

ROCHESTER COMMUNITY SCHOOLS
Rochester, Michigan

COMPREHENSIVE ANNUAL FINANCIAL REPORT
(with required supplementary and additional
supplementary information)

FISCAL YEAR ENDED JUNE 30, 2019

PREPARED BY:

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October 25, 2019

The Board of Education
Rochester Community Schools
501 W. University Drive
Rochester, Michigan, 48307

Dear Board Members and Citizens of Rochester Community Schools:

This letter of transmittal serves as an introduction to the Rochester Community School's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The CAFR is organized into three sections: the introductory section, the financial section, and the statistical section. Included in the introductory section is the District's organizational chart, a roster of principal officials and the letter of transmittal. The financial section includes the independent auditors' opinion letter and the Management's Discussion and Analysis. Also included in the financial section are the District's government-wide financial statements, fund financial statements and supplemental information. The statistical section includes selected financial, demographic and general information about the District.

Formal Transmittal

Legal Requirements

The Michigan Budgeting and Accounting Act (Act 2 of 1968) established a uniform budgeting and accounting system for local units of government. In accordance with this Act, the Board of Education directly appoints one principal officer, the Superintendent (MCL 141.434). Other administrative employees are recommended by the Superintendent for approval by the Board.

The adopted budget of the Board of Education represents the legal authority for the school district to spend money. The budget is formally adopted at a public budget hearing by July 1 each year. The budget is based on the board's appropriation priorities and resources.

Management's Responsibility

The District's management has prepared this report and is responsible for the accuracy, fairness and completeness of the presentation, including all required disclosures. The information contained in this report is accurate in all material respects, is presented in a manner designed to fairly show the financial position and results of operations of the District, and includes all disclosures necessary to enable the reader to gain an understanding of the District's financial position.

Internal Control Structure

The District's management is responsible for establishing and maintaining an internal control structure. The internal control structure is designed to safeguard District assets from accidental loss or loss from misappropriation. The internal control structure also ensures the reliability and integrity of financial information. Internal controls also help to ensure compliance with federal, state, and local regulations and provide an environment in which managers and staff can maximize the efficiency and effectiveness of district operations.

Internal controls are subject to inherent limitations with regard to the cost/benefit of the control. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement.

Independent Audit

The District received an unmodified opinion by independent auditors on its basic financial statements for the fiscal year ended June 30, 2019. Additionally, the District received an unmodified opinion on a separate audit of the District's federal awards.

Management's Discussion & Analysis

The Management's Discussion and Analysis, located in the introductory section of this report, provides a more detailed analysis of the District's financial position and results of operations, and should be read in conjunction with this letter.

District Profile

Population, Structure, and Services

The district, which covers an approximately 66-square-mile area in the southeastern portion of Michigan's Lower Peninsula, serves an estimated population of 93,000 and is located primarily in Oakland County with a small portion in western Macomb County. District residents have access to jobs in Oakland County, the corporate headquarters of FCA US LLC (Fiat Chrysler) as well as several General Motors facilities. Investment in automotive-related research and development of new technologies (such as autonomous driving) has led to new business in the area.

The district is governed by a Board of Education comprised of seven board members. Each board member is elected. Board members serve for a period of six years at which time they may choose to run for re-election. School Board members at June 30, 2018 are as follows:

Name	Position	Term
Kristin Bull	President	2020
Kevin Beers	Vice President	2022
Michael Zabat	Treasurer	2020
Barbara Anness	Secretary	2024
Michelle Bueltel	Trustee	2024
Andrea Walker-Leidy	Trustee	2024
Scott Muska	Trustee	2020

Component Unit

The district has determined that no entities should be consolidated into its basic financial statements as component units. There are no units that qualify as having a significant operational or financial relationship with the District.

Budget Process

The district follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The district's Superintendent submits to the Board of Education a proposed budget before July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts between functions within any fund up to \$100,000 for purposes of meeting emergency needs of the district. Transfers between functions are included in the following regularly scheduled budget amendment.
4. Budgets for the General, Debt Service, Capital Projects, and Special Revenue Funds are adopted on an annual basis consistent with generally accepted accounting principles.

Governmental Funds Appropriated Budget

Annual budgets are adopted and are under formal budgetary control for the general and major special revenue funds. The general and major special revenue funds are adopted on a functional level and consist of budgeted amounts as originally adopted or amended by the Board of Education.

Legal level of Budgetary Control

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Michigan Budgeting and Accounting Act (Act 2 of 1968). The Act requires expenditures to be budgeted on a functional basis. In all stages of the budget process, the Rochester Board of Education's policy states that it will adhere to all statutes and regulations imposed by the Act.

Scope of Instructional Activities

Rochester Community Schools provides public education to students in kindergarten through twelfth grades. Additional services include programs for children ages 0-3 years, preschool programs, before and after school care for school age children, adult education, and community enrichment classes for all ages.

Student Population

Fall 2018 enrollment totaled 15,379 Full-Time Equivalent (FTE) students. The district enrollment has remained steady with growth of approximately 266 student FTE since the fall of 2013. The District's most recent enrollment study projects stable enrollment through the fall of 2023.

Programs Offered

Rochester Community Public Schools provides its students a comprehensive program of public education from Early Childhood students as young as age two through twelfth grade. The District has a broad-based curriculum designed to meet the individual needs of all students including regular daytime, advance placement, at-risk, special needs and alternative education. All students have access to current technology integrated across curriculum and to comprehensive media centers. Students have the opportunity to participate in global learning, a variety of language classes, orchestra, and numerous extracurricular activities including music, drama, fine arts, intramural and interscholastic sports, clubs and many other special interest activities.

Relationship to Other Governments

The district is fiscally independent. The laws of the State of Michigan give the district power to levy taxes, determine fees, approve and modify budgets, and issue debt without approval from any other government. The district is also subject to the general oversight of the Michigan State Board of Education.

Charter Schools

The following are the private, charter, or parochial schools located within the School District's boundaries:

Name of School	Grades Served	Approximate Enrollment
Brookfield Academy	Pre K-5	139
Eagle Creek Academy	Pre K-8	148
Holy Family Regional North Campus	K-3	400
Holy Family Regional South Campus	4-8	450
Lutheran High Northwest	9-12	279
Oak Arbor School	Pre K-8	21
Premier Academy of Oakland	Pre K-K	139
Rochester Hills Christian School	Pre K-12	208
St. John Lutheran School	Pre K-8	<u>294</u>
		<u>2,078</u>

Economic Environment

Local Economy and Outlook

Since 2010, the city of Rochester Hills has experienced an increase in households earning greater than \$125,000 annually, while households earning less than \$75,000 have declined. The district has experienced an increase in expatriates and English language learners. District residents have access to jobs in Oakland County, the corporate headquarters of FCA US LLC (Fiat Chrysler) as well as several General Motors facilities. Investment in automotive-related research and development of new technologies (such as autonomous driving) has led to new business in the area.

Long-Term Financial Planning

The district uses a comprehensive budgeting model for all funds that includes eight years of data for long-term financial planning purposes. The data includes three prior years of actual data (comparative), the current year budget and estimated actual data, a proposed budget year and three years of forecast data. Revenue assumptions in the general operating fund are based on long-term projected enrollment and foundation allowance estimates. Expenditure assumptions in the general operating fund include staffing levels adjusted for enrollment, contractual obligations, pension and health insurance rate trends, and non-staff related general operating costs.

Revenue assumptions in the debt service fund are based on taxable real property value estimates and expenditure assumptions are based on actual debt service requirements. Capital project fund revenue and expenditure estimates are based on voter-approved debt issue proceeds (revenue) and planned facility and technology projects. School service fund revenue and expenditure estimates are based on sales or state and federal reimbursements (revenue) and the related costs of running the service provided (expenditures).

Financial Policies

Fund balance may be used to supplement possible shortfalls in revenues, as a reserve for contractual obligations, for emergency expenditures or for other expenditures designated by the Board. In 2015, the Rochester Board of Education established a fund balance target of 10% of the general fund operating budget. The district's unassigned fund balance as a percentage of its operating budget is illustrated in the following table:

Percentage of Unassigned Fund Balance to Expenditures
General Fund

Fiscal Year	Estimated		Actual		
	2019-20	2018-19	2017-18	2016-17	2015-16
Unassigned Fund Balance	36,557,998	35,326,307	31,250,093	28,902,413	22,461,046
Expenditures & Transfers	179,524,884	173,172,235	170,976,720	162,921,534	160,079,350
% Unassigned	20.36%	20.40%	18.28%	17.74%	14.03%

Major Initiatives

The following far-reaching objectives were developed in 2014 by district staff and community members as part of the district's strategic planning process:

Global Awareness

Rochester Community Schools will challenge students through dynamic cultural experiences, to be empowered global stewards, and inspire them to have a positive impact on their community, country, and world.

Curriculum/Instruction/Assessment

Rochester Community Schools will develop innovative, self-directed learners who think critically, communicate effectively and persevere to positively impact the world.

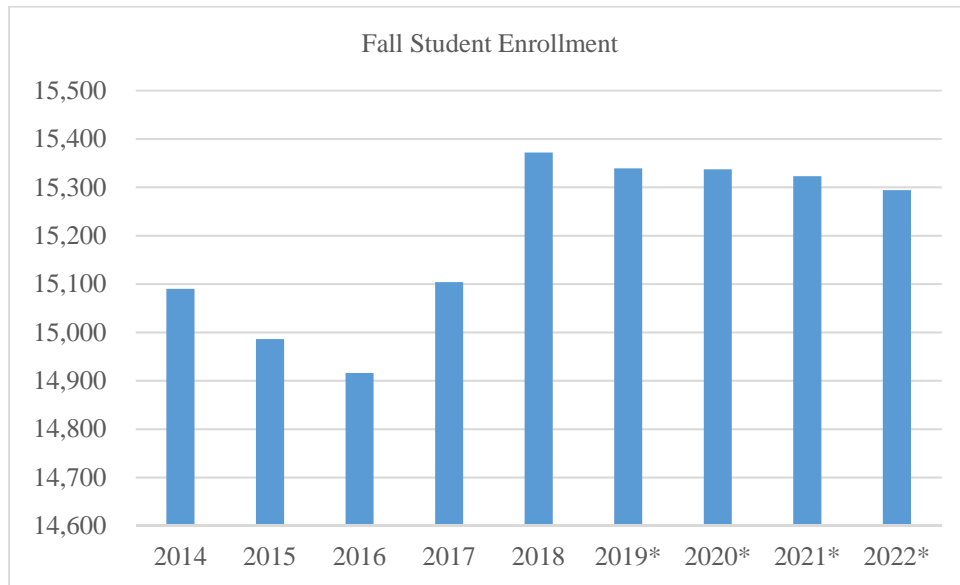
Infrastructure & Technology

Rochester Community Schools will ensure a world-class education by focusing resources on developing and enhancing assets which include people, innovative partnerships, state-of-the-art technologies and facilities.

These initiatives were adopted by the Board of Education in 2015. Strategies have been developed and action plans implemented to help the district reach each of its Strategic Plan objectives. Progress toward the objectives is monitored on an on-going basis and presented to the Board of Education at regular intervals. The Strategic Planning Committee will be reconvened during the 2019-20 fiscal year to assess the status of these major initiatives and set strategic goals through 2025.

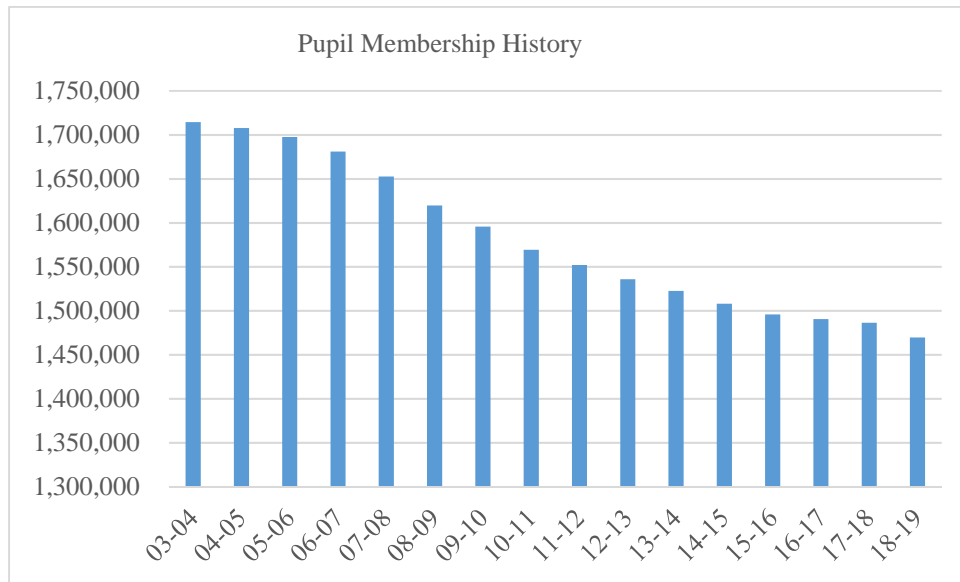
Projected Enrollment

Enrollment continues to be the most significant trend that impacts the district. Overall, statewide enrollment has decreased, however, the most recent enrollment projection indicates slight increases over the next five years. Actual and projected fall student enrollment is illustrated as follows:



*Projected

State-wide student enrollment decreased between 2003-04 and 2018-19 (the most current available data) by approximately 244,602 students. State student enrollment is illustrated as follows:



Source: Senate Fiscal Agency

Enrollment is important to the financial health of the district because State funding is based on a per-pupil formula.

