



Rockford Public Schools

Quality Community – Quality Schools

Together Building a Tradition of Excellence

Annual Financial Report

Year Ended: June 30, 2020

ROCKFORD PUBLIC SCHOOLS
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For the year ended June 30, 2020

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FINANCIAL SECTION



INDEPENDENT AUDITOR’S REPORT

November 23, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

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, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 on our consideration of Rockford Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockford Public Schools' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

District-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

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>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 77,875,578	\$ 94,383,157
Net capital assets	<u>116,523,174</u>	<u>108,464,343</u>
Total Assets	<u>194,398,752</u>	<u>202,847,500</u>
Deferred Outflows of Resources	<u>59,447,060</u>	<u>59,452,875</u>
Liabilities		
Current liabilities	22,526,792	24,871,662
Long-term liabilities	156,122,724	165,609,477
Net pension liability	162,488,098	147,260,549
Net OPEB liability	<u>34,844,579</u>	<u>39,416,730</u>
Total Liabilities	<u>375,982,193</u>	<u>377,158,418</u>
Deferred Inflows of Resources	<u>21,251,408</u>	<u>21,830,724</u>
Net Position		
Net investment in capital assets	5,519,451	3,817,990
Restricted	4,935,749	4,723,300
Unrestricted (deficit)	<u>(153,842,989)</u>	<u>(145,230,057)</u>
Total Net Position	<u>\$ (143,387,789)</u>	<u>\$ (136,688,767)</u>

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

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

	<u>2020</u>	<u>2019</u>
Program Revenues		
Charges for services	\$ 3,199,519	\$ 4,162,126
Operating grants	20,459,180	19,871,163
General Revenues		
Property taxes	22,451,148	22,737,750
State school aid, unrestricted	55,934,992	55,869,324
Interest and investment earnings	1,248,014	774,341
Other	2,171,905	2,179,143
Total Revenues	<u>105,464,758</u>	<u>105,593,847</u>
Expenses		
Instruction	56,404,337	56,513,503
Supporting services	42,750,926	34,117,724
Food service	2,571,969	2,480,573
Community services	3,085,692	3,117,072
Other	110,006	463,776
Interest on long-term debt	7,215,502	5,394,813
Depreciation – unallocated	25,348	64,694
Total Expenses	<u>112,163,780</u>	<u>102,152,155</u>
Change in net position	(6,699,022)	3,441,692
Net Position, Beginning of Year	<u>(136,688,767)</u>	<u>(140,130,459)</u>
Net Position, End of Year	<u><u>\$ (143,387,789)</u></u>	<u><u>\$ (136,688,767)</u></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 decrease in enrollment compared to prior year contributed to a decrease in total revenues. The District also experienced a decrease in property tax mills over the prior year, contributing to the overall decrease in property tax revenues.

The District's total revenues were \$105.5 million. Property taxes and unrestricted State aid accounted for most of the District's revenues, contributing 74% 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 \$112.2 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (71%). The District's administrative and business services accounted for 9% of total costs and operation and maintenance services accounted for 8% of total costs.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

Total expenses exceeded revenues by \$6.7 million on the Statement of Activities, decreasing total net position from a deficit of \$136,688,767 at June 30, 2019, to a deficit of \$143,387,789 at June 30, 2020. Unrestricted net assets decreased by \$8,612,932 to a deficit of \$153,842,989 at June 30, 2020. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$12,480,143 during the fiscal year. In addition, the District's net OPEB liability, including outflows and inflows of resources, decreased by \$2,506,867 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.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

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

Major Funds

- The General Fund is our primary operating fund. The General Fund had total revenues of \$85,930,359 and total expenditures of \$84,584,980. The General Fund ended the fiscal year with a fund balance of \$7,502,481, up from \$6,157,102 at June 30, 2019.
- The 2019 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. During the fiscal year, the fund had total revenues of \$860,015 and total expenditures of \$5,705,817. The fund balance at year end was \$49,983,581, 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 \$2,216,529 and total expenditures of \$2,244,784 in 2019-20. The Food Service Fund ended the fiscal year with a fund balance of \$170,323, down from \$198,578 at June 30, 2019.
- The District operates five Debt Service Funds to finance the repayment of general obligation bonds. Total revenues and expenditures were \$14,136,272 and \$14,577,019, respectively. The ending fund balances totaled \$4,923,274, down from \$5,364,021 at June 30, 2019.
- The 2016 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. During the fiscal year, the fund had total revenues of \$134,922 and total expenditures of \$10,414,657. The fund balance at year end was \$2,808,763, and is to be used for facilities improvement projects in subsequent fiscal years.
- The 2019 Building and Site Capital Projects Fund accounts for property tax revenues to be used for capital improvement projects. During the fiscal year, the fund had total revenues of \$984,873 and no expenditures during the year, the fund balance at June 30, 2020 was \$984,873.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

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, 2020 totaled \$468,726.
- 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, 2020 totaled \$800,343.

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 decreased its General Fund balance by \$311,778 less than budgeted. This was due to a reduction in the Student Foundation Allowance of \$175/student after board adoption of budget revisions for FY 19-20.
- The final budget for the General Fund anticipated the fund balance to be 9.20% of General Fund expenditures and transfers - the actual results equaled 8.87%

Capital Asset and Debt Administration

Capital Assets

By the end of 2020, the District had a \$207,524,874 investment in a broad range of capital assets, including land and improvements, 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, 2020, the District's investment in capital assets (net of accumulated depreciation), was \$116,523,174. Capital asset additions totaled \$13,215,320 for the fiscal year with accumulated depreciation increasing \$5,155,104, leaving a net increase in the book value of capital assets of \$8,058,831.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

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	11,879,700
Land improvements	8,606,509
Buildings and improvements	87,527,965
Furniture and equipment	3,929,170
Vehicles	<u>2,486,703</u>
Net Capital Assets	<u><u>\$ 116,523,174</u></u>

Long-term Obligations

At year end, the District had \$166.0 million in general obligation bonds and other long-term obligations outstanding – a net decrease of \$8.9 million from June 30, 2019.

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

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

Factors Bearing on the District's Future

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

- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year, with the results being tabulated by school building and by district.
- In May of 2019, the community approved both a bond and sinking fund ballot initiative for a total of \$185 million dollars. The initiative will be used to accommodate our student population growth along with providing innovative learning environments.
- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to health care and pension contribution obligations. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2020

- As the District continues to face the budget challenges of the current and upcoming school years, operating efficiencies and balanced budgets will be necessary. The ability to continue to operate an adequate educational system with continued less revenue and increasing expenditures is the challenge of the future.
- The impact of COVID-19 on K-12 Education programs is critical. COVID-19 has generated uncertainty of student enrollment, as well as concern for funding of K-12 education programs. Difficulties faced by the State of Michigan has forced per pupil proration; which in turn has affected the District's state funding allowance. The future student enrollment could be affected by COVID-19 for an undetermined amount of time. The decrease in student count at the District will not only reduce state funding, but also reduce other funding that is based on number of students.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Rockford Public Schools, 350 N. Main Street, Rockford, Michigan 49341

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BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash	\$ 2,750
Cash equivalents, deposits and investments (Note B)	65,472,501
Accounts receivable	129,658
Due from other governmental units (Note C)	12,111,378
Inventory	97,788
Prepaid expenses	61,503
Capital assets not being depreciated (Note E)	13,972,827
Capital assets being depreciated, net (Note E)	102,550,347
	194,398,752
Deferred Outflows of Resources	
Loss on advance bond refundings, net	1,029,866
Deferred pension amounts	46,921,047
Deferred OPEB amounts	11,496,147
	59,447,060
Liabilities	
Accounts payable	2,137,648
State aid loan payable (Note F)	1,900,000
Due to other governmental units	3,219,648
Payroll withholdings payable	193,425
Accrued interest payable	1,167,421
Salaries payable	3,914,395
Unearned revenue	112,467
Long-term liabilities: (Note G)	
Due within one year	9,881,788
Due in more than one year	156,122,724
Net pension liability (Note H)	162,488,098
Net OPEB Liability (Note I)	34,844,579
	375,982,193
Deferred Inflows of Resources	
Deferred pension amounts	7,052,919
Deferred OPEB amounts	14,198,489
	21,251,408
Net Position	
Net investment in capital assets	5,519,451
Restricted for:	
Capital projects	984,873
Debt service	3,780,553
Food service	170,323
Unrestricted (deficit)	(153,842,989)
	\$(143,387,789)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 56,404,337	\$ -	\$ 18,389,038	\$ (38,015,299)
Supporting services	42,750,926	353,456	989,607	(41,407,863)
Food service	2,571,969	1,331,436	869,337	(371,196)
Community services	3,085,692	1,514,627	-	(1,571,065)
Other	110,006	-	-	(110,006)
Interest on long-term debt	7,215,502	-	211,198	(7,004,304)
Depreciation - unallocated*	25,348	-	-	(25,348)
Total Governmental Activities	\$ 112,163,780	\$ 3,199,519	\$ 20,459,180	(88,505,081)
General Revenues				
Taxes:				
				7,680,834
				13,792,345
				977,969
				55,934,992
				1,248,014
				2,171,905
				81,806,059
				(6,699,022)
				(136,688,767)
				\$ (143,387,789)

