



Rockford Public Schools

Quality Community – Quality Schools

Together Building a Tradition of Excellence

Comprehensive Annual Financial Report

Year Ended: June 30, 2017

ROCKFORD PUBLIC SCHOOLS
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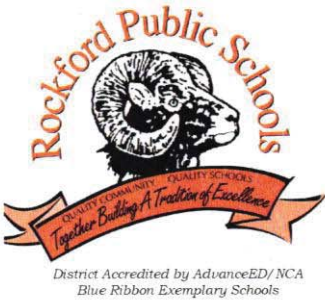
**Comprehensive
Annual Financial Report**

of

**Rockford Public Schools
350 N. Main St.
Rockford, Michigan 49341**

For the Fiscal Year Ended
June 30, 2017

Prepared by
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October 30, 2017

To the Citizens of Rockford Public Schools:

The Comprehensive Annual Financial Report (CAFR) of Rockford Public Schools for the fiscal year ended June 30, 2017 is presented for your review. Guided by the Board of Education's commitment to public accountability, detailed financial information relating to the fiscal operation of the District is presented in this report prepared by the District's Finance Department. The CAFR is prepared in conformity with accounting principles generally accepted in the United State of America (GAAP). Responsibility for the completeness, accuracy and fairness of the information presented rests with the administration and management of Rockford Public Schools.

The report has been prepared following generally accepted accounting principles. We believe the data presented is accurate in all material respects and clearly reflects the financial position and the results of operations of Rockford Public Schools. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers. The report is divided into the following major sections:

Introductory Section—the reader is introduced to Rockford Public Schools. Included are facts about the District, a brief highlight of our curriculum offerings, points of pride, major initiatives undertaken and other information. The introductory section includes this transmittal letter, the District's organizational chart, a list of District officials and administrative staff and the ASBO Certificate of Excellence Award.

Financial Section—the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements and Notes to Basic Financial Statements are included. These provide an overview for readers who require less detailed information than is contained in the balance of this report. In addition to the basic financial statements, this section includes combining and individual fund supplemental statements and schedules.

Statistical Section—the reader is provided with a 10-year history of financial and demographic data intended to reflect economic conditions, financial trends and the fiscal capabilities of our District.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

We, the administration, would like to stress to you, the reader, that we are responsible for both the financial information and representations contained in the financial statements and other sections of this annual report. In preparing the financial statements, it is necessary to make informed estimates and judgments based on currently available information.

Reporting Entity

The reporting entity consists of the legal entity, Rockford Public Schools. The District serves the entire City of Rockford, plus sections of six (6) townships.

The Board of Education for Rockford Public Schools is the basic level of government that has oversight responsibility and control over all activities related to public school education in the Rockford area. The District receives money from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities.

The Board of Education is comprised of seven (7) members who are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

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. Public academies in the State of Michigan are funded on a per-pupil foundation allowance, the same as K-12 school districts, but without the benefit of property tax revenues, and operate under the charters of universities or school districts in the State.

The School Program

Rockford Public Schools has always been a leader in instructional excellence and continues to attract new families to the community. The RPS curriculum is based upon standards that promote "rigor" and "relevance". These standards set high expectations and are based upon the belief that all students will succeed. Some students will need additional time and support, but all students will learn and experience success. Students will learn content that will be relevant to their future plans, whether it be post-secondary education or the work force.

In addition to a rigorous and relevant curriculum, we recognize the importance of the third "R" – relationships. Relationships are critical to students feeling connected to school. We have the most caring teachers that are committed to being advocates for every student. Programs offered include: PBIS, Capturing Kids' Hearts, Renaissance and Developing Healthy Kids.

The District has an early childhood center, eight (8) kindergarten through grade 5 elementary schools, two (2) grades 6 through 8 middle schools, one (1) grade 9 freshman center, and one (1) grade 10 through 12 high school, a community education center, an alternative high school and several support facilities. The official enrollment for 2016-17 was 7,911 students, with a projected enrollment of 7,924 students by the fiscal year ending June 30, 2021.

Rockford Public Schools offers a comprehensive curriculum in the areas of language arts, mathematics, social studies, science, art, music, physical education and health. In grades kindergarten through fifth, we have a district-wide and comprehensive Response to Intervention (RtI) process which focuses on Early Literacy Intervention and identification. RtI is also used as our eligibility process for identifying and qualifying students with a specific learning disability in the areas of basic reading, reading fluency and reading comprehension. The staff in every building (DK-12) has developed curriculum maps and common assessments for each grade level and each content area that are aligned with Michigan State Standards and Benchmarks and High School Content Expectations (HSCE) and we have transitioned to the Common Core Standards in Math and English Language Arts.

The District's educational programs are rich in choices and offerings that appeal to every student. There are opportunities for the Gifted and Talented students at all grade levels, including Dual Enrollment and Advanced Placement programs in every content area for high school students. Additionally, Rockford High School is the only school in West Michigan that has a early college program, where the students earn college credit through Ferris State and Grand Valley State Universities by taking courses in Rockford High School taught by Rockford teachers that have been certified by FSU & GVSU. Students identified for special education services have access to programs that meet all of their educational needs. Additionally, in response to preparing our students for the changing world, we have a World Language Program that includes K-12 Spanish Immersion as well as four-year high school programs in Japanese, Mandarin Chinese, French, German and Spanish. The ability to speak a second language is important as the world continues to get smaller with advances in technology and transportation.

Rockford Public Schools has also expanded its Student Foreign Exchange program. We work closely with the Weiming Chinese Exchange program, as well as the Educatius Exchange program. Together, 35 students from various countries have been added to our high school's student diversity. The RPS educational system also offers a focus on Diversity that includes Cross Cultural Competencies.

The Rockford Public School District provides an effective, well-rounded educational program for every student. We take tremendous pride in our students' achievement, the instruction provided by the teachers and the many educational programs offered to the students and community. We provide them with a challenging academic program that includes a rigorous core curriculum, relevant elective courses, co-curricular activities, character education that emphasizes responsible citizenship and many opportunities for community service. We believe that our exemplary school district is a result of the collaborative efforts of parents, students, teachers, support staff, building principals, administrators, community members and the Board of Education.

Technology is another area of focus. The school district has remained up-to-date with the purchase of hardware, software and the necessary training needs. The most recent RPS bond proposal was supported by the Rockford community and a minimum of \$15 million has been allocated to develop and implement a cutting edge technology plan. The District completed the first phase of implementing a 1:1 technology initiative in all of our elementary schools during the 2016-17 school year. The second phase, implementing the middle school level grades 6-8, took place during the 2017-18 school year. This initiative provides all students in grades kindergarten through eighth grade with either a district owned laptop or iPad as their personal device to use for the school year.

The development of new programs and learning opportunities is very important to our school district. However, having embedded systems in place for development, implementation and monitoring programs is the secret for lasting change to occur. The most significant components of the Rockford Public Schools improvement system are the Rockford Action Model for Success (RAMS) and the NCA AdvancEd process. The foundation for school improvement work is the RAMS Model. This strategic planning process gains input from all groups through the use of surveys and focus groups. The process results in a series of specific short-term, long-term and on-going goals designed to ensure continuous improvement of the Rockford Public Schools. The RAMS Model is updated every three years, with reports on goal progress twice per year.

The AdvancEd school improvement process has provided the framework for many areas of school improvement. Included in this process is the implementation of a Common Instruction Model through Gradual Release of Responsibility, implementation of a DK-12th grade technology plan, development of research based professional development plan, and the expansion of an early college program for students earning college credit. All of these initiatives are focused on teaching and learning, through research based best practices.

The purpose of all of our school improvement efforts is to improve the quality of life for our students. As we monitor our work, the most important indicator is student achievement. Another significant indicator is the honors that the school district has received. These include many areas of recognition for individual students, school buildings, and the school district such as National Merit Finalists, every building recognized as a Blue Ribbon School of Excellence, and seven years in a row of each building earning straight A's through the Michigan Department of Education's ED YES! accountability process. Most recently, Rockford Public Schools has been recognized with the Advanced Placement District of the Year Award as a result of our high percentage of students participating and scoring very high on all advanced placement tests. Another recognition for our school district was being recognized by Newsweek magazine as being one of the top high schools in the United States.

Rockford Public Schools has a Tradition of Excellence. Working together with the parents, students, teachers, administrators and community, we will continue to build upon our tradition. RAM PRIDE!

Points of Pride

District Accreditation by AdvancED/North Central Accreditation—All of Rockford’s schools are North Central accredited, an accreditation standard that exceeds state standards. This model for school improvement calls for goal setting, assessment, parental involvement and monitoring by outside evaluators. During the 2014-15 school year, Rockford Public Schools earned the prestigious title of District Accreditation through AdvancED.

Blue Ribbon Schools—Every Rockford Public elementary or secondary school has been recognized by the Michigan Department of Education and the United States Department of Education as a blue ribbon/exemplary school. Rockford Public Schools is the only large school district in Michigan that has earned this recognition.

- 1993 Valley View Elementary School (State)
- 1994 North Rockford Middle School (State and National)
- 1995 Parkside Elementary School (State)
- 1996 Rockford High School (State and National)
- 1997 Roguewood Elementary School (State and National)
- 1998 Sheridan Trail Middle School (State)
- 1999 Belmont Elementary School (State and National)
- 2000 Cannonsburg Elementary School (State and National)
- 2002 Lakes Elementary School (State)
- 2005 Crestwood Elementary School (State)
- 2006 East Rockford Middle School (State)
- 2009 Meadow Ridge Elementary (State)

First-Class Facilities—In order to meet the challenges of the 21st century, a \$76.1 million bond issue was presented to the community and approved in May 2014. The bond issue focused on three main initiatives; school safety, capital improvements, and technology. Every entrance to the school buildings in the district has been remodeled to improve security as well as the addition of cameras and lighting. Capital improvements will address interior needs including carpet, paint, electrical/lighting, plumbing, HVAC and boilers and an expansion/remodel of the district’s performing arts center. Exterior needs will include improvements to parking lots, roof replacements as well as expanded athletic fields for instructional, recreational and co-curricular use. Technology will be upgraded to support 21st Century learning by providing technology tools to teachers, students and staff. Upgrades to the district’s infrastructure will include wireless capabilities in all buildings and an upgrade to the data management system for improved student assessment.

High Academic Achievement

- Rockford Public Schools is the only school district in Michigan with a mandatory competency test as a graduation requirement, which guarantees that our graduates possess the essential skills.
- Rockford High School has been recognized for the third consecutive year as the Advanced Placement of the Year Award. Nearly 90% of our students receive college credit for these classes by passing the AP test with a score of 3, 4 or 5.

Fine Arts Program—Band, choir and theater programs have received state and national recognition.

Standardized Tests Results—District students continually score in the top quartile on all standardized tests (M-Step, PSAT, SAT, Workeys, NWEA MAPS). Numerous students qualify as National Merit Finalists every year. Over 30 students in the Class of 2017 scored a 1340 or higher on the SAT.

First-Class Teachers

- 100% of our teachers hold Bachelor's Degrees, are certified and are "highly qualified".
- 100% of our teachers receive Professional Development training each year.
- Many Rockford teachers have been recognized for their outstanding performance. Local, state and national awards include: Ameritech Outstanding Educator, National Close Up Awards, Who's Who Among American Teachers and many other teacher-of-the-year awards.
- Rockford attracts the best teaching candidates. There are over 1,600 applications for teaching positions received annually.
- Every teacher participates in a rigorous interview process that includes multiple interviews with a committee of teachers, building principals and central office administrators.
- Once hired, every teacher receives an extensive induction/orientation process, including training in classroom management skills, learning styles, and technology and leadership effectiveness. Every new teacher is assigned a master, mentor teacher to provide support and to ensure professional growth.

Supportive Parents and Community

- The community has supported every bond issue since 1990.
- A high percentage of parents volunteer their time and energy through the PTA/PTO's, booster clubs, Inter-School Advisory Committee and community organizations.
- Nearly 100% of our parents attend parent-teacher conferences.
- The Rockford Education Foundation has awarded over \$1,000,000 to support creative and progressive programs to benefit students of all ages in the Rockford community.
- Each school distributes a monthly newsletter to parents electronically and every family receives a monthly District newsletter.
- Parents have been provided 24/7 access to their children's academic progress through the Family Access initiative and can communicate to their child's teacher via email.

Safe and Healthy Environment

- Rockford Public Schools employs trained health professionals in each school who are certified in First Aid and CPR. A district health nurse coordinates all activities for the District.
- The athletic trainers at Rockford High School are certified to assist with sports-related injuries and rehabilitation.
- The nutritious hot lunch program meets the highest state and federal guidelines.
- The transportation department has received state and national recognition for their student safety program. 100% of the District's buses passed the annual MI State Police safety inspection.
- The District security director coordinates a staff of nine(9) members whose primary function is to provide a safe and orderly learning environment for students, staff, parents and visitors.
- The maintenance and custodial department provides a safe, clean, comfortable and well-maintained atmosphere in all buildings and grounds.

Extended Learning Opportunity for Students – Co-curricular activities

- Nearly 85% of our students are involved in co-curricular activities.
- There are 34 varsity athletic teams, with participation of over 50% of the student body.
- There are unlimited fine arts activities, including plays, vocal music and instrumental music opportunities.
- Students participate in Odyssey of the Mind with great success as we have had multiple teams move onto OM World Competitions.
- Highly successful athletic program; we have earned 59 State Championships
- RHS students have earned the MI High School TV Station of the Year award (9) times since 2001.

Economic Conditions and Outlook

The Rockford School District is located 12 miles northeast of Grand Rapids, Michigan. Rockford is a suburban community in Kent County. The District encompasses 100 square miles with a population of approximately 42,062 persons.

The State of Michigan transformed its funding of public education in 1994 from the previous principle of property valuation determining the level of support for education in a given district to a state-wide diversified tax base and a leveling of funds for all districts. Discrepancies that existed prior to the finance reform have begun to narrow under the new system. As a result, the financial health of school districts is now reliant on the performance of the State's economy.

Under the current state aid funding system, the State collects a state-wide property tax of 6 mills on residential property and 24 mills on all industrial and commercial property. Communities may also grant tax abatements to attract commercial and industrial growth. The State also collects a 6% sales tax in support of education, along with a number of transfer and use taxes, which proceeds are dedicated to the school aid fund. The State in turn redistributes the funds to local school districts on a per student foundation grant basis. The current foundation amount is tied to the annual rate of inflation and factored upward or downward based on a district's relationship to the set median funding range for the State of Michigan. This method of funding has slowed the growth in educational expenditures to no greater than the rate of inflation in any given year.

Grand Rapids is one of the best places to live for quality of life in the U.S. according to the 2016 ranking from U.S. News & World Report. The city came in 7th place on the list. Plentiful jobs and rising wages have been the byproduct of a dynamic, growing economy in the Grand Rapids region, making it the strongest economy in Michigan and one of the faster growing metropolitan areas in the country, economic data analyzed by Bridge Magazine shows.

Business in the local economy has equally improved; Wolverine World Wide is the largest employer/taxpayer in the District and has shown continued economic growth and expansion. As businesses expand and employment opportunities increase, the financial condition of the District will improve. Home property values are currently increasing as well as the demand for affordable housing. The property tax-base of the District should increase with the likelihood of increased student enrollment, which will both contribute to financial stability.

Recent months have seen legislative activity in the areas of teacher tenure, seniority and layoffs, teacher and administrator evaluations, as well as employee contributions to health insurance. The State's Office of Retirement Services has also implemented reform measures that will impact both the District and our employees financially. The District is determined to keep up with all the changes, while we strive to maintain a quality program and fiscal responsibility.

Strategic Planning

In October 1989, the Rockford Board of Education implemented the District's first long-range strategic plan for improvement entitled RAMS (Rockford Action Model for Success). The implementation of this plan followed input from the community and District employees through a detailed public questionnaire.

In 1993, the Board of Education adopted RAMS II, which built upon the original strategic plan, leading to improved educational opportunities for our students. On March 11, 1996, the Board adopted RAMS III, comprised of 106 goals assigned to 8 major categories with a completion date of December, 1999. These goals were completed during prior fiscal years. RAMS IV, was adopted by the Board of Education on November 22, 1999, implemented in January 2000 and continued to serve as the blueprint of improvement for Rockford Public Schools.

RAMS V, RAMS VI, RAMS VII and RAMS VIII which were adopted by the Board of Education on December 9, 2002, December 12, 2005, December 8, 2008 and December 12, 2011 respectively, continued the tradition of involving the community and staff through input from a detailed questionnaire designed to assess the school/community's expectations of their public school system.

RAMS IX now serves as the three-year (2015-2017) blueprint for improving all aspects of our preschool through adult education programs. Rockford area residents and District staff receive periodic RAMS IX progress updates through school board presentations, local news coverage and end-of-the-year reports to the community. With the January 2015 implementation of RAMS IX, the Board of Education established specific goals for our public school system, designed to improve educational opportunities for all of our students. RAMS IX maintains the District's commitment to an annual budget that maintains 8% fund equity, with the goal of 18% fund equity, to ensure financial stability, reduce the need for state aid borrowing and protect against potential state-funding shortfalls.

We believe that the quality partnership which exists between the Rockford area community and the Rockford Public Schools will continue to promote our ongoing tradition of excellence.

Major Initiatives

Fiscal year 2016-17 completed the twenty-third year under the State of Michigan's revised funding policy. The District, as funding changed from a heavy reliance on local property taxes as a major source of revenues to the new State foundation method, has experienced a constant and slowed growth in funding. The Board of Education continues to work to meet the goals outlined in its RAMS IX strategic plan. Student outcomes have become the District's focus and the strategies and recommendations designed to restructure the District to better prepare today's students for the 21st century were advanced during last year.