Facilities

The district operates three high schools, four middle schools, thirteen elementary schools, an early childhood education center, and a multi-use education center. In addition to school buildings, the district operates an administration center, the facility and operations center, and a transportation center. Buildings encompass more than 2.6 million square feet on over 540 acres. The buildings range from 17 to 93 years old.

Awards and Acknowledgements

This is the first year the district has issued a Comprehensive Audited Financial Report. This document is also the District's first submission for the ASBO Certificate for Financial Reporting.

We would like to express appreciation to the District's highly dedicated Board of Education for their continued guidance and support. Copies of this document are available through the transparency link on the District's website at www.rochester.k12.mi.us.

Respectfully Submitted,

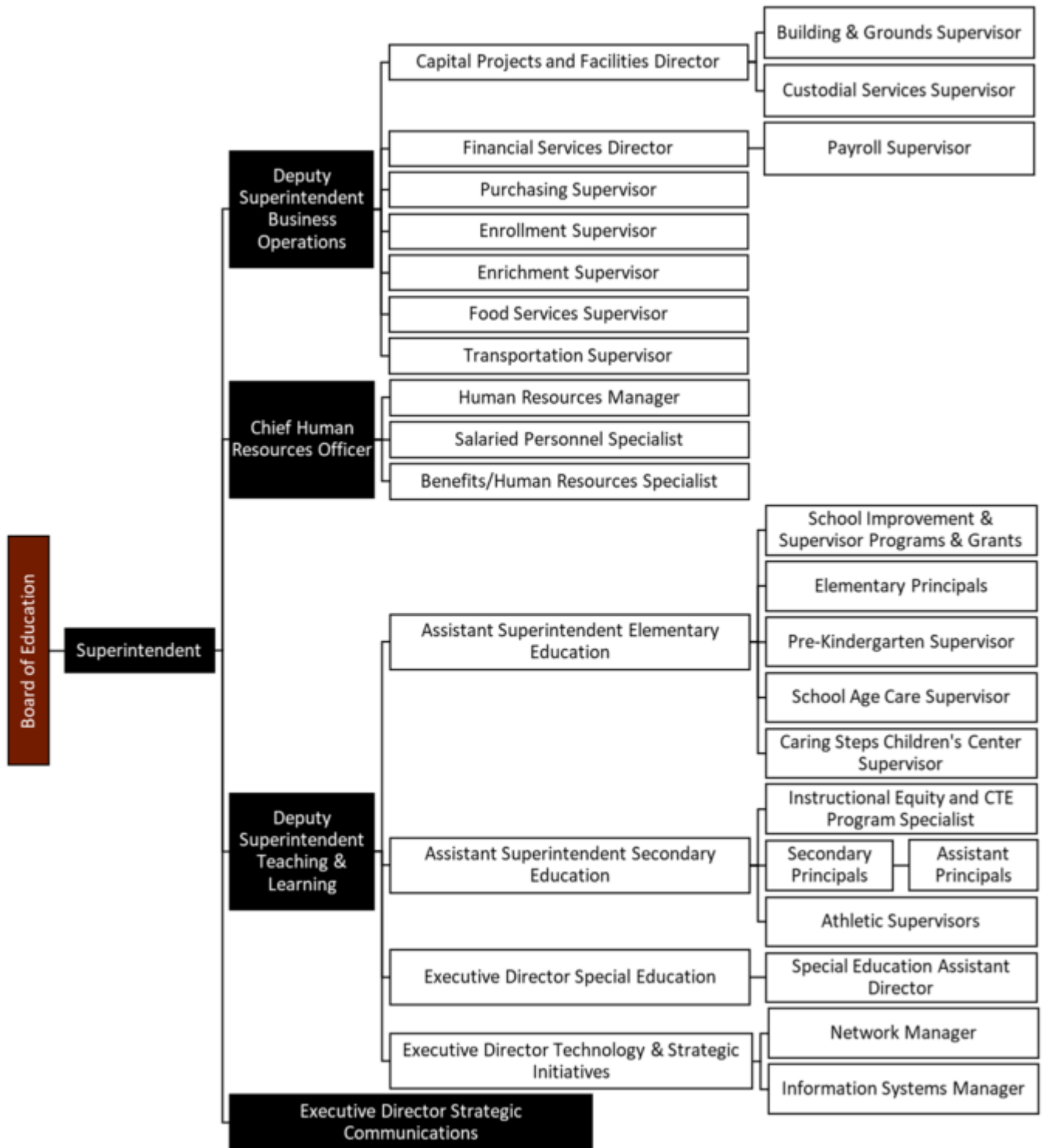
Robert Shaner

Dr. Robert Shaner, Ph.D.
Superintendent of Schools

Dana J. Taylor

Dana J. Taylor, CPA, CFF
Deputy Superintendent for Business Affairs

Administration Organization Chart





October 25, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Rochester Community 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 Rochester Community Schools, as of and for the year ended June 30, 2019, 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 Rochester Community Schools, as of June 30, 2019, and the respective changes in financial position 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, the schedules of funding progress and employer contributions for the pension plan, the schedules of funding progress and employer contributions for OPEB, and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rochester Community Schools' basic financial statements. The combining and individual non-major fund and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such combining and individual non-major fund and other schedules and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the Rochester Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rochester Community Schools' 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 Rochester Community Schools' internal control over financial reporting and compliance.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

The Management Discussion and Analysis provides an overview of the Rochester Community Schools' financial activities for the fiscal year ended June 30, 2019.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2019 by \$86,948,890 (net position).

The District's total net position increased by \$11,356,829.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$108,688,526, an increase of \$25,136,569 in comparison with the prior year. The increase was primarily due to bond issue proceeds recorded in the capital projects fund.
- At the end of the current fiscal year, total fund balance for the general fund was \$36,334,264.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information about the change in the District's net position for the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick days).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the district include instruction, support services, community services, food services, bookstore, and athletics. The District has no business-type activities as of and for the year ended June 30, 2019.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately on the governmental funds balance sheet and on the governmental funds statement of revenues, expenditures, and changes in fund balances for major funds which include the general, capital projects, and debt service funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with that budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statements of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis, budgetary comparison schedule, and the schedules for the MPSERS pension plan immediately following the notes to the financial statements. The combining fund statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$86,948,890 at the close of the most recent fiscal year.

The largest portion of the District's total assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, totaled \$190,037,431 at June 30, 2019. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

	Net Position	
	Governmental Activities	
	June 30,	
	2019	2018
Assets		
Current assets	\$ 136,862,757	\$ 105,108,978
Capital assets net of depreciation	303,169,282	276,286,932
Total assets	440,032,039	381,395,910
Deferred Outflows of Resources	109,730,043	63,834,131
Liabilities		
Current liabilities	58,712,199	47,902,474
Long-term liabilities	525,124,458	463,692,571
Total liabilities	583,836,657	511,595,045
Deferred inflows of resources	52,874,315	31,940,715
Net position (deficit)		
Net Investment in capital assets	190,037,431	178,109,280
Restricted for debt service	4,457,799	3,147,098
Unrestricted	(281,444,120)	(279,562,097)
Total net position (deficit)	\$ (86,948,890)	\$ (98,305,719)

An amount of \$4,457,799 included in net position of the District represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position.

The deficit of (\$86,948,890) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations including the impact of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. More detailed information on this can be seen at Note 14 in the Notes to Financial Statements.

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Changes in Net Position Governmental Activities

	June 30,	
	2019	2018
General revenue		
Property taxes	\$ 47,598,033	\$ 45,412,084
State of Michigan aid, unrestricted	108,323,299	106,216,519
Other – federal, state and local	15,283,459	15,500,371
Program revenue		
Charges for services – local	8,469,864	7,697,913
Operating grants – federal and state	32,999,234	31,133,542
Total revenues	<u>212,673,889</u>	<u>205,960,429</u>
Expenses		
Instruction	107,749,115	104,705,428
Support services	65,532,257	65,699,674
Community services	3,531,030	3,143,048
Food services	3,498,453	3,116,701
Athletics	2,582,178	2,435,549
Preschool	738,144	-
Outgoing transfers and other uses	3,821	3,821
Interest on long-term debt	6,625,508	7,389,547
Bond issuance costs	592,481	-
Depreciation (unallocated)	10,464,073	8,606,198
Total expenses	<u>201,317,060</u>	<u>195,099,966</u>
Change in net position	<u>11,356,829</u>	<u>10,860,463</u>
Net position – June 30	<u>\$ (86,948,890)</u>	<u>\$ (98,305,719)</u>

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$108,688,526, an increase of \$25,136,569 in comparison with the prior year. Unassigned fund balance totaled \$35,626,307 at June 30, 2019. A portion of the fund balance is non-spendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid expenses, are restricted for externally imposed constraints, or committed by board action, and are not available for current expenditure.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned portion of fund balance was \$35,626,307, while total fund balance was \$36,334,264.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were not significant. Budget to actual comparisons were favorable.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$303,169,282 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, site improvements, vehicles and equipment.

Depreciation expense totaled \$10,464,073 for the year ended June 30, 2019.

The major capital asset purchases during the current fiscal year were the following:

- Buses
- Construction in progress

A summary of the District's capital assets (net of accumulated depreciation) as of June 30, 2019 and 2018 follows:

	CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)	
	2019	2018
Land and improvements	\$ 9,144,814	\$ 9,144,814
Construction in progress	31,569,111	42,859,139
Buildings and additions	232,492,856	209,490,008
Site improvements	23,330,583	9,540,758
Furniture and equipment	2,900,182	2,188,193
Vehicles and buses	3,731,736	3,064,020
Total	<u>\$ 303,169,282</u>	<u>\$ 276,286,932</u>

Additional information on the District's capital assets can be found in Note 6 in the notes to the financial statement sections of this report.

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Long-term Debt. The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

At the end of the current fiscal year, the District had total bonded debt outstanding of \$160,825,000. The District's total debt principal payments were \$21,970,000 during the current fiscal year.

Additional information on the District's long term debt can be found in Note 8 in the notes to the financial statement sections of this report.

Factors Affecting the District's Future

The following factors were considered in preparing the District's budget for the 2019-20 fiscal year:

- The District continues to realign its general fund expenditure budget to approximate expected revenues.
- The District's foundation allowance is set by the State of Michigan and is dependent on the state's economic condition. The cost of the State pension system continues to absorb more State resources in the form of categorical MPSERS rate reimbursements. The District's share of the unfunded pension liability is reported in the government-wide statements as of June 30, 2019.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services or the Deputy Superintendent for Business Affairs, 501 W. University Drive, Rochester, Michigan 48307.

