,250	1,501,250
Paying agent fees	750	200	300
Tax refunds	74	177	104
Total Expenditures	1,040,824	3,088,627	2,001,654
Excess (Deficiency) of Revenues Over Expenditures	(144,786)	(27,682)	(234,133)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(144,786)	(27,682)	(234,133)
Fund Balances, Beginning of Year	205,006	619,564	557,294
Fund Balances, End of Year	$ 60,220	$ 591,882	$ 323,161

2015	2016	Totals 2018	Totals 2017
$ 3,678,566	$ 5,605,376	$ 14,889,315	$ 14,223,417
4,272	6,510	17,292	21,491
1,872	2,495	7,384	9,625
2,460	3,731	10,036	21,770
3,687,170	5,618,112	14,924,027	14,276,303
24,121	36,326	102,014	32,306
-	-	15,670	31,076
3,711,291	5,654,438	15,041,711	14,339,685
46,316	30,878	125,716	109,201
3,757,607	5,685,316	15,167,427	14,448,886
2,440,000	1,680,000	8,425,000	8,010,000
1,053,750	2,943,153	5,821,403	5,862,024
500	500	2,250	2,286
221	306	882	2,858
3,494,471	4,623,959	14,249,535	13,877,168
263,136	1,061,357	917,892	571,718
-	-	-	3,888
-	-	-	(3,888)
-	-	-	-
263,136	1,061,357	917,892	571,718
441,388	895,415	2,718,667	2,146,949
$ 704,524	$ 1,956,772	$ 3,636,559	$ 2,718,667

CAPITAL PROJECTS FUNDS

2008 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

2016 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

ROCKFORD PUBLIC SCHOOLS
2008 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash equivalents, deposits and investments	$ 56,901	$ 84,171
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 48,905	$ -
Fund Balances		
Restricted	7,996	84,171
Total Liabilities and Fund Balances	$ 56,901	$ 84,171

ROCKFORD PUBLIC SCHOOLS
2008 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Local sources:		
Interest on deposits and investments	$ 829	$ 516
Expenditures		
Capital outlay:		
Architect fees	1,800	-
Equipment and furniture	57,705	11,723
Building improvement services	17,499	-
Total Expenditures	77,004	11,723
Net Change in Fund Balances	(76,175)	(11,207)
Fund Balances, Beginning of Year	84,171	95,378
Fund Balances, End of Year	$ 7,996	$ 84,171

ROCKFORD PUBLIC SCHOOLS
2016 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2018

	2018	2017
Assets		
Cash equivalents, deposits and investments	$ 20,947,553	$ 34,629,784
Due from other funds	-	198,304
Total Assets	$ 20,947,553	$ 34,828,088
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 585,104	$ 2,034,247
Due to other funds	-	800
Total Liabilities	585,104	2,035,047
Fund Balances		
Restricted	20,362,449	32,793,041
Total Liabilities and Fund Balances	$ 20,947,553	$ 34,828,088

ROCKFORD PUBLIC SCHOOLS
2016 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	2018	2017
Revenues		
Local sources:		
Interest on deposits and investments	$ 337,119	$ 477,060
Refund of prior period expenditures	-	4,605
Total local sources	337,119	481,665
Expenditures		
Current:		
Supporting services:		
Operations maintenance	4,304	2,683
Pupil transportation services:		
Pupil transportation:		
School buses	341,428	-
Capital outlay:		
Site improvement	37,466	10,933
Architect and engineering fees	509,142	1,301,919
Building improvement	8,420,706	6,199,533
Other facilities and acquisition	3,454,665	683,856
Total capital outlay	12,421,979	8,196,241
Total Expenditures	12,767,711	8,198,924
Deficiency of Revenues Over Expenditures	(12,430,592)	(7,717,259)
Other Financing Sources (Uses)		
Transfers in	-	1,028
Transfers out	-	(480,321)
Total Other Financing Sources (Uses)	-	(479,293)
Net Change in Fund Balances	(12,430,592)	(8,196,552)
Fund Balances, Beginning of Year	32,793,041	40,989,593
Fund Balances, End of Year	$ 20,362,449	$ 32,793,041

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

ROCKFORD PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2018

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
Assets				
Cash equivalents, deposits and investments	$ 678,782	$ 1,570,294	$ 1,519,147	$ 729,929
Due from other funds	53,407	39,294	53,407	39,294
Total Assets	$ 732,189	$ 1,609,588	$ 1,572,554	$ 769,223
Liabilities				
Accounts Payable	$ -	$ 983,139	$ 981,467	$ 1,672
Due to other funds	69	98,519	93,239	5,349
Due to student groups	732,120	1,555,111	1,525,029	762,202
Total Liabilities	$ 732,189	$ 2,636,769	$ 2,599,735	$ 769,223

OTHER INFORMATION

ROCKFORD PUBLIC SCHOOLS
Summary of 2017 Taxes Levied and Collected
For the year ended June 30, 2018