Rockford Public Schools remain committed to continued growth and change that leads to increased success for all students, while remaining rooted in solid traditional values. Rockford Public Schools are recognized as being exemplary by both the State and National Blue Ribbon Schools of Excellence program. Despite this prestigious recognition, we are committed to continuous improvement. The vehicle to school development is building level and district level AdvancED School Improvement. The goal of AdvancED is to develop and implement a systematic plan that assures success for all students; there will be no student left behind. Strategies that will be included in this process are implementation grade level and department collaborative time, Pyramid of Interventions implemented to assist low achieving students, and provide professional development opportunities that align with data driven needs. An early intervention program, RtI has been implemented K-5 literacy, K-3 math in all elementary schools. One professional development initiative in which all certified staff has been trained is the Capturing Kids' Hearts workshop. The premise of this training is that before you can capture a student's mind, you must first capture his/her heart. Teachers are provided the tools and skills to assist with relationship building with their students.

The mission of Rockford Public Schools is to provide the teaching and learning environments that will ensure, with the support of the students, parents and community, that all students, upon graduation, will have the academic and social skills and strategies to be successful life-long learners.

To this end, each Rockford Public Schools' student throughout his/her school career will demonstrate their knowledge, skills and abilities in each of the following areas:

1. Self-directed learning:
 - Demonstrate responsibility for own learning
 - Set priorities and achievable goals
 - Assess personal performance
2. Social interaction and cooperative learning:
 - Identify, analyze and evaluate behavior of self and others in a group, based on established criteria
 - Work cooperatively to establish a goal
 - Demonstrate concern and respect for others

3. Complex reasoning:
 - Make careful observations
 - Draw reasonable inferences from observations
 - Recognize relationships
 - Analyze parts as they relate to the whole
 - Apply research and problem-solving skills
 - Make critical distinctions
 - Arrive at a decision and/or product
4. Problem solving:
 - State a goal or desired outcome
 - Define the problem: What is really occurring?
 - Analyze the problem: How big? How many? Where is it?
 - Generate potential solutions: How many ways could it be corrected?
 - Choose the best solution
 - Develop and implement an action plan
 - Evaluate the results against the desired outcome
5. Citizenship (Personal, Local, State, National and Global):
 - Demonstrate self-governing behavior
 - Identify the need for community involvement
 - Practice effective citizenship
 - Contribute time, energies and talents to improve health and well-being for self and others
 - Cross Cultural Competencies
6. Communication:
 - Demonstrate effective reading, writing, speaking and listening skills using available technology
7. Aesthetic responsiveness/creativity and appreciation:
 - Approach needs, tasks or ideas from a new or varied perspective
 - Develop intellectual, artistic and practical ideas and/or products
 - Assess creative works by reflecting on originality, purpose and quality of the work
8. Technology

At the heart of the RAMS strategic plan are the student outcomes that are designed for our students to graduate and possess the following skills and characteristics: self-directed learners, complex thinkers, effective communicators, individual and group problem solvers, strong interpersonal relaters, collaborative workers, creative quality producers, Cross Cultural Competent citizens and community contributors.

Rockford Public Schools' students have continued to show improvements on all standardized tests including PSAT, SAT, M-Step, Workeys and NWEA MAPS. Because of educational leadership practices, the District has been able to continue its strong emphasis on basic skills while promoting programs that prepare the students for a rapidly changing society.

Financial Information

Accounting Systems and Policies

The District's fund-level financial statements and government-wide financial statements for our governmental and agency fund types have been prepared in conformance with generally accepted accounting principles and are in compliance with Government Accounting Standards Board (GASB) Statement No. 34. Governmental fund-level statements are prepared on the modified accrual basis of accounting. Revenue is recognized when measurable and available to finance current operations. Expenditures are recognized when the liability is incurred, generally when the goods or services are received, except for interest on long-term debt, which is recorded when paid. With respect

to the district-wide financial statements, the full accrual accounting basis is applied as defined under GASB Statement No. 34. In developing and evaluating the District's financial information system, consideration is given to the adequacy of the internal accounting and administrative control structure and the costs thereof. Accounting and administrative controls comprise the plan of organization, policies, procedures, and records necessary for the safeguarding of assets, the reliability of financial records, and compliance with grant requirements. The expressed purpose is to provide reasonable assurance that:

- Transactions are in accordance with management's and grantors' general or specific authorization
- Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and other criteria (such as finance-related legal and contractual compliance requirements) and to maintain accountability for assets
- Access to assets is permitted only in accordance with Board of Education appropriations, financial policies, and management's authorization
- The recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences

Internal Accounting Controls

Management of Rockford Public Schools is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments from management.

As a recipient of federal, state and interdistrict financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place that complies with applicable laws and regulations. This internal control structure is subject to periodic evaluation by management and the District's independent auditors as a part of their audit process.

Tests were performed to determine the adequacy of the internal control structure as a part of the District's single audit. The results of the District's single audit for the fiscal year ended June 30, 2017 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls

Rockford Public Schools uses site based management to effectively allocate resources and obtain the maximum benefit for each dollar spent. This process requires that each building and department develop its budget to justify each expenditure. All expenditures must focus on the educational goals of the District and be consistent with the school improvement plans from each building that underscore the RAMS IX. The individual buildings are allowed to make site-based decisions in planning the use of their resources in meeting their individual building goals. This process has enabled the District to successfully manage changes in funding while making the most of each dollar available. This approach to financial management, coupled with strong community support, has enabled the Board of Education to continue to offer educational opportunities that are considered among the best in the State.

The District's budgetary controls and system of internal accounting was designed to adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions. The District adopted budgets at the function level for its General Fund and Food Service Special Revenue Fund. We believe that these objectives have been achieved. The system has been audited by Hungerford Nichols, independent auditors whose opinion is included as part of this financial report. Annual financial reporting to the State of Michigan follows accounting requirements as described in the State Accounting Manual. These requirements are consistent with generally accepted accounting principles.

Fund Balances

The District is in compliance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. Under this standard, the former fund balance classifications of reserved, designated, and unreserved/undesignated are replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The District's fund balances are categorized under these classifications based on the extent to which the District is bound to observe constraints imposed on the use of the resources in the governmental funds.

Debt Administration

Long-term obligations outstanding for the District as of June 30, 2017 consisted of \$121,105,000 in general obligation bonded debt, \$17,466,480 in premium on debt issued, \$405,000 of energy conservation bonds, and \$1,006,546 of early retirement incentive and accumulated sick leave. The funding source for the general obligation bonds is the District Debt Service Funds (supported by voter approved property tax millage), with the remaining debt the obligation of the District General Fund.

Retirement Plan

All employees of the District are covered by a mandatory, cost-sharing, multiple-employer plan – the Michigan Public School Employees' Retirement System (MPERS). The MPERS consists of several different benefit plan types depending upon the first date the employee was eligible to become a MPERS member and the personal elections of the member. Employees participate in the Basic Plan, the Member Investment Plan, the Pension Plus Plan, or the Defined Contribution Plan. Members also have the option of choosing between the defined benefit health plan and a personal healthcare fund. These plans and employer and employee contribution rates are discussed further in the footnotes to the financial statements.

The plans provide its members various benefits, including regular retirement, early retirement, deferred retirement, non-duty disability pension, duty disability pension, and survivor pension.

Benefit and contribution provisions are fixed by state statute and may be amended only by action of the State Legislature.

The District implemented GASB No. 68, Accounting and Reporting for Pensions, and was adopted in the 2014-15 fiscal year. The District's share of the MPERS (Michigan Public Schools Employee Retirement System) net pension liability is now included in the Statement of Net Position. Additional information can be obtained in Note H of the Notes to Basic Financial Statements.

Independent Audit

The District's financial statements were audited by Hungerford Nichols CPAs + Advisors, as of June 30, 2017. Their audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements present fairly the financial position of Rockford Public Schools at June 30, 2017.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

Awards

The Board of Education and the administration of Rockford Public Schools are committed to providing its citizens and other financial statement readers with comprehensive financial reporting. For school districts meeting the requirements of a Comprehensive Annual Financial Report, the Association of School Business Officials International awards a Certificate of Excellence in Financial Reporting. The standards are high and must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. The District has received this award for each of the fiscal years ended June 30, 2000 through June 30, 2016. The District believes our current report conforms to program standards, and we are again submitting our report to the Association of School Business Officials International to determine its eligibility for this certificate.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the effort and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all administrative employees who assisted in the timely closing of the District's financial records and the preparation of this report.

Respectfully submitted,

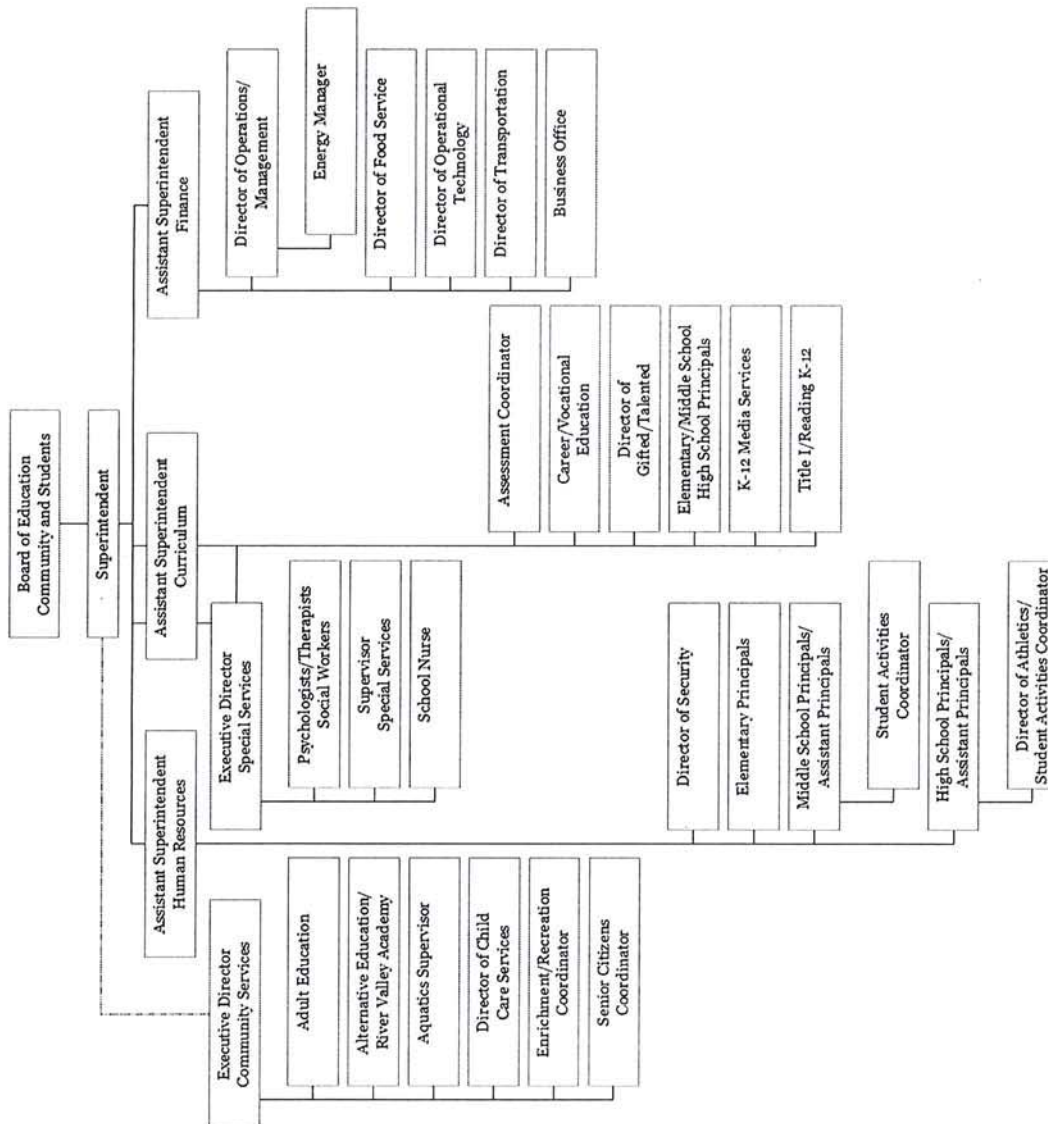


Michael S. Shibler, Ph.D.
Superintendent of Schools



Michael A. Cuneo
Assistant Superintendent of Finance

Rockford Public Schools





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Rockford Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
Executive Director

Rockford Public Schools, Michigan

List of Principal Officials June 30, 2017

Board of Education

Miles J. Postema
President

David M. Keller
Vice President

Lisa M. Kreager
Secretary

Laura L. Featherstone
Treasurer

Timothy J. Lewis
Trustee

Nick Reichenbach
Trustee

Geoffrey L. Downs
Trustee

Michael S. Shibler, Ph.D.
Superintendent of Schools

Michael A. Cuneo
Assistant Superintendent of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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, 2017, and the respective changes in financial position and 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 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 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.

A handwritten signature in dark ink, reading "Hungerford Nichols". The script is cursive and fluid, with the first name and last name clearly distinguishable.

Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 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.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

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.

Condensed District-wide Financial Information

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

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 54,563,774	\$ 71,511,297
Capital assets	<u>100,659,472</u>	<u>91,105,436</u>
Total Assets	<u>155,223,246</u>	<u>162,616,733</u>
Deferred Outflows of Resources	<u>23,785,449</u>	<u>18,538,230</u>
Liabilities		
Current liabilities	26,819,416	16,417,816
Long-term liabilities	129,738,509	147,648,959
Net pension liability	<u>124,362,527</u>	<u>117,932,764</u>
Total Liabilities	<u>280,920,452</u>	<u>281,999,539</u>
Deferred Inflows of Resources	<u>611,616</u>	<u>391,418</u>
Net Position		
Net investment in capital assets	(3,633,688)	(2,490,282)
Restricted	2,015,601	1,636,844
Unrestricted (deficit)	<u>(100,905,286)</u>	<u>(100,382,556)</u>
Total Net Position	<u>\$ (102,523,373)</u>	<u>\$ (101,235,994)</u>

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

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

	<u>2017</u>	<u>2016</u>
Program Revenues		
Charges for services	\$ 3,973,998	\$ 3,824,801
Operating grants	17,069,153	15,967,522
General Revenues		
Property taxes	20,885,988	20,441,541
State school aid, unrestricted	52,924,603	52,207,555
Interest and investment earnings	368,096	98,781
Gain on sale of capital assets	-	25,470
Other	<u>2,801,122</u>	<u>2,707,328</u>
Total Revenues	<u>98,022,960</u>	<u>95,272,998</u>
Expenses		
Instruction	51,893,559	51,642,944
Supporting services	33,849,227	29,152,460
Community services	2,764,252	2,846,086
Food service	2,455,159	2,389,760
Other	194,485	745,972
Interest on long-term debt	6,094,457	5,034,720
Depreciation – unallocated	<u>59,201</u>	<u>63,613</u>
Total Expenses	<u>97,310,339</u>	<u>91,875,555</u>
Change in net position	712,621	3,397,443
Net Position, Beginning of Year, as restated	<u>(103,235,994)</u>	<u>(104,633,437)</u>
Net Position, End of Year	<u>\$ (102,523,373)</u>	<u>\$ (101,235,994)</u>

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 \$98 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 75 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 \$97.3 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (65 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.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

Total revenues exceeded expenses by \$0.7 million on the Statement of Activities, increasing total net position from a deficit of \$103,235,994, as restated at June 30, 2016, to a deficit of \$100,523,373 at June 30, 2017. Unrestricted Net Position decreased \$522,730 from a deficit of \$100,382,556 at June 30, 2016 to a deficit of \$100,905,286 at June 30, 2017. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$1,208,257 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.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

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 \$79,204,616 and total expenditures of \$78,678,097. The General Fund ended the fiscal year with a fund balance of \$3,183,187, up from \$2,656,668 at June 30, 2016.
- The 2014 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. Revenues totaled \$172,558, other financing sources were \$480,321, total expenditures were \$10,466,421 and other financing uses were \$1,028 for the fiscal year. The fund balance at year end was zero, down from \$9,814,570 at June 30, 2016.
- The 2016 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. During fiscal year 2016-17, revenues totaled \$481,665, other financing sources were \$1,028, total expenditures were \$8,198,924 and other financing uses were \$480,321. The fund balance at year end was \$32,793,041, 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 \$2,350,202 and total expenditures of \$2,327,975 in 2016-17, increasing its fund balance to \$133,537 at June 30, 2017, up from \$111,310 at June 30, 2016.
- The District operates six Debt Service Funds to finance the repayment of general obligation bonds. Total revenues were \$14,448,886, other financing sources of \$3,888, total expenditures were \$13,877,168, and total other financing uses were \$3,888. The ending fund balances totaled \$2,718,667, up from \$2,146,949 at June 30, 2016.
- 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 \$516, and equipment expenditures totaled \$11,723. There is a remaining fund balance of \$84,171 at June 30, 2017, down from \$95,378 at June 30, 2016.

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, 2017 totaled \$434,465.
- 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, 2017 totaled \$732,189.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

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 \$526,519. Over the past five years, the Board of Education took prudent and dramatic steps to place the District in a position in which it can sustain itself financially. This included reducing the number of employees through attrition, and a reduction of other District resources.
- The final budget for the General Fund anticipated the fund balance to be 3.54% of General Fund expenditures and transfers - the actual results equaled 4.05%

Capital Asset and Debt Administration

Capital Assets

By the end of 2017, the District had a \$177,596,927 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, 2017, the District's investment in capital assets (net of accumulated depreciation), was \$100,659,472. Capital asset additions totaled \$14,125,457 for the fiscal year with accumulated depreciation increasing \$4,571,421, leaving a net increase in the book value of capital assets of \$9,554,036.

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	12,309,026
Land improvements	10,867,706
Buildings and additions	69,337,284
Vehicles	2,532,361
Furniture and equipment	<u>3,519,968</u>
Net Capital Assets	<u><u>\$ 100,659,472</u></u>

The District's net investment in capital assets is a deficit of \$3,633,688 at June 30, 2017, 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.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2017

Long-term Debt

At year end, the District had \$140 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$10 million from June 30, 2016.