BASIC FINANCIAL STATEMENTS

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$37,429,817
Investments	73,304,321
Accounts Receivable	153,259
Due from Other Governmental Units	25,160,866
Inventory	224,557
Prepaid Expenditures	589,937
Capital Assets, Not Being Depreciated - Construction in Progress	31,569,111
Capital Assets, Not Being Depreciated - Land	9,144,814
Capital Assets, Net of Accumulated Depreciation	262,455,357
Total Assets	\$440,032,039
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Loss on Refunding	128,205
Related to Pensions	94,945,155
Related to Postemployment Benefit:	14,656,683
Total Deferred Outflows of Resources:	\$109,730,043
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$549,762,082
<u>LIABILITIES</u>	
Accounts Payable	9,548,504
Due to Other Governmental Units	1,958,237
Accrued Expenditures	5,480,022
Salaries Payable	11,167,097
Unearned Revenue	1,144,345
Claims Payable	821,714
Non-Current Liabilities - Due in One Year	28,592,280
Non-Current Liabilities - Due in More than One Year	153,950,551
Net Pension Liability	293,686,377
Net Other Postemployment Benefits Liability	77,487,530
Total Liabilities	\$583,836,657
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefit	10,762,945
Related to Pensions	24,505,643
Related to Other Postemployment Benefit	17,417,605
Deferred Gain on Refunding	188,122
Total Deferred Inflows of Resources:	\$52,874,315
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$636,710,972
<u>NET POSITION</u>	
Net Investment in Capital Assets	190,037,431
Restricted	4,457,799
Unrestricted	(281,444,120)
<u>TOTAL NET POSITION</u>	(\$86,948,890)

See notes to the financial statements

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges For</u>	<u>Program</u>	<u>Activities</u>
		<u>Services</u>	<u>Specific</u>	<u>Net (Expense)</u>
			<u>Operating</u>	<u>Revenue and</u>
			<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Position</u>
Governmental Activities:				
Instruction	\$107,749,115	\$4,831,328	\$30,615,524	(\$72,302,263)
Support Services	65,532,257	946,328	1,227,702	(63,358,227)
Community Services	3,531,030	0	0	(3,531,030)
Athletics	2,582,178	0	0	(2,582,178)
Outgoing Transfers and Other Uses	3,821	0	0	(3,821)
Food Service	3,498,453	2,258,520	1,156,008	(83,925)
Preschool	738,144	433,688	0	(304,456)
Interest - Long-Term Obligations	6,625,508	0	0	(6,625,508)
Bond Issuance Costs	592,481	0	0	(592,481)
Depreciation - Unallocated	10,464,073	0	0	(10,464,073)
<u>Total Governmental Activities:</u>	<u>\$201,317,060</u>	<u>\$8,469,864</u>	<u>\$32,999,234</u>	<u>(\$159,847,962)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				18,025,077
Property Taxes, Levied for Debt Retirement				29,572,956
State Sources - Unrestricted				108,323,299
Interdistrict Sources				11,352,304
Investment Earnings				817,669
Miscellaneous				3,113,486
Total General Revenues and Transfers				<u>\$171,204,791</u>
Change in Net Position				\$11,356,829
Net Position - Beginning of Year				<u>(98,305,719)</u>
<u>Net Position - End of Year</u>				<u>(\$86,948,890)</u>

See notes to the financial statements.

ROCHESTER COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Debt Retirement Fund	Capital Projects Fund	Non-Major Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$30,665,128	\$3,736,652	\$743,483	\$2,284,554
Investments	0	0	73,304,321	0
Accounts Receivable	139,874	0	13,195	190
Due from Other Governmental Units	25,097,242	0	0	63,624
Inventory	135,247	0	0	89,310
Prepaid Expenditures	572,710	0	17,227	0
<u>TOTAL ASSETS</u>	<u>\$56,610,201</u>	<u>\$3,736,652</u>	<u>\$74,078,226</u>	<u>\$2,437,678</u>
<u>LIABILITIES</u>				
Accounts Payable	\$1,857,829	\$328	\$7,386,845	\$303,502
Due to Other Governmental Units	1,957,780	0	0	457
Accrued Expenditures	4,356,048	0	0	0
Salaries Payable	11,167,097	0	0	0
Unearned Revenue	937,183	0	0	207,162
Total Liabilities	<u>\$20,275,937</u>	<u>\$328</u>	<u>\$7,386,845</u>	<u>\$511,121</u>
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	135,247	0	0	89,310
Prepaid Expenditures	572,710	0	17,227	0
Restricted				
Debt Retirement	0	3,736,324	0	0
Food Service	0	0	0	1,786,722
Capital Projects				
Committed	0	0	66,674,154	50,525
Unassigned	35,626,307	0	0	0
Total Fund Balances	<u>\$36,334,264</u>	<u>\$3,736,324</u>	<u>\$66,691,381</u>	<u>\$1,926,557</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$56,610,201</u>	<u>\$3,736,652</u>	<u>\$74,078,226</u>	<u>\$2,437,678</u>

See notes to the financial statements.

ROCHESTER COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

<u>Total</u>	Total Governmental Fund Balances:	\$108,688,526
Governmental	Amounts reported for governmental activities in the statement of	
<u>Funds</u>	net position are different because:	
\$37,429,817	Deferred Outflows:	
73,304,321	Deferred Loss on Refunding	\$128,205
153,259	Related to Pensions	94,945,155
25,160,866	Related to Postemployment Benefits	<u>14,656,683</u>
224,557	Total	109,730,043
589,937	Deferred Inflows	
<u>\$136,862,757</u>	State Aid Funding - Pension & Other Postemployment Benefits	(\$10,762,945)
	Related to Pensions	(24,505,643)
	Related to Other Postemployment Benefits	(17,417,605)
	Deferred Gain on Refunding	<u>(188,122)</u>
\$9,548,504	Total	(52,874,315)
1,958,237	Capital assets used in governmental activities are not financial	
4,356,048	resources and therefore are not reported as assets in governmental funds.	
11,167,097	Cost of Assets	\$425,759,026
1,144,345	Accumulated Depreciation	<u>(154,158,855)</u>
<u>\$28,174,231</u>	Capital Assets - Net of Accumulated Depreciation	\$271,600,171
	Construction in Progress	31,569,111
224,557	Accrued Interest on Long-Term Debt	(1,123,974)
589,937	Claims Payable	(821,714)
3,736,324	Long-term liabilities, including bonds payable, are not due and	
1,786,722	payable in the current period and therefore are not reported as	
66,724,679	liabilities in the funds. Long-term liabilities at year end consist of:	
<u>35,626,307</u>	General Obligation Bonds	\$179,763,315
<u>\$108,688,526</u>	Other Payroll Obligations	<u>2,779,516</u>
	Total	(182,542,831)
<u>\$136,862,757</u>	Net Pension Liability	(293,686,377)
	Net Other Postemployment Benefits Liability	<u>(77,487,530)</u>
	<u>TOTAL NET POSITION -</u>	
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$86,948,890)</u>

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General Fund	Debt Retirement Fund	Capital Projects Fund	Non-Major Governmental Funds
REVENUES				
Local Sources	\$27,928,109	\$29,603,364	\$852,947	\$2,800,791
State Sources	134,751,748	0	0	120,646
Federal Sources	4,187,075	0	0	1,035,362
Interdistrict Sources	11,352,304	0	0	0
Total Revenues	<u>\$178,219,236</u>	<u>\$29,603,364</u>	<u>\$852,947</u>	<u>\$3,956,799</u>
EXPENDITURES				
Instruction	102,844,510	0	0	0
Student Services	15,063,963	0	0	0
Instructional Support	7,860,718	0	0	0
General Administration	1,239,174	0	0	0
School Administration	8,917,362	0	0	0
Business Administration	1,949,884	0	0	0
Operation & Maintenance of Plant	13,980,390	0	0	0
Transportation	7,561,500	0	0	0
Central Support Services	5,834,850	0	0	0
Athletics	2,582,178	0	0	0
Other Support Services	247,825	0	0	0
Community Services	3,296,453	0	0	99,229
Outgoing Transfers and Other Uses	40,341	0	0	0
Food Service	0	0	0	3,498,453
Preschool	0	0	0	738,144
Debt Service				
Principal	0	21,970,000	0	0
Interest	0	6,132,733	0	0
Other	0	14,865	0	0
Capital Outlay	1,445,867	0	39,052,498	0
Total Expenditures	<u>\$172,865,015</u>	<u>\$28,117,598</u>	<u>\$39,052,498</u>	<u>\$4,335,826</u>
Excess (Deficiency) of Revenue (Under) Expenditures	\$5,354,221	\$1,485,766	(\$38,199,551)	(\$379,027)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	307,220
Transfers (Out)	(307,220)	0	0	0
Bond Proceeds	0	0	56,025,000	0
Bond Premium	0	0	1,401,098	0
Issuance Costs	0	0	(592,481)	0
Other Reimbursements	37,327	0	0	4,216
Total Other Financing Sources (Uses)	<u>(\$269,893)</u>	<u>\$0</u>	<u>\$56,833,617</u>	<u>\$311,436</u>
Net Change in Fund Balance	\$5,084,328	\$1,485,766	\$18,634,066	(\$67,591)
FUND BALANCE - BEGINNING OF YEAR - AS RESTATED				
	31,249,936	2,250,558	48,057,315	1,994,148
FUND BALANCE - END OF YEAR				
	<u>\$36,334,264</u>	<u>\$3,736,324</u>	<u>\$66,691,381</u>	<u>\$1,926,557</u>

See notes to the financial statements

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$1,217,035</u>
<u>TOTAL ASSETS</u>	<u><u>\$1,217,035</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$47,335
Due to Student Groups	1,133,475
Due to Other Support Organizations	<u>36,225</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$1,217,035</u></u>

See notes to the financial statements.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) REPORTING ENTITY

Rochester Community Schools (the "District") has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B) GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2019.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. 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 have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 government considers revenues to be available, if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for and reported in another fund.

Debt Retirement Funds - The Debt Retirement Fund are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Building and Site Capital Projects Funds - The Building and Site Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The District has complied with the applicable provision of §1351a of the Revised School Code.

The School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Student Activities Agency Fund - The Agency Fund accounts for assets held for other groups and organizations and is custodial in nature.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, except those levied to repay bonded debt.

The effect of interfund activity has been eliminated from the government-wide financial statements.

D) DEPOSITS AND INVESTMENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

E) RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY AND PREPAID ITEMS

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general fund, bookstore fund and school service funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G) CAPITAL ASSETS

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Description</u>	Governmental Activities
	<u>Estimated Lives</u>
Buildings and Improvements	25 – 45 years
Site Improvements	25 – 45 Years
Furniture and Equipment	5 – 50 years
Buses and Other Vehicles	6 years

H) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Deferred Inflows

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. The fourth item is the deferred charge on refunding. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

I) COMPENSATED ABSENCES

The District records a liability at fiscal year-end for vacation pay earned but not taken as of that date. Employees are also compensated for unused sick days; accordingly, a liability is recorded at fiscal year-end for such unused time. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

J) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the year of issuance.

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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K) FUND EQUITY

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. As applicable, the District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) DEFINED BENEFIT PLAN

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public 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. Investments are reported at fair value.

2) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

3) DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position - Cash and Cash Equivalents	\$ 37,429,817
Statement of Fiduciary Assets and Liabilities - Cash and Cash Equivalents	1,217,035
TOTAL	<u>\$ 38,646,852</u>
Bank Deposits (Checking and Savings Accounts)	\$ 38,645,978
Cash on Hand	874
TOTAL	<u>\$ 38,646,852</u>

Statutory Authority

State statutes authorize the District to invest in:

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. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days' notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

3) DEPOSITS AND INVESTMENTS (Continued)

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

Deposit and investment risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$36,956,407 of the District's bank balance of \$40,943,059 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At year end, the maturities of investment and the credit quality ratings of debt securities, (other than the U.S. government) are as follows:

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Federal Home Loan Banks	\$ 4,999,182	AA+	Standard & Poor's
MILAF Cash Management	68,300,128	AAAm	Standard & Poor's
MILAF Max	<u>5,011</u>	AAAm	Standard & Poor's
Total	<u>\$73,304,321</u>		

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

3) DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The District's fair value measurements as of June 30, 2019 consisted of the following:

	Amount	Fair Value Measurement
Federal Agency Bonds	\$ 4,994,055	Level 2

4) PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on December 1 by the municipalities within the District, and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County.