	City of Rockford	Algoma	Cannon	County of Kent Townships Courtland
Taxable Valuations				
Operating	$ 69,922,941	$ 44,129,648	$ 62,190,861	$ 22,044,551
Recreation/Debt Service	224,752,308	206,114,912	624,051,392	225,761,798
Rates (Mills)				
General Fund - Operating				
General Fund - Recreation				
2008 Debt Service Fund				
2012 Debt Service Fund				
2014 Debt Service Fund				
2015 Debt Service Fund				
2016 Debt Service Fund				
Taxes Levied 2017 Rolls				
General Fund - Operating	$ 1,256,938	$ 787,795	$ 1,094,661	$ 382,560
General Fund - Recreation	217,271	199,465	604,009	218,691
2008 Debt Service Fund	112,608	102,943	311,724	112,866
2012 Debt Service Fund	382,866	350,005	1,059,863	383,743
2014 Debt Service Fund	225,215	205,885	623,449	225,731
2015 Debt Service Fund	472,952	432,359	1,309,243	474,035
2016 Debt Service Fund	720,688	658,832	1,995,037	722,339
	3,388,537	2,737,283	6,997,986	2,519,965
Taxes Uncollected 2017 Rolls				
General Fund - Operating	2,108	1,818	6,488	320
General Fund - Recreation	379	326	1,166	58
2008 Debt Service Fund	196	169	602	30
2012 Debt Service Fund	665	573	2,046	101
2014 Debt Service Fund	391	337	1,204	60
2015 Debt Service Fund	821	708	2,528	125
2016 Debt Service Fund	1,251	1,079	3,852	190
	5,811	5,011	17,886	884
Taxes Collected 2017 Rolls				
General Fund - Operating	1,254,830	785,977	1,088,173	382,240
General Fund - Recreation	216,892	199,139	602,843	218,633
2008 Debt Service Fund	112,412	102,774	311,123	112,836
2012 Debt Service Fund	382,201	349,431	1,057,817	383,642
2014 Debt Service Fund	224,824	205,548	622,245	225,672
2015 Debt Service Fund	472,130	431,650	1,306,715	473,910
2016 Debt Service Fund	719,437	657,753	1,991,185	722,149
	3,382,726	2,732,272	6,980,100	2,519,081

Grattan	Oakfield	Plainfield	Total
$ 2,060,918	$ 548,376	$ 75,086,283	$ 275,983,578
23,508,132	5,824,590	440,375,312	1,750,388,444
			17.3894
			0.9689
			0.5000
			1.7000
			1.0000
			2.1000
			3.2000
			26.8583
$ 42,522	$ 8,044	$ 1,405,918	$ 4,978,438
22,774	5,548	425,180	1,692,938
11,754	2,863	220,204	874,962
39,963	9,735	748,695	2,974,870
23,508	5,726	440,409	1,749,923
49,367	12,025	924,859	3,674,839
75,225	18,324	1,409,309	5,599,755
265,113	62,266	5,574,574	21,545,724
-	-	507	11,241
-	-	274	2,203
-	-	141	1,137
-	-	480	3,866
-	-	283	2,274
-	-	593	4,776
-	-	904	7,278
-	-	3,183	32,775
42,522	8,044	1,405,411	4,967,197
22,774	5,548	424,906	1,690,735
11,754	2,863	220,063	873,825
39,963	9,735	748,215	2,971,003
23,508	5,726	440,126	1,747,649
49,367	12,025	924,265	3,670,063
75,225	18,324	1,408,404	5,592,477
265,113	62,266	5,571,391	21,512,949

ROCKFORD PUBLIC SCHOOLS
Summary of 2017 Taxes Levied and Collected
For the year ended June 30, 2018

	City of Rockford	Algoma	Cannon	Courtland
				County of Kent Townships
Delinquent Taxes Collected				
General Fund	$ 226	$ 733	$ 4,377	$ -
2008 Debt Service Fund	53	68	428	-
2012 Debt Service Fund	65	190	1,073	-
2014 Debt Service Fund	45	112	631	-
2015 Debt Service Fund	104	235	1,325	-
2016 Debt Service Fund	11	345	1,906	-
	504	1,683	9,740	-
Total Taxes Collected				
General Fund - Operating	1,255,056	786,710	1,092,550	382,240
General Fund - Recreation	216,892	199,139	602,843	218,633
2008 Debt Service Fund	112,465	102,842	311,551	112,836
2012 Debt Service Fund	382,266	349,621	1,058,890	383,642
2014 Debt Service Fund	224,869	205,660	622,876	225,672
2015 Debt Service Fund	472,234	431,885	1,308,040	473,910
2016 Debt Service Fund	719,448	658,098	1,993,091	722,149
	$ 3,383,230	$ 2,733,955	$ 6,989,840	$ 2,519,081

Grattan	Oakfield	Plainfield	Total
$ -	$ -	$ 765	$ 6,101
-	-	71	620
-	-	158	1,486
-	-	97	885
-	-	200	1,864
-	-	232	2,494
-	-	1,523	13,450
42,522	8,044	1,406,176	4,973,298
22,774	5,548	424,906	1,690,735
11,754	2,863	220,134	874,445
39,963	9,735	748,373	2,972,489
23,508	5,726	440,223	1,748,534
49,367	12,025	924,465	3,671,927
75,225	18,324	1,408,636	5,594,971
$ 265,113	$ 62,266	$ 5,572,914	$ 21,526,399