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 to 15 percent of the assessed value of all taxable property within a District's boundaries.

The District's other obligations include borrowings from installment purchase agreements, 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:

- Despite several years of economic rebound the State of Michigan is facing a bleak period. Tax credits and future road funding obligations will put further strain on the State's General Fund. This may potentially affect adjustments to the use of the School Aid Fund.
- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to health care and pension contribution obligations in 2016-17 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 a cap of the premium cost to the District.
- 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 revenue increasing less than Consumer Price Index rates and increasing expenditures is the challenge of the future. The Board of Education is currently working on strategic plan goals that include fiscal oversight, fiscal responsibility, and financial planning.

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, MI 49341

BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	\$ 2,750
Cash equivalents, deposits and investments (Note B)	41,961,441
Accounts receivable	42,936
Due from other governmental units (Note C)	12,437,986
Inventory	110,664
Prepaid expenses	7,997
Capital assets not being depreciated (Note E)	14,402,153
Capital assets being depreciated, net (Note E)	86,257,319
Total Assets	155,223,246
Deferred Outflows of Resources	
Loss on advance bond refundings, net	1,485,279
Deferred pension amounts	22,300,170
Total Deferred Outflows of Resources	23,785,449
Liabilities	
Accounts payable	2,735,495
State aid loan payable (Note F)	5,200,000
Due to other governmental units	3,644,372
Payroll withholdings payable	104,613
Accrued interest payable	969,879
Salaries payable	3,598,973
Unearned revenue	321,567
Long-term liabilities: (Note G)	
Due within one year	10,244,517
Due in more than one year	129,738,509
Net pension liability (Note H)	124,362,527
Total Liabilities	280,920,452
Deferred Inflows of Resources	
Deferred pension amounts	611,616
Net Position	
Net investment in capital assets	(3,633,688)
Restricted for:	
Capital outlay	84,171
Debt service	1,797,893
Food service	133,537
Unrestricted (deficit)	(100,905,286)
Total Net Position	\$(102,523,373)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 51,893,559	\$ -	\$ 15,123,638	\$(36,769,921)
Supporting services	33,849,227	583,485	1,024,587	(32,241,155)
Community services	2,764,252	1,835,582	-	(928,670)
Food service	2,455,159	1,554,931	794,268	(105,960)
Other	194,485	-	-	(194,485)
Interest on long-term debt	6,094,457	-	126,660	(5,967,797)
Depreciation - unallocated*	59,201	-	-	(59,201)
Total Governmental Activities	\$ 97,310,339	\$ 3,973,998	\$ 17,069,153	(76,267,188)
General Revenues				
Taxes:				
Property taxes, levied for general operations				6,624,504
Property taxes, levied for debt service				14,261,484
State school aid, unrestricted				52,924,603
Interest and investment earnings				368,096
Other				2,801,122
Total General Revenues				76,979,809
Change in Net Position				712,621
Net Position - Beginning of year as restated (Note N)				(103,235,994)
Net Position - End of Year				\$(102,523,373)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>2014 Construction</u>	<u>2016 Construction</u>
Assets			
Cash	\$ 1,250	\$ -	\$ -
Cash equivalents, deposits and investments (Note B)	4,201,858	-	34,629,784
Accounts receivable	40,091	-	-
Due from other funds (Note D)	272,310	-	198,304
Due from other governmental units (Note C)	12,437,986	-	-
Inventory	34,845	-	-
Prepaid expenditures	4,952	-	-
Total Assets	<u>\$ 16,993,292</u>	<u>\$ -</u>	<u>\$ 34,828,088</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 631,999	\$ -	\$ 2,034,247
State aid anticipation loan payable (Note F)	5,200,000	-	-
Due to other funds (Note D)	285,900	-	800
Due to other governmental units	3,625,902	-	-
Payroll withholdings payable	104,613	-	-
Accrued interest payable	46,151	-	-
Salaries payable	3,598,973	-	-
Unearned revenue	316,567	-	-
Total Liabilities	<u>13,810,105</u>	<u>-</u>	<u>2,035,047</u>
Fund Balances (Note A)			
Nonspendable	39,797	-	-
Restricted	-	-	32,793,041
Unassigned	3,143,390	-	-
Total Fund Balances	<u>3,183,187</u>	<u>-</u>	<u>32,793,041</u>
Total Liabilities and Fund Balances	<u>\$ 16,993,292</u>	<u>\$ -</u>	<u>\$ 34,828,088</u>

See accompanying notes to basic financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,500	\$ 2,750
3,129,799	41,961,441
2,776	42,867
34,189	504,803
-	12,437,986
75,819	110,664
3,045	7,997
<u>\$ 3,247,128</u>	<u>\$ 55,068,508</u>

\$ 15,842	\$ 2,682,088
-	5,200,000
271,441	558,141
18,470	3,644,372
-	104,613
-	46,151
-	3,598,973
5,000	321,567
<u>310,753</u>	<u>16,155,905</u>

78,864	118,661
2,857,511	35,650,552
-	3,143,390
<u>2,936,375</u>	<u>38,912,603</u>
<u>\$ 3,247,128</u>	<u>\$ 55,068,508</u>

ROCKFORD PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total governmental fund balances		\$ 38,912,603
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 \$177,596,927 and accumulated depreciation is \$76,937,455.		100,659,472
Bond refunding losses are not expensed but are amortized over the life of the new bond issue on the Statement of Activities.		1,485,279
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	\$(121,105,000)	
Energy conservation bonds	(405,000)	
Bond premium	(17,466,480)	
Early retirement incentive	(744,658)	
Accumulated sick leave	(261,888)	
	<u>(139,983,026)</u>	
Accrued interest on long-term debt is not included as a liability in governmental funds.		(923,728)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(124,362,527)	
Deferred outflows	22,300,170	
Deferred inflows	(611,616)	
	<u>(102,673,973)</u>	
Total net position - governmental activities		<u><u>\$ (102,523,373)</u></u>

See accompanying notes to basic financial statements.

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ROCKFORD PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2017

	General	2014 Construction	2016 Construction
Revenues			
Local sources	\$ 10,114,329	\$ 172,558	\$ 481,665
State sources	62,883,388	-	-
Federal sources	1,787,322	-	-
Interdistrict sources	4,419,577	-	-
Total Revenues	<u>79,204,616</u>	<u>172,558</u>	<u>481,665</u>
Expenditures			
Current:			
Instruction	48,540,332	-	-
Supporting services	27,155,996	337,596	2,683
Food service	-	-	-
Community services	2,733,573	-	-
Capital outlay	-	10,128,825	8,196,241
Debt service:			
Principal repayment	223,648	-	-
Interest and fiscal charges	24,548	-	-
Total Expenditures	<u>78,678,097</u>	<u>10,466,421</u>	<u>8,198,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>526,519</u>	<u>(10,293,863)</u>	<u>(7,717,259)</u>
Other Financing Sources (Uses)			
Transfers in	-	480,321	1,028
Transfers out	-	(1,028)	(480,321)
Total Other Financing Sources (Uses)	<u>-</u>	<u>479,293</u>	<u>(479,293)</u>
Net Change in Fund Balances	526,519	(9,814,570)	(8,196,552)
Fund Balances, Beginning of Year	<u>2,656,668</u>	<u>9,814,570</u>	<u>40,989,593</u>
Fund Balances, End of Year	<u><u>\$ 3,183,187</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,793,041</u></u>

See accompanying notes to basic financial statements.

Nonmajor	Total
\$ 15,896,135	\$ 26,664,687
301,396	63,184,784
602,073	2,389,395
-	4,419,577
16,799,604	96,658,443
-	48,540,332
-	27,496,275
2,327,975	2,327,975
-	2,733,573
11,723	18,336,789
8,010,000	8,233,648
5,867,168	5,891,716
16,216,866	113,560,308
582,738	(16,901,865)
3,888	485,237
(3,888)	(485,237)
-	-
582,738	(16,901,865)
2,353,637	55,814,468
\$ 2,936,375	\$ 38,912,603

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, 2017

Net change in fund balances - total governmental funds \$ (16,901,865)

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	\$ 14,125,457	
Depreciation expense	<u>(4,571,421)</u>	9,554,036

Bond refunding losses are amortized over the life of the new bond issue on the Statement of Activities.	(194,485)
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Bond premium is amortized over the life of the new bond issue on the Statement of Activities.	1,364,517
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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	8,010,000	
Repayment of energy conservation improvement bonds	90,000	
Repayment of installment purchase agreements	<u>133,648</u>	8,233,648

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.	(202,741)
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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 (\$342,328) exceeded the benefits earned (\$274,560).	67,768
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The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>(1,208,257)</u>
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Total changes in net position - governmental activities	<u><u>\$ 712,621</u></u>
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ROCKFORD PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Local sources	\$ 9,766,956	\$ 9,767,857	\$10,114,329	\$ 346,472
State sources	62,079,388	62,698,161	62,883,388	185,227
Federal sources	1,758,637	1,763,345	1,787,322	23,977
Interdistrict sources	4,227,761	4,213,914	4,419,577	205,663
Total Revenues	77,832,742	78,443,277	79,204,616	761,339
Expenditures				
Current:				
Instruction:				
Basic programs	40,905,783	41,224,477	40,873,303	351,174
Added needs	7,990,271	7,956,298	7,503,546	452,752
Adult education	188,581	170,751	163,483	7,268
Supporting services:				
Pupil services	4,184,061	4,190,830	4,501,875	(311,045)
Instructional staff services	1,615,272	1,633,098	2,249,283	(616,185)
General administrative services	677,554	678,296	690,969	(12,673)
School administrative services	4,336,099	4,509,759	4,539,378	(29,619)
Business services	1,199,524	1,197,439	1,325,682	(128,243)
Operation and maintenance services	6,244,904	6,486,684	6,937,397	(450,713)
Pupil transportation services	4,158,821	4,091,785	3,854,366	237,419
Central services	2,185,794	2,266,399	1,707,414	558,985
Other supporting services	1,349,632	1,349,632	1,349,632	-
Community services:	2,397,145	2,322,017	2,733,573	(411,556)
Debt service:				
Principal repayment	249,698	234,424	223,648	10,776
Interest and fiscal charges	33,290	12,968	24,548	(11,580)
Total Expenditures	77,716,429	78,324,857	78,678,097	(353,240)
Net Change in Fund Balances	116,313	118,420	526,519	408,099
Fund Balances, Beginning of Year	2,656,668	2,656,668	2,656,668	-
Fund Balances, End of Year	\$ 2,772,981	\$ 2,775,088	\$ 3,183,187	\$ 408,099

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 434,465	\$ 678,782
Due from other funds (Note D)	-	53,407
Total Assets	<u>434,465</u>	<u>\$ 732,189</u>
Liabilities		
Due to other funds (Note D)	-	\$ 69
Due to student groups	-	732,120
Total Liabilities	<u>-</u>	<u>\$ 732,189</u>
Net Position		
Held in trust for:		
Individuals and organizations	<u>\$ 434,465</u>	

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, 2017

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 2,905
Donations	56,306
Total Additions	<u>59,211</u>
Deductions	
Endowment activities - scholarships	<u>56,430</u>
Change In Net Position	2,781
Net Position, Beginning of Year	<u>431,684</u>
Net Position, End of Year	<u><u>\$ 434,465</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Note A – Summary of Significant Accounting Policies

Rockford Public Schools was organized under the School Code of the State of Michigan, and services a population of approximately 7,913 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 Rockford Public Schools (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*.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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 2014 Construction and 2016 Construction Capital Projects Funds 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 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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 *2014 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 *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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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 additions, 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 additions	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, 2017 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, 2017, 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 \$744,658 and \$261,888, respectively.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

11. Retirement 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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. Related plan investments are reported at fair value.

12. 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 two such items that qualify for reporting in this category: the deferred charge on a previous year's bond refunding and the deferred outflows relating to the recognition of net pension 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 an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements.

13. 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.

14. Fund Balance

The District's fund balance is comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. In the fund financial statements, governmental funds report the following components of fund balance:

- 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

- 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, 2017, 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.

15. 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.

16. 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 chartered 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.

ROCKFORD PUBLIC SCHOOLS
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- 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, 2017 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 41,961,441
Fiduciary Funds:	
Trust and Agency Funds	<u>1,113,247</u>
	<u><u>\$ 43,074,688</u></u>

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, 2017 balances are detailed as follows:

Cash equivalents	<u><u>\$ 455,316</u></u>
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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 \$455,316, and the bank balance was \$455,936 of which \$250,000 was covered by federal depository insurance and \$205,936 was uninsured and uncollateralized.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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Investments

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

Surplus Funds Investment Pool Accounts:

Michigan Liquid Asset Fund Plus

\$ 42,619,372

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, 2017. 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, 2017, 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. The weighted average maturity of the U.S. Treasury Securities was .1803 years at June 30, 2017.

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 is not authorized to invest in investments which have this type of risk.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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 October 2016 and February 2016. The 2016-16 "Foundation Allowance" for Rockford Public Schools was \$7,511 for 7,911 "Full Time Equivalent" students, generating \$62,261,729 in state aid payments to the District of which \$11,296,884 was paid to the District in July and August 2017 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 17.75 mills of non-homestead property tax was levied in the District for 2016.

The District levied a .9805 recreation millage and 8.50 mills for debt service purposes in 2016, 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).

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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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, 2017, the District's property tax revenues were reduced by approximately \$111,263 under these agreements.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2017, are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 271,441	\$ 34,189
Capital Projects Fund:		
2016 Construction Fund	800	198,304
Agency Fund:		
Student Activity Fund	69	53,407
	<u>272,310</u>	<u>285,900</u>
Capital Projects Fund:		
2016 Construction Fund:		
General Fund	198,304	800
	<u>198,304</u>	<u>800</u>
Total Major Funds	<u>470,614</u>	<u>286,700</u>
Nonmajor Fund		
Special Revenue Fund:		
Food Service Fund:		
General Fund	34,189	271,441
Fiduciary Fund		
Agency Fund:		
Student Activity Fund:		
General Fund	53,407	69
	<u>53,407</u>	<u>69</u>
Total All Funds	<u><u>\$ 558,210</u></u>	<u><u>\$ 558,210</u></u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Operating transfers between funds to allocate property tax revenues during the year ended June 30, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
Capital Projects Funds:		
2014 Construction Fund	\$ 480,321	\$ 1,028
2016 Construction Fund		
2016 Construction Fund		
2014 Construction Fund	<u>1,028</u>	<u>480,321</u>
Total Major Funds	481,349	481,349
Nonmajor Funds		
Debt Service Funds:		
2006-A Debt Fund:		
2016 Debt Fund	-	3,877
2008 Debt Fund:		
2016 Debt Fund	11	-
2016 Debt Fund:		
2006-A Debt Fund	3,877	-
2008 Debt Fund		<u>11</u>
Total Nonmajor Funds	<u>3,888</u>	<u>3,888</u>
Total All Funds	<u><u>\$ 485,237</u></u>	<u><u>\$ 485,237</u></u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Note E – Capital Assets

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

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017
Capital assets not being depreciated:				
Land	\$ 2,093,127	\$ -	\$ -	\$ 2,093,127
Construction in progress	1,412,828	13,328,793	2,432,595	12,309,026
Totals capital assets not being depreciated	<u>3,505,955</u>	<u>\$ 13,328,793</u>	<u>\$ 2,432,595</u>	<u>14,402,153</u>
Capital assets being depreciated:				
Land improvements	18,688,806	\$ 19,950	\$ -	18,708,756
Buildings	119,179,540	2,469,514	-	121,649,054
Furniture and equipment	16,542,804	375,171	-	16,917,975
Vehicles	5,554,365	364,624	-	5,918,989
Totals capital assets being depreciated	<u>159,965,515</u>	<u>\$ 3,229,259</u>	<u>\$ -</u>	<u>163,194,774</u>
Less accumulated depreciation for:				
Land improvements	7,073,558	\$ 767,492	\$ -	7,841,050
Buildings	49,521,038	2,790,732	-	52,311,770
Furniture and equipment	12,802,155	595,852	-	13,398,007
Vehicles	2,969,283	417,345	-	3,386,628
Total accumulated depreciation	<u>72,366,034</u>	<u>\$ 4,571,421</u>	<u>\$ -</u>	<u>76,937,455</u>
Total capital assets being depreciated, net	<u>87,599,481</u>			<u>86,257,319</u>
Net Capital Assets	<u><u>\$ 91,105,436</u></u>			<u><u>\$ 100,659,472</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 2,710,796
Supporting services	1,695,537
Community services	4,127
Food service	101,760
Unallocated	<u>59,201</u>
	<u><u>\$ 4,571,421</u></u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Note F – Short-term Debt

On August 20, 2016, the District repaid the \$5,300,000 July 29, 2015 State aid anticipation loan. On August 22, 2016, the District borrowed \$5,200,000 for cash flow purposes, in anticipation of State aid (interest at .89%). The loan is due in full on August 20, 2017. Net interest cost on the loans was \$46,151 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, 2016	Debt Added	Debt Retired	Debt Outstanding June 30, 2017
State Aid Anticipation Loans	\$ 5,300,000	\$ 5,200,000	\$ 5,300,000	\$ 5,200,000

Note G – Long-term Debt

Changes in long-term debt for the year ended June 30, 2017 are summarized as follows:

	Debt Outstanding July 1, 2016	Debt Added	Debt Retired	Debt Outstanding June 30, 2017
General obligation bonds:				
May 29, 2008	\$ 2,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
February 4, 2012	8,405,000	-	2,740,000	5,665,000
June 3, 2014	31,780,000	-	-	31,780,000
February 6, 2015	23,845,000	-	2,770,000	21,075,000
June 6, 2016	575,000	-	195,000	380,000
June 6, 2016	27,440,000	-	305,000	27,135,000
June 6, 2016	35,070,000	-	1,000,000	34,070,000
Bond premium	18,830,997	-	1,364,517	17,466,480
Energy conservation improvement bonds:				
May 22, 2006	495,000	-	90,000	405,000
Installment purchase agreement	133,648	-	133,648	-
Early retirement incentive- contractual	648,885	146,206	50,433	744,658
Accumulated sick leave	425,429	128,354	291,895	261,888
	<u>\$ 149,648,959</u>	<u>\$ 274,560</u>	<u>\$ 9,940,493</u>	<u>\$ 139,983,026</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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Long-term debt outstanding at June 30, 2017 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$45,250K 2008 General Obligation Refunding:				
Annual maturity of \$1,000K	May 1, 2018	4.00	\$ 1,000,000	\$ 1,000,000
\$22,960K 2012 General Obligation Refunding:				
Annual maturities of \$2,805K to \$2,860K	May 1, 2019	5.00	5,665,000	2,805,000
\$31,780K 2014 Building and Site:				
Annual maturities of \$500K to \$1,755K	May 1, 2039	4.00 - 5.00	31,780,000	500,000
\$26,375K 2015 General Obligation Refunding:				
Annual maturities of \$1,895K to \$2,440K	May 1, 2027	5.00	21,075,000	2,440,000
\$575K 2016 General Obligation Refunding Series A:				
Annual maturities of \$185K to \$195K	May 1, 2019	3.00 - 4.00	380,000	195,000
\$27,440K 2016 General Obligation Refunding Series B:				
Annual maturities of \$175K to \$3,890K	May 1, 2039	3.00 - 5.00	27,135,000	175,000
\$35,070K 2016 Building and Site:				
Annual maturities of \$200K to \$2,080K	May 1, 2044	3.00 - 5.00	34,070,000	1,310,000
Bond premium			17,466,480	1,364,517
Energy Conservation Improvement Bonds				
\$1,200K 2006 Improvement:				
Annual maturities of \$95K to \$105K	May 1, 2021	4.30 - 4.45	405,000	95,000
Other Obligations				
Early retirement incentive - contractual			744,658	60,000
Accumulated sick leave			261,888	300,000
			<u>\$ 139,983,026</u>	<u>\$ 10,244,517</u>

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

Year Ended June 30	Principal	Interest	Total
2018	\$ 8,520,000	\$ 5,799,126	\$ 13,319,126
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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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Year Ended June 30	Principal	Interest	Total
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
	<u>\$ 121,510,000</u>	<u>\$ 69,715,238</u>	<u>\$ 190,225,238</u>

On June 7, 2016, the District issued \$575,000 in general obligation bonds to advance refund \$590,000 of outstanding 2006 refunding serial bonds. The true interest cost of the refunding bonds was 1.046051% resulting in a total net present value savings of \$30,750, or 5.2119%. The net proceeds of \$594,521 after premium of \$24,847, underwriter's discount of \$1,116, and bond issuance costs of \$4,210, were deposited with an escrow agent and used to retire the outstanding obligations described above. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. The final payment of outstanding principal and interest was made on July 11, 2016 from the escrow account. This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year end June 30, 2017.

On June 7, 2016, the District issued \$27,440,000 in general obligations bonds to advance refund \$32,900,000 of outstanding 2008 building and site serial bonds. The true interest cost of the refunding bonds was 2.9712% resulting in a total net present value savings of \$4,156,680, or 12.6343%. The net proceeds of \$35,663,630 after premium of \$5,509,949, District contribution of \$2,875,000, underwriter's discount of \$53,234, and bond issuance costs of \$108,085, were deposited with an escrow agent and used to retire the outstanding obligations described above. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. The final payment of outstanding principal and interest is scheduled to be made on May 1, 2018 from the escrow account. This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year end June 30, 2017.

There was no prior period bond refunding debt remaining outstanding at June 30, 2017.

ROCKFORD PUBLIC SCHOOLS
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June 30, 2017

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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 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 at www.michigan.gov/mpers-cafr.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of pension plans offered by MPERS 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, 2016, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	187,546
Survivor benefits	17,274
Disability benefits	6,187
Total	211,007
Inactive plan members entitled to but not yet receiving benefits:	17,868
Active plan members:	
Vested	104,159
Non-vested	103,486
Total	207,645
Total plan members	436,520

ROCKFORD PUBLIC SCHOOLS
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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. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

Option 1 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

Option 2 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.

Option 3 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.

ROCKFORD PUBLIC SCHOOLS
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Option 4 members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Deferred 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 Deferred 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.

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: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

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.

ROCKFORD PUBLIC SCHOOLS
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A Basic Plan member may retire at:

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

There is no mandatory retirement age.

Early Retirement

A 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.

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 application may select only one of the following options.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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. 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

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided". Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB) (See Note I). 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. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability will be amortized over a 21 year period for the 2016 fiscal year.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 10.53% to 11.70% of covered payroll for “MPERS UAAL Stabilization.” This additional contribution is offset by monthly State Aid payments equal to the amounts actually billed by the Office of Retirement Services (ORS). Employer contribution requirements for pension and retiree healthcare, including the MPERS UAAL Stabilization and one-time prepayment rates, ranged from 20.96% to 25.78% of covered payroll. Plan member contribution rates range from 0.0% to 7.0% of covered payroll.

The District’s contributions to MPERS under all pension plans for the year ended June 30, 2017, inclusive of the MPERS UAAL Stabilization, totaled \$13,702,535.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System’s members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members’ paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2016, there were 11,113 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2016. The average remaining length of a contract was approximately 5.7 years for 2016. The short-term receivable was \$20.7 million and the discounted long-term receivable was \$52.8 million at September 30, 2016.

MPERS Plan Net Pension Liability (in thousands)

Total Pension Liability	\$ 68,970,001
Plan Fiduciary Net Position	<u>43,460,579</u>
Net Pension Liability	<u><u>\$ 25,509,422</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.01%
Net Pension Liability as a Percentage of Covered Employee Payroll	299.75%
Total Covered Payroll	\$ 8,510,200

Proportionate Share of Reporting Unit’s Net Pension Liability

On June 30, 2017, the District reported a liability of \$124,362,527 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. The District’s proportion was .48283576% at September 30, 2016, and .49846335% at September 30, 2017.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

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

For the year ended June 30, 2017, the District recognized pension expense of \$13,061,830. At June 30, 2017, 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	\$ 1,549,885	\$ 294,742
Changes of assumptions	1,944,311	—
Net difference between projected and actual earnings on pension plan investment earnings	2,066,904	—
Changes in proportion and differences between District contributions and proportionate share of contributions	4,250,726	316,874
District contributions subsequent to the measurement date*	12,488,344	—
Total	\$ 22,300,170	\$ 611,616

*This amount, reported as deferred outflows of resources related to pensions resulting from Reporting Unit contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30	Amount
2018	\$ 2,187,874
2019	2,025,253
2020	4,059,406
2021	927,677

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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	8.0%
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, 2015 valuation. The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015, 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: [4.6273 for non-university employers, 1.2456 for university employers].
- Recognition period for assets in years is 5.000.
- Full actuarial assumptions are available in the 2016 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, 2016 are summarized in the following table:

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate & Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short-term Investment Pools	2.0%	0.0%
Total	100.0%	

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (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 8.0 percent (7.0% for the Hybrid 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)* 7.0%/6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0%/7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0%/8.0%
District's proportionate share of the net pension liability	\$ 160,147,632	\$ 124,362,527	\$ 94,192,243

Michigan Public School Employees Retirement System (MPERS) 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, 2016 Comprehensive Annual Financial Report, available here: (www.michigan.gov/documents/orsschools/MPERS_CAFR_2016_Final_510211_7.pdf).

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

Payables to the pension plan totaling \$2,069,723 at June 30, 2017 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Note H – Other Postemployment Benefits

Plan Description and Employee Contributions

Benefit provisions of the post-employment healthcare plan are established by State statute which may be amended. Retirees have the option of health coverage, which, through 2016, is currently funded on a cash disbursement basis. The System has contracted to provide the comprehensive group medical, hearing, 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 health care recipient. 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Public Act 300 of 2012 granted all active members of MPSERS 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 December 1, 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 Section 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 will be deposited into their 401(k) account no later than their first pay date after February 1, 2013.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare.

Members who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet the eligibility requirements may request a refund of their contributions.

Under Public Act 300 of 2012, the State no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a Section 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Employer contributions

Required contributions for post-employment health care benefits ranged from 6.40% to 6.83% of covered payroll for the fiscal year ended June 30, 2017. The District's required and actual contributions to the Plan for retiree health care benefits for the fiscal years ending June 30, 2017, 2016 and 2015 were \$2,885,997, \$2,671,442, and, \$1,215,502 respectively.

Post-employment Plan Status

At September 30, 2016, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole was \$12.8 billion. The MPSERS net assets available for these benefits were \$3.5 billion leaving an unfunded actuarial accrued liability of \$9.3 billion. The funded ratio of actuarial liability was 27.5%; covered payroll totaled \$8.3 billion, and unfunded actuarial liability was 112.6% of covered payroll.

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 \$255,850 in premiums to the MSIP for the year ended June 30, 2017.

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 \$2,208,248 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2017, there were no material pending claims against the District. The District paid \$289,318 in premiums to the Fund for the year ended June 30, 2017.

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 2016-17 fiscal year.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted amounts for the year ended June 30, 2017, as follows:

	Budget	Actual	Variance
General Fund			
Supporting services:			
Pupil support services	\$ 4,190,830	\$ 4,501,875	\$ 311,045
Instructional staff services	1,633,098	2,249,283	616,185
General administrative services	678,296	690,969	12,673
School administrative services	4,509,759	4,539,378	29,619
Business services	1,197,439	1,325,682	128,243
Operation and maintenance services	6,486,684	6,937,397	450,713
Community services	2,322,017	2,733,573	411,556
Debt service:			
Interest and fiscal charges	12,968	24,548	11,580
Food Service Special Revenue Fund			
Food Service	2,267,469	2,327,975	60,506

The District has an unrestricted net position deficit of \$100,905,286 and a total net position deficit of \$102,523,373 as of June 30, 2017. These deficit net positions result primarily from recording a net pension liability of \$102,673,973 (net of deferred outflows and inflows of resources related to the pension 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, 2017, unspent balances committed to these construction projects totaled \$84,171, which are expected to be fully expended by the year ended June 30, 2018.

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, 2017, unspent balances committed to these construction projects totaled \$32,793,041, which are expected to be fully expended by the year ended June 30, 2020.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2017

Note M – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year beginning after June 15, 2017. This builds off GASB 68 by requiring the District to record the liability for any postemployment benefits offered to employees based on an actuarial valuation of retiree healthcare and other benefits administered by the trust. The liability will become a balance sheet item rather than a note disclosure and will be shown on the Statement of Net Position not in the General Fund.

Note N – Restatement of Net Position

Beginning net position was decreased by \$2 million for a restatement of general obligation bonds outstanding at June 30, 2016.

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, 2017

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2017</u>
District's proportion of the net pension liability	0.47302115%	0.48283576%	0.49846335%
District's proportionate share of the net	\$104,190,018	\$117,932,764	\$124,362,527
District's covered-employee payroll	\$ 40,397,194	\$ 40,229,246	\$ 42,356,434
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257.91%	293.15%	293.61%
Plan fiduciary net position as a percentage of the total pension liability	66.15%	62.92%	63.01%

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.

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2017

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

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.

ROCKFORD PUBLIC SCHOOLS
Notes to Required Supplementary Information
June 30, 2017

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2016-17.

Changes of assumptions: There were no changes of benefit assumptions in 2016-17.

SUPPLEMENTARY INFORMATION

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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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 1,250	\$ 1,250
Cash equivalents, deposits and investments	4,201,858	3,968,604
Accounts receivable	40,091	29,281
Due from other funds	272,310	247,742
Due from other governmental units	12,437,986	12,367,667
Inventory	34,845	214,029
Prepaid expenditures	4,952	899
Total Assets	<u><u>\$ 16,993,292</u></u>	<u><u>\$ 16,829,472</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 631,999	\$ 904,017
State aid anticipation loan payable	5,200,000	5,300,000
Due to other funds	285,900	65,216
Due to other governmental units	3,625,902	3,943,531
Payroll withholdings payable	104,613	53,522
Accrued interest payable	46,151	39,171
Salaries payable	3,598,973	3,710,495
Unearned revenue	316,567	156,852
Total Liabilities	<u>13,810,105</u>	<u>14,172,804</u>
Fund Balances		
Nonspendable	39,797	214,928
Unassigned	3,143,390	2,441,740
Total Fund Balances	<u>3,183,187</u>	<u>2,656,668</u>
Total Liabilities and Fund Balances	<u><u>\$ 16,993,292</u></u>	<u><u>\$ 16,829,472</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2017 and 2016

	2017	2016
Local sources:		
Property taxes:		
Operating	\$ 4,948,937	\$ 4,885,749
Recreation	1,640,711	1,610,168
Industrial facilities taxes	2,479	4,296
Delinquent and other property taxes	25,463	24,891
Interest on delinquent taxes	6,914	5,628
	<u>6,624,504</u>	<u>6,530,732</u>
Interest earnings:		
Interest on deposits and investments	30,971	9,734
Revenues from student activities:		
Gate fees	167,410	163,522
Pay to participate	234,442	235,936
	<u>401,852</u>	<u>399,458</u>
Other local revenue:		
Preschool fees	187,847	199,593
Adult/community education fees	392,967	425,935
Transportation fees	64,520	42,779
Child care fees	1,311,751	1,304,793
Third party testing	39,708	48,676
Beverage consortium commissions	31,731	34,997
Sale of school property	-	25,470
Pool fees	130,864	119,914
Rental of school facilities	123,623	76,514
Donations	116,773	147,979
Universal service credit	77,405	12,168
Miscellaneous	579,813	528,340
	<u>3,057,002</u>	<u>2,967,158</u>
Total local sources	10,114,329	9,907,082
State sources:		
State school aid	62,051,497	60,442,752
Special education - transportation	590,713	548,559
Special education - itinerants	209,639	115,285
Technology readiness infrastructure grant	-	122,392
Payment in lieu of taxes	17,459	-
Great Start Readiness site reimbursement	14,080	14,080
Total state sources	<u>62,883,388</u>	<u>61,243,068</u>
Federal sources:		
Title I	427,854	541,277
Title IIA	127,321	73,695
I.D.E.A. program	1,156,459	1,121,836
Welfare to work	55,500	32,500
Medicaid - Outreach	19,113	11,332
Groundswell grant	1,075	-
Total federal sources	<u>1,787,322</u>	<u>1,780,640</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Interdistrict sources:		
Special education - county	\$ 3,791,687	\$ 3,726,816
Special education - tuition	196,953	204,478
Medicaid fee for service	304,215	330,040
Adult continuing education	36,961	37,555
Bus driver safety	3,761	1,338
Foreign exchange program	86,000	58,176
Total interdistrict sources	<u>4,419,577</u>	<u>4,358,403</u>
Total Revenues	<u><u>\$ 79,204,616</u></u>	<u><u>\$ 77,289,193</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2017 and 2016

	2017	2016
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 11,149,199	\$ 11,202,211
Employee benefits	7,264,841	7,189,881
Purchased services	193,460	162,765
Supplies	158,208	224,646
Capital outlay	951	-
Miscellaneous	31	-
	<u>18,766,690</u>	<u>18,779,503</u>
Middle school:		
Salaries	5,493,498	5,490,480
Employee benefits	3,636,925	3,588,713
Purchased services	78,852	80,224
Supplies	70,308	64,042
Capital outlay	407	-
Miscellaneous	295	525
	<u>9,280,285</u>	<u>9,223,984</u>
High school:		
Salaries	7,267,418	7,246,614
Employee benefits	4,909,129	4,797,217
Purchased services	306,181	264,119
Supplies	132,155	117,357
Capital outlay	135	-
Miscellaneous	8,624	10,555
	<u>12,623,642</u>	<u>12,435,862</u>
Preschool:		
Salaries	89,015	125,050
Employee benefits	93,149	64,551
Purchased services	124	-
Supplies	4,101	8,577
	<u>186,389</u>	<u>198,178</u>
Summer school:		
Salaries	11,200	11,000
Employee benefits	5,097	4,815
	<u>16,297</u>	<u>15,815</u>
Total basic programs	<u>40,873,303</u>	<u>40,653,342</u>
Added needs:		
Special education:		
Salaries	3,309,862	3,423,502
Employee benefits	2,089,795	2,208,708
Purchased services	63,802	52,090
Supplies	24,968	33,840
Capital outlay	4,885	5,288
Payments to other districts	595,760	542,004
	<u>6,089,072</u>	<u>6,265,432</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2017 and 2016

	2017	2016
Compensatory education:		
Salaries	\$ 659,468	\$ 633,571
Employee benefits	329,407	320,681
Purchased services	26,576	33,384
Supplies	35,341	59,059
Miscellaneous	5,426	-
	<u>1,056,218</u>	<u>1,046,695</u>
Vocational education:		
Salaries	202,443	209,167
Employee benefits	134,686	139,563
Purchased services	7,289	7,488
Supplies	13,838	21,288
	<u>358,256</u>	<u>377,506</u>
Total added needs	<u>7,503,546</u>	<u>7,689,633</u>
Adult education services:		
Basic:		
Salaries	104,879	110,390
Employee benefits	55,492	64,113
Purchased services	1,287	3,575
Supplies	1,530	7,907
Miscellaneous	295	340
Total adult education services	<u>163,483</u>	<u>186,325</u>
Total instruction	<u>48,540,332</u>	<u>48,529,300</u>
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	900,063	852,152
Employee benefits	569,402	604,438
Purchased services	5,918	9,626
	<u>1,475,383</u>	<u>1,466,216</u>
Occupational therapist services:		
Salaries	94,692	90,090
Employee benefits	46,622	50,674
Purchased services	18,837	20,806
Supplies	15,943	5,764
Payments to other districts	243,633	235,768
	<u>419,727</u>	<u>403,102</u>
Psychological services:		
Purchased services	678	295
Supplies	885	1,400
Payments to other districts	455,672	468,488
	<u>457,235</u>	<u>470,183</u>
Speech pathology services:		
Employee benefits	399	-
Purchased services	914	668
Supplies	3,272	5,075
Payments to other districts	678,349	642,369
	<u>682,934</u>	<u>648,112</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2017 and 2016