5) RECEIVABLES

Receivables at June 30, 2019, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	\$ 24,447,743
Federal Grants	645,724
Other Grant Programs and Fees	67,399
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 25,160,866</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Blance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,144,814	\$ -	\$ -	\$ 9,144,814
Construction in progress	42,859,139	37,428,030	48,718,058	31,569,111
	<u>52,003,953</u>	<u>37,428,030</u>	<u>48,718,058</u>	<u>40,713,925</u>
Capital assets being depreciated:				
Buildings and improvements	329,903,988	30,817,222		360,721,210
Site improvements	20,231,034	14,894,760		35,125,794
Buses and other vehicles	10,599,463	1,664,389	627,024	11,636,828
Furniture and equipment	8,303,684	1,279,717	453,021	9,130,380
	<u>369,038,169</u>	<u>48,656,087</u>	<u>1,080,044</u>	<u>416,614,212</u>
Less accumulated depreciation for:				
Buildings and improvements	(120,413,980)	(7,814,374)		(128,228,354)
Site improvements	(10,690,276)	(1,104,935)		(11,795,211)
Buses and other vehicles	(8,411,270)	(952,400)	(627,024)	(8,736,646)
Furniture and equipment	(5,239,664)	(592,364)	(433,384)	(5,398,644)
	<u>(144,755,190)</u>	<u>(10,464,073)</u>	<u>(1,060,408)</u>	<u>(154,158,855)</u>
Total capital assets being depreciated, net	<u>224,282,979</u>	<u>38,192,015</u>	<u>19,636</u>	<u>262,455,357</u>
Governmental activities capital assets, net	<u>\$ 276,286,932</u>	<u>\$ 75,620,044</u>	<u>\$ 48,737,694</u>	<u>\$ 303,169,282</u>

Depreciation for fiscal year ended June 30, 2019 amounted to \$10,464,073. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

7) INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2019, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	<u>General Fund</u>
Caring Steps	\$ 304,456
Food Service	<u>2,764</u>
	<u>\$ 307,220</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

8) GENERAL LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2019:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
General Obligation Bonds:	\$ 146,514,787	\$57,426,098	\$ (24,177,570)	\$ 179,763,315	\$ 23,335,721
Notes from Direct Borrowings and Direct Placements	36,520	-	(36,520)	-	-
Other Employee Obligations	2,555,142	781,533	(557,159)	2,779,516	276,374
Total governmental activities	<u>\$ 149,106,449</u>	<u>\$58,207,631</u>	<u>\$ (24,771,249)</u>	<u>\$ 182,542,831</u>	<u>\$ 23,612,095</u>

General Obligation Bonds

\$26,980,000 2012 Refunding Bonds due in annual installments ranging from \$430,000 to \$4,625,000 through May 2020; interest from 3.00% to 4.50%.	\$ 4,275,000
\$11,435,000 2015 Refunding Bonds due in annual installments ranging from \$900,000 to \$7,785,000 through May 2020; interest rate is 5.00%.	950,000
\$108,725,000 2016 Series I Building and Site Bonds, due in annual installments ranging from \$1,150,000 to \$14,600,000 through May 2036; interest from 4.00% to 5.00%.	99,575,000
\$56,025,000 2016 Series II Building and Site Bonds, due in annual installments ranging from \$1,995,000 to \$3,680,000 through May 2039; interest from 3.00% to 3.125%.	56,025,000
Bond Premium	18,938,315
Total General Obligation Bonds	<u>\$ 179,763,315</u>
<u>Other Employee Obligations</u>	
Early Retirement Incentives	\$ 478,780
Compensated Absences	1,279,096
Termination Incentives	1,021,640
Total Other Employee Obligations	<u>\$ 2,779,516</u>
<u>Total General Long-Term Obligations</u>	<u>\$ 182,542,831</u>

Annual debt service requirements to maturity for general obligations bonds are as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	23,270,903	6,781,392	30,052,295
2021	14,491,812	5,789,219	20,281,031
2022	6,701,812	5,162,269	11,864,081
2023	6,926,812	4,926,519	11,853,331
2024	7,201,812	4,681,019	11,882,831
2024-2029	40,188,535	19,422,194	59,610,729
2029-2034	48,198,185	11,629,694	59,827,879
2034-2039	32,783,439	2,622,125	35,405,564
	<u>\$ 179,763,310</u>	<u>\$ 61,014,430</u>	<u>\$ 240,777,740</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

8) GENERAL LONG-TERM DEBT (Continued)

Capital Leases

The District has entered into several lease agreements to finance the purchase of copiers. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Original cost and total accumulated depreciation on these leased assets at year end was \$1,015,161 and \$982,666, respectively.

The minimum lease obligations have been met and there are no remaining lease payments due.

The other long-term obligations are comprised of early retirement incentives, employee compensated absences, termination benefits and claims payable which are generally liquidated by the general fund. Management has determined that the potential effect of discounting the early retirement incentives was not significant.

9) NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2019, was as follows:

Capital Assets Net	\$ 303,169,282
Bonds Payable	(160,825,000)
Premium on Bonds Payable	(18,938,315)
Loss on Refunding	128,205
Gain on Refunding	(188,122)
Fund Balance - Capital Projects	66,691,381
Total	<u>\$ 190,037,431</u>

10) TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Rochester Hills	\$158,485

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

11) RESTRICTED NET POSITION

Restricted net position consists of the following:

Debt Retirement	\$	2,612,350
Food Service		1,845,449
 TOTAL		 \$ 4,457,799

12) RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District purchases commercial insurance for claims relating to property loss, torts, and errors and omissions. The District is self-insured for medical claims and workers' compensation. In all cases, the District carries stop-loss coverage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

For risk retention situations, the District estimates the liability for medical claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in long-term debt until considered due, whereas the obligations then become governmental fund liabilities. Changes in the estimated liability are as follows:

	Current Year	Prior Year
Estimated Liability - Beginning of Year	\$ 741,338	\$ 808,520
Estimated Claims Incurred, Including Changes in Estimates	16,309,006	15,584,401
Claim Payments	16,228,630	15,651,583
 ESTIMATED LIABILITY - END OF YEAR	 \$ 821,714	 \$ 741,338

13) FUND BALANCE RESTATEMENT

	General	Food Service
Fund Balance as previously stated June 30, 2018	\$31,250,094	\$1,918,861
Adjustment to transfer At Risk	(158)	158
 <u>FUND BALANCE AS RESTATED JUNE 30, 2018</u>	 \$31,249,936	 \$1,919,019

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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 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 (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.

Benefits Provided - Overall

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 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.

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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under 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, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 19-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	17.89%
Member Investment Plan	3.0 – 7.0%	17.89%
Pension Plus	3.0 – 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$25,826,000, with \$25,439,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$7,324,000, with \$7,003,000 specifically for the Defined Benefit Plan.

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

Pension Liabilities

At June 30, 2019, *the District* reported a liability of \$293,689,377 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, 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 pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.9769519 percent, which was *increase* of 0.0010 percent from its proportion measured as of September 30, 2017.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total Pension Liability	\$79,863,694,444	\$72,407,218,688
Plan Fiduciary Net Position	<u>49,801,889,205</u>	<u>46,492,967,573</u>
Net Pension Liability	\$30,061,805,239	\$25,914,251,115
Proportionate Share	0.9769519%	0.97593322%
Net Pension Liability for the District	293,689,377	252,905,785

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

For the year ended September 30, 2018, the District recognized pension expense of \$36,599,193.

At June 30, 2019, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences Between Actual and Expected Experience	\$1,362,774	(\$2,134,190)
Changes of Assumptions	68,018,218	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(20,080,888)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,503,955	(2,290,565)
Employer Contributions Subsequent to the Measurement Date	<u>24,060,208</u>	<u>0</u>
<u>TOTAL</u>	<u>\$94,945,155</u>	<u>(\$24,505,643)</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS** (Continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2019	\$18,755,794
2020	13,661,691
2021	9,979,903
2022	3,981,916

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$77,487,530 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the District's proportion was 0.9748144 percent, which was an increase of 0.0007 percent from its proportion measured as of October 1, 2017.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total Other Postemployment Benefits Liability	\$13,932,170,264	\$13,920,945,991
Plan Fiduciary Net Position	<u>5,983,218,473</u>	<u>5,065,474,948</u>
Net Other Postemployment Benefits Liability	\$7,948,951,791	\$8,855,471,043
Proportionate Share	0.9748144%	0.97411115%
Net Other Postemployment Benefits Liability for the District	77,487,530	86,262,131

For the year ending September 30, 2018, the District recognized OPEB expense of \$3,790,828.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences Between Actual and Expected Experience	\$0	(\$14,422,420)
Changes of Assumptions	8,205,969	0
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(2,978,031)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	54,890	(17,154)
Employer Contributions Subsequent to the Measurement Date	<u>6,395,824</u>	<u>0</u>
<u>TOTAL</u>	<u>\$14,656,683</u>	<u>(\$17,417,605)</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS** (Continued)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2019	(\$2,262,321)
2020	(2,262,321)
2021	(2,262,321)
2022	(1,654,833)
2023	(714,950)

Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus 2 Plan:	6.00%
- OPEB	7.15%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality:	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.
- Retirees	
- Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions OPEB	
- Opt-Out Assumption	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 1 or more dependents.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: [4.5304 for non-university employers]*
- * *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, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: [5.6018 for non-university employers].*
- * *Recognition period for assets in years: 5.0000*
- * *Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

Long-Term Expected Return on Plan Assets

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, 2018, are summarized in the following table:

Investment Category	Target Allocation*	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	0%
Total	100.0%	

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

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24% and 10.75% for OPEB. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - Pension

A discount rate of 7.05% was used to measure the total pension liability (7.0% 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 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 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.

Discount Rate - OBEB

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	Pension		
		Current Single Discount Rate Assumption	
	1% Decrease 6.05%/6.0%/5.0%	7.05%/7.0%/6.0%	1% Increase 8.05%/8.0%/7.0%
District's proportionate share of the net pension liability	\$385,591,470	\$293,689,377	\$217,333,678

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, 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 than the current rate:

	Other Postemployment Benefit		
		Discount Rate	
	1% Decrease (6.15%)	(7.15%)	1% Increase (8.15%)
District's proportionate share of the net other postemployment benefit liability	\$93,022,204	\$77,487,530	\$64,420,971

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates

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 net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District proportionate share of the net other postemployment benefit liability	\$63,732,640	\$77,487,530	\$93,267,197

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension and OPEB Plan - At year-end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year-end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

15) UPCOMING ACCOUNTING PRONOUNCEMENTS

- A) Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

- B) Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY
INFORMATION

ROCHESTER COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$26,669,868	\$28,480,858	\$27,928,109	(\$552,749)
State Sources	131,334,831	135,323,001	134,751,748	(571,253)
Federal Sources	4,263,820	4,712,633	4,187,075	(525,558)
Total Revenues	<u>\$162,268,519</u>	<u>\$168,516,492</u>	<u>\$166,866,932</u>	<u>(\$1,649,560)</u>
<u>EXPENDITURES</u>				
Instruction				
Basic	82,323,526	82,542,027	81,398,660	1,143,367
Added Needs	20,268,123	21,381,717	21,198,852	182,865
Adult and Continuing Education	171,041	237,678	246,998	(9,320)
Total Instruction	<u>\$102,762,690</u>	<u>\$104,161,422</u>	<u>\$102,844,510</u>	<u>\$1,316,912</u>
Student Services	14,631,495	15,038,936	15,063,963	(25,027)
Instructional Support	8,091,417	8,551,604	7,860,718	690,886
General Administration	1,185,243	1,434,561	1,239,174	195,387
School Administration	8,646,858	8,839,467	8,917,362	(77,895)
Business Administration	2,175,132	2,342,924	1,949,884	393,040
Operation & Maintenance of Plant	13,912,273	14,784,016	13,980,390	803,626
Transportation	7,581,635	7,738,265	7,561,500	176,765
Central Support Services	6,812,981	6,637,485	5,834,850	802,635
Other Support	2,674,276	2,824,826	2,830,003	(5,177)
Community Services	3,131,032	3,317,585	3,296,453	21,132
Capital Outlay	1,053,900	2,880,724	1,445,867	1,434,857
Total Expenditures	<u>\$172,658,932</u>	<u>\$178,551,815</u>	<u>\$172,824,674</u>	<u>\$5,727,141</u>
Excess of Revenues Over Expenditures	(\$10,390,413)	(\$10,035,323)	(\$5,957,742)	\$4,077,581
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>\$1,195,658</u>	<u>\$987,571</u>	<u>\$5,084,328</u>	<u>\$4,096,757</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>31,249,936</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$36,334,264</u>	

ROCHESTER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.97695%	0.97593%	0.97097%	0.99526%	0.97968%
Reporting unit's proportionate share of net pension liability	\$293,689,377	\$252,905,785	\$242,248,042	\$243,093,129	\$215,789,986
Reporting unit's covered-employee payroll	\$82,938,835	\$82,218,893	\$81,004,312	\$82,966,730	\$83,141,855
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	354.10%	307.60%	299.06%	293.00%	259.54%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

ROCHESTER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - PENSION
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2019	2018	2017	2016	2015
Statutorily required contributions	\$26,602,609	\$22,890,815	\$22,745,187	\$19,199,906	\$25,763,366
Contributions in relation to statutorily required contributions	26,602,609	22,890,815	22,745,187	19,199,906	25,763,366
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$82,987,084	\$82,570,054	\$84,817,697	\$81,307,377	\$82,959,226
Contributions as a percentage of covered-employee payroll	32.06%	27.72%	26.82%	23.61%	31.06%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

ROCHESTER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.97481%	0.97411%
Reporting unit's proportionate share of net OPEB liability	\$77,487,530	\$86,262,131
Reporting unit's covered-employee payroll	\$82,938,835	\$82,218,893
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.43%	104.92%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

ROCHESTER COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	2019	2018
Statutorily required contributions	\$6,327,485	\$7,583,864
Contributions in relation to statutorily required contributions	6,327,485	7,583,864
Contribution deficiency (excess)	\$0	\$0
Reporting unit's covered-employee payroll	\$82,987,084	\$82,570,054
Contributions as a percentage of covered-employee payroll	7.62%	9.18%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Fund (Food Service, Bookstore, Caring Steps). All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Rochester Community Schools had the following expenditure budget variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Adult and Continuing Education	\$ 237,678	\$ 246,998	\$ (9,320)
Student Services	15,038,936	15,063,963	(25,027)
School Administration	8,839,467	8,917,362	(77,895)
Other Support	2,824,826	2,830,003	(5,177)

PENSION AND OPEB RELATED

Changes of benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2018.