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

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2020

Assets	2019			Total
	General	Construction	Nonmajor	
Cash	\$ 1,250	\$ -	\$ 1,500	\$ 2,750
Cash equivalents, deposits and investments (Note B)	4,686,021	51,187,143	9,599,337	65,472,501
Accounts receivable	126,224	-	2,923	129,147
Due from other funds (Note D)	241,972	648	75,722	318,342
Due from other governmental units (Note C)	12,111,378	-	-	12,111,378
Inventory	30,765	-	67,023	97,788
Prepaid expenditures	58,228	-	3,275	61,503
Total Assets	\$ 17,255,838	\$ 51,187,791	\$ 9,749,780	\$ 78,193,409
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 318,844	\$ 1,204,210	\$ 614,594	\$ 2,137,648
State aid anticipation loan payable (Note F)	1,900,000	-	-	1,900,000
Due to other funds (Note D)	76,370	-	241,461	317,831
Due to other governmental units	3,213,156	-	6,492	3,219,648
Payroll withholdings payable	193,425	-	-	193,425
Accrued interest payable	24,700	-	-	24,700
Salaries payable	3,914,395	-	-	3,914,395
Unearned revenue	112,467	-	-	112,467
Total Liabilities	9,753,357	1,204,210	862,547	11,820,114
Fund Balances (Note A)				
Nonspendable	88,993	-	70,298	159,291
Restricted	-	49,983,581	8,816,935	58,800,516
Unassigned	7,413,488	-	-	7,413,488
Total Fund Balances	7,502,481	49,983,581	8,887,233	66,373,295
Total Liabilities and Fund Balances	\$ 17,255,838	\$ 51,187,791	\$ 9,749,780	\$ 78,193,409

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total governmental fund balances		\$ 66,373,295
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 \$207,524,874 and accumulated depreciation is \$91,001,700.		116,523,174
Bond refunding losses are not expensed but are amortized over the life of the new bond issue on the Statement of Activities.		1,029,866
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	\$ (144,635,000)	
Energy conservation bonds	(105,000)	
Bond premium	(20,190,933)	
Early retirement incentive	(651,057)	
Accumulated sick leave	<u>(422,522)</u>	(166,004,512)
Accrued interest on long-term debt is not included as a liability in governmental funds.		(1,142,721)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(162,488,098)	
Deferred outflows	46,921,047	
Deferred inflows	<u>(7,052,919)</u>	(122,619,970)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(34,844,579)	
Deferred outflows	11,496,147	
Deferred inflows	<u>(14,198,489)</u>	<u>(37,546,921)</u>
Total net position - governmental activities		<u><u>\$ (143,387,789)</u></u>

ROCKFORD PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	General	2019 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 10,599,059	\$ 860,015	\$ 16,409,724	\$ 27,868,798
State sources	67,279,072	-	390,161	67,669,233
Federal sources	1,710,758	-	672,711	2,383,469
Interdistrict sources	6,341,470	-	-	6,341,470
Total Revenues	85,930,359	860,015	17,472,596	104,262,970
Expenditures				
Current:				
Instruction	51,429,562	-	-	51,429,562
Supporting services	30,202,781	641,543	4,236	30,848,560
Food service	-	-	2,244,784	2,244,784
Community services	2,837,576	-	-	2,837,576
Capital outlay	-	5,064,274	10,410,421	15,474,695
Debt service:				
Principal repayment	105,000	-	7,675,000	7,780,000
Interest and fiscal charges	10,061	-	6,902,019	6,912,080
Total Expenditures	84,584,980	5,705,817	27,236,460	117,527,257
Excess (Deficiency) of Revenues Over Expenditures	1,345,379	(4,845,802)	(9,763,864)	(13,264,287)
Other Financing Sources				
Transfers in	-	-	647,219	647,219
Transfers out	-	-	(647,219)	(647,219)
Total Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1,345,379	(4,845,802)	(9,763,864)	(13,264,287)
Fund Balances, Beginning of Year	6,157,102	54,829,383	18,651,097	79,637,582
Fund Balances, End of Year	\$ 7,502,481	\$ 49,983,581	\$ 8,887,233	\$ 66,373,295

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2020

Net change in fund balances - total governmental funds \$ (13,264,287)

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	\$ 13,215,320	
	Depreciation expense	<u>5,155,104</u>	8,060,216

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired. (1,385)

Bond refunding losses are amortized over the life of the new bond issue on the Statement of Activities. (108,621)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities. 1,201,788

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	7,675,000		
Repayment of energy conservation improvement bonds	<u>105,000</u>	7,780,000	

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. (303,422)

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 benefits earned (\$548,322) exceeded the, benefits used/paid (\$458,287). (90,035)

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. (12,480,143)

The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds. 2,506,867

Total changes in net position - governmental activities \$ (6,699,022)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources	\$ 10,354,969	\$ 10,417,533	\$ 10,599,059	\$ 181,526
State sources	68,472,130	68,204,093	67,279,072	(925,021)
Federal sources	1,682,734	1,646,437	1,710,758	64,321
Interdistrict sources	6,130,624	6,298,757	6,341,470	42,713
Total Revenues	86,640,457	86,566,820	85,930,359	(636,461)
Expenditures				
Instruction:				
Basic programs	45,122,653	44,479,103	43,897,851	581,252
Added needs	7,733,420	7,258,064	7,376,477	(118,413)
Adult education	169,621	199,222	155,234	43,988
Supporting services:				
Pupil services	4,386,269	4,444,816	4,854,843	(410,027)
Instructional staff services	2,342,171	2,960,824	3,532,501	(571,677)
General administrative services	714,217	706,353	742,789	(36,436)
School administrative services	4,939,591	4,875,564	4,907,704	(32,140)
Business services	1,427,664	1,455,155	1,564,633	(109,478)
Operation and maintenance services	7,768,641	7,276,942	7,139,833	137,109
Pupil transportation services	4,543,701	4,275,466	3,718,779	556,687
Central services	2,030,301	2,205,696	2,207,484	(1,788)
Other supporting services	1,503,961	1,484,988	1,534,215	(49,227)
Community services:	3,043,569	3,173,828	2,837,576	336,252
Debt service:				
Principal repayment	105,000	105,000	105,000	-
Interest and fiscal charges	8,642	8,642	10,061	(1,419)
Total Expenditures	85,839,421	84,909,663	84,584,980	324,683
Net Change in Fund Balances	801,036	1,657,157	1,345,379	(311,778)
Fund Balances, Beginning of Year	6,157,102	6,157,102	6,157,102	-
Fund Balances, End of Year	\$ 6,958,138	\$ 7,814,259	\$ 7,502,481	\$ (311,778)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 468,726	\$ 800,343
Liabilities		
Due to other funds (Note D)	-	\$ 511
Due to student groups	-	799,832
Total Liabilities	<u>-</u>	<u>\$ 800,343</u>
Net Position		
Held in trust for:		
Individuals and organizations	<u>\$ 468,726</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, 2020

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 6,934
Donations	48,069
Total Additions	<u>55,003</u>
Deductions	
Endowment activities - scholarships	<u>55,130</u>
Change In Net Position	(127)
Net Position, Beginning of Year	<u>468,853</u>
Net Position, End of Year	<u><u>\$ 468,726</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Note A – Summary of Significant Accounting Policies

Rockford Public Schools (the “District”) was organized under the School Code of the State of Michigan, and services a population of approximately 7,954 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

The District’s significant accounting policies are described below.

1. Reporting Entity

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

2. District-wide and Fund Financial Statements

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

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

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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 2019 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

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

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

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

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

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Governmental Funds

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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 *2019 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.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of 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. For capital project activities funded with sinking fund millage, the District has complied with applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

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

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Rockford Public Schools has also adopted budgets for its Special Revenue Fund. 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

5. Encumbrances

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

6. Investments

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

7. Inventories/Prepaid Items

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

8. Capital Assets

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

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

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

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

9. Long-term Obligations

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

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2020 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, 2020, 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 \$651,057 and \$422,522, respectively.

11. Retirement Plan

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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. Plan investments are reported at fair value.

12. Postemployment Benefits Other Than Pensions

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

13. Deferred Outflows/Inflows of Resources

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

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

14. Net Position

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

15. Fund Balance

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

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Rockford Public Schools’ Board of Education has delegated authority to assign fund balances for a specific purpose to the Superintendent and the Assistant Superintendent of Finance. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2020, Rockford Public Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Interfund Activity

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

17. Estimates

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- 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, 2020 related to cash equivalents and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 65,472,501
Fiduciary Funds:	
Trust and Agency Funds	<u>1,269,069</u>
	<u>\$ 66,741,570</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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, 2020 balances are detailed as follows:

Cash equivalents	\$ <u>184,487</u>
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Custodial Credit Risk Related to Cash Equivalent

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 \$184,487, and the bank balance was \$184,487, all of which was covered by federal depository insurance.