	2017	2016
Social worker services:		
Purchased services	\$ 1,338	\$ 1,081
Supplies	6,229	1,934
Payments to other districts	694,009	759,351
	<u>701,576</u>	<u>762,366</u>
Teacher consultant services:		
Salaries	153,875	-
Employee benefits	92,289	-
Purchased services	2,167	2,666
Supplies	1,722	-
Payments to other districts	514,967	495,976
	<u>765,020</u>	<u>498,642</u>
Total pupil services	4,501,875	4,248,621
Instructional staff services:		
Improvement of instruction:		
Salaries	231,822	224,472
Employee benefits	130,315	125,989
Purchased services	122,020	114,439
Supplies	291,818	306,431
Miscellaneous	13,710	14,424
	<u>789,685</u>	<u>785,755</u>
Library:		
Salaries	509,279	492,631
Employee benefits	306,799	304,762
Purchased services	712	8,371
Supplies	126,775	139,404
Capital outlay	10	-
	<u>943,575</u>	<u>945,168</u>
Educational television:		
Purchased services	1,883	1,464
Supplies	396	-
	<u>2,279</u>	<u>1,464</u>
Instructional technology:		
Salaries	117,111	41,352
Employee benefits	54,220	18,566
Purchased services	2,291	-
	<u>173,622</u>	<u>59,918</u>
Supervision and direction of instruction:		
Salaries	187,345	181,303
Employee benefits	115,892	107,812
Purchased services	12,482	16,351
Supplies	23,491	12,922
Capital outlay	912	-
Miscellaneous	-	44
	<u>340,122</u>	<u>318,432</u>
Total instructional staff services	2,249,283	2,110,737

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2017 and 2016

	2017	2016
General administrative services:		
Board of education:		
Purchased services	\$ 173,126	\$ 198,275
Supplies	6,942	8,803
Capital outlay	42	-
Miscellaneous	14,690	29,923
	<u>194,800</u>	<u>237,001</u>
Executive administration:		
Salaries	305,221	301,078
Employee benefits	162,748	159,821
Purchased services	20,359	20,247
Supplies	4,240	4,444
Miscellaneous	3,601	5,992
	<u>496,169</u>	<u>491,582</u>
Total general administrative services	690,969	728,583
School administrative services:		
Office of the principal:		
Salaries	2,735,708	2,689,989
Employee benefits	1,766,047	1,720,207
Purchased services	18,757	23,063
Supplies	13,668	24,194
Capital outlay	917	-
Miscellaneous	4,281	4,501
	<u>4,539,378</u>	<u>4,461,954</u>
Total school administrative services		
Business services:		
Fiscal services:		
Salaries	509,382	489,022
Employee benefits	363,983	335,193
Purchased services	44,261	44,194
Supplies	73,583	42,770
Miscellaneous	569	559
	<u>991,778</u>	<u>911,738</u>
Document center:		
Salaries	32,530	32,783
Employee benefits	27,056	27,256
Purchased services	91,056	92,407
Supplies	70,913	41,804
	<u>221,555</u>	<u>194,250</u>
Other business services:		
Miscellaneous	112,349	102,738
	<u>112,349</u>	<u>102,738</u>
Total business services	1,325,682	1,208,726

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2017 and 2016

	2017	2016
Operation and maintenance:		
Salaries	\$ 1,905,761	\$ 1,794,602
Employee benefits	1,387,356	1,303,778
Purchased services	1,280,980	1,026,067
Supplies	1,888,310	1,408,197
Capital outlay	6,271	13,405
Miscellaneous	1,403	4,448
	<u>6,470,081</u>	<u>5,550,497</u>
Security services:		
Salaries	270,410	264,425
Employee benefits	193,127	184,352
Purchased services	3,779	6,446
Supplies	-	3,262
	<u>467,316</u>	<u>458,485</u>
Total operation and maintenance services	6,937,397	6,008,982
Pupil transportation services:		
Pupil transportation:		
Salaries	1,471,090	1,390,548
Employee benefits	997,163	1,009,000
Purchased services	36,669	28,286
Supplies	523,631	447,904
Capital outlay	27,028	-
Miscellaneous	2,485	2,093
Payments to other districts	796,300	835,024
Total pupil transportation services	<u>3,854,366</u>	<u>3,712,855</u>
Central services:		
Personnel services:		
Salaries	282,672	273,053
Employee benefits	191,366	166,114
Purchased services	50,020	41,351
Supplies	11,297	11,486
Miscellaneous	1,045	1,063
	<u>536,400</u>	<u>493,067</u>
Operational technology services:		
Salaries	507,942	493,168
Employee benefits	365,782	338,718
Purchased services	270,069	210,375
Supplies	26,083	9,012
Capital outlay	802	-
Miscellaneous	336	336
	<u>1,171,014</u>	<u>1,051,609</u>
Total central services	<u>1,707,414</u>	<u>1,544,676</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2017 and 2016

	2017	2016
Athletics:		
Salaries	\$ 731,138	\$ 732,029
Employee benefits	362,797	429,983
Purchased services	165,951	139,913
Supplies	50,792	42,343
Capital outlay	2,146	6,771
Miscellaneous	36,808	35,325
Total other supporting services	<u>1,349,632</u>	<u>1,386,364</u>
Total supporting services	27,155,996	25,411,498
Community services:		
Community education, pool and CDL testing:		
Salaries	273,851	338,114
Employee benefits	160,737	178,672
Purchased services	3,288	3,267
Supplies	5,156	1,315
Miscellaneous	-	110
	<u>443,032</u>	<u>521,478</u>
Leisure time activities:		
Salaries	397,152	387,962
Employee benefits	247,734	244,239
Purchased services	90,430	77,923
Supplies	112,933	91,795
Capital outlay	182	10
Miscellaneous	21,730	26,407
	<u>870,161</u>	<u>828,336</u>
Custody and care of children:		
Salaries	865,522	888,983
Employee benefits	405,955	409,778
Purchased services	119,274	108,252
Supplies	20,501	30,183
Capital outlay	9,128	5,440
	<u>1,420,380</u>	<u>1,442,636</u>
Total community services	<u>2,733,573</u>	<u>2,792,450</u>
Debt service:		
Principal repayment	223,648	383,346
Interest and fiscal charges	24,548	33,781
Total debt service	<u>248,196</u>	<u>417,127</u>
Total Expenditures	<u><u>\$ 78,678,097</u></u>	<u><u>\$ 77,150,375</u></u>

NONMAJOR GOVERNMENTAL FUNDS

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Food Service	2006 (A)	2008
Assets			
Cash	\$ 1,500	\$ -	\$ -
Cash equivalents, deposits and investments	326,961	-	205,006
Accounts receivable	2,776	-	-
Due from other funds	34,189	-	-
Inventory	75,819	-	-
Prepaid expenditures	3,045	-	-
Total Assets	\$ 444,290	\$ -	\$ 205,006
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 15,842	\$ -	\$ -
Due to other funds	271,441	-	-
Due to other governmental units	18,470	-	-
Unearned revenue	5,000	-	-
Total Liabilities	310,753	-	-
Fund Balances			
Nonspendable	78,864	-	-
Restricted	54,673	-	205,006
Total Fund Balances	133,537	-	205,006
Total Liabilities and Fund Balances	\$ 444,290	\$ -	\$ 205,006

Debt Service				Capital Projects 2008 Construction	Total
2012	2014	2015	2016		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500
619,564	557,294	441,388	895,415	84,171	3,129,799
-	-	-	-	-	2,776
-	-	-	-	-	34,189
-	-	-	-	-	75,819
-	-	-	-	-	3,045
<u>\$ 619,564</u>	<u>\$ 557,294</u>	<u>\$ 441,388</u>	<u>\$ 895,415</u>	<u>\$ 84,171</u>	<u>\$ 3,247,128</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,842
-	-	-	-	-	271,441
-	-	-	-	-	18,470
-	-	-	-	-	5,000
-	-	-	-	-	310,753
-	-	-	-	-	78,864
619,564	557,294	441,388	895,415	84,171	2,857,511
619,564	557,294	441,388	895,415	84,171	2,936,375
<u>\$ 619,564</u>	<u>\$ 557,294</u>	<u>\$ 441,388</u>	<u>\$ 895,415</u>	<u>\$ 84,171</u>	<u>\$ 3,247,128</u>

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2017

	Special Revenue Food Service	2006 (A)	2008
Revenues			
Local sources:			
Property taxes	\$ -	\$ 10	\$ 1,175,915
Interest earnings	1,003	3	3,555
Food sales	1,547,543	-	-
Other local sources	7,388	-	-
Total local sources	1,555,934	13	1,179,470
State sources	192,195	-	13,898
Federal sources	602,073	-	-
Total Revenues	2,350,202	13	1,193,368
Expenditures			
Current:			
Food service	2,327,975	-	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	1,000,000
Interest and fiscal charges	-	-	78,888
Total Expenditures	2,327,975	-	1,078,888
Excess (Deficiency) of Revenues Over Expenditures	22,227	13	114,480
Other Financing Sources (Uses)			
Transfers in	-	-	11
Transfers out	-	(3,877)	-
Total Other Financing Sources (Uses)	-	(3,877)	11
Net Change in Fund Balances	22,227	(3,864)	114,491
Fund Balances, Beginning of Year	111,310	3,864	90,515
Fund Balances, End of Year	\$ 133,537	\$ -	\$ 205,006

Debt Service				Capital Projects 2008	
2012	2014	2015	2016	Construction	Total
\$ 2,853,384	\$ 1,678,574	\$ 3,525,416	\$ 5,043,004	\$ -	\$ 14,276,303
12,090	4,728	11,930	-	516	33,825
-	-	-	-	-	1,547,543
31,076	-	-	-	-	38,464
2,896,550	1,683,302	3,537,346	5,043,004	516	15,896,135
33,753	-	41,695	19,855	-	301,396
-	-	-	-	-	602,073
2,930,303	1,683,302	3,579,041	5,062,859	516	16,799,604
-	-	-	-	-	2,327,975
-	-	-	-	11,723	11,723
2,740,000	-	2,770,000	1,500,000	-	8,010,000
421,237	1,501,962	1,193,771	2,671,310	-	5,867,168
3,161,237	1,501,962	3,963,771	4,171,310	11,723	16,216,866
(230,934)	181,340	(384,730)	891,549	(11,207)	582,738
-	-	-	3,877	-	3,888
-	-	-	(11)	-	(3,888)
-	-	-	3,866	-	-
(230,934)	181,340	(384,730)	895,415	(11,207)	582,738
850,498	375,954	826,118	-	95,378	2,353,637
\$ 619,564	\$ 557,294	\$ 441,388	\$ 895,415	\$ 84,171	\$ 2,936,375

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 1,552,358	\$ 1,555,934	\$ 3,576
State sources	160,242	192,195	31,953
Federal sources	<u>576,756</u>	<u>602,073</u>	<u>25,317</u>
Total Revenues	<u>2,289,356</u>	<u>2,350,202</u>	<u>60,846</u>
Expenditures			
Current:			
Food service	<u>2,267,469</u>	<u>2,327,975</u>	<u>(60,506)</u>
Net Change in Fund Balances	21,887	22,227	340
Fund Balances, Beginning of Year	<u>111,310</u>	<u>111,310</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 133,197</u></u>	<u><u>\$ 133,537</u></u>	<u><u>\$ 340</u></u>

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, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 1,500	\$ 1,500
Cash equivalents, deposits and investments	326,961	81,646
Accounts receivable	2,776	3,236
Due from other funds	34,189	32,407
Inventory	75,819	84,130
Prepaid expenditures	3,045	3,530
Total Assets	\$ 444,290	\$ 206,449
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 15,842	\$ 12,914
Due to other funds	271,441	61,281
Due to other governmental units	18,470	13,558
Salaries payable	-	7,386
Unearned revenue	5,000	-
Total Liabilities	310,753	95,139
Fund Balances		
Nonspendable	78,864	87,660
Restricted	54,673	23,650
Total Fund Balances	133,537	111,310
Total Liabilities and Fund Balances	\$ 444,290	\$ 206,449

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 1,003	\$ 262
Sales and admissions:		
Children's lunches	696,466	650,091
Adult lunches	23,924	14,158
Ala carte	655,278	636,088
Catering	171,875	170,741
	<u>1,547,543</u>	<u>1,471,078</u>
Other local sources:		
Miscellaneous	7,388	-
	<u>7,388</u>	<u>-</u>
Total local sources	1,555,934	1,471,340
State sources	192,195	173,165
Federal sources	602,073	600,003
	<u>602,073</u>	<u>600,003</u>
Total Revenues	<u>2,350,202</u>	<u>2,244,508</u>
Expenditures		
Current:		
Food service:		
Salaries	657,859	650,997
Employee benefits	492,038	531,273
Purchased services	89,632	27,852
Supplies	1,078,304	1,012,804
Capital outlay	770	318
Miscellaneous	9,372	7,745
	<u>9,372</u>	<u>7,745</u>
Total Expenditures	<u>2,327,975</u>	<u>2,230,989</u>
Net Change in Fund Balances	22,227	13,519
Fund Balances, Beginning of Year	111,310	97,791
Fund Balances, End of Year	<u>\$ 133,537</u>	<u>\$ 111,310</u>

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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, 2017

	<u>2006 (A)</u>	<u>2008</u>	<u>2012</u>
Assets			
Cash equivalents, deposits and investments	<u>\$ -</u>	<u>\$ 205,006</u>	<u>\$ 619,564</u>
Liabilities and Fund Balances			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances			
Restricted	<u>-</u>	<u>205,006</u>	<u>619,564</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 205,006</u>	<u>\$ 619,564</u>

2014	2015	2016	Totals	
			2017	2016
<u>\$ 557,294</u>	<u>\$ 441,388</u>	<u>\$ 895,415</u>	<u>\$ 2,718,667</u>	<u>\$ 2,146,949</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>557,294</u>	<u>441,388</u>	<u>895,415</u>	<u>2,718,667</u>	<u>2,146,949</u>
<u>\$ 557,294</u>	<u>\$ 441,388</u>	<u>\$ 895,415</u>	<u>\$ 2,718,667</u>	<u>\$ 2,146,949</u>

ROCKFORD PUBLIC SCHOOLS
Debt Service Debts
Combining Schedule of Revenues, Expenditures and Changes in Debt Balances
For the year ended June 30, 2017

	2006 (A)	2008	2012
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ -	\$ 1,171,340	\$ 2,844,682
Industrial facilities taxes	-	1,770	4,298
Delinquent and other property taxes	10	1,822	2,293
Interest on delinquent taxes	-	983	2,111
	<u>10</u>	<u>1,175,915</u>	<u>2,853,384</u>
Interest earnings:			
Interest on deposits and investments	3	3,555	12,090
Other local sources:			
Refund of expenditures	-	-	-
Miscellaneous	-	-	31,076
	<u>-</u>	<u>-</u>	<u>31,076</u>
Total local sources	<u>13</u>	<u>1,179,470</u>	<u>2,896,550</u>
State sources	<u>-</u>	<u>13,898</u>	<u>33,753</u>
Total Revenues	<u>13</u>	<u>1,193,368</u>	<u>2,930,303</u>
Expenditures			
Debt service:			
Principal repayment	-	1,000,000	2,740,000
Interest and fiscal charges:			
Interest expense	-	77,500	420,250
Paying agent fees	-	750	200
Tax refunds	-	638	787
Bond issuance costs	-	-	-
Underwriter's discount	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>1,078,888</u>	<u>3,161,237</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13</u>	<u>114,480</u>	<u>(230,934)</u>
Other Financing Sources (Uses)			
Refunding bonds issued	-	-	-
Bond premium	-	-	-
Transfers in	-	11	-
Transfers out	(3,877)	-	-
Payments to escrow agent	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,877)</u>	<u>11</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,864)</u>	<u>114,491</u>	<u>(230,934)</u>
Fund Balances, Beginning of Year	<u>3,864</u>	<u>90,515</u>	<u>850,498</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 205,006</u>	<u>\$ 619,564</u>

2014	2015	2016	Totals	
			2017	2016
\$ 1,673,344	\$ 3,514,021	\$ 5,020,030	\$ 14,223,417	\$ 13,858,952
2,528	5,309	7,586	21,491	36,957
1,476	3,455	569	9,625	5,999
1,226	2,631	14,819	21,770	8,901
<u>1,678,574</u>	<u>3,525,416</u>	<u>5,043,004</u>	<u>14,276,303</u>	<u>13,910,809</u>
4,728	11,930	-	32,306	18,415
-	-	-	-	2,762
-	-	-	31,076	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>31,076</u>	<u>2,762</u>
<u>1,683,302</u>	<u>3,537,346</u>	<u>5,043,004</u>	<u>14,339,685</u>	<u>13,931,986</u>
-	41,695	19,855	109,201	19,798
<u>1,683,302</u>	<u>3,579,041</u>	<u>5,062,859</u>	<u>14,448,886</u>	<u>13,951,784</u>
-	2,770,000	1,500,000	8,010,000	6,355,000
1,501,250	1,192,250	2,670,774	5,862,024	5,135,164
300	500	536	2,286	3,300
412	1,021	-	2,858	1,543
-	-	-	-	112,295
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,350</u>
<u>1,501,962</u>	<u>3,963,771</u>	<u>4,171,310</u>	<u>13,877,168</u>	<u>11,661,652</u>
<u>181,340</u>	<u>(384,730)</u>	<u>891,549</u>	<u>571,718</u>	<u>2,290,132</u>
-	-	-	-	28,015,000
-	-	-	-	5,534,796
-	-	3,877	3,888	2,026,145
-	-	(11)	(3,888)	(2,026,145)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,258,151)</u>
-	-	3,866	-	(2,708,355)
<u>181,340</u>	<u>(384,730)</u>	<u>895,415</u>	<u>571,718</u>	<u>(418,223)</u>
<u>375,954</u>	<u>826,118</u>	<u>-</u>	<u>2,146,949</u>	<u>2,565,172</u>
<u>\$ 557,294</u>	<u>\$ 441,388</u>	<u>\$ 895,415</u>	<u>\$ 2,718,667</u>	<u>\$ 2,146,949</u>

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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.