Changes of assumptions: There were no changes of benefit assumptions for the plan year ended September 30, 2018.

ADDITIONAL SUPPLEMENTARY
INFORMATION

ROCHESTER COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Caring Steps Fund	Food Services Fund	Bookstore Fund	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$62,767	\$2,171,125	\$50,662	\$2,284,554
Accounts Receivable	190	0	0	190
Due from Other Governmental Units	0	63,624	0	63,624
Inventory	0	58,727	30,583	89,310
<u>TOTAL ASSETS</u>	<u>\$62,957</u>	<u>\$2,293,476</u>	<u>\$81,245</u>	<u>\$2,437,678</u>
<u>LIABILITIES</u>				
Accounts Payable	\$61,034	\$242,468	\$0	\$303,502
Due to Other Governmental Units	0	320	137	457
Unearned Revenue	1,923	205,239	0	207,162
Total Liabilities	\$62,957	\$448,027	\$137	\$511,121
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	0	58,727	30,583	89,310
Restricted				
Food Service	0	1,786,722	0	1,786,722
Committed				
Bookstore	0	0	50,525	50,525
Total Fund Balance	\$0	\$1,845,449	\$81,108	\$1,926,557
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$62,957</u>	<u>\$2,293,476</u>	<u>\$81,245</u>	<u>\$2,437,678</u>

ROCHESTER COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2019

	Caring Steps Fund	Food Services Fund	Bookstore Fund	Total
REVENUES				
<u>Local Sources</u>				
Cafeteria Sales	\$10,630	\$2,258,520	\$0	\$2,269,150
Preschool	423,058	0	0	423,058
Other Local Revenues	0	3,375	105,208	108,583
Total Local Sources	<u>\$433,688</u>	<u>\$2,261,895</u>	<u>\$105,208</u>	<u>\$2,800,791</u>
<u>State Sources</u>				
State Reimbursements	0	120,646	0	120,646
<u>Federal Sources</u>				
Federal Reimbursements	0	822,626	0	822,626
Commodities	0	212,736	0	212,736
Total Federal Sources	<u>\$0</u>	<u>\$1,035,362</u>	<u>\$0</u>	<u>\$1,035,362</u>
Total Revenues	<u>\$433,688</u>	<u>\$3,417,903</u>	<u>\$105,208</u>	<u>\$3,956,799</u>
OTHER FINANCING SOURCES				
Sale of Assets	0	4,216	0	4,216
Transfers from General Fund	304,456	2,764	0	307,220
Total Other Financing Sources	<u>\$304,456</u>	<u>\$6,980</u>	<u>\$0</u>	<u>\$311,436</u>
Total Revenues & Other Financing Sources	<u>\$738,144</u>	<u>\$3,424,883</u>	<u>\$105,208</u>	<u>\$4,268,235</u>
EXPENDITURES				
Professional Salaries	52,893	0	0	52,893
Insurances	3,639	0	0	3,639
Fica, Retirement, Etc.	24,601	0	0	24,601
Purchased Services	507,438	1,749,644	3,816	2,260,898
Supplies and Materials	139,071	1,346,350	92,513	1,577,934
Capital Outlay	9,731	393,797	2,900	406,428
Other	771	8,662	0	9,433
Total Expenditures	<u>\$738,144</u>	<u>\$3,498,453</u>	<u>\$99,229</u>	<u>\$4,335,826</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES				
	\$0	(\$73,570)	\$5,979	(\$67,591)
FUND BALANCE - BEGINNING OF YEAR AS RESTATED				
	<u>0</u>	<u>1,919,019</u>	<u>75,129</u>	<u>1,994,148</u>
FUND BALANCE - END OF YEAR				
	<u>\$0</u>	<u>\$1,845,449</u>	<u>\$81,108</u>	<u>\$1,926,557</u>

ROCHESTER COMMUNITY SCHOOLS
DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

Years Ending June 30	2012 Principal	2015 Principal	2016 Principal	2019 Principal
2020	\$4,275,000	\$950,000	\$14,600,000	\$1,995,000
2021	0	0	11,300,000	2,065,000
2022	0	0	3,425,000	2,150,000
2023	0	0	3,575,000	2,225,000
2024	0	0	3,775,000	2,300,000
2025	0	0	3,950,000	2,400,000
2026	0	0	4,150,000	2,505,000
2027	0	0	4,375,000	2,585,000
2028	0	0	4,575,000	2,670,000
2029	0	0	4,825,000	2,745,000
2030	0	0	5,050,000	2,830,000
2031	0	0	5,300,000	2,915,000
2032	0	0	5,575,000	3,000,000
2033	0	0	5,850,000	3,090,000
2034	0	0	6,150,000	3,180,000
2035	0	0	6,450,000	3,275,000
2036	0	0	6,650,000	3,370,000
2037	0	0	0	3,470,000
2038	0	0	0	3,575,000
2039	0	0	0	3,680,000
<u>TOTAL</u>	<u>\$4,275,000</u>	<u>\$950,000</u>	<u>\$99,575,000</u>	<u>\$56,025,000</u>
Principal Payment Dues	May 1	May 1	May 1	May 1
Interest Payments Due	May 1, Nov 1	May 1, Nov 1	May 1, Nov 1	May 1, Nov 1
Interest Rate	3% to 4.5%	5%	4% to 5%	3% to 3.125%
Original Issue	<u>\$26,980,000</u>	<u>\$11,435,000</u>	<u>\$108,725,000</u>	<u>\$56,025,000</u>

Rochester Community Schools

Statistical Section

The information contained in the Statistical Section presents detailed information as a context for understanding the information contained in the financial statements, note disclosures, and required supplemental information.

Financial Trends

The financial trend schedules contain information to help the reader understand how the district's financial performance and position has changed over time.

Revenue Capacity

The revenue capacity schedules contain information to help the reader assess the district's significant local revenue source –property tax.

Debt Capacity

The debt capacity schedules present information to help the reader assess the affordability of the district's current level of outstanding debt, and the district's ability to issue additional debt in the future.

Demographic Information

The demographic information schedules present demographic and economic indicators to help the reader understand the environment in which the district's financial activities take place.

Operating Information

The operating information schedules present operating data to help the reader understand how the information in the district's financial report relates to the services it provides and the activity it performs.

Rochester Community Schools
Net Position by Component - Governmental Activities (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2010	2011	2012	2013	2014
Governmental Activities					
Net Investment in Capital Asse	\$ 63,168,072	\$ 75,554,802	\$ 88,851,905	\$ 101,293,666	\$ 117,624,746
Restricted	2,278,949	3,167,686	2,683,904	2,225,763	2,112,086
Unrestricted	15,794,594	20,789,055	10,043,982	10,147,634	8,868,138
 Total Primary Government Net Position	 \$ 81,241,615	 \$ 99,511,543	 \$ 101,579,791	 \$ 113,667,063	 \$ 128,604,970

	June 30,				
	2015*	2016	2017**	2018	2019
Governmental Activities					
Net Investment in Capital Asse	\$ 134,651,099	\$ 150,577,125	\$ 162,779,420	\$ 178,109,280	\$ 190,037,431
Restricted	2,258,951	1,963,967	2,911,490	3,147,098	4,457,799
Unrestricted	(196,851,931)	(204,122,904)	(187,861,839)	(279,562,097)	(281,444,120)
 Total Primary Government Net Position	 \$ (59,941,881)	 \$ (51,581,812)	 \$ (22,170,929)	 \$ (98,305,719)	 \$ (86,948,890)

*Note: Net Position restated for fiscal year 2015 as of July 1, 2014 with implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**Note: Net Position restated for fiscal year 2018 as of July 1, 2017 with implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Source: Rochester Community Schools Audited Financial Reports

Rochester Community Schools
Changes in Governmental Net Position (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2010	2011	2012	2013*	2014
Expenses					
Governmental Activities					
Instruction	\$ 90,857,540	\$ 89,466,194	\$ 96,705,976	\$ 95,987,820	\$ 97,940,300
Support Services	60,571,693	55,555,268	58,356,308	54,159,833	55,089,496
Community Services	3,005,055	2,963,674	2,974,532	2,426,223	2,607,103
Athletics	2,447,491	2,525,307	2,592,762	2,594,382	2,572,880
Outgoing Transfers and Other Uses	-	-	-	-	-
Food Service	4,016,496	2,966,664	3,702,117	3,655,228	3,739,720
Child Care Services	-	-	-	-	-
Interest on Long-term Debt	9,694,211	8,982,835	8,051,892	6,346,530	4,508,161
Bond Issue Costs	-	-	-	-	-
Capital Outlay	2,283,247	412,695	446,235	859,342	-
Unallocated Depreciation	8,575,115	8,909,754	8,390,228	8,367,578	8,395,088
Total Governmental Activities	<u>181,450,848</u>	<u>171,782,391</u>	<u>181,220,050</u>	<u>174,396,936</u>	<u>174,852,748</u>
Program Revenues					
Charges for Services:					
Instruction	5,798,215	6,162,038	5,500,597	5,419,898	-
Support Services	2,781,503	2,348,157	2,363,984	2,330,615	760,501
Community Services					5,168,552
Preschool					
Athletics					2,293,492
Food Services	1,038,053	1,143,678	1,161,410	1,178,003	1,166,410
Operating Grants and Contributions	29,517,239	33,307,452	29,026,264	32,482,600	33,446,284
Total Program Revenues	<u>39,135,010</u>	<u>42,961,325</u>	<u>38,052,255</u>	<u>41,411,116</u>	<u>42,835,239</u>
Net Expenses	<u>(142,315,838)</u>	<u>(128,821,066)</u>	<u>(143,167,795)</u>	<u>(132,985,820)</u>	<u>(132,017,509)</u>
General Revenue					
Property Tax Levied for General Purposes	20,610,274	17,851,530	16,654,197	16,041,892	15,813,974
Levied for Debt Service	25,335,340	28,823,404	27,562,331	27,247,775	27,779,200
State Sources - Unrestricted	94,455,974	99,761,865	99,890,277	100,770,730	102,211,410
Interdistrict Sources	-	-	-	-	-
Investment Earnings	166,397	78,446	54,582	10,552	35,205
Miscellaneous	5,727,525	788,985	1,288,443	1,085,214	1,115,627
Gain (Loss) on Disposal of Capital Assets	-	(213,236)	(213,787)	12,526	-
Total General Revenues and Transfers	<u>146,295,510</u>	<u>147,090,994</u>	<u>145,236,043</u>	<u>145,168,689</u>	<u>146,955,416</u>
Change in Net Position	<u>\$ 3,979,672</u>	<u>\$ 18,269,928</u>	<u>\$ 2,068,248</u>	<u>\$ 12,182,869</u>	<u>\$ 14,937,907</u>

*Note:

2013 beginning net position was restated with the implementation of GASB 65 *Items Previously Reported as Assets and Liabilities*, which established accounting and financial reporting standards that reclassify as deferred outflows and inflows of resources certain items previously reported as assets and liabilities. GASB 65 also requires bond issuance costs to be expensed in the year in which they are incurred. The effect of this change on the beginning net position is an adjustment of (\$95,597).