Investments

As of June 30, 2020, the District had the following investments:

Surplus Funds Investment Pool Accounts:

Michigan Liquid Asset Fund Plus	\$ <u>66,557,083</u>
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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, 2020. 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, 2020, 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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.

Note C – State School Aid/Property Taxes

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

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2019 and October 2019. The 2019-20 "Foundation Allowance" for Rockford Public Schools was \$8,111 for 7,955 "Full Time Equivalent" students, generating \$66,610,329 in state aid payments to the District of which \$11,057,597 was paid to the District in July and August 2020 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, 2018) approved a ten year 18 mill operating millage extension, due to Headlee rollbacks only 17.7137 mills of non-homestead property tax was levied in the District for 2019.

The District levied a .9517 recreation millage, 7.00 mills for debt service purposes and 0.5 mills for building and site in 2019, 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 NPRES.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

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

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

For the year ended June 30, 2020, the District's property tax revenues were reduced by approximately \$44,115 under these agreements.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Note D – Interfund Receivables/Payables

Amounts due from (to) other funds, representing interfund receivables and payables for year-end expenditure allocations not reimbursed at June 30, 2020, are detailed as follows:

	Due From	Due To
Major Funds		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 241,461	\$ 75,722
Capital Project Funds:		
2019 Construction Fund	-	648
Agency Fund:		
Student Activity Fund	511	-
	241,972	76,370
Capital Project Funds:		
2019 Construction Fund:		
General Fund	648	-
	648	-
Total Major Funds	242,620	76,370
Nonmajor Fund		
Special Revenue Fund:		
Food Service Fund:		
General Fund	75,722	241,461
	75,722	241,461
Fiduciary Fund		
Agency Fund:		
Student Activity Fund:		
General Fund	-	511
	-	511
Total All Funds	\$ 318,342	\$ 318,342

Interfund transfers during the year ended June 30, 2020 were as follows:

	Transfers In	Transfers Out
Nonmajor Funds		
Debt Service Funds:		
2012 Debt Fund:		
2014 Debt Fund:	\$ -	\$ 647,219
2014 Debt Fund:		
2012 Debt Fund:	647,219	-
	647,219	-
Total Nonmajor Funds	647,219	647,219
Total All Funds	\$ 647,219	\$ 647,219

The transfer between debt service funds was made to allocate remaining funds of the 2012 Debt Fund to the 2014 Debt Fund.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Note E – Capital Assets

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

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020
Capital assets not being depreciated:				
Land	\$ 2,093,127	\$ -	\$ -	\$ 2,093,127
Construction in progress	4,558,676	10,447,245	3,126,221	11,879,700
Totals capital assets not being depreciated	<u>6,651,803</u>	<u>\$ 10,447,245</u>	<u>\$ 3,126,221</u>	<u>13,972,827</u>
Capital assets being depreciated:				
Land improvements	18,714,966	\$ -	\$ -	18,714,966
Buildings and improvements	145,993,085	3,550,675	-	149,543,760
Furniture and equipment	17,743,972	1,654,299	-	19,398,271
Vehicles	5,758,195	689,322	552,467	5,895,050
Totals capital assets being depreciated	<u>188,210,218</u>	<u>\$ 5,894,296</u>	<u>\$ 552,467</u>	<u>193,552,047</u>
Less accumulated depreciation for:				
Land improvements	9,368,410	\$ 740,047	\$ -	10,108,457
Buildings and improvements	58,553,215	3,462,580	-	62,015,795
Furniture and equipment	14,922,079	547,022	-	15,469,101
Vehicles	3,553,974	405,455	551,082	3,408,347
Total accumulated depreciation	<u>86,397,678</u>	<u>\$ 5,155,104</u>	<u>\$ 551,082</u>	<u>91,001,700</u>
Total capital assets being depreciated, net	<u>101,812,540</u>			<u>102,550,347</u>
Net Capital Assets	<u>\$ 108,464,343</u>			<u>\$ 116,523,174</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 3,283,375
Supporting services	1,736,567
Community services	4,128
Food service	105,686
Unallocated	25,348
	<u>\$ 5,155,104</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Note F – Short-term Debt

On August 20, 2019, the District repaid the \$4,000,000 August 20, 2018 State aid anticipation loan. On August 20, 2019, the District borrowed \$1,900,000 for cash flow purposes, in anticipation of State aid (interest at 1.3%). The loan is due in full on August 20, 2020. Net interest cost on the loans was \$24,700 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, 2019	Debt Added	Debt Retired	Debt Outstanding June 30, 2020
State Aid Anticipation Loans	\$ 4,000,000	\$ 1,900,000	\$ 4,000,000	\$ 1,900,000

Note G – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2020 are summarized as follows:

	Debt Outstanding July 1, 2019	Debt Added	Debt Retired	Debt Outstanding June 30, 2020
General obligation bonds:				
June 3, 2014	\$ 30,780,000	\$ -	\$ 1,200,000	\$ 29,580,000
February 6, 2015	16,410,000	-	2,195,000	14,215,000
June 6, 2016	25,775,000	-	-	25,775,000
June 6, 2016	30,680,000	-	200,000	30,480,000
June 26, 2019	48,665,000	-	4,080,000	44,585,000
Bond premium	21,392,721	-	1,201,788	20,190,933
Energy conservation improvement bonds:				
May 22, 2006	210,000	-	105,000	105,000
Early retirement incentive- contractual	596,522	203,839	149,304	651,057
Accumulated sick leave	387,022	344,483	308,983	422,522
	\$174,896,265	\$ 548,322	\$ 9,440,075	\$ 166,004,512

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Long-term obligations outstanding at June 30, 2020 is comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$31,780K 2014 Building and Site:				
Annual maturities of \$1,325K to \$1,755K	May 1, 2039	4.00 - 5.00	\$ 29,580,000	\$ 1,325,000
\$26,375K 2015 General Obligation Refunding:				
Annual maturities of \$1,895K to \$2,155K	May 1, 2027	5.00	14,215,000	2,155,000
\$27,440K 2016 General Obligation Refunding Series B:				
Annual maturities of \$530K to \$3,890K	May 1, 2039	4.00 - 5.00	25,775,000	-
\$35,070K 2016 Building and Site:				
Annual maturities of \$210K to \$2,075K	May 1, 2044	4.00 - 5.00	30,480,000	280,000
\$48,665K 2019 Building and Site Series I:				
Annual maturities of \$250K to \$5,050K	May 1, 2046	4.00 - 5.00	44,585,000	4,355,000
Bond premium			20,190,933	1,201,788
Energy Conservation Improvement Bonds				
\$1,200K 2006 Improvement:				
Annual maturities of \$105K	May 1, 2021	4.45	105,000	105,000
Other Obligations				
Early retirement incentive - contractual			651,057	150,000
Accumulated sick leave			422,522	310,000
			<u>651,057</u>	<u>150,000</u>
			<u>422,522</u>	<u>310,000</u>
			<u>\$166,004,512</u>	<u>\$ 9,881,788</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

Year Ended June 30	Principal	Interest	Total
2021	\$ 8,220,000	\$ 6,856,322	\$ 15,076,322
2022	8,970,000	6,492,250	15,462,250
2023	4,475,000	6,098,800	10,573,800
2024	4,725,000	5,885,250	10,610,250
2025	5,020,000	5,661,900	10,681,900
2026	5,275,000	5,410,900	10,685,900
2027	5,525,000	5,147,150	10,672,150
2028	5,805,000	4,870,900	10,675,900
2029	6,040,000	4,621,200	10,661,200
2030	6,335,000	4,319,200	10,654,200
2031	6,630,000	4,002,450	10,632,450
2032	6,775,000	3,670,950	10,445,950
2033	6,795,000	3,332,200	10,127,200
2034	4,900,000	2,992,450	7,892,450
2035	5,135,000	2,747,450	7,882,450
2036	5,365,000	2,525,800	7,890,800
2037	5,600,000	2,293,400	7,893,400
2038	5,860,000	2,050,000	7,910,000
2039	6,135,000	1,795,100	7,930,100
2040	4,680,000	1,529,200	6,209,200
2041	4,905,000	1,295,200	6,200,200
2042	5,100,000	1,078,500	6,178,500
2043	5,105,000	823,500	5,928,500
2044	5,125,000	568,250	5,693,250
2045	3,120,000	312,000	3,432,000
2046	3,120,000	156,000	3,276,000
	<u>\$144,740,000</u>	<u>\$ 86,536,322</u>	<u>\$ 231,276,322</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Note H – Retirement Plan

Plan Description

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

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Defined Contribution	Defined Contribution	Open
Pension Plus 2	Hybrid	Open

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Membership

At September 30, 2019, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	194,374
Survivor benefits	18,588
Disability benefits	5,975
Total	<u>218,937</u>
 Inactive plan members entitled to but not yet receiving benefits:	 18,279
 Active plan members:	
Vested	96,319
Non-vested	81,362
Total	<u>177,681</u>
 Total plan members	 <u>414,897</u>

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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement System account if applicable. 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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.