2014 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 84,171</u>	<u>\$ 95,378</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances		
Restricted	<u>84,171</u>	<u>95,378</u>
Total Liabilities and Fund Balances	<u>\$ 84,171</u>	<u>\$ 95,378</u>

ROCKFORD PUBLIC SCHOOLS
2008 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Local sources:		
Interest on deposits and investments	<u>\$ 516</u>	<u>\$ 199</u>
Expenditures		
Capital outlay:		
Architect fees	-	782
Equipment and furniture	11,723	8,638
Miscellaneous	<u>-</u>	<u>2,020</u>
Total Expenditures	<u>11,723</u>	<u>11,440</u>
Net Change in Fund Balances	(11,207)	(11,241)
Fund Balances, Beginning of Year	<u>95,378</u>	<u>106,619</u>
Fund Balances, End of Year	<u><u>\$ 84,171</u></u>	<u><u>\$ 95,378</u></u>

ROCKFORD PUBLIC SCHOOLS
2014 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash equivalents, deposits and investments	\$ -	\$ 11,488,099
Accrued interest receivable	-	29,200
Total Assets	<u>\$ -</u>	<u>\$ 11,517,299</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,522,574
Due to other funds	-	180,155
Total Liabilities	<u>-</u>	<u>1,702,729</u>
Fund Balances		
Restricted	-	9,814,570
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 11,517,299</u>

ROCKFORD PUBLIC SCHOOLS
2014 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 172,558	\$ 56,712
Expenditures		
Current:		
Supporting services:		
Pupil transportation services:		
Pupil transportation:		
School buses	337,596	646,358
Capital outlay:		
Architect fees	579,335	1,639,160
Professional services	173,075	240,242
Other construction services	135,398	397,043
Land improvements	29,186	146,633
Building improvements	4,585,925	10,351,523
New equipment and furniture	4,625,858	2,876,732
Miscellaneous	48	422
Total capital outlay	<u>10,128,825</u>	<u>15,651,755</u>
Total Expenditures	<u>10,466,421</u>	<u>16,298,113</u>
Deficiency of Revenues Over Expenditures	<u>(10,293,863)</u>	<u>(16,241,401)</u>
Other Financing Sources (Uses)		
Transfers in	480,321	-
Transfers out	<u>(1,028)</u>	<u>-</u>
Total Financing Sources (Uses)	<u>479,293</u>	<u>-</u>
Net Change in Fund Balances	<u>(9,814,570)</u>	<u>(16,241,401)</u>
Fund Balances, Beginning of Year	<u>9,814,570</u>	<u>26,055,971</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 9,814,570</u>

ROCKFORD PUBLIC SCHOOLS
2016 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Cash equivalents, deposits and investments	\$ 34,629,784	\$ 40,989,593
Due from other funds	<u>198,304</u>	<u>-</u>
Total Assets	<u><u>\$ 34,828,088</u></u>	<u><u>\$ 40,989,593</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,034,247	\$ -
Due to other funds	<u>800</u>	<u>-</u>
Total Liabilities	<u><u>2,035,047</u></u>	<u><u>-</u></u>
Fund Balances		
Restricted	<u>32,793,041</u>	<u>40,989,593</u>
Total Liabilities and Fund Balances	<u><u>\$ 34,828,088</u></u>	<u><u>\$ 40,989,593</u></u>

ROCKFORD PUBLIC SCHOOLS
2016 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	<u>2017</u>	<u>2016</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 477,060	\$ 13,459
Refund of prior period expenditures	4,605	-
	<u>481,665</u>	<u>13,459</u>
Expenditures		
Current:		
Supporting services:		
Operations maintenance	2,683	-
Capital outlay:		
Site improvement	10,933	-
Architect and engineering fees	1,301,919	-
Building improvement	6,199,533	-
Other facilities and acquisition	683,856	-
Debt service:		
Bond issuance costs	-	138,123
Underwriter's discount	-	68,036
	<u>8,198,924</u>	<u>206,159</u>
Total Expenditures	<u>8,198,924</u>	<u>206,159</u>
Deficiency of Revenues Over Expenditures	<u>(7,717,259)</u>	<u>(192,700)</u>
Other Financing Sources (Uses)		
Bonds issued	-	35,070,000
Bond premium	-	6,112,293
Transfers in	1,028	-
Transfers out	(480,321)	-
	<u>(479,293)</u>	<u>41,182,293</u>
Total Other Financing Sources (Uses)	<u>(479,293)</u>	<u>41,182,293</u>
Net Change in Fund Balances	<u>(8,196,552)</u>	<u>40,989,593</u>
Fund Balances, Beginning of Year	<u>40,989,593</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 32,793,041</u></u>	<u><u>\$ 40,989,593</u></u>

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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, 2017

	<u>Balances</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2017</u>
Assets				
Cash equivalents, deposits and investments	\$ 579,226	\$ 1,434,674	\$ 1,335,118	\$ 678,782
Due from other funds	<u>32,809</u>	<u>20,598</u>	<u>-</u>	<u>53,407</u>
Total Assets	<u><u>\$ 612,035</u></u>	<u><u>\$ 1,455,272</u></u>	<u><u>\$ 1,335,118</u></u>	<u><u>\$ 732,189</u></u>
Liabilities				
Due to other funds	\$ 6,306	\$ -	\$ 6,237	\$ 69
Due to student groups	<u>605,729</u>	<u>1,455,272</u>	<u>1,328,881</u>	<u>732,120</u>
Total Liabilities	<u><u>\$ 612,035</u></u>	<u><u>\$ 1,455,272</u></u>	<u><u>\$ 1,335,118</u></u>	<u><u>\$ 732,189</u></u>

OTHER INFORMATION

ROCKFORD PUBLIC SCHOOLS
Summary of 2016 Taxes Levied and Collected
For the year ended June 30, 2017

	County of Kent			
	City of Rockford	Algoma	Cannon	Townships Courtland
Taxable Valuations				
Operating	\$ 70,732,987	\$ 39,872,893	\$ 64,243,637	\$ 20,577,892
Recreation/Debt Service	217,133,684	191,841,500	598,705,810	213,210,397
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 2016 Rolls				
General Fund - Operating	\$ 1,279,095	\$ 728,889	\$ 1,169,427	\$ 366,847
General Fund - Recreation	212,820	187,795	586,399	209,003
2008 Debt Service Fund	153,322	134,082	418,679	149,226
2012 Debt Service Fund	372,354	325,627	1,016,791	362,406
2014 Debt Service Fund	219,032	191,545	598,112	213,180
2015 Debt Service Fund	459,967	402,245	1,256,036	447,678
2016 Debt Service Fund	657,096	574,635	1,794,337	639,540
	<u>3,353,687</u>	<u>2,544,817</u>	<u>6,839,781</u>	<u>2,387,881</u>
Taxes Uncollected 2016 Rolls				
General Fund - Operating	886	2,151	5,408	822
General Fund - Recreation	200	367	883	140
2008 Debt Service Fund	143	262	631	100
2012 Debt Service Fund	346	636	1,532	243
2014 Debt Service Fund	204	374	901	143
2015 Debt Service Fund	428	785	1,893	300
2016 Debt Service Fund	611	1,122	2,704	429
	<u>2,818</u>	<u>5,697</u>	<u>13,952</u>	<u>2,177</u>
Taxes Collected 2016 Rolls				
General Fund - Operating	1,278,209	726,738	1,164,019	366,025
General Fund - Recreation	212,620	187,428	585,516	208,863
2008 Debt Service Fund	153,180	133,820	418,048	149,126
2012 Debt Service Fund	372,008	324,991	1,015,259	362,163
2014 Debt Service Fund	218,828	191,171	597,211	213,037
2015 Debt Service Fund	459,539	401,459	1,254,143	447,378
2016 Debt Service Fund	656,485	573,513	1,791,633	639,112
	<u>3,350,869</u>	<u>2,539,120</u>	<u>6,825,829</u>	<u>2,385,704</u>

(Continued)

Grattan	Oakfield	Plainfield	Total
\$ 2,460,543	\$ 559,519	\$ 74,745,170	\$ 273,192,641
22,683,579	5,837,452	421,223,460	1,670,635,882

17.7534
0.9805
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\$ 43,682	\$ 8,491	\$ 1,363,141	\$ 4,959,572
22,239	5,627	411,020	1,634,903
15,878	4,018	295,090	1,170,294
38,562	9,757	716,647	2,842,144
22,683	5,739	421,557	1,671,849
47,635	12,053	885,270	3,510,883
68,050	17,218	1,264,671	5,015,548
<u>258,729</u>	<u>62,902</u>	<u>5,357,396</u>	<u>20,805,193</u>

-	-	2,151	11,418
-	-	367	1,957
-	-	262	1,397
-	-	636	3,393
-	-	374	1,996
-	-	785	4,192
-	-	1,122	5,988
<u>-</u>	<u>-</u>	<u>5,697</u>	<u>30,341</u>

43,682	8,491	1,360,990	4,948,154
22,239	5,627	410,653	1,632,946
15,878	4,018	294,828	1,168,897
38,562	9,757	716,011	2,838,750
22,683	5,739	421,183	1,669,853
47,635	12,053	884,484	3,506,692
68,050	17,218	1,263,549	5,009,560
<u>258,729</u>	<u>62,902</u>	<u>5,351,699</u>	<u>20,774,852</u>

ROCKFORD PUBLIC SCHOOLS
Summary of 2016 Taxes Levied and Collected
For the year ended June 30, 2017

	County of Kent			
	City of Rockford	Algoma	Cannon	Townships Courtland
Delinquent Taxes Collected				
General Fund	\$ 755	\$ 165	\$ 5,294	\$ 38
2008 Debt Service Fund	108	41	1,288	10
2012 Debt Service Fund	263	48	1,515	11
2014 Debt Service Fund	155	33	1,060	8
2015 Debt Service Fund	325	77	2,485	18
2016 Debt Service Fund	465	2	81	1
	<u>2,071</u>	<u>366</u>	<u>11,723</u>	<u>86</u>
Total Taxes Collected				
General Fund - Operating	1,278,964	726,903	1,169,313	366,063
General Fund - Recreation	212,620	187,428	585,516	208,863
2008 Debt Service Fund	153,288	133,861	419,336	149,136
2012 Debt Service Fund	372,271	325,039	1,016,774	362,174
2014 Debt Service Fund	218,983	191,204	598,271	213,045
2015 Debt Service Fund	459,864	401,536	1,256,628	447,396
2016 Debt Service Fund	656,950	573,515	1,791,714	639,113
	<u>\$ 3,352,940</u>	<u>\$ 2,539,486</u>	<u>\$ 6,837,552</u>	<u>\$ 2,385,790</u>

Grattan	Oakfield	Plainfield	Total
\$ -	\$ -	\$ 1,255	\$ 7,507
-	-	316	1,763
-	-	370	2,207
-	-	221	1,477
-	-	527	3,432
-	-	15	564
-	-	2,704	16,950
43,682	8,491	1,362,245	4,955,661
22,239	5,627	410,653	1,632,946
15,878	4,018	295,144	1,170,660
38,562	9,757	716,382	2,840,958
22,683	5,739	421,404	1,671,330
47,635	12,053	885,011	3,510,124
68,050	17,218	1,263,564	5,010,124
<u>\$ 258,729</u>	<u>\$ 62,902</u>	<u>\$ 5,354,403</u>	<u>\$ 20,791,802</u>

ROCKFORD PUBLIC SCHOOLS
Schedule of Principal and Interest Payments
June 30, 2017

Year Ended June 30	General Obligation 2012 Refunding Dated February 4, 2012			General Obligation 2014 Building & Site Dated June 3, 2014			General Obligation 2015 Refunding Dated February 6, 2015		
	Interest	Principal	Interest	Interest	Principal	Interest	Interest	Principal	Interest
	Rate (%)	May 1	Nov. 1/May 1	Rate (%)	May 1	Nov. 1/May 1	Rate (%)	May 1	Nov. 1/May 1
2018	5.000%	\$2,805,000	\$ 283,250	5.000%	\$ 500,000	\$ 1,501,250	5.000%	\$ 2,440,000	\$ 1,053,750
2019		2,860,000	143,000		500,000	1,476,250		2,225,000	931,750
2020		-	-		1,200,000	1,451,250		2,195,000	820,500
2021		-	-		1,325,000	1,391,250		2,155,000	710,750
2022		-	-		1,350,000	1,325,000		2,115,000	603,000
2023		-	-		1,375,000	1,257,500		2,080,000	497,250
2024		-	-		1,400,000	1,188,750		2,035,000	393,250
2025		-	-		1,425,000	1,118,750		1,990,000	291,500
2026		-	-		1,450,000	1,047,500		1,945,000	192,000
2027		-	-		1,475,000	975,000		1,895,000	94,750
2028		-	-		1,500,000	901,250		-	-
2029		-	-		1,525,000	826,250		-	-
2030		-	-		1,525,000	750,000		-	-
2031		-	-		1,550,000	673,750		-	-
2032		-	-		1,575,000	596,250		-	-
2033		-	-		1,575,000	517,500		-	-
2034		-	-		1,755,000	438,750		-	-
2035		-	-		1,755,000	351,000		-	-
2036		-	-	4.000	1,755,000	280,800		-	-
2037		-	-		1,755,000	210,600		-	-
2038		-	-		1,755,000	140,400		-	-
2039		-	-		1,755,000	70,200		-	-
2040		-	-		-	-		-	-
2041		-	-		-	-		-	-
2042		-	-		-	-		-	-
2043		-	-		-	-		-	-
2044		-	-		-	-		-	-
		<u>\$5,665,000</u>	<u>\$ 426,250</u>		<u>\$31,780,000</u>	<u>\$18,489,250</u>		<u>\$21,075,000</u>	<u>\$5,588,500</u>

General Obligation 2016 Refunding Dated June 7, 2016			General Obligation 2016 Refunding Dated June 7, 2016			General Obligation 2016 Building & Site Dated June 7, 2016		
Interest Rate (%)	Principal May 1	Interest Nov. 1/May 1	Interest Rate (%)	Principal May 1	Interest Nov. 1/May 1	Interest	Principal May 1	Interest Nov. 1/May 1
3.000%	\$ 195,000	\$ 13,250	3.000%	\$ 175,000	\$ 1,296,600	3.000%	\$ 1,310,000	\$ 1,633,300
4.000%	185,000	7,400	4.000%	1,185,000	1,291,350	4.000%	2,080,000	1,594,000
	-	-		-	1,243,950		200,000	1,510,800
	-	-		-	1,243,950		280,000	1,502,800
	-	-		-	1,243,950		455,000	1,491,600
	-	-		560,000	1,243,950		210,000	1,473,400
	-	-		530,000	1,221,550		510,000	1,465,000
	-	-	5.000%	815,000	1,200,350	5.000%	540,000	1,444,600
	-	-		815,000	1,159,600		815,000	1,417,600
	-	-		815,000	1,118,850		1,090,000	1,376,850
	-	-	4.000%	3,390,000	1,078,100	4.000%	665,000	1,322,350
	-	-	5.000%	3,515,000	942,500	5.000%	750,000	1,295,750
	-	-		3,680,000	766,750		880,000	1,258,250
	-	-		3,890,000	582,750		940,000	1,214,250
	-	-		3,885,000	388,250		1,065,000	1,167,250
	-	-		3,880,000	194,000		1,090,000	1,114,000
	-	-		-	-		1,465,000	1,059,500
	-	-		-	-		1,625,000	986,250
	-	-		-	-		1,780,000	905,000
	-	-		-	-		1,940,000	816,000
	-	-		-	-		2,050,000	719,000
	-	-		-	-		2,050,000	616,500
	-	-		-	-		2,050,000	514,000
	-	-		-	-		2,050,000	411,500
	-	-		-	-		2,050,000	309,000
	-	-		-	-		2,055,000	206,500
	-	-		-	-		2,075,000	103,750
	<u>\$ 380,000</u>	<u>\$ 20,650</u>		<u>\$27,135,000</u>	<u>\$16,216,450</u>		<u>\$34,070,000</u>	<u>\$28,928,800</u>

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STATISTICAL SECTION (Unaudited)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	108-115
Revenue Capacity	
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	116-123
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	124-129
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	130-135
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	136-142

ROCKFORD PUBLIC SCHOOLS
Schedule of Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Year Ended June 30	2017	2016	2015	2014
Expenses				
Governmental activities:				
Instruction	\$ 51,893,559	\$ 51,642,944	\$ 47,709,609	\$ 48,133,283
Supporting services	32,499,595	27,766,096	26,217,117	26,877,263
Community services	2,764,252	2,846,086	2,493,142	2,546,154
Food service	2,455,159	2,389,760	2,208,602	2,339,005
Athletics	1,349,632	1,386,364	1,308,964	1,328,589
Other	194,485	745,972	1,778,360	190,283
Interest on long-term debt	6,094,457	5,034,720	5,151,984	4,644,107
Depreciation - unallocated	59,201	63,613	59,206	60,275
Total Expenses	97,310,339	91,875,555	86,926,984	86,118,959
Program Revenues				
Governmental activities:				
Charges for services:				
Instruction	-	-	-	-
Supporting services	181,633	103,623	105,822	151,751
Community services	1,835,582	1,850,642	1,922,443	1,654,281
Food service	1,554,931	1,471,078	1,421,474	1,440,033
Athletics	401,852	399,458	396,894	405,933
Operating grants and contributions	17,069,153	15,967,522	14,375,761	10,761,081
Total Program Revenues	21,043,151	19,792,323	18,222,394	14,413,079
Net (Expense)/Revenue	(76,267,188)	(72,083,232)	(68,704,590)	(71,705,880)