Source: Rochester Community Schools Audited Financial Reports

Rochester Community Schools
Changes in Governmental Net Position (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2015**	2016	2017	2018	2019
Expenses					
Governmental Activities					
Instruction	\$ 96,581,033	\$ 115,955,077	\$ 90,623,730	\$ 104,705,428	\$ 107,749,115
Support Services	52,240,053	50,875,773	54,902,471	65,699,674	65,532,257
Community Services	2,789,715	2,848,346	3,206,787	3,143,048	3,531,030
Athletics	2,613,889	2,626,952	2,334,358	2,435,549	2,582,178
Outgoing Transfers and Other Uses	-	4,000	81,501	3,821	3,821
Food Service	3,560,500	3,430,313	2,744,727	3,116,701	3,498,453
Child Care Services	-	-	-	-	738,144
Interest on Long-term Debt	3,292,555	5,100,887	8,884,483	7,389,547	6,625,508
Bond Issue Costs	-	632,611	-	-	592,481
Capital Outlay	-	-	-	-	-
Unallocated Depreciation	8,121,786	7,994,964	8,379,040	8,606,198	10,464,073
	<u>169,199,531</u>	<u>189,468,923</u>	<u>171,157,097</u>	<u>195,099,966</u>	<u>201,317,060</u>
Program Revenues					
Charges for Services:					
Instruction	-	4,227,916	4,325,120	4,526,499	4,831,328
Support Services	634,860	1,951,111	818,035	910,520	946,328
Community Services	5,336,459				-
Preschool					433,688
Athletics	1,114,388				-
Food Services	2,348,598	2,337,269	2,255,273	2,260,894	2,258,520
Operating Grants and Contributions	37,067,240	29,934,813	30,556,215	31,133,542	32,999,234
Total Program Revenues	<u>46,501,545</u>	<u>38,451,109</u>	<u>37,954,643</u>	<u>38,831,455</u>	<u>41,469,098</u>
Net Expenses	<u>(122,697,986)</u>	<u>(151,017,814)</u>	<u>(133,202,454)</u>	<u>(156,268,511)</u>	<u>(159,847,962)</u>
General Revenue					
Property Tax Levied for General Purposes	16,019,584	16,740,459	17,145,927	17,332,500	18,025,077
Levied for Debt Service	27,235,347	27,310,206	26,687,769	28,079,584	29,572,956
State Sources - Unrestricted	101,395,269	101,903,194	103,458,205	106,216,519	108,323,299
Interdistrict Sources	-	11,238,105	11,179,573	11,677,700	11,352,304
Investment Earnings	21,347	345,507	910,200	1,005,467	817,669
Miscellaneous	1,118,807	1,823,462	3,214,713	2,817,204	3,113,486
Gain (Loss) on Disposal of Capital Assets	27,038	16,950	16,950	-	-
Total General Revenues and Transfers	<u>145,817,392</u>	<u>159,377,883</u>	<u>162,613,337</u>	<u>167,128,974</u>	<u>171,204,791</u>
Change in Net Position	<u>\$ 23,119,406</u>	<u>\$ 8,360,069</u>	<u>\$ 29,410,883</u>	<u>\$ 10,860,463</u>	<u>\$ 11,356,829</u>

**Note:

2015 beginning net position was restated with the implementation of GASB 68 *Accounting and Financial Reporting for Pensions*, which established the reporting of the district's share of the state public school pension liability. The effect of this change on the beginning net position is an adjustment of (\$211,666,257).

Source: Rochester Community Schools Audited Financial Reports

Rochester Community Schools
Fund Balances, Governmental Funds (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2010	2011	2012	2013	2014
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ -	\$ 2,553,712	\$ 755,425	\$ 310,838	\$ 722,818
Restricted	-	211,198	154,422	173,672	-
Committed					
Encumbrances, Inventory and Prepaid Items	807,030	586,337	1,401,891	338,493	-
Insurance Escrow	621,162	-	448,043	451,157	-
Assigned					
Health Care	3,355,575	-	-	-	-
Account Carryover	355,563	-	-	-	-
Subsequent Year Expenditures	4,260,358	11,373,820	4,959,415	378,051	-
Unassigned	18,984,098	18,015,284	13,715,243	14,605,796	14,047,694
Total General Fund	28,383,786	32,740,351	21,434,439	16,258,007	14,770,512
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	246,305	199,752	107,539	113,926	110,168
Restricted					
Debt Payments	2,278,949	3,167,686	2,683,904	2,225,763	2,841,575
Food Service	-	-	-	-	162,637
Committed					
Specified Purposes	1,464,586	-	-	-	48,687
Capital Projects	1,580,825	1,745,219	1,714,544	1,685,950	1,116,803
Assigned					
Unassigned	-	-	-	400,910	-
Total All Other Governmental Funds	5,754,520	5,410,382	4,870,670	4,426,549	4,279,870
Total All Governmental Funds	\$ 34,138,306	\$ 38,150,733	\$ 26,305,109	\$ 20,684,556	\$ 19,050,382
June 30,					
	2015	2016	2017	2018	2019
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 655,448	\$ 456,489	\$ 521,547	\$ 602,383	\$ 707,957
Unassigned	15,493,198	22,004,557	28,380,867	30,647,711	35,626,307
Total General Fund	16,148,646	22,461,046	28,902,414	31,250,094	36,334,264
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	84,168	80,110	111,106	115,148	106,537
Restricted					
Debt Payments	2,504,756	2,841,549	2,485,279	2,250,558	3,736,324
Food Service	323,318	750,335	1,547,915	1,856,899	1,786,722
Committed					
Specified Purposes	34,552	32,701	36,824	39,673	50,525
Capital Projects	23,848	123,965,355	91,261,161	48,039,585	66,674,154
Total All Other Governmental Funds	2,970,642	127,670,050	95,442,285	52,301,863	72,354,262
Total All Governmental Funds	\$ 19,119,288	\$ 150,131,096	\$ 124,344,699	\$ 83,551,957	\$ 108,688,526

Note:

Fund balance classifications changed with the implementation of GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for period ended June 30, 2011. Fiscal Year ended June 30, 2010 fund balances have been restated to align with GASB 54 classifications for comparison purposes.

Source: Rochester Community Schools Audited Financial Reports

Rochester Community Schools
Net Position by Component - Governmental Activities (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2010	2011	2012	2013	2014
Revenue					
Local Sources	\$ 57,475,173	\$ 58,200,951	\$ 54,875,400	\$ 53,665,584	\$ 54,413,271
State Sources	104,823,860	109,740,444	111,045,829	117,066,280	119,378,548
Federal Sources	10,783,686	11,382,472	5,987,682	5,822,677	5,517,412
Interdistrict Sources	12,347,801	11,871,553	11,593,174	10,012,738	10,481,424
Total Revenue	185,430,520	191,195,420	183,502,085	186,567,279	189,790,655
Expenditures					
Current:					
Instruction	90,516,142	89,377,225	97,065,875	98,864,235	98,883,303
Support Services	56,579,601	55,875,444	58,809,257	55,962,580	54,557,582
Community Services	3,005,055	2,963,674	2,974,532	2,426,223	2,606,664
Building Improvements	233,733	28,761	511,131	22,615	-
Early Retirement	1,482,327	1,811,890	-	-	-
Food Services	4,016,496	2,933,318	3,702,117	3,655,228	3,739,720
Book Store	71,606	74,145	80,807	65,765	72,657
Athletics	2,447,491	2,518,807	2,592,762	2,594,382	2,572,683
Child Care	-	-	-	-	-
Debt Service:					
Principal	16,745,000	18,410,000	19,410,000	20,386,000	20,054,553
Interest	10,010,395	9,142,635	8,213,245	6,572,372	4,852,630
Other	1,526,505	1,382,645	956,522	846,139	142,484
Capital Outlay	2,283,247	2,691,061	1,043,130	531,931	1,555,285
Other	-	-	-	-	149,881
Total Expenditures	188,917,598	187,209,605	195,359,378	191,927,470	189,187,442
Excess Revenue Over (Under) Expenditures	(3,487,078)	3,985,815	(11,857,293)	(5,360,191)	603,213
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	-	-	-	26,980,000	47,614,896
Payments to Escrow Agent	-	-	-	(30,272,886)	(53,676,424)
Premium (Discount) on Bond Issuance	-	-	-	2,981,639	3,809,529
Bond Issuance Costs	-	-	-	-	-
Proceeds from Sale of Capital Assets	11,763	26,612	11,669	50,885	14,613
Other Reimbursements	-	-	-	-	-
Transfers In	4,387,589	2,695,015	2,533,966	1,972,595	1,727,894
Transfers Out	(4,387,589)	(2,695,015)	(2,533,966)	(1,972,595)	(1,727,894)
Total Other Financing Sources (Uses)	11,763	26,612	11,669	(260,362)	(2,237,386)
Net Change in Fund Balance	(3,475,315)	4,012,427	(11,845,624)	(5,620,553)	(1,634,173)
Fund Balance - Beginning	37,613,621	34,138,306	38,150,733	26,305,109	20,684,556
Fund Balance - Ending	\$ 34,138,306	\$ 38,150,733	\$ 26,305,109	\$ 20,684,556	\$ 19,050,383
Debt Service - Percentage of Non-Capital Expenditures	17.86%	18.60%	17.24%	17.00%	15.42%

Rochester Community Schools
Net Position by Component - Governmental Activities (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2015	2016	2017	2018	2019
Revenue					
Local Sources	\$ 54,113,338	\$ 55,518,873	\$ 56,415,778	\$ 57,921,010	\$ 61,185,211
State Sources	121,739,208	125,560,941	127,387,852	131,221,883	134,872,394
Federal Sources	5,835,453	5,482,363	5,577,471	5,133,487	5,222,437
Interdistrict Sources	10,603,900	11,238,105	11,179,573	11,677,700	11,352,304
Total Revenue	192,291,899	197,800,282	200,560,674	205,954,080	212,632,346
Expenditures					
Current:					
Instruction	100,916,106	102,397,607	100,436,799	100,191,725	102,844,510
Support Services	53,187,341	52,270,628	56,869,765	62,480,361	65,237,844
Community Services	2,857,409	2,784,163	3,149,409	2,920,806	3,296,453
Building Improvements	-	-	-	-	-
Early Retirement	-	-	-	-	-
Food Services	3,565,230	3,430,313	2,744,727	3,116,701	3,498,453
Book Store	49,293	64,183	57,378	77,048	99,229
Athletics	2,678,856	2,626,952	2,334,358	2,435,549	-
Child Care	-	-	-	-	738,144
Debt Service:					
Principal	21,841,587	23,320,000	18,065,000	21,160,000	21,970,000
Interest	4,380,970	3,604,572	8,959,320	7,101,952	6,132,733
Other	132,273	65,118	44,058	72,739	14,865
Capital Outlay	1,226,562	4,119,047	33,612,062	47,155,949	40,498,365
Other	39,461	4,000	81,501	40,341	40,341
Total Expenditures	190,875,088	194,686,583	226,354,377	246,753,171	244,370,937
Excess Revenue Over (Under) Expenditures	1,416,811	3,113,699	(25,793,703)	(40,799,091)	(31,738,591)
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	11,449,740	108,870,365	-	-	56,025,000
Payments to Escrow Agent	(13,653,898)	-	-	-	-
Premium (Discount) on Bond Issuance	826,924	19,631,645	-	-	1,401,098
Bond Issuance Costs	-	(632,612)	-	-	(592,481)
Proceeds from Sale of Capital Assets	29,329	-	-	-	-
Other Reimbursements	-	28,710	7,306	6,349	41,543
Transfers In	100,000	50,754	4,344	2,912	307,220
Transfers Out	(100,000)	(50,754)	(4,344)	(2,912)	(307,220)
Total Other Financing Sources (Uses)	(1,347,905)	127,898,108	7,306	6,349	56,875,160
Net Change in Fund Balance	68,906	131,011,807	(25,786,397)	(40,792,742)	25,136,569
Fund Balance - Beginning	19,050,383	19,119,289	150,131,096	124,344,699	83,551,957
Fund Balance - Ending	\$ 19,119,289	\$ 150,131,096	\$ 124,344,699	\$ 83,551,957	\$ 108,688,526
Debt Service - Percentage of Non-Capital Expenditures	16.14%	16.50%	16.35%	16.55%	16.07%

Rochester Community Schools
Assessed Value and Actual Value of Taxable Property (Unaudited)
Last Ten Fiscal Years

Taxable Value by Property Type						
		Real Property		Personal Property		
Tax Year	Fiscal Year	Homestead & Other	Non-Homestead	Industrial	Commercial	Total Value
2009	2010	\$ 3,583,891,197	\$1,053,819,761	\$ 33,843,520	\$ 85,338,883	\$ 4,756,893,361
2010	2011	3,156,725,950	957,726,535	31,581,420	81,376,777	4,227,410,682
2011	2012	3,040,818,049	888,234,154	30,611,760	83,250,326	4,042,914,289
2012	2013	3,080,863,899	844,032,425	31,910,020	80,958,579	4,037,764,923
2013	2014	3,165,737,009	\$846,034,239	35,194,980	81,242,711	4,128,208,939
2014	2015	3,277,197,573	867,299,936	37,960,310	68,030,850	4,250,488,669
2015	2016	3,431,906,935	890,857,181	39,133,910	71,097,920	4,432,995,946
2016	2017	3,553,538,232	913,004,279	12,151,980	71,940,070	4,550,634,561
2017	2018	3,710,924,789	927,745,230	10,105,010	70,229,660	4,719,004,689
2018	2019	3,918,885,673	964,635,482	8,463,720	71,030,470	4,963,015,345

Tax Year	Fiscal Year	Tax Rate (Mills) Homestead	Tax Rate (Mills) Non-Homestead	Estimated Actual Value	Taxable Value as a Percentage Of Actual
2009	2010	5.1800	23.1800	\$ 9,513,786,722	50%
2010	2011	6.7000	24.7000	8,454,821,364	50%
2011	2012	6.7000	24.7000	8,085,828,578	50%
2012	2013	6.7000	24.7000	8,075,529,846	50%
2013	2014	6.7000	24.7000	8,256,417,878	50%
2014	2015	6.0000	24.0000	8,500,977,338	50%
2015	2016	6.0000	24.0000	8,865,991,892	50%
2016	2017	5.9000	23.9000	9,101,269,122	50%
2017	2018	6.0000	24.0000	9,438,009,378	50%
2018	2019	6.0100	24.0100	9,926,030,690	50%

Note: Under Michigan law, the revenue base is taxable value. Taxable value represents assessed value (50% of true cash value). Growth in taxable value is limited to the lesser of 5% or the rate of inflation.