Option 4 members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law, The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 contribution share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this 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 may retire at age 60 with 10 or more years of credited service.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

A Pension Plus 2 member may retire at age 60 with 10 or more years of credited service. Section 81c(5) of PA 300 as amended requires the regular retirement age to be increased in whole year increments based on the results of mortality analysis five-year actuarial experience studies performed after October 1, 2019 and the actuarial funding status of the plan. If the regular retirement age for Pension Plus 2 members is increased in accordance with this provision, members within five years of retirement from the effective date of the increase are automatically exempted and the retirement board may additionally authorize those between five and eight years of the then current retirement age to be exempted.

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

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

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

Deferred Retirement

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

Non-Duty Disability Benefit

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

Duty Disability Benefit

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Pension Payment Options

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

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

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.

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

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. 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 adjustments.

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

Contributions and Funded Status

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under the method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarized pension contribution rate in effect for the plan fiscal year 2019.

Pension Contribution Rates:		
Plan Name	Member	District
Basic	0.0 – 4.0%	18.25%
Member Investment Plan (MIP)	3.0 – 7.0%	18.25%
Pension Plus	3.0 – 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

The District's contributions to MPSERS under all pension plans for the year ended June 30, 2020, inclusive of the MSPERS UAAL Stabilization, totaled \$13,466,433.

MPSERS Plan Net Pension Liability (in thousands)

Total Pension Liability	\$ 84,643,399
Plan Fiduciary Net Position	<u>50,857,170</u>
Net Pension Liability	<u><u>\$ 33,786,229</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.08%
Net Pension Liability as a Percentage of Covered Employee Payroll	377.13%
Total Covered Payroll	\$ 8,958,777

Proportionate Share of Reporting Unit's Net Pension Liability

At June 30, 2020, the District reported a liability of \$162,488,098 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2019 the District's proportion was 0.49065397%, which was an increase from 0.48985930% at September 30, 2018.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$25,727,022. At June 30, 2020, 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	\$ 728,323	\$ 677,560
Changes of assumptions	31,815,284	—
Net difference between projected and actual earnings on pension plan investment earnings	—	5,207,467
Changes in proportion and differences between District contributions and proportionate share of contributions	1,225,042	1,167,892
District contributions subsequent to the measurement date*	13,152,398	—
Total	\$ 46,921,047	\$ 7,052,919

* This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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
2021	\$ 10,655,983
2022	8,290,158
2023	5,568,170
2024	2,201,419

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
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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	6.80%
Pension Plus Plan (Hybrid):	6.80%
Pension Plus 2:	6.00%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: [4.4977 for non-university employers or 1.0000 for university employers]
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at (www.michigan.gov/orsschools).

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, 2019 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short-term Investment Pools	2.0%	0.8%
Total	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changed amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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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 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 5.8%/5.8%/5.0%	Current Single Discount Rate Assumption 6.8%/6.8%/6.0%	1% Increase 7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	\$ 211,244,923	\$ 162,488,098	\$ 122,067,011

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, 2019 Comprehensive Annual Financial Report, available here: (www.michigan.gov/orsschools).

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

Payables to the pension plan totaling \$2,203,070 at June 30, 2020 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note I – Other Postemployment Benefits

Plan Description

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

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

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

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Plan Participants

At September 30, 2019, the System's membership consisted of the following:

Eligible participants:	
Retirees and survivors	198,380
Vested plan members:	
Active	197,982
Non-active	2,458
Participants receiving benefits:	
Health	152,757
Dental/Vision	165,542

Benefits Provided

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

Retiree Healthcare Reform of 2012

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

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

ROCKFORD PUBLIC SCHOOLS
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Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2019:

OPEB Contribution Rates:

Benefit Structure	Member	District
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the District were \$3,442,964 for the year ended September 30, 2019.

Net OPEB Liability (in thousands)

Total OPEB Liability	\$ 14,161,627
Plan Fiduciary Net Position	<u>6,892,099</u>
Net OPEB Liability	<u>\$ 7,269,528</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	48.67%
Net OPEB Liability as a Percentage of Covered Employee Payroll	81.14%
Total Covered Payroll	\$ 8,958,777

At June 30, 2020, the District reported a liability of \$34,844,579 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019 the District's proportion was 0.48545280%, which was a decrease from 0.49587331% at September 30, 2018.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$893,803. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 12,785,461
Changes of assumptions	7,550,115	—
Net difference between projected and actual earnings on OPEB plan investment earnings	—	605,964
Changes in proportion and differences between District contributions and proportionate share of contributions	604,596	807,064
District contributions subsequent to the measurement date*	3,341,436	—
Total	\$ 11,496,147	\$ 14,198,489

* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

Year ended June 30	Amount
2021	\$ (1,619,622)
2022	(1,619,622)
2023	(1,327,777)
2024	(928,301)
2025	(548,456)

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
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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded 3.5% Year 12
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.7101 for non-university employers or 1.1641 for university employers].
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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Notes to Basic Financial Statements
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Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity Pools	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate & Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short-term Investment Pools	2.0%	0.8%
Total	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
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Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
District's proportionate share of the net OPEB liability	\$ 42,742,112	\$ 34,844,579	\$ 28,212,844

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 27,931,688	\$ 34,844,579	\$ 42,741,175

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling \$526,680 at June 30, 2020 arise from the normal legally required contributions based on the accrued salaries payable at year-end, expected to be liquidated with expendable available financial resources.

Note J – Risk Management and Benefits

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

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

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 \$285,319 in premiums to the MSIP for the year ended June 30, 2020.

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 \$1,315,781 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2020, there were no material pending claims against the District. The District paid \$140,250 in premiums to the Fund for the year ended June 30, 2020.

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 2019-20 fiscal year.

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted amounts for the year ended June 30, 2020, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction:			
Added needs	\$ 7,258,064	\$ 7,376,477	\$ 118,413
Supporting services:			
Pupil services	4,444,816	4,854,843	410,027
Instructional staff services	2,960,824	3,532,501	571,677
General administrative services	706,353	742,789	36,436
School administrative services	4,875,564	4,907,704	32,140
Business services	1,455,155	1,564,633	109,478
Central services	2,205,696	2,207,484	1,788
Other supporting services	1,484,988	1,534,215	49,227
Debt service:			
Interest and fiscal charges	8,642	10,061	1,419

The District has an unrestricted net position deficit of \$153,842,989 and a total net position deficit of \$143,387,789 as of June 30, 2020. These deficit net positions result primarily from recording a net pension liability of \$122,619,970 (net of deferred outflows and inflows of resources related to the pension plan) and a net OPEB liability of \$37,546,921 (net of deferred outflows and inflows of resources related to the OPEB plan).

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2020

Note L – Commitments

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, 2020, unspent balances committed to these construction projects totaled \$2,808,763, which are expected to be fully expended by the year ended June 30, 2021.

On June 26, 2019, the District issued \$48,665,000 of general obligation 2019 Construction bonds whose proceeds are being used for land improvements, building renovations and additions, and furniture and equipment purchases. At June 30, 2020, unspent balances committed to these construction projects totaled \$49,983,581, which are expected to be fully expended by the year ended June 30, 2022.

Note M – Risks and Uncertainties

During the fiscal year Michigan school districts were closed in response to the COVID-19 pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It is uncertain as to the full magnitude that the pandemic will have on the District's financial condition and its access to state, federal and local funding. The Board and Management is actively monitoring the situation.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted to provide payment to State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak. The US Department of Treasury distributed these funds to the State of Michigan for distribution to local governmental units. During the 2019-20 fiscal year, the District received \$58,700 in Child Care Relief Funds. In July and August 2020, the District received \$2,882,237 in CARES funding that will be recognized in the 2020-21 fiscal year.