(Continued)

2013	2012	2011	2010	2009	2008
\$ 46,962,181	\$ 43,382,094	\$ 45,289,482	\$ 44,642,489	\$ 44,927,159	\$ 43,907,236
26,222,748	26,135,400	25,687,163	26,563,317	32,772,727	26,712,650
2,378,167	2,363,423	2,247,762	2,443,546	2,533,564	2,436,582
2,328,924	2,305,761	2,214,745	2,245,663	2,250,569	2,274,322
1,264,448	1,235,965	1,531,892	1,493,964	1,543,090	1,418,413
190,283	-	-	-	-	-
4,797,304	4,924,099	5,527,351	5,879,897	7,577,805	5,698,168
60,278	62,102	72,832	113,355	115,041	124,161
<u>84,204,333</u>	<u>80,408,844</u>	<u>82,571,227</u>	<u>83,382,231</u>	<u>91,719,955</u>	<u>82,571,532</u>
-	210	60,700	90,585	94,288	95,127
270,239	259,960	116,521	104,226	140,012	152,781
1,624,655	1,616,062	1,730,472	1,783,177	1,694,476	1,710,485
1,448,894	1,467,183	1,409,940	1,474,111	1,553,502	1,548,122
421,320	423,834	439,303	442,068	405,863	449,205
<u>10,177,283</u>	<u>11,812,318</u>	<u>11,512,610</u>	<u>12,277,088</u>	<u>11,548,037</u>	<u>8,296,840</u>
<u>13,942,391</u>	<u>15,579,567</u>	<u>15,269,546</u>	<u>16,171,255</u>	<u>15,436,178</u>	<u>12,252,560</u>
<u>(70,261,942)</u>	<u>(64,829,277)</u>	<u>(67,301,681)</u>	<u>(67,210,976)</u>	<u>(76,283,777)</u>	<u>(70,318,972)</u>

ROCKFORD PUBLIC SCHOOLS
Schedule of Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Year Ended June 30	2017	2016	2015	2014
General revenues and other changes in net position				
Governmental activities:				
Taxes:				
Property taxes, levied for general operations	\$ 6,624,504	\$ 6,530,732	\$ 6,346,556	\$ 6,356,523
Property taxes, levied for debt service	14,261,484	13,910,809	13,334,951	13,002,481
State school aid, unrestricted	52,924,603	52,207,555	52,229,115	53,141,952
Interest and investment earnings	368,096	98,781	14,316	4,560
Other	2,801,122	2,707,328	3,155,836	1,498,185
Gain on sale of capital assets	-	25,470	17,225	15,685
Total General Revenues	76,979,809	75,480,675	75,097,999	74,019,386
Change In Net Position	712,621	3,397,443	6,393,409	2,313,506
Net Position, Beginning*^	(103,235,994)	(104,633,437)	(111,026,846)	(10,878,234)
Net Position, Ending	<u>\$(102,523,373)</u>	<u>\$(101,235,994)</u>	<u>\$(104,633,437)</u>	<u>\$ (8,564,728)</u>
Net position by component				
Governmental activities:				
Net investment in capital assets	\$ (3,633,688)	\$ (2,490,282)	\$ (7,217,175)	\$(11,779,739)
Restricted for capital projects	84,171	95,378	106,619	-
Restricted for debt service	1,797,893	1,430,156	1,709,311	3,121,643
Restricted for food service	133,537	111,310	97,791	93,971
Unrestricted	(100,905,286)	(100,382,556)	(99,329,983)	(603)
Total Net Position	<u>\$(102,523,373)</u>	<u>\$(101,235,994)</u>	<u>\$(104,633,437)</u>	<u>\$ (8,564,728)</u>

Source: Rockford Public Schools Comprehensive Annual Financial Reports

*Net position at July 1, 2014 was adjusted to reflect the District's share of Net Pension Liability

^Net position at July 1, 2016 was restated to reflect general obligation bonds outstanding at June 30, 2016

2013	2012	2011	2010	2009	2008
\$ 6,331,632	\$ 6,662,607	\$ 6,745,742	\$ 6,770,483	\$ 6,594,325	\$ 7,095,318
12,726,674	12,972,815	13,061,972	13,455,999	13,399,042	13,122,303
52,206,778	49,667,220	50,124,752	51,043,535	51,766,367	52,766,494
8,026	9,592	27,369	138,668	859,956	444,277
1,217,519	835,506	878,519	679,748	614,020	689,139
-	-	-	-	6,300	-
<u>72,490,629</u>	<u>70,147,740</u>	<u>70,838,354</u>	<u>72,088,433</u>	<u>73,240,010</u>	<u>74,117,531</u>
2,228,687	5,318,463	3,536,673	4,877,457	(3,043,767)	3,798,559
<u>(13,106,921)</u>	<u>(17,516,527)</u>	<u>(21,053,200)</u>	<u>(25,930,657)</u>	<u>(22,886,890)</u>	<u>(26,685,449)</u>
<u><u>\$(10,878,234)</u></u>	<u><u>\$(12,198,064)</u></u>	<u><u>\$(17,516,527)</u></u>	<u><u>\$(21,053,200)</u></u>	<u><u>\$(25,930,657)</u></u>	<u><u>\$(22,886,890)</u></u>
\$(14,167,300)	\$(17,274,726)	\$(21,067,843)	\$(23,077,226)	\$(27,838,339)	\$(26,202,124)
-	-	-	-	-	-
1,142,740	786,180	213,004	-	936,097	1,259,761
99,204	-	-	-	-	-
<u>2,047,122</u>	<u>4,290,482</u>	<u>3,338,312</u>	<u>2,024,026</u>	<u>971,585</u>	<u>2,055,473</u>
<u><u>\$(10,878,234)</u></u>	<u><u>\$(12,198,064)</u></u>	<u><u>\$(17,516,527)</u></u>	<u><u>\$(21,053,200)</u></u>	<u><u>\$(25,930,657)</u></u>	<u><u>\$(22,886,890)</u></u>

ROCKFORD PUBLIC SCHOOLS
Schedule of Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Year Ended June 30	2017	2016	2015	2014
Revenues				
Local sources:				
Property taxes	\$ 20,885,988	\$ 20,441,541	\$ 19,681,507	\$ 19,359,004
Earnings on investments	368,096	98,781	14,316	4,560
Community services	1,835,582	1,850,642	1,922,443	1,654,281
Food service	1,554,931	1,471,078	1,421,474	1,440,033
Revenue from student activities	401,852	399,458	396,894	405,933
Other local sources	1,618,238	1,119,278	1,048,071	1,090,920
State sources	63,184,784	61,436,031	60,070,440	57,657,937
Federal sources	2,389,395	2,380,643	2,331,276	2,291,907
Interdistrict sources	4,419,577	4,358,403	4,203,160	3,953,189
Total Revenues	96,658,443	93,555,855	91,089,581	87,857,764
Expenditures				
Current:				
Instruction	48,540,332	48,529,300	46,813,475	45,743,548
Supporting services:				
Pupil services	4,501,875	4,248,621	4,090,722	4,208,183
Instructional staff services	2,249,283	2,110,737	2,072,270	2,041,876
General administrative services	690,969	728,583	644,481	695,128
School administrative services	4,539,378	4,461,954	4,318,284	4,297,650
Business services	1,325,682	1,208,726	1,216,504	1,110,918
Operation and maintenance services	6,940,080	6,008,982	6,297,215	6,799,611
Pupil transportation services	4,191,962	4,359,213	3,767,858	4,330,220
Central services	1,707,414	1,544,676	1,411,073	1,706,133
Other supporting services	1,349,632	1,386,364	1,308,964	1,328,589
Community services	2,733,573	2,792,450	2,564,880	2,548,225
Food service	2,327,975	2,230,989	2,179,448	2,217,651
Athletics	-	-	-	-
Capital outlay	18,336,789	15,663,195	8,461,706	1,007,468
Debt service:				
Principal retirement	8,233,648	6,738,346	6,888,516	6,791,481
Interest and fiscal charges	5,891,716	5,173,788	5,042,312	4,507,295
Bond issuance costs, discount	-	372,804	477,011	-
Total Expenditures	113,560,308	107,558,728	97,554,719	89,333,976
Excess (Deficiency) Of Revenues Over Expenditures	(16,901,865)	(14,002,873)	(6,465,138)	(1,476,212)
Other Financing Sources (Uses)				
Bonds issued	-	35,070,000	-	31,780,000
Refunding bonds issued	-	28,015,000	26,375,000	-
Bond premium	-	11,647,089	3,406,823	3,349,411
Loan proceeds	-	-	-	394,510
Payments to refunded bond escrow agent	-	(36,258,151)	(32,659,422)	-
Transfers in	485,237	2,026,145	2,100,122	-
Transfers out	(485,237)	(2,026,145)	(2,100,122)	-
Total Other Financing Sources (Uses)	-	38,473,938	(2,877,599)	35,523,921
Net Change In Fund Balances	\$ (16,901,865)	\$ 24,471,065	\$ (9,342,737)	\$ 34,047,709
Debt Service As A Percentage Of Noncapital Expenditures	14.83%	13.37%	13.93%	12.79%

Source: Rockford Public Schools Comprehensive Annual Financial Reports

2013	2012	2011	2010	2009	2008
\$ 19,058,306	\$ 19,635,422	\$ 19,824,164	\$ 20,227,948	\$ 20,078,067	\$ 20,343,975
8,026	9,592	33,584	138,668	859,956	444,277
1,624,655	1,616,062	1,730,472	1,783,177	1,694,476	1,710,485
1,448,894	1,467,183	1,409,940	1,474,111	1,553,502	1,548,122
421,320	423,834	439,303	442,068	405,863	449,205
949,965	906,114	1,015,999	841,045	821,106	897,462
56,095,831	53,849,384	53,258,571	52,896,025	53,643,608	54,641,200
2,294,830	3,445,239	4,372,391	6,191,483	5,434,131	2,291,638
3,993,400	4,184,915	4,006,400	4,233,115	4,236,665	4,130,496
85,895,227	85,537,745	86,090,824	88,227,640	88,727,374	86,456,860
44,251,438	42,055,733	43,151,672	42,352,230	43,114,172	42,086,644
3,959,177	3,962,903	3,677,200	4,411,773	4,325,644	4,046,541
2,259,909	1,971,503	1,868,036	2,510,118	2,869,854	2,903,682
596,562	587,052	585,326	634,397	589,091	619,836
4,104,113	4,050,166	4,154,880	4,180,746	4,334,946	4,292,635
1,119,711	1,172,387	1,326,668	1,360,748	1,300,455	1,309,035
6,132,376	5,725,823	5,905,538	6,102,466	6,687,330	6,701,270
4,625,505	4,160,711	4,043,858	3,895,618	4,496,862	4,814,804
1,581,465	1,621,191	1,499,376	1,368,309	1,483,799	1,759,798
1,264,448	1,235,965	-	-	-	-
2,373,998	2,359,973	2,243,569	2,439,655	2,525,522	2,432,587
2,237,004	2,209,922	2,133,010	2,146,677	2,157,661	2,184,968
-	-	1,221,839	1,181,004	1,201,657	1,186,896
1,632,253	2,115,671	11,037,705	18,434,448	12,447,398	247,461
7,750,326	7,733,572	7,233,945	9,256,035	6,858,386	7,764,977
4,855,069	4,998,448	5,571,923	5,955,341	7,714,459	5,478,717
-	213,645	-	-	-	581,432
88,743,354	86,174,665	95,654,545	106,229,565	102,107,236	88,411,283
(2,848,127)	(636,920)	(9,563,721)	(18,001,925)	(13,379,862)	(1,954,423)
-	-	-	-	-	45,250,000
-	22,960,000	-	-	-	-
-	2,755,541	-	-	-	980,651
492,481	-	-	-	-	430,844
-	(25,780,500)	-	-	-	-
346,606	300,000	5,614	952,568	795,643	737,166
(346,606)	(300,000)	(5,614)	(952,568)	(795,643)	(737,166)
492,481	(64,959)	-	-	-	46,661,495
\$ (2,355,646)	\$ (701,879)	\$ (9,563,721)	\$ (18,001,925)	\$ (13,379,862)	\$ 44,707,072
14.47%	15.40%	15.13%	17.33%	16.25%	15.68%

ROCKFORD PUBLIC SCHOOLS
Schedule of Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Year Ended June 30	2017	2016	2015	2014
General Fund				
Nonspendable/Reserved	\$ 39,797	\$ 214,928	\$ 26,388	\$ 138,449
Unassigned/Unreserved	3,143,390	2,441,740	2,491,462	1,741,871
Total General Fund	3,183,187	2,656,668	2,517,850	1,880,320
All Other Governmental Funds				
Restricted/Reserved, reported in:				
Special Revenue Funds	54,673	23,650	5,555	(2,501)
Debt Service Funds	2,718,667	2,146,949	2,565,172	3,867,265
Capital Projects Funds	32,877,212	50,899,541	26,162,590	34,844,584
Nonspendable, reported in:				
Special Revenue Funds	78,864	87,660	92,236	96,472
Total All Other Governmental Funds	35,729,416	53,157,800	28,825,553	38,805,820
Total All Governmental Funds	\$38,912,603	\$55,814,468	\$31,343,403	\$40,686,140

Source: Rockford Public Schools Comprehensive Annual Financial Reports

Fund balances prior to 2012 have been restated to comply with GASB Statement No. 54 for comparative purposes.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 66,231 3,866,180	\$ 72,855 4,996,995	\$ 48,800 4,096,903	\$ 70,513 3,220,488	\$ 323,883 1,256,136	\$ 293,292 2,491,239
<u>3,932,411</u>	<u>5,069,850</u>	<u>4,145,703</u>	<u>3,291,001</u>	<u>1,580,019</u>	<u>2,784,531</u>
454 1,884,496 722,320	47,881 1,565,781 2,223,587	45,283 1,074,561 4,337,583	49,480 477,129 15,351,448	21,859 1,901,893 33,662,147	16,898 2,331,726 45,417,238
<u>98,750</u>	<u>86,978</u>	<u>92,826</u>	<u>90,619</u>	<u>95,684</u>	<u>91,071</u>
<u>2,706,020</u>	<u>3,924,227</u>	<u>5,550,253</u>	<u>15,968,676</u>	<u>35,681,583</u>	<u>47,856,933</u>
<u><u>\$ 6,638,431</u></u>	<u><u>\$ 8,994,077</u></u>	<u><u>\$9,695,956</u></u>	<u><u>\$19,259,677</u></u>	<u><u>\$37,261,602</u></u>	<u><u>\$ 50,641,464</u></u>

ROCKFORD PUBLIC SCHOOLS
Property Tax Levies and Collections
Last Ten Tax Years

Tax Year	Fiscal Year Ended June 30	Taxes Levied For The Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	Percentage of Levy	
2007	2008	19,417,009	19,392,405	99.87%	12,800
2008	2009	19,842,137	19,827,837	99.93%	7,084
2009	2010	20,005,645	19,990,123	99.92%	24,091
2010	2011	19,570,527	19,562,910	99.96%	4,463
2011	2012	19,489,838	19,460,248	99.85%	19,749
2012	2013	18,992,761	18,961,429	99.84%	28,199
2013	2014	19,228,156	19,216,534	99.94%	9,879
2014	2015	19,594,350	19,586,004	99.96%	8,710
2015	2016	20,357,105	20,341,230	99.92%	15,875
2016	2017	20,805,193	20,774,852	99.85%	-

Source: Kent County Tax Rolls and Rockford Public Schools District Records

Total Collections to Date	
Amount	Percentage of Levy
19,404,594	99.94%
19,834,921	99.96%
20,014,214	100.04%
19,567,373	99.98%
19,479,997	99.95%
18,989,628	99.98%
19,226,413	99.99%
19,594,714	100.00%
20,357,105	100.00%
20,774,852	99.85%

ROCKFORD PUBLIC SCHOOLS
Property Tax Rates - Direct and Overlapping Governments
Last Ten Tax Years
(rate per \$1,000 of taxable value)

Year Ended June 30	2017	2016	2015	2014
District Direct Rates				
General Fund - Operation*	17.7534	18.0000	18.0000	18.0000
General Fund - Recreation	0.9805	0.9881	0.9881	0.9881
Debt service	8.5000	8.5000	8.5000	8.5000
Total District Direct Rates	27.2339	27.4881	27.4881	27.4881
Overlapping Rates				
City of Rockford	60.5357	58.0503	57.8645	57.7645
Algoma Township	49.3770	48.9140	48.7423	48.6423
Cannon Township	49.9899	49.3320	49.0815	48.9944
Courtland Township	49.2912	48.8269	48.6555	48.5601
Grattan Township	49.8172	49.2615	49.0864	48.9981
Oakfield Township	48.9034	48.4226	47.7391	47.6395
Plainfield Township	51.8334	51.3503	50.6645	50.1645

Source: Kent County Department of Equalization Apportionment Reports

*General operation tax rate limited to 18 mills by State statute.