Taxes levied in a particular year become revenue of the subsequent fiscal year.

Source: Michigan Department of Education Taxable Value Report, and Michigan Department of Treasury form L-4029
<https://mdoe.state.mi.us/TVS/Home/Login>

Rochester Community Schools
 Direct and Overlapping Property Tax Rates (Per \$1,000 of Taxable Valuation - (Unaudited))
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Millage Rates - Direct School Taxes				
	Operating			Total Direct Taxes	
	Homestead	Non-Homestead*	Debt**	Homestead	Non-Homestead
2010	-	18.0000	5.1800	5.1800	23.1800
2011	-	18.0000	6.7000	6.7000	24.7000
2012	-	18.0000	6.7000	6.7000	24.7000
2013	-	18.0000	6.7000	6.7000	24.7000
2014	-	18.0000	6.7000	6.7000	24.7000
2015	-	18.0000	6.0000	6.0000	24.0000
2016	-	18.0000	6.0000	6.0000	24.0000
2017	-	18.0000	5.9000	5.9000	23.9000
2018	-	18.0000	6.0000	6.0000	24.0000
2019	-	18.0000	6.0100	6.0100	24.0100

Fiscal Year Ended June 30,	Overlapping Taxes						
	Macomb County	Oakland County	Oakland County ISD	Community College		Romeo District Library	State Education Tax
				Macomb	Oakland		
2010	4.5695	4.7461	3.3690	1.4212	1.5844	-	6.0000
2011	4.5685	4.7461	3.3690	1.5712	1.5844	-	6.0000
2012	4.5685	4.1900	3.3690	1.5712	1.5844	-	6.0000
2013	4.5685	4.1900	3.3690	1.5712	1.5844	-	6.0000
2014	4.5685	4.1900	3.3690	1.5262	1.5844	-	6.0000
2015	4.5685	4.0900	3.3633	1.5262	1.5844	-	6.0000
2016	4.5566	4.0400	3.3398	1.4174	1.5707	-	6.0000
2017	4.5974	4.0900	3.3079	1.4212	1.5550	-	6.0000
2018	4.5974	4.2468	3.3079	1.4072	1.5555	1.1271	6.0000
2019	4.5651	4.2749	3.2813	1.4640	1.5431	1.1086	6.0000

* Non-homestead operating levy limited to 18.0000 mills.

**Debt millages apply to Homestead and Non-Homestead property.

Source: Oakland and Macomb Counties Equalization Departments

Rochester Community Schools
Principal Property Taxpayers (Unaudited)
Current Fiscal Year and Nine Years Prior

Taxpayer	2019 Value	Percentage of Total	2010 Value	Percentage of Total
Detroit Edison	\$ 22,407,780	13%	\$ 24,752,440	13%
Consumers Power	13,724,010	8%	-	0%
Singh Cider Mill Village	27,967,570	16%	27,764,100	15%
Vorj Associates, LLC (Meadowbrook/The Village RH)	22,457,900	13%	25,289,410	14%
New Plan Hampton Village LLC	20,270,300	12%	21,540,770	12%
Winchester Center LLC/Ramco	14,311,410	8%	15,739,080	9%
Sunoco Pipeline	13,526,180	8%	-	0%
Good Will Co Inc.	11,983,420	7%	11,134,880	6%
Associates Estates Realty	12,073,690	7%	12,960,780	7%
Stuart Frankel	-	0%	16,523,980	9%
Fanuc Robotics	-	0%	14,703,030	8%
1185 River Oaks North, LLC (Solomon Properties)	11,640,410	7%	12,999,540	7%
Total	<u>\$ 170,362,670</u>	<u>100%</u>	<u>\$ 183,408,010</u>	<u>100%</u>

Source: Oakland and Macomb Counties Equalization Departments and the City of Rochester Hills

Rochester Community Schools
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Levy	Current Collections	Percentage of Collections	Delinquent Collections	Total Tax Collections	Percentage of Levy Collected
2010	\$ 17,844,205	\$ 17,069,253	96%	\$ 774,952	17,844,205	100%
2011	16,616,677	15,976,775	96%	639,902	16,616,677	100%
2012	16,872,543	15,470,434	92%	588,549	16,058,983	95%
2013	15,813,974	15,314,610	97%	451,231	15,765,841	100%
2014	16,009,536	15,556,359	97%	434,588	15,990,947	100%
2015	16,082,684	15,690,521	98%	371,833	16,062,354	100%
2016	16,904,921	16,462,429	97%	442,492	16,904,921	100%
2017	17,104,796	16,749,733	98%	355,063	17,104,796	100%
2018	17,778,694	17,412,108	98%	351,938	17,764,046	100%
2019	19,389,011	N/A	N/A	N/A	N/A	N/A

Source: District records

N/A: data not available

Rochester Community Schools
Ratios of Outstanding Debt (Unaudited)
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Pledged Debt Service Funds	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt	Taxable Value**
2010	\$ 187,330,000	\$ -	\$ 187,330,000	\$ -	\$ 187,330,000	\$ 4,756,893,361
2011	168,920,000	-	168,920,000	-	168,920,000	4,227,410,682
2012	149,510,000	-	149,510,000	-	149,510,000	4,042,914,289
2013	128,845,000	-	128,845,000	-	128,845,000	4,037,764,923
2014	104,210,000	-	104,210,000	-	104,210,000	4,128,208,939
2015	80,590,000	-	80,590,000	-	80,590,000	4,250,488,669
2016	165,995,000	-	165,995,000	-	165,995,000	4,432,995,946
2017	147,930,000	-	147,930,000	-	147,930,000	4,550,634,561
2018	126,770,000	-	126,770,000	-	126,770,000	4,719,004,689
2019	160,825,000	-	160,825,000	-	160,825,000	4,963,015,345

Fiscal Year	Net General Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value	Population*	Net General Bonded Debt Per Capita	Total Debt Per Capita	Per Capita Personal Income
2010	3.94%	3.94%	90,348	\$ 2,073	\$ 2,073	\$ 36,768
2011	4.00%	4.00%	87,273	1,936	1,936	43,687
2012	3.70%	3.70%	89,673	1,667	1,667	42,774
2013	3.19%	3.19%	89,700	1,436	1,436	42,662
2014	2.52%	2.52%	94,747	1,100	1,100	43,738
2015	1.90%	1.90%	92,087	875	875	45,805
2016	3.74%	3.74%	93,622	1,773	1,773	47,500
2017	3.25%	3.25%	93,631	1,580	1,580	51,204
2018	2.69%	2.69%	92,789	1,366	1,366	53,767
2019	3.24%	3.24%	N/A	-	-	-

Sources: *US Census Bureau

**Michigan Department of Education Taxable Value Report, and Michigan Department of Treasury form L-4029

N/A Not Available

Rochester Community Schools
Direct and Overlapping Debt (Unaudited)
Year Ended June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
City of Auburn Hills	\$ 14,966,879	1.44%	\$ 215,518
City of Rochester	19,500,669	100.00%	19,500,669
City of Rochester Hills	18,990,017	82.65%	15,695,249
Charter Township of Oakland	2,988,447	89.66%	2,679,442
Charter Township of Orion	3,494,107	2.59%	90,497
Charter Township of Shelby	24,975,556	0.00%	-
Charter Township of Washington	22,648,592	4.66%	1,055,424
Macomb County	289,467,710	0.24%	694,723
Oakland County	314,844,309	8.55%	26,919,188
Oakland ISD	44,695,000	8.67%	3,875,057
Macomb Community College	-	24.00%	-
Oakland Community College	-	8.62%	-
Romeo District Library	-	3.46%	-
			<u>70,725,767</u>
Total Overlapping Debt			
Direct District Debt			<u>182,795,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 253,520,767</u></u>

*Overlapping debt for the School District is calculated as the School District's taxable valuation as a percentage of the total taxable valuation within the municipalities and then applied to the total debt of the municipality.

Source: Municipal Advisory Council of Michigan

Rochester Community Schools
Legal Debt Margin (Unaudited)
Last Ten Fiscal Years

	2010	2011	2012	2013	2014
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 4,314,073,070	\$ 4,082,023,284	\$ 4,092,261,741	\$ 4,279,095,480	\$ 4,221,995,200
15% of SEV	\$ 647,110,961	\$ 612,303,493	\$ 613,839,261	\$ 641,864,322	\$ 633,299,280
Calculation of Debt Subject to Limit					
Total Debt	187,330,000	168,920,000	149,510,000	128,845,000	104,210,000
Less Debt not Subject to Limit - State Qualified Debt Issuance	<u>(187,330,000)</u>	<u>(168,920,000)</u>	<u>(149,510,000)</u>	<u>(128,845,000)</u>	<u>(104,210,000)</u>
Net Debt Subject to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 187,330,000</u>	<u>\$ 168,920,000</u>	<u>\$ 149,510,000</u>	<u>\$ 128,845,000</u>	<u>\$ 104,210,000</u>
Net Debt Subject to Limit as a percentage of Debt Limit	0%	0%	0%	0%	0%
<hr/>					
	2015	2016	2017	2018	2019
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 5,142,070,960	\$ 5,527,820,500	\$ 5,776,460,080	\$ 6,002,231,890	\$ 6,078,649,100
Legal Debt Limit - 15% of SEV	\$ 771,310,644	\$ 829,173,075	\$ 866,469,012	\$ 900,334,784	\$ 911,797,365
Calculation of Debt Subject to Limit					
Total Debt	80,590,000	165,995,000	147,930,000	126,770,000	160,825,000
Less Debt not Subject to Limit - State Qualified Debt Issuance	<u>(80,590,000)</u>	<u>(57,270,000)</u>	<u>(40,355,000)</u>	<u>(22,995,000)</u>	<u>(5,225,000)</u>
Net Debt Subject to Limit	<u>-</u>	<u>108,725,000</u>	<u>107,575,000</u>	<u>103,775,000</u>	<u>155,600,000</u>
Legal Debt Margin	<u>\$ 80,590,000</u>	<u>\$ 57,270,000</u>	<u>\$ 40,355,000</u>	<u>\$ 22,995,000</u>	<u>\$ 5,225,000</u>
Net Debt Subject to Limit as a percentage of Debt Limit	0%	13%	12%	12%	17%

Note Only bonds qualified under Article IX, Section 16 of the Michigan Constitution of 1963 are exempt from the computation of legal debt margin.