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, 2020

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
District's proportion of the net pension liability	0.49065397%	0.48985930%	0.48635468%
District's proportionate share of the net pension liability	\$ 162,488,098	\$ 147,260,549	\$ 126,035,173
District's covered-employee payroll	\$ 42,480,969	\$ 42,241,261	\$ 39,898,626
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.50%	348.62%	315.89%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	63.96%

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

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

<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.49846335%	0.48283576%	0.47302115%
\$ 124,362,527	\$ 117,932,764	\$ 104,190,018
\$ 42,356,434	\$ 40,229,246	\$ 40,397,194
293.61%	293.15%	257.91%
63.01%	62.92%	66.15%

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ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
District's proportion of the net OPEB liability	0.48545280%	0.49587331%	0.48646825%
District's proportionate share of the net OPEB liability	\$ 34,844,579	\$ 39,416,730	\$ 43,079,055
District's covered-employee payroll	\$ 42,480,969	\$ 42,241,261	\$ 39,898,626
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.02%	93.31%	107.97%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.53%

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

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

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District's Pension Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
Contractually required contribution	\$ 13,466,433	\$ 13,155,958	\$ 12,493,773
Contributions in relation to the contractually required contribution	<u>13,466,433</u>	<u>13,155,958</u>	<u>12,493,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 42,962,049	\$ 42,307,755	\$ 42,136,916
Contributions as a percentage of covered employee payroll	31.34%	31.10%	29.65%

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

<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 13,702,535	\$ 12,493,230	\$ 12,675,872
<u>13,702,535</u>	<u>12,493,230</u>	<u>12,675,872</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 40,944,291	\$ 40,605,013	\$ 40,390,791
33.47%	30.77%	31.38%

ROCKFORD PUBLIC SCHOOLS
Required Supplementary Information
Schedule of District's OPEB Contributions
MPSERS Cost-sharing Multiple-employer Plan
June 30, 2020

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
Contractually required contribution	\$ 3,442,964	\$ 3,393,064	\$ 3,123,745
Contributions in relation to the contractually required contribution	<u>3,442,964</u>	<u>3,393,064</u>	<u>3,123,745</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 42,962,049	\$ 42,307,755	\$ 42,136,916
Contributions as a percentage of covered employee payroll	8.01%	8.02%	7.41%

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

ROCKFORD PUBLIC SCHOOLS
Notes to Required Supplementary Information
June 30, 2020

Note A – Net Pension Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2019-20.

Changes of assumptions: There were no changes of benefit assumptions in 2019-20.

Note B – Net OPEB Liability and Contributions

Changes of benefit terms: There were no changes of benefit terms in 2019-20.

Changes of assumptions: There were no changes of benefit assumptions in 2019-20.

SUPPLEMENTARY INFORMATION

GENERAL FUND

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

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 1,250	\$ 1,250
Cash equivalents, deposits and investments	4,686,021	6,320,102
Accounts receivable	126,224	58,873
Due from other funds	241,972	30,499
Due from other governmental units	12,111,378	13,119,450
Inventory	30,765	13,215
Prepaid expenditures	58,228	8,059
	\$ 17,255,838	\$ 19,551,448
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 318,844	\$ 654,229
State aid anticipation loan payable	1,900,000	4,000,000
Due to other funds	76,370	37,968
Due to other governmental units	3,213,156	4,202,893
Payroll withholdings payable	193,425	398,099
Accrued interest payable	24,700	94,800
Salaries payable	3,914,395	3,836,459
Unearned revenue	112,467	169,898
	9,753,357	13,394,346
 Fund Balances		
Nonspendable	88,993	21,274
Unassigned	7,413,488	6,135,828
	7,502,481	6,157,102
	\$ 17,255,838	\$ 19,551,448

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2020 and 2019

	2020	2019
Local sources:		
Property taxes:		
Operating	\$ 5,716,353	\$ 5,125,647
Recreation	1,864,558	1,780,983
Industrial facilities taxes	1,018	1,127
Delinquent and other property taxes	92,984	35,612
Interest on delinquent taxes	5,921	8,041
	<u>7,680,834</u>	<u>6,951,410</u>
Interest earnings:		
Interest on deposits and investments	92,525	133,441
Revenues from student activities:		
Gate fees	144,124	187,292
Pay to participate	147,755	229,330
	<u>291,879</u>	<u>416,622</u>
Other local revenue:		
Preschool fees	199,680	174,878
Adult/community education fees	282,932	445,865
Transportation fees	24,007	56,097
Child care fees	1,099,421	1,438,464
Third party testing	37,570	55,454
Beverage consortium commissions	11,060	19,286
Sale of school property	15,100	12,500
Pool fees	132,274	168,717
Rental of school facilities	24,707	105,923
Donations	95,805	112,736
Miscellaneous	611,265	585,627
	<u>2,533,821</u>	<u>3,175,547</u>
Total local sources	10,599,059	10,677,020
State sources:		
State school aid	66,472,538	65,859,113
Kindergarten entry observation tool	4,344	-
Special education - transportation	548,358	515,593
Special education - itinerants	222,089	201,374
Payment in lieu of taxes	17,663	19,467
Great Start Readiness site reimbursement	14,080	14,080
Total state sources	<u>67,279,072</u>	<u>66,609,627</u>
Federal sources:		
Title I	217,730	260,599
Title IIA	90,834	174,341
Title III	5,425	-
Title IV	14,623	25,529
I.D.E.A. program	1,248,381	1,213,198
Adult education	41,800	16,800
Child care relief funds	58,700	-
Medicaid - Outreach	33,265	11,283
Total federal sources	<u>1,710,758</u>	<u>1,701,750</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Interdistrict sources:		
County enhancement millage	\$ 1,914,920	\$ 1,780,736
Special education - county	3,998,952	4,001,907
Special education - tuition	99,471	167,957
Medicaid fee for service	263,001	300,059
Adult continuing education	64,476	74,997
Bus driver safety	650	3,535
Foreign exchange program	-	100,000
Total interdistrict sources	<u>6,341,470</u>	<u>6,429,191</u>
 Total Revenues	 <u><u>\$ 85,930,359</u></u>	 <u><u>\$ 85,417,588</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 11,856,764	\$ 11,800,754
Employee benefits	8,302,493	8,172,393
Purchased services	181,576	224,292
Supplies	106,349	130,343
Capital outlay	1,538	3,706
Miscellaneous	-	1,337
	<u>20,448,720</u>	<u>20,332,825</u>
Middle school:		
Salaries	5,738,555	5,786,487
Employee benefits	3,997,909	4,003,319
Purchased services	97,600	118,291
Supplies	80,930	84,380
Capital outlay	-	225
Miscellaneous	-	510
	<u>9,914,994</u>	<u>9,993,212</u>
High school:		
Salaries	7,463,754	7,461,709
Employee benefits	5,411,833	5,355,581
Purchased services	332,459	318,942
Supplies	134,490	130,512
Capital outlay	1,327	4,431
Miscellaneous	10,653	13,088
	<u>13,354,516</u>	<u>13,284,263</u>
Preschool:		
Salaries	66,941	96,058
Employee benefits	86,676	97,795
Purchased services	-	401
Supplies	5,648	2,343
	<u>159,265</u>	<u>196,597</u>
Summer school:		
Salaries	13,875	9,600
Employee benefits	6,481	4,350
	<u>20,356</u>	<u>13,950</u>
Total basic programs	<u>43,897,851</u>	<u>43,820,847</u>
Added needs:		
Special education:		
Salaries	3,191,122	2,969,889
Employee benefits	2,204,566	2,046,801
Purchased services	29,855	39,052
Supplies	11,520	14,333
Capital outlay	2,237	4,245
Payments to other districts	699,954	530,026
	<u>6,139,254</u>	<u>5,604,346</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Compensatory education:		
Salaries	\$ 462,826	\$ 588,001
Employee benefits	245,095	318,008
Purchased services	98,964	102,712
Supplies	36,151	28,150
Miscellaneous	598	-
	<u>843,634</u>	<u>1,036,871</u>
Vocational education:		
Salaries	224,477	184,262
Employee benefits	156,355	132,147
Purchased services	4,526	6,009
Supplies	8,231	7,067
	<u>393,589</u>	<u>329,485</u>
Total added needs	<u>7,376,477</u>	<u>6,970,702</u>
Adult education services:		
Basic:		
Salaries	91,978	95,171
Employee benefits	60,803	50,577
Purchased services	162	658
Supplies	2,291	2,374
Miscellaneous	-	344
Total adult education services	<u>155,234</u>	<u>149,124</u>
Total instruction	51,429,562	50,940,673
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	890,487	930,677
Employee benefits	631,202	624,049
Purchased services	6,544	5,803
Supplies	57,398	62,493
Capital outlay	150	-
	<u>1,585,781</u>	<u>1,623,022</u>
Occupational therapist services:		
Salaries	78,000	81,946
Employee benefits	45,418	47,047
Purchased services	2,289	21,187
Supplies	7,095	4,495
Payments to other districts	305,980	276,670
Miscellaneous	154	154
	<u>438,936</u>	<u>431,499</u>
Psychological services:		
Purchased services	480	826
Supplies	2,289	848
Payments to other districts	466,839	490,315
	<u>469,608</u>	<u>491,989</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Speech pathology services:		
Salaries	\$ -	\$ 8,364
Employee benefits	-	3,871
Purchased services	394	1,176
Supplies	3,527	7,367
Payments to other districts	781,987	763,050
	<u>785,908</u>	<u>783,828</u>
Social worker services:		
Salaries	36,803	-
Employee benefits	18,186	-
Purchased services	489	1,179
Supplies	1,448	1,962
Payments to other districts	831,895	913,082
	<u>888,821</u>	<u>916,223</u>
Teacher consultant services:		
Salaries	-	172,267
Employee benefits	-	93,838
Purchased services	2,396	3,212
Supplies	-	1,057
Payments to other districts	427,247	399,300
	<u>429,643</u>	<u>669,674</u>
Other pupil services:		
Salaries	145,932	-
Employee benefits	110,214	-
	<u>256,146</u>	<u>-</u>
Total pupil services	4,854,843	4,916,235
Instructional staff services:		
Improvement of instruction:		
Salaries	262,928	249,118
Employee benefits	166,771	182,252
Purchased services	147,167	132,556
Supplies	630,087	566,425
Miscellaneous	16,123	12,265
	<u>1,223,076</u>	<u>1,142,616</u>
Library:		
Salaries	479,841	477,881
Employee benefits	303,386	296,009
Purchased services	1,239	1,032
Supplies	122,161	125,521
	<u>906,627</u>	<u>900,443</u>
Educational television:		
Purchased services	2,877	4,881
	<u>2,877</u>	<u>4,881</u>
Instructional technology:		
Salaries	613,105	132,874
Employee benefits	379,725	82,154
Purchased services	2,036	4,381
Supplies	-	386
	<u>994,866</u>	<u>219,795</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Supervision and direction of instruction:		
Salaries	\$ 210,907	\$ 219,817
Employee benefits	130,344	136,330
Purchased services	17,952	11,607
Supplies	45,852	62,491
Capital outlay	-	418
	405,055	430,663
Total instructional staff services	3,532,501	2,698,398
General administrative services:		
Board of education:		
Purchased services	179,430	267,824
Supplies	8,359	12,258
Miscellaneous	9,847	9,436
	197,636	289,518
Executive administration:		
Salaries	322,814	317,839
Employee benefits	171,842	171,269
Purchased services	37,043	27,229
Supplies	4,209	6,029
Miscellaneous	9,163	5,328
Capital outlay	82	22
	545,153	527,716
Total general administrative services	742,789	817,234
School administrative services:		
Office of the principal:		
Salaries	2,834,415	2,813,442
Employee benefits	2,023,622	1,986,309
Purchased services	12,060	10,950
Supplies	33,767	26,089
Capital outlay	114	164
Miscellaneous	3,726	5,263
Total school administrative services	4,907,704	4,842,217
Business services:		
Fiscal services:		
Salaries	538,521	531,418
Employee benefits	430,522	408,828
Purchased services	66,717	55,251
Supplies	92,065	94,055
Capital outlay	-	22
Miscellaneous	1,405	477
	1,129,230	1,090,051
Document center:		
Salaries	33,755	33,364
Employee benefits	30,613	29,892
Purchased services	77,944	97,202
Supplies	49,345	77,925
	191,657	238,383