2013	2012	2011	2010	2009	2008
18.0000	18.0000	18.0000	18.0000	18.0000	18.0000
0.9881	0.9881	0.9881	0.9881	0.9881	0.9817
8.5000	8.5000	8.5000	8.5000	8.5000	8.5000
27.4881	27.4881	27.4881	27.4881	27.4881	27.4817
57.1389	57.1389	57.1389	57.1389	57.1389	57.1325
48.0167	48.0167	48.0167	48.0167	48.0167	48.0103
48.3929	48.3929	48.3929	48.3929	48.3950	48.3871
47.9345	47.9345	47.9345	47.9345	47.9345	47.9281
48.3803	48.3803	48.3803	48.3803	48.3803	48.4093
47.0139	47.0139	47.0139	47.0139	47.0139	47.0075
49.5389	49.5289	49.5289	49.5289	49.5289	49.5225

ROCKFORD PUBLIC SCHOOLS
Taxable, Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(rate per \$1,000 of taxable value)

Tax Year	Year Ended June 30	Taxable Value			Assessed Value
		Homestead	Non- Homestead	Total	
2007	2008	\$ 1,208,493,940	\$319,579,157	\$ 1,528,073,097	\$1,762,309,800
2008	2009	1,264,665,010	295,343,000	1,560,008,010	1,766,055,100
2009	2010	1,260,801,490	303,632,658	1,564,434,148	1,721,748,700
2010	2011	1,226,711,028	299,076,646	1,525,787,674	1,644,841,800
2011	2012	1,225,568,705	296,827,723	1,522,396,428	1,632,337,000
2012	2013	1,174,157,465	318,413,776	1,492,571,241	1,582,285,200
2013	2014	1,209,466,838	313,690,538	1,523,157,376	1,621,783,381
2014	2015	1,252,675,489	310,489,994	1,563,165,483	1,680,398,200
2015	2016	1,312,053,127	319,680,953	1,631,734,080	1,815,617,500
2016	2017	1,397,443,241	273,192,641	1,670,635,882	1,940,752,200

Source: Kent County Department of Equalization Annual Equalization Reports

Total Direct Tax Rate	Estimated Actual Value
27.4817	\$3,524,619,600
27.4881	3,532,110,200
27.4881	3,443,497,400
27.4881	3,289,683,600
27.4881	3,264,674,000
27.4881	3,164,570,400
27.4881	3,243,566,762
27.4881	3,360,796,400
27.4881	3,631,235,000
27.2339	3,881,504,400

ROCKFORD PUBLIC SCHOOLS
Taxable Values by Major Component
Last Ten Fiscal Years
(rate per \$1,000 of taxable value)

Tax Year	Year Ended June 30	Real			
		Agricultural	Commercial	Industrial	Residential
2007	2008	\$ 23,922,937	\$337,051,539	\$87,169,144	\$1,007,109,165
2008	2009	24,434,832	344,263,663	89,034,362	1,028,658,971
2009	2010	24,489,752	345,037,429	89,234,476	1,030,970,984
2010	2011	23,809,107	335,447,779	86,754,376	1,002,317,133
2011	2012	23,770,979	334,910,603	86,615,450	1,000,712,052
2012	2013	23,182,011	326,612,591	84,469,396	975,917,611
2013	2014	23,665,994	333,431,453	86,232,908	996,292,353
2014	2015	24,329,273	342,776,423	88,649,729	1,024,215,101
2015	2016	25,394,367	357,782,621	92,530,671	1,069,053,584
2016	2017	26,323,744	370,876,672	95,917,089	1,108,178,577

Source: Kent County Department of Equalization Annual Equalization Reports

Total	Personal	Total
\$1,455,252,785	\$ 72,820,312	\$ 1,528,073,097
1,486,391,828	73,616,182	1,560,008,010
1,489,732,641	74,701,507	1,564,434,148
1,448,328,395	77,459,279	1,525,787,674
1,446,009,084	76,387,344	1,522,396,428
1,410,181,609	82,389,632	1,492,571,241
1,439,622,708	83,534,668	1,523,157,376
1,479,970,526	83,194,957	1,563,165,483
1,544,761,243	86,972,835	1,631,734,078
1,601,296,082	69,339,800	1,670,635,882

ROCKFORD PUBLIC SCHOOLS
Ratio of Outstanding Debt to Estimated Actual Value and
Net General Bonded Debt Per Capita
Last Ten Fiscal Years

Tax Year	Year Ended June 30	Estimated Actual Value	Total Debt Outstanding*	Debt Service Funds Available	Net Debt Outstanding*
2007	2008	\$ 3,524,619,600	\$ 134,482,264	\$ 2,331,726	\$ 132,150,538
2008	2009	3,532,110,200	127,623,878	1,901,893	125,721,985
2009	2010	3,443,497,400	118,367,858	477,129	117,890,729
2010	2011	3,289,683,600	111,133,898	1,074,561	110,059,337
2011	2012	3,264,674,000	101,170,326	1,565,781	99,604,545
2012	2013	3,164,570,400	98,862,809	1,884,496	96,978,313
2013	2014	3,243,566,762	127,020,548	3,867,265	123,153,283
2014	2015	3,360,796,400	115,788,044	2,565,172	113,222,872
2015	2016	3,631,235,000	146,574,645	2,146,949	144,427,696
2016	2017	3,881,504,400	138,976,480	2,718,667	136,257,813

* Amounts include bonds, state school bond loan, installment purchase agreements and capital leases.

** Personal income statistics for Kent County

Source : Rockford Public Schools and Kent County Comprehensive Annual Financial Reports.

Percentage of Outstanding Net Debt to Estimated Actual Value	Population	Net Outstanding Debt Per Capita	Estimated Actual Value Per Capita	Ratio of Net Debt Outstanding To Personal Income**
3.75%	41,235	\$ 3,205	\$ 85,476	0.65%
3.56%	40,822	3,080	86,525	0.62%
3.42%	40,412	2,917	85,210	0.78%
3.35%	39,467	2,789	83,353	0.71%
3.05%	39,853	2,499	81,918	0.68%
3.06%	39,853	2,433	79,406	0.62%
3.80%	40,079	3,073	80,929	0.76%
3.37%	41,214	2,747	81,545	0.67%
3.98%	40,899	3,531	88,785	0.80%
3.51%	42,282	3,223	91,800	N/A

ROCKFORD PUBLIC SCHOOLS
Ratios of General Bonded Debt Outstanding
And Legal Debt Margin
Last Ten Fiscal Years

Tax Year	Year Ended June 30	State Equalized Value (SEV)	Statutory Debt Limit 15% of SEV	Debt Outstanding	Debt Subject To Debt Limit*
2007	2008	1,762,309,800	264,346,470	134,482,264	1,080,000
2008	2009	1,766,055,100	264,908,265	127,623,878	1,015,000
2009	2010	1,721,748,700	258,262,305	118,367,858	950,000
2010	2011	1,644,841,800	246,726,270	111,133,898	880,000
2011	2012	1,632,337,000	244,850,550	101,170,326	810,000
2012	2013	1,582,285,200	237,342,780	98,862,809	735,000
2013	2014	1,621,783,381	243,267,507	127,020,548	660,000
2014	2015	1,680,398,200	252,059,730	115,788,044	580,000
2015	2016	1,815,617,500	272,342,625	146,574,645	495,000
2016	2017	1,940,752,200	291,112,830	138,976,480	405,000

*Act 451, Public Acts of Michigan, 1976, provides debt limits as follows: The bonded indebtedness of a school district shall not exceed 15% of all assessed valuation of the District. Bonds not included in the computation of the legal debt margin are: (1) refunding bonds; (2) and bond qualified under Article IX, Section 16 of the 1963 Michigan Constitution; and, (3) deficit budget bonds as authorized by prior Section 1356. The outstanding debt of Rockford Public Schools subject to the statutory debt limit are Energy Conservation Improvement Bonds.

Source: Rockford Public Schools Comprehensive Annual Financial Reports

Legal Debt Margin	Debt As A Percentage Of Debt Limit
263,266,470	0.41%
263,893,265	0.38%
257,312,305	0.37%
245,846,270	0.36%
244,040,550	0.33%
236,607,780	0.31%
242,607,507	0.27%
251,479,730	0.23%
271,847,625	0.18%
290,707,830	0.14%

ROCKFORD PUBLIC SCHOOLS
Computation of Direct and Overlapping Bonded Debt
June 30, 2017

<u>Taxing Entity</u>	<u>Taxable Value</u>	<u>District's Estimated Portion of Taxable Value</u>	<u>Estimated District Percentage</u>
Direct Debt			
General Obligation Debt Outstanding			
Less amounts available in Debt Service Funds			
Total Direct Debt			
Overlapping Debt*			
City of Rockford	\$ 225,285,037	\$ 225,285,037	100.00%
Cannon Township	645,253,320	624,564,468	96.79%
Plainfield Charter Township	1,198,207,827	442,135,664	36.90%
Kent County	21,838,346,564	1,753,663,391	8.03%
Grand Rapids Community College	21,838,346,564	1,753,663,391	8.03%
Total Overlapping Debt			
Total Direct and Overlapping Debt			

Source: Kent County Department of Equalization Annual Equalization Reports; Local Unit Comprehensive Annual Financial Reports

*Overlapping debt is the portion of other public debt for which a District taxpayer is liable in addition to the Direct Debt of the District (calculated on a pro-rata basis of property tax valuations)

Entity's General Obligation Debt	District's Estimated Portion of Debt
	\$ 138,976,480
	2,718,667
	<u>136,257,813</u>
\$ 1,837,000	1,837,000
5,600,000	5,420,446
-	-
127,670,000	10,252,159
45,575,000	3,659,765
	<u>21,169,370</u>
	<u><u>\$ 157,427,183</u></u>

ROCKFORD PUBLIC SCHOOLS
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population ^a	Unemployment ^b			Inflation Rate ^c
		City of Rockford	County of Kent	State of Michigan	
2008	41,235	5.5%	7.4%	9.6%	3.8%
2009	40,822	10.1%	11.7%	14.6%	-0.3%
2010	40,412	7.3%	10.9%	13.1%	1.1%
2011	39,467	6.9%	10.2%	12.5%	3.4%
2012	39,853	5.4%	5.3%	10.1%	3.2%
2013	39,853	6.2%	5.4%	9.0%	3.0%
2014	40,079	4.4%	4.5%	7.1%	1.6%
2015	41,214	4.8%	3.5%	5.7%	1.0%
2016	40,899	3.4%	3.3%	5.1%	1.0%
2017	42,282	3.3%	3.3%	4.5%	1.1%

Source:

^a U.S. Census Bureau and local population counts

^b United States Department of Labor, Bureau of Labor and Statistics

^c Consumer Price Index All Urban Consumers

** United States Census Bureau, QuickFacts for Kent County
 2012-2016 Personal Income and Per Capita Income

Personal Income In Thousand \$**	Per Capita Income**
20,385,950	34,355
20,350,000	34,000
15,076,397	25,018
15,460,791	25,410
14,589,171	23,743
15,669,162	25,889
16,141,252	26,669
16,932,958	26,636
18,025,796	28,070
N/A	N/A

ROCKFORD PUBLIC SCHOOLS
Principal Employers
Current Year and Nine Years Ago

Employer	June 30, 2017	
	Approximate Number of Employees	Percent of District's Total Estimated Population
Wolverine World Wide	1,500	3.67%
Rockford Public Schools	991	2.42%
Byrne Electrical Specialist, Inc.	400	0.98%
Williams Form Engineering Corp	200	0.49%
Grand Rapids Controls Co LLC	175	0.43%
Wynalda Packaging	170	0.42%
Steel Craft Technologies	130	0.32%
Mahle Industrial Thermal Systems America	120	0.29%
AvaSure Inc.	100	0.24%
Totals	3,786	9.26%

Source: The Right Place, Inc.

Employer	June 30, 2008	
	Approximate Number of Employees	Percent of District's Total Estimated Population
Wolverine World Wide	1,900	4.23%
Rockford Public Schools	950	2.11%
Jackson Safety Products LLC	300	0.67%
Byrne Electrical Specialist, Inc.	280	0.62%
Grand Rapids Controls	250	0.56%
D & W Foods, Inc.	175	0.39%
Wynalda Litho, Inc.	165	0.37%
ITW - Aim	135	0.30%
Meijer, Inc.	100	0.22%
Totals	4,255	9.47%

ROCKFORD PUBLIC SCHOOLS
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	June 30, 2017		
	2016 Taxable Value	Rank	Percent of District's Total Taxable Value
Wolverine World Wide	\$ 20,921,092	1	1.25%
Consumers Energy	18,933,477	2	1.13%
DTE Gas Company	11,680,400	3	0.70%
Meijer, Inc.	6,414,637	4	0.38%
Boulder Creek Health Park, LLC	4,190,834	5	0.25%
Rockford Care, LLC	3,935,500	6	0.24%
Wynalda Packaging, Inc.	3,278,800	7	0.20%
Jade Pig	3,106,391	8	0.19%
MVP Athletic Club/Rockford LLC	2,469,185	9	0.15%
Algoma Associates LLC	2,156,096	10	0.13%
ITW - Dahti Seating	-		
Grinwood/Champion	-		
Jackson Safety Products	-		
Byrne Electrical Specialties	-		
Totals	\$ 77,086,412		4.61%

Source: Kent County Equalization Department

June 30, 2008			
2007 Taxable Value	Rank	Percent of District's Total Taxable Value	
\$ 26,124,567	1	1.71%	
13,156,100	2	0.86%	
6,506,700	6	0.43%	
9,066,315	4	0.59%	
-			
-			
12,959,719	3	0.85%	
-			
-			
5,157,802	7	0.34%	
8,002,014	5	0.52%	
5,072,300	8	0.33%	
4,761,056	9	0.31%	
4,186,372	10	0.27%	
<u>\$ 94,992,945</u>		<u>6.22%</u>	

ROCKFORD PUBLIC SCHOOLS
Full Time Equivalent Employees by Function
Last Ten Fiscal Years

Employee Category	Number of Employees as of June 30, 2017									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administrators	34	32	31	31	29	29	29	29	33	33
Teachers/counselors	477	446	441	433	439	433	427	428	462	463
Clerical/secretarial	91	87	86	86	87	86	86	93	97	97
Instructional aides	146	137	129	127	121	114	103	98	122	122
Food Service	39	40	41	40	42	41	39	40	39	39
Maintenance/custodial	43	43	40	41	38	37	37	36	53	53
Transportation	63	69	69	79	75	74	73	72	75	74
All others	98	93	98	83	83	73	93	79	81	81
Total	<u>991</u>	<u>947</u>	<u>935</u>	<u>920</u>	<u>914</u>	<u>887</u>	<u>887</u>	<u>875</u>	<u>962</u>	<u>962</u>

Source : District records

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ROCKFORD PUBLIC SCHOOLS
Student Enrollment and Graduate Statistics
Last Ten Fiscal Years

Year Ended June 30	Enrollment				
	Elementary Schools	Middle Schools	High School	Special Education	Total Enrollment
2008	3,385	1,805	2,582	264	8,036
2009	3,515	1,728	2,629	247	8,119
2010	3,518	1,796	2,534	239	8,087
2011	3,442	1,765	2,564	192	7,963
2012	3,443	1,788	2,532	180	7,943
2013	3,508	1,752	2,580	167	8,007
2014	3,490	1,706	2,548	204	7,948
2015	3,480	1,734	2,539	197	7,950
2016	3,473	1,678	2,546	218	7,915
2017	3,461	1,669	2,578	203	7,911

Source: District records

High School	Graduates	
	Adult Completion	Total Graduates
533	11	544
623	11	634
607	13	620
590	12	602
585	8	593
590	7	597
594	11	605
621	12	633
649	8	657
622	4	626

ROCKFORD PUBLIC SCHOOLS
Capital Assets by Type
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,093,127	\$ 2,093,127	\$ 2,093,127	\$ 2,093,127
Construction in progress	12,309,026	1,412,828	5,738,906	146,032
Land improvements	18,708,756	18,688,806	16,285,455	16,285,455
Buildings and additions	121,649,054	119,179,540	104,087,790	104,087,790
Furniture and equipment	16,917,975	16,542,804	15,924,194	15,493,695
Vehicles	<u>5,918,989</u>	<u>5,554,365</u>	<u>5,728,580</u>	<u>5,366,400</u>
	<u><u>\$177,596,927</u></u>	<u><u>\$163,471,470</u></u>	<u><u>\$149,858,052</u></u>	<u><u>\$143,472,499</u></u>

Source: Rockford Public Schools Comprehensive Annual Financial Reports

2013	2012	2011	2010	2009	2008
\$ 2,093,127	\$ 1,962,840	\$ 1,962,840	\$ 1,962,840	\$ 1,962,840	\$ 1,962,840
-	1,538,017	28,641,906	20,109,951	4,611,121	-
16,272,550	15,157,430	4,443,706	4,443,706	4,443,706	4,443,706
104,062,601	103,543,534	86,564,753	86,564,753	85,733,055	85,789,123
15,439,676	15,071,349	14,067,958	13,847,277	13,456,922	12,307,831
5,248,430	4,899,413	4,832,506	4,668,309	4,842,532	4,257,398
<u>\$143,116,384</u>	<u>\$142,172,583</u>	<u>\$140,513,669</u>	<u>\$131,596,836</u>	<u>\$115,050,176</u>	<u>\$108,760,898</u>

ROCKFORD PUBLIC SCHOOLS
District Facilities By Function
June 30, 2016

Building	Year Of Construction	Last Addition Or Renovation	Number Of Stories	Square Footage	Acreage	Number Of Classrooms
Elementary Schools						
Belmont	1923	2017	1	46,338	7	20
Cannonsburg	1951	2017	2	40,129	6	22
Crestwood	1965	2010	1	51,593	23	28
Lakes	1952	2017	1	56,738	9	31
Meadow Ridge	1999	2010	2	70,770	42	26
Parkside	1954	2017	1	40,900	3	20
Roguewood	1989	2017	1	62,410	29	35
Valley View	1965	2010	1	53,614	13	28
Middle Schools						
East Rockford	2000	2010	2	171,169	113	54
North Rockford	1957	2010	2	188,680	20	52
High School						
Rockford	1992	2017	2	348,569	80	91
Freshman Center	1972	2017	2	125,250	30	43
Other						
Alternative Education	1929	2017	1	7,040	—	4
District-Wide Facilities						
Administration Center	1922	2010	1	40,319	9	—
Bus Garage	1975	2010	1	22,168	8	—
Maintenance Center	1991	2010	1	19,424	—	—
Boathouse	2003	—	1½	13,600	3	—
Brewer House	1960	—	1	1,780	—	—

Source : District records