Source: Municipal Advisory Council of Michigan and Oakland County Equalization

Rochester Community Schools
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Population*	Total Personal Income* (in Thousands)	Per Capita Personal Income*	Unemployment Rate**
2010	90,348	\$ 3,321,915,264	\$ 36,768	7.6%
2011	87,273	3,812,695,551	43,687	6.5%
2012	89,673	3,835,672,902	42,774	5.6%
2013	89,700	3,826,781,400	42,662	5.3%
2014	94,747	4,144,044,286	43,738	4.9%
2015	92,087	4,218,045,035	45,805	4.5%
2016	93,622	4,447,045,000	47,500	4.7%
2017	93,631	4,794,281,724	51,204	2.9%
2018	92,789	4,988,986,163	53,767	3.4%
2019	N/A	-	-	

Sources: * US Census Bureau
 ** Michigan Bureau of Labor Market Information and Strategic Initiatives
 N/A Not Available

Rochester Community Schools
Principal Employers (Unaudited)
Current Fiscal Year and Nine Years Prior

Taxpayer	2019 Number of Employees	Percentage of Total Employment	2010 Number of Employees	Percentage of Total Employment
Oakland University	1,697	4%	1,480	4%
Ascension Providence Rochester Hospital	1,379	3%	1,670	4%
Rochester Community Schools	1,349	3%	1,691	5%
FANUC America Corporation	600	2%	550	1%
Eagle Ottawa LLC	500	1%		
PAR Pharmaceuticals, LLC	416	1%		
Trico Products Corporation	343	1%		
Royal Park Hotel	250	1%		
ResCare Homecare	250	1%		
MediLodge of Rochester Hills, Inc.	217	1%		
Wright & Filippis, Inc.			421	1%
Webasto Roof Systems, Inc.			383	1%
Volkswagen/Audi			380	1%
Dura Automotive			280	1%
Henry Ford Health Systems Technologies			280	1%
Computer & Engineering Services			250	1%
Total Principal Employers	7,001		7,385	
Total Employment	<u>39,811</u>		<u>37,247</u>	

Source: 2018 Michigan Manufacturers Directory, Crain's Detroit Business Book of Lists 2019 edition, Manta via www.manta.com, Michigan Bureau of Labor Market Information and Strategic Initiatives and individual employers.

Rochester Community Schools
 Full Time Equivalent Employees by Function (Unaudited)
 Last Ten Fiscal Years

	2010	2011	2012*	2013	2014
General Government					
Teachers	962	976	930	961	961
Administrators	33	33	31	31	31
Secretaries	97	97	86	86	86
Maintenance/Grounds/Technicians	48	52	37	41	41
Paraprofessionals	261	271	351	351	351
Executive Staff/Directors	11	11	11	11	11
Total	<u>1,412</u>	<u>1,440</u>	<u>1,446</u>	<u>1,481</u>	<u>1,481</u>
<hr/>					
	2015	2016	2017	2018	2019
General Government					
Teachers	950	890	893	901	902
Administrators	31	31	32	32	33
Secretaries	86	92	90	90	92
Maintenance/Grounds/Technicians	41	39	42	42	37
Paraprofessionals	351	280	274	274	272
Executive Staff/Directors	11	9	10	10	11
Total	<u>1,470</u>	<u>1,341</u>	<u>1,341</u>	<u>1,349</u>	<u>1,347</u>

Source: Rochester Community Schools Registry of Educational Personnel (REP) as reported through MI School Data

Rochester Community Schools
 Operating Indicators (Unaudited)
 Last Ten Fiscal Years

Fiscal Year	Foundation Allowance	Student Membership FTE	General Fund Operating Revenue	Revenue Per Pupil	General Fund Current Operating Expenditures	Cost Per Pupil	Average Teacher Salary
2010	\$ 8,348	14,906	\$ 154,962,240	10,396	\$ 155,682,064	10,444	\$ 69,184
2011	8,348	14,888	158,085,767	10,618	155,237,340	10,427	69,584
2012	8,348	14,998	150,990,504	10,067	162,296,416	10,821	70,519
2013	7,878	15,057	154,419,992	10,256	159,596,424	10,600	69,789
2014	7,878	15,081	158,412,319	10,504	159,999,772	10,610	68,669
2015	7,922	14,937	161,254,600	10,796	159,899,620	10,705	71,196
2016	7,972	15,024	166,446,503	11,079	159,988,737	10,649	72,580
2017	8,076	15,103	169,367,244	11,214	162,925,876	10,788	71,327
2018	8,164	15,301	173,327,312	11,328	170,979,632	11,174	69,617
2019	8,251	15,375	178,256,563	11,594	173,172,235	11,263	70,303

Source: Rochester Community Schools audited financial statements and district records

Rochester Community Schools
Capital Asset Information (Unaudited)
Year Ended June 30, 2019

Instructional	Pupil Capacity	Number of Teaching Stations	Building Square Footage	Site Acreage	Year Built/ Renovated
Elementary					
Baldwin	625	28	68,276	13	1926/2019
Brewster	475	22	48,712	13	1980/2003
Brooklands	625	27	71,877	20	1993/2019
Delta Kelly	625	29	83,564	21	2002
Hamlin	625	27	74,408	13	1933/2018
Hampton	625	27	72,168	12	1993
Hugger	475	22	68,340	21	1988/2018
Long Meadow	625	29	80,600	11	1967/2002
McGregor	475	24	76,335	10	1961/2002
Meadow Brook	475	24	73,406	10	1957/2004
Musson	475	22	68,340	19	1989/2018
North Hill	625	28	73,094	12	1955/2003
University Hills	475	23	50,184	10	1971/2003
Total Elementary	7,225	332	909,304	185	
Middle School:					
Hart	1,200	50	160,000	53	1990
Reuther	650	30	124,145	45	1971/2006
Van Hoosen	650	30	124,145	71	1971/2006
West	950	48	153,127	21	1961/2018
Total Middle School	3,450	158	561,417	190	
High School:					
Adams	1,700	77	316,502	*	1970/2017
Rochester	1,700	78	325,060	46	1955/2018
Stoney Creek	1,700	77	321,411	72	2000
Total High School	5,100	232	962,973	118	
Other:					
Shultz Educational Campus	120	8	45,178	9	1928/2019
Caring Steps Children's Center	127	13	36,000	23	1996/2018
Total Other	247	21	81,178	32	
Total Instructional	16,022	743	2,514,872	524	
Non-Instructional:					
Administration Center	-	-	84,790	4	1926
Bus Garage	-	-	5,900	3	
Pole Barn	-	-	3,600	***	
Facility Operations Center	-	-	12,948	12	2009
Total Non-Instructional	-	-	107,238	19	
Grand Total	16,022	743	2,622,110	543	

*Shared site: Adams & Van Hoosen

Rochester Community Schools
Student Enrollment Data (Unaudited)
Last Ten Fiscal Years

Grade	Fall Full Time Equivalent Count									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
K	971	899	944	967	966	959	991	1,024	1,004	1,023
1	1,007	1,020	972	1,014	1,031	1,010	1,002	1,010	1,093	1,044
2	995	1,033	1,030	1,019	1,048	1,035	1,020	1,040	1,039	1,123
3	1,082	1,023	1,064	1,074	1,050	1,052	1,081	1,030	1,082	1,060
4	1,036	1,126	1,041	1,082	1,122	1,089	1,078	1,109	1,079	1,106
5	1,105	1,056	1,156	1,073	1,106	1,150	1,108	1,111	1,136	1,096
6	1,115	1,122	1,081	1,161	1,107	1,095	1,154	1,127	1,137	1,158
7	1,109	1,139	1,135	1,101	1,176	1,116	1,131	1,167	1,177	1,156
8	1,159	1,121	1,173	1,156	1,111	1,180	1,148	1,168	1,183	1,202
9	1,244	1,250	1,215	1,230	1,195	1,155	1,215	1,218	1,217	1,218
10	1,223	1,249	1,271	1,211	1,225	1,200	1,188	1,244	1,221	1,219
11	1,214	1,206	1,247	1,269	1,205	1,242	1,215	1,184	1,270	1,232
12	1,245	1,238	1,232	1,248	1,284	1,225	1,266	1,257	1,226	1,302
Special Education	401	406	437	452	455	429	427	414	437	436
Total	14,906	14,888	14,998	15,057	15,081	14,937	15,024	15,103	15,301	15,375

Source: MDE Form DS-4120

ROCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2018	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2019
U.S. DEPARTMENT OF EDUCATION									
Passed Through Michigan Department of Education:									
Adult Basic Education	84.002								
Adult Basic Education (17-18)		181130-181537	\$171,514	\$4,152	\$150,456	\$0	\$0	\$4,152	\$0
Adult Basic Education (18-19)		191130-191537	171,514	0	0	146,705	0	142,028	4,677
Total Adult Basic Education			\$343,028	\$4,152	\$150,456	\$146,705	\$0	\$146,180	\$4,677
Title I Grants to Local Educational Agencies: 84.010									
Title I (17-18)		181530-1718	409,413	45,038	384,129	4,085	0	49,123	0
Title I (18-19)		191530-1819	354,686	0	0	293,974	0	244,973	49,001
Total Title I Grants to Local Educational Agencies			\$764,099	\$45,038	\$384,129	\$298,059	\$0	\$294,096	\$49,001
Title III Limited English: 84.365									
Title III (17-18)		180570-1718	95,493	4,378	47,430	29,360	0	33,738	0
Title III (17-18)		180580-1718	147,568	3,601	103,189	14,097	0	17,698	0
Title III (18-19)		190570-1819	76,600	0	0	28,334	0	15,557	12,777
Title III (18-19)		190580-1819	144,094	0	0	107,797	0	105,411	2,386
Total Title III Limited English			\$463,755	\$7,979	\$150,619	\$179,588	\$0	\$172,404	\$15,163
Improving Teacher Quality: 84.367									
Title IIA (17-18)		180520-1718	320,613	57,188	154,924	6,152	0	63,340	0
Title IIA (18-19)		190520-1819	467,943	0	0	263,391	0	235,131	28,260
Total Improving Teacher Quality			\$788,556	\$57,188	\$154,924	\$269,543	\$0	\$298,471	\$28,260
Student Support and Academic Enrichment 84.424									
Title IV (18-19)		190750-1819	34,570	0	0	33,665	0	25,379	8,286
Total Passed Through Michigan Department of Education			\$2,394,008	\$114,357	\$840,128	\$927,560	\$0	\$936,530	\$105,387
Passed Through Oakland County ISD									
Special Education - Grants to States: 84.027									
IDEA (17-18)		180450-1718	3,113,922	924,471	3,020,069	93,853	0	1,014,234	4,090
IDEA (18-19)		190450-1819	3,133,043	0	0	3,021,155	0	2,547,116	474,039
Total Special Education - Grants to States			\$6,246,965	\$924,471	\$3,020,069	\$3,115,008	\$0	\$3,561,350	\$478,129
Special Education - Preschool: 84.173									
Special Education Preschool (17-18)		180460-1718	131,272	43,147	131,272	5,896	0	49,043	0
Special Education Preschool (18-19)		190460-1819	142,229	0	0	138,161	0	117,207	20,954
Total Special Education - Preschool			\$273,501	\$43,147	\$131,272	\$144,057	\$0	\$166,250	\$20,954
Total Special Education Cluster			\$6,520,466	\$967,618	\$3,151,341	\$3,259,065	\$0	\$3,727,600	\$499,083
TOTAL U.S. DEPARTMENT OF EDUCATION			\$8,914,474	\$1,081,975	\$3,991,469	\$4,186,625	\$0	\$4,664,130	\$604,470

ROCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2018	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2019
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Michigan Department of Education:									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	\$212,736	\$0	\$0	\$212,736	\$0	\$212,736	\$0
Cash Assistance									
National School Lunch Program	10.555	N/A	729,817	140,731	0	729,817	0	834,512	36,036
Total			\$942,553	\$140,731	\$0	\$942,553	\$0	\$1,047,248	\$36,036
School Breakfast Program	10.553	N/A	92,809	19,656	0	92,809	0	107,247	5,218
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>									
<u>(NUTRITION CLUSTER)</u>			\$1,035,362	\$160,387	\$0	\$1,035,362	\$0	\$1,154,495	\$41,254
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>									
Passed Through Oakland County ISD									
Medicaid Outreach Program (18-19)	93.778	N/A	37,462	0	0	450	0	450	0
<u>TOTAL FEDERAL AWARDS</u>			\$9,987,298	\$1,242,362	\$3,991,469	\$5,222,437	\$0	\$5,819,075	\$645,724

ROCHESTER COMMUNITY SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$5,222,437</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$4,187,075
Special Revenue Funds	<u>1,035,362</u>
<u>TOTAL</u>	<u>\$5,222,437</u>

- 1) Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rochester Community Schools for the year ended June 30, 2019.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Rochester Community Schools, it is not intended to and does not present the financial position or changes in net position of Rochester Community Schools.

- 2) Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles in OMB Circular A-87 or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

- 3) Management has utilized the Cash Management System (CMS) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on page 72 of this report.
- 4) Noncash Assistance - The value of noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2019 that is not included on the schedule of expenditures of federal awards.
- 5) The District did not pass-through