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Other business services:		
Miscellaneous	\$ 243,746	\$ 209,601
Total business services	1,564,633	1,538,035
Operation and maintenance services:		
Operation and maintenance:		
Salaries	1,943,360	1,908,207
Employee benefits	1,427,936	1,446,030
Purchased services	1,275,557	1,410,486
Supplies	1,811,847	1,937,249
Capital outlay	81,033	104,841
Miscellaneous	11,411	5,763
	6,551,144	6,812,576
Security services:		
Salaries	295,125	294,318
Employee benefits	218,137	228,614
Purchased services	75,407	54,855
Capital outlay	20	-
Miscellaneous	-	130
	588,689	577,917
Total operation and maintenance services	7,139,833	7,390,493
Pupil transportation services:		
Pupil transportation:		
Salaries	1,493,662	1,507,727
Employee benefits	1,034,336	1,038,879
Purchased services	80,984	108,555
Supplies	407,016	580,735
Capital outlay	-	59,783
Miscellaneous	1,288	3,931
Payments to other districts	701,493	769,699
Total pupil transportation services	3,718,779	4,069,309
Central services:		
Personnel services:		
Salaries	294,239	297,587
Employee benefits	220,885	207,883
Purchased services	70,375	58,801
Supplies	6,698	9,425
Miscellaneous	10,406	175
	602,603	573,871

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	2020	2019
Operational technology services:		
Salaries	\$ 617,637	\$ 616,254
Employee benefits	430,675	454,973
Purchased services	529,899	453,275
Supplies	25,424	20,523
Capital outlay	221	692
Miscellaneous	1,025	601
	1,604,881	1,546,318
Total central services	2,207,484	2,120,189
Other supporting services:		
Athletics:		
Salaries	791,301	812,015
Employee benefits	453,874	426,957
Purchased services	166,371	181,355
Supplies	57,756	63,713
Capital outlay	36,125	4,597
Miscellaneous	28,788	36,207
Total other supporting services	1,534,215	1,524,844
Total supporting services	30,202,781	29,916,954
Community services:		
Community education, pool and CDL testing:		
Salaries	243,452	296,309
Employee benefits	125,490	162,811
Purchased services	2,979	2,736
Supplies	476	620
	372,397	462,476
Leisure time activities:		
Salaries	430,306	409,007
Employee benefits	268,622	262,180
Purchased services	76,805	95,747
Supplies	64,941	100,668
Miscellaneous	10,183	19,593
	850,857	887,195
Custody and care of children:		
Salaries	1,014,015	940,354
Employee benefits	474,668	432,682
Purchased services	94,156	118,297
Supplies	21,205	28,191
Capital outlay	10,278	12,233
Miscellaneous	-	99
	1,614,322	1,531,856
Total community services	2,837,576	2,881,527

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Debt service:		
Principal repayment	\$ 105,000	\$ 100,000
Interest and fiscal charges	10,061	14,446
Total debt service	<u>115,061</u>	<u>114,446</u>
Total Expenditures	<u><u>\$ 84,584,980</u></u>	<u><u>\$ 83,853,600</u></u>

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NONMAJOR GOVERNMENTAL FUNDS

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2020

	Special Revenue	Debt		
	Food Service	2012	2014	2015
Assets				
Cash	\$ 1,500	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments	277,796	-	1,011,201	1,169,431
Accounts receivable	2,923	-	-	-
Due from other funds	75,722	-	-	-
Inventory	67,023	-	-	-
Prepaid expenditures	3,275	-	-	-
Total Assets	\$ 428,239	\$ -	\$ 1,011,201	\$ 1,169,431
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 9,963	\$ -	\$ -	\$ -
Due to other funds	241,461	-	-	-
Due to other governmental units	6,492	-	-	-
Total Liabilities	257,916	-	-	-
Fund Balances				
Nonspendable	70,298	-	-	-
Restricted	100,025	-	1,011,201	1,169,431
Total Fund Balances	170,323	-	1,011,201	1,169,431
Total Liabilities and Fund Balances	\$ 428,239	\$ -	\$ 1,011,201	\$ 1,169,431

Service	Capital Projects			Total
	2016	2019	2016 Construction	
\$ -	\$ -	\$ -	\$ -	\$ 1,500
1,327,026	1,415,616	3,413,394	984,873	9,599,337
-	-	-	-	2,923
-	-	-	-	75,722
-	-	-	-	67,023
-	-	-	-	3,275
<u>\$ 1,327,026</u>	<u>\$ 1,415,616</u>	<u>\$ 3,413,394</u>	<u>\$ 984,873</u>	<u>\$ 9,749,780</u>
\$ -	\$ -	\$ 604,631	\$ -	\$ 614,594
-	-	-	-	241,461
-	-	-	-	6,492
-	-	604,631	-	862,547
-	-	-	-	70,298
1,327,026	1,415,616	2,808,763	984,873	8,816,935
1,327,026	1,415,616	2,808,763	984,873	8,887,233
<u>\$ 1,327,026</u>	<u>\$ 1,415,616</u>	<u>\$ 3,413,394</u>	<u>\$ 984,873</u>	<u>\$ 9,749,780</u>

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2020

	Special Revenue	Debt		
	Food Service	2012	2014	2015
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ 1,586,477	\$ 2,760,163
Interest earnings	3,256	4,061	34,004	36,541
Food sales	1,331,436	-	-	-
Other local sources	12,500	-	-	-
Total local sources	1,347,192	4,061	1,620,481	2,796,704
State sources	196,626	-	22,118	38,707
Federal sources	672,711	-	-	-
Total Revenues	2,216,529	4,061	1,642,599	2,835,411
Expenditures				
Current:				
Supporting services	-	-	-	-
Food service	2,244,784	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal repayment	-	-	1,200,000	2,195,000
Interest and fiscal charges	-	-	1,465,122	830,258
Total Expenditures	2,244,784	-	2,665,122	3,025,258
Excess (Deficiency) of Revenues Over Expenditures	(28,255)	4,061	(1,022,523)	(189,847)
Other Financing Sources (Uses)				
Transfers in	-	-	647,219	-
Transfers out	-	(647,219)	-	-
Total Other Financing Sources (Uses)	-	(647,219)	647,219	-
Net Change in Fund Balances	(28,255)	(643,158)	(375,304)	(189,847)
Fund Balances, Beginning of Year	198,578	643,158	1,386,505	1,359,278
Fund Balances, End of Year	\$ 170,323	\$ -	\$ 1,011,201	\$ 1,169,431

Service	Capital Projects			
	2016	2019	2016 Construction	Building and Site
\$ 2,256,518	\$ 7,189,187	\$ -	\$ 977,969	\$ 14,770,314
34,880	40,906	134,922	6,904	295,474
-	-	-	-	1,331,436
-	-	-	-	12,500
2,291,398	7,230,093	134,922	984,873	16,409,724
31,519	101,191	-	-	390,161
-	-	-	-	672,711
2,322,917	7,331,284	134,922	984,873	17,472,596
-	-	4,236	-	4,236
-	-	-	-	2,244,784
-	-	10,410,421	-	10,410,421
200,000	4,080,000	-	-	7,675,000
2,770,971	1,835,668	-	-	6,902,019
2,970,971	5,915,668	10,414,657	-	27,236,460
(648,054)	1,415,616	(10,279,735)	984,873	(9,763,864)
-	-	-	-	647,219
-	-	-	-	(647,219)
-	-	-	-	-
(648,054)	1,415,616	(10,279,735)	984,873	(9,763,864)
1,975,080	-	13,088,498	-	18,651,097
\$ 1,327,026	\$ 1,415,616	\$ 2,808,763	\$ 984,873	\$ 8,887,233

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources	\$ 1,379,651	\$ 1,347,192	\$ (32,459)
State sources	177,928	196,626	18,698
Federal sources	692,273	672,711	(19,562)
Total Revenues	<u>2,249,852</u>	<u>2,216,529</u>	<u>(33,323)</u>
Expenditures			
Food service	<u>2,260,524</u>	<u>2,244,784</u>	<u>15,740</u>
Net Change in Fund Balances	(10,672)	(28,255)	(17,583)
Fund Balances, Beginning of Year	<u>198,578</u>	<u>198,578</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 187,906</u>	<u>\$ 170,323</u>	<u>\$ (17,583)</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, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 1,500	\$ 1,500
Cash equivalents, deposits and investments	277,796	136,779
Accounts receivable	2,923	5,539
Due from other funds	75,722	35,978
Inventory	67,023	55,894
Prepaid expenditures	3,275	3,150
	Total Assets	Total Assets
	\$ 428,239	\$ 238,840
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 9,963	\$ 5,100
Due to other funds	241,461	25,043
Due to other governmental units	6,492	8,204
Payroll taxes payable	-	1,915
	Total Liabilities	Total Liabilities
	257,916	40,262
Fund Balances		
Nonspendable	70,298	59,044
Restricted	100,025	139,534
	Total Fund Balances	Total Fund Balances
	170,323	198,578
	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances
	\$ 428,239	\$ 238,840

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020	2019
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 3,256	\$ 4,783
Sales and admissions:		
Children's lunches	505,789	652,933
Adult lunches	13,102	19,509
Ala carte	666,399	727,023
Catering	146,146	181,442
Total sales and admissions	1,331,436	1,580,907
Other local sources:		
Donations	12,500	-
Total local sources	1,347,192	1,585,690
State sources	196,626	205,002
Federal sources	672,711	589,885
Total Revenues	2,216,529	2,380,577
Expenditures		
Food service:		
Salaries	684,434	665,032
Employee benefits	583,175	528,990
Purchased services	27,972	78,239
Supplies	932,637	1,065,468
Capital outlay	592	2,222
Miscellaneous	15,974	9,366
Total Expenditures	2,244,784	2,349,317
Net Change in Fund Balances	(28,255)	31,260
Fund Balances, Beginning of Year	198,578	167,318
Fund Balances, End of Year	\$ 170,323	\$ 198,578

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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, 2020

	2012	2014	2015
Assets			
Cash equivalents, deposits and investments	\$ -	\$ 1,011,201	\$ 1,169,431
Liabilities and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Restricted	-	1,011,201	1,169,431
Total Liabilities and Fund Balances	\$ -	\$ 1,011,201	\$ 1,169,431

<u>2016</u>	<u>2019</u>	<u>Totals</u>	
		<u>2020</u>	<u>2019</u>
<u>\$ 1,327,026</u>	<u>\$ 1,415,616</u>	<u>\$ 4,923,274</u>	<u>\$ 5,364,021</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>1,327,026</u>	<u>1,415,616</u>	<u>4,923,274</u>	<u>5,364,021</u>
<u>\$ 1,327,026</u>	<u>\$ 1,415,616</u>	<u>\$ 4,923,274</u>	<u>\$ 5,364,021</u>

ROCKFORD PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2020

	2012	2014	2015
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ -	\$ 1,570,209	\$ 2,747,066
Industrial facilities taxes	-	855	1,497
Delinquent and other property taxes	-	14,305	9,778
Interest on delinquent taxes	-	1,108	1,822
	<u>-</u>	<u>1,586,477</u>	<u>2,760,163</u>
Interest earnings:			
Interest on deposits and investments	4,061	34,004	36,541
	<u>4,061</u>	<u>34,004</u>	<u>36,541</u>
Total local sources	4,061	1,620,481	2,796,704
State sources	-	22,118	38,707
	<u>-</u>	<u>22,118</u>	<u>38,707</u>
Total Revenues	<u>4,061</u>	<u>1,642,599</u>	<u>2,835,411</u>
Expenditures			
Debt service:			
Principal repayment	-	1,200,000	2,195,000
Interest and fiscal charges:			
Interest expense	-	1,451,250	820,500
Paying agent fees	-	300	500
Tax refunds	-	13,572	9,258
	<u>-</u>	<u>1,665,122</u>	<u>3,025,258</u>
Total Expenditures	<u>-</u>	<u>2,665,122</u>	<u>3,025,258</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,061</u>	<u>(1,022,523)</u>	<u>(189,847)</u>
Other Financing Sources (Uses)			
Transfers in	-	647,219	-
Transfers out	(647,219)	-	-
	<u>(647,219)</u>	<u>647,219</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(647,219)</u>	<u>647,219</u>	<u>-</u>
Net Change in Fund Balances	<u>(643,158)</u>	<u>(375,304)</u>	<u>(189,847)</u>
Fund Balances, Beginning of Year	<u>643,158</u>	<u>1,386,505</u>	<u>1,359,278</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 1,011,201</u>	<u>\$ 1,169,431</u>

2016	2019	Totals	
		2020	2019
\$ 2,237,241	\$ 7,180,683	\$ 13,735,199	\$ 15,747,168
1,219	3,914	7,485	9,961
16,519	7	40,609	17,372
1,539	4,583	9,052	11,839
<u>2,256,518</u>	<u>7,189,187</u>	<u>13,792,345</u>	<u>15,786,340</u>
34,880	40,906	150,392	221,725
2,291,398	7,230,093	13,942,737	16,008,065
31,519	101,191	193,535	205,032
<u>2,322,917</u>	<u>7,331,284</u>	<u>14,136,272</u>	<u>16,213,097</u>
200,000	4,080,000	7,675,000	9,035,000
2,754,750	1,835,168	6,861,668	5,443,750
500	500	1,800	1,500
15,721	-	38,551	5,385
<u>2,970,971</u>	<u>5,915,668</u>	<u>14,577,019</u>	<u>14,485,635</u>
(648,054)	1,415,616	(440,747)	1,727,462
-	-	647,219	60,624
-	-	(647,219)	(60,624)
-	-	-	-
(648,054)	1,415,616	(440,747)	1,727,462
1,975,080	-	5,364,021	3,636,559
<u>\$ 1,327,026</u>	<u>\$ 1,415,616</u>	<u>\$ 4,923,274</u>	<u>\$ 5,364,021</u>

CAPITAL PROJECTS FUNDS

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

2019 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

Building and Site—to account for property tax revenue and interest earnings used to finance building improvement projects.

ROCKFORD PUBLIC SCHOOLS
2016 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents, deposits and investments	\$ 3,413,394	\$ 14,317,213
Due from other funds	-	1,990
Total Assets	\$ 3,413,394	\$ 14,319,203
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 604,631	\$ 1,230,705
Fund Balances		
Restricted	2,808,763	13,088,498
Total Liabilities and Fund Balances	\$ 3,413,394	\$ 14,319,203

ROCKFORD PUBLIC SCHOOLS
2016 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 134,922	\$ 396,861
Miscellaneous	-	500
	<u>134,922</u>	<u>397,361</u>
Total Revenues	134,922	397,361
Expenditures		
Current:		
Supporting services:		
Operations maintenance	4,236	5,105
Capital outlay:		
Site improvement	-	6,945
Architect and engineering fees	238,039	85,050
Building improvement	6,885,013	5,561,183
Other facilities and acquisition	3,287,369	2,013,042
	<u>10,410,421</u>	<u>7,666,220</u>
Total capital outlay	10,410,421	7,666,220
Total Expenditures	<u>10,414,657</u>	<u>7,671,325</u>
Deficiency of Revenues Over Expenditures	<u>(10,279,735)</u>	<u>(7,273,964)</u>
Other Financing Sources		
Transfers in	-	13
	<u>-</u>	<u>13</u>
Net Change in Fund Balances	(10,279,735)	(7,273,951)
Fund Balances, Beginning of Year	<u>13,088,498</u>	<u>20,362,449</u>
Fund Balances, End of Year	<u>\$ 2,808,763</u>	<u>\$ 13,088,498</u>

ROCKFORD PUBLIC SCHOOLS
2019 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	2020	2019
Assets		
Cash equivalents, deposits and investments	\$ 51,187,143	\$ 54,973,656
Due from other funds	648	-
Total Assets	\$ 51,187,791	\$ 54,973,656
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,204,210	\$ 143,273
Due to other funds	-	1,000
Total Liabilities	1,204,210	144,273
Fund Balances		
Restricted	49,983,581	54,829,383
Total Liabilities and Fund Balances	\$ 51,187,791	\$ 54,973,656

ROCKFORD PUBLIC SCHOOLS
2019 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 860,015	\$ 17,401
Expenditures		
Current:		
Pupil transportation services:		
Pupil transportation		
School buses	641,543	-
Capital Outlay:		
Architecture and engineering services	76,332	-
Building improvement	1,377,247	-
Other facilities and acquisition	3,610,695	-
Debt Service:		
Bond issuance costs	-	187,373
Underwriter's discount	-	124,096
Total Expenditures	<u>5,705,817</u>	<u>311,469</u>
Deficiency of Revenues Over Expenditures	<u>(4,845,802)</u>	<u>(294,068)</u>
Other Financing Sources		
Proceeds from the sale of bonds	-	48,665,000
Bond premium	-	6,458,451
Total Financing Sources	<u>-</u>	<u>55,123,451</u>
Net Change in Fund Balances	(4,845,802)	54,829,383
Fund Balances, Beginning of Year	<u>54,829,383</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 49,983,581</u>	<u>\$ 54,829,383</u>

ROCKFORD PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2020 and 2019

	<u>2020</u>
Assets	
Cash equivalents, deposits and investments	<u>\$ 984,873</u>
Liabilities and Fund Balances	
Liabilities	<u>\$ -</u>
Fund Balances	
Restricted	<u>984,873</u>
Total Liabilities and Fund Balances	<u>\$ 984,873</u>

ROCKFORD PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2020 and 2019

	2020
Revenues	
Local sources:	
Property taxes:	
Current property taxes	\$ 977,661
Interest on delinquent taxes	308
	977,969
Total property taxes	977,969
Interest on deposits and investments	6,904
	984,873
Total Revenues	984,873
Expenditures	-
Net Change in Fund Balances	984,873
Fund Balances, Beginning of Year	-
Fund Balances, End of Year	\$ 984,873

AGENCY FUNDS

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, 2020

	<u>Balances July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2020</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 754,855</u>	<u>\$ 1,035,092</u>	<u>\$ 989,604</u>	<u>\$ 800,343</u>
Liabilities				
Accounts payable	\$ -	\$ 575,267	\$ 575,267	\$ -
Due to other funds	4,456	1,205	5,150	511
Due to student groups	<u>750,399</u>	<u>1,210,193</u>	<u>1,160,760</u>	<u>799,832</u>
Total Liabilities	<u>\$ 754,855</u>	<u>\$ 1,786,665</u>	<u>\$ 1,741,177</u>	<u>\$ 800,343</u>

OTHER INFORMATION

ROCKFORD PUBLIC SCHOOLS
Summary of 2019 Taxes Levied and Collected
For the year ended June 30, 2020

	County of Kent			
	City of Rockford	Algoma	Cannon	Townships Courtland
Taxable Valuations				
Operating	\$ 75,497,690	\$ 56,722,131	\$ 76,750,686	\$ 24,645,975
Recreation/Debt Service	244,907,531	244,479,847	695,313,995	251,747,914
Rates (Mills)				
General Fund - Operating				
General Fund - Recreation				
2014 Debt Service Fund				
2015 Debt Service Fund				
2016 Debt Service Fund				
2019 Debt Service Fund				
Building and Site Sinking Fund				
Taxes Levied 2019 Rolls				
General Fund - Operating	\$ 1,348,190	\$ 974,128	\$ 1,281,570	\$ 369,364
General Fund - Recreation	232,906	228,622	660,377	239,352
2014 Debt Service Fund	196,170	192,194	555,156	201,217
2015 Debt Service Fund	343,297	336,339	971,523	352,129
2016 Debt Service Fund	279,542	273,876	791,097	286,734
2019 Debt Service Fund	897,476	879,287	2,539,838	920,566
Sinking Fund	121,698	120,106	346,922	125,740
	<u>3,419,278</u>	<u>3,004,552</u>	<u>7,146,483</u>	<u>2,495,102</u>
Taxes Uncollected 2019 Rolls				
General Fund - Operating	1,028	933	-	114
General Fund - Recreation	300	155	-	20
2014 Debt Service Fund	252	131	-	16
2015 Debt Service Fund	441	229	-	28
2016 Debt Service Fund	359	186	-	23
2019 Debt Service Fund	1,152	598	-	73
Sinking Fund	158	81	-	10
	<u>3,689</u>	<u>2,312</u>	<u>-</u>	<u>284</u>
Taxes Collected 2019 Rolls				
General Fund - Operating	1,347,162	973,195	1,281,570	369,250
General Fund - Recreation	232,606	228,467	660,377	239,332
2014 Debt Service Fund	195,918	192,063	555,156	201,201
2015 Debt Service Fund	342,856	336,111	971,523	352,101
2016 Debt Service Fund	279,183	273,690	791,097	286,711
2019 Debt Service Fund	896,324	878,689	2,539,838	920,493
Sinking Fund	121,540	120,025	346,922	125,730
	<u>3,415,589</u>	<u>3,002,240</u>	<u>7,146,483</u>	<u>2,494,818</u>

(Continued)

Grattan	Oakfield	Plainfield	Total
\$ 2,631,666	\$ 501,596	\$ 91,223,897	\$ 327,973,641
25,796,149	6,285,083	493,096,110	1,961,626,629
			17.7137
			0.9517
			0.8000
			1.4000
			1.1400
			3.6600
			0.5000
			<u>26.1654</u>

\$ 45,494	\$ 9,216	\$ 1,622,557	\$ 5,650,519
24,707	5,925	468,173	1,860,062
20,771	4,981	393,967	1,564,455
36,350	8,716	689,442	2,737,796
29,599	7,098	561,402	2,229,348
95,029	22,787	1,802,397	7,157,381
12,980	3,114	245,950	976,510
<u>264,931</u>	<u>61,837</u>	<u>5,783,888</u>	<u>22,176,071</u>

-	-	129	2,204
-	-	99	574
-	-	84	482
-	-	146	844
-	-	119	687
-	-	383	2,205
-	-	52	301
<u>-</u>	<u>-</u>	<u>1,012</u>	<u>7,297</u>

45,494	9,216	1,622,428	5,648,315
24,707	5,925	468,074	1,859,488
20,771	4,981	393,883	1,563,973
36,350	8,716	689,295	2,736,952
29,599	7,098	561,283	2,228,661
95,029	22,787	1,802,015	7,155,176
12,980	3,114	245,898	976,209
<u>264,931</u>	<u>61,837</u>	<u>5,782,876</u>	<u>22,168,774</u>

ROCKFORD PUBLIC SCHOOLS
Summary of 2019 Taxes Levied and Collected
For the year ended June 30, 2020

	County of Kent			
	City of Rockford	Algoma	Cannon	Townships Courtland
Delinquent Taxes Collected				
General Fund	\$ -	\$ 82,720	\$ 395	\$ -
2014 Debt Service Fund	-	13,718	208	-
2015 Debt Service Fund	-	9,351	239	-
2016 Debt Service Fund	-	15,872	214	-
2019 Debt Service Fund	-	-	-	-
Sinking Fund	-	-	-	-
	-	121,661	1,056	-
Total Taxes Collected				
General Fund - Operating	1,347,162	1,055,915	1,281,965	369,250
General Fund - Recreation	232,606	228,467	660,377	239,332
2014 Debt Service Fund	195,918	205,781	555,364	201,201
2015 Debt Service Fund	342,856	345,462	971,762	352,101
2016 Debt Service Fund	279,183	289,562	791,311	286,711
2019 Debt Service Fund	896,324	878,689	2,539,838	920,493
Sinking Fund	121,540	120,025	346,922	125,730
	<u>\$ 3,415,589</u>	<u>\$ 3,123,901</u>	<u>\$ 7,147,539</u>	<u>\$ 2,494,818</u>

Grattan	Oakfield	Plainfield	Total
\$ -	\$ 8	\$ 803	\$ 83,926
-	1	378	14,305
-	2	130	9,722
-	2	395	16,483
-	5	3	8
-	1	-	1
-	19	1,709	124,445
45,494	9,224	1,623,231	5,732,241
24,707	5,925	468,074	1,859,488
20,771	4,982	394,261	1,578,278
36,350	8,718	689,425	2,746,674
29,599	7,100	561,678	2,245,144
95,029	22,792	1,802,018	7,155,184
12,980	3,115	245,898	976,210
<u>\$ 264,931</u>	<u>\$ 61,856</u>	<u>\$ 5,784,585</u>	<u>\$ 22,293,219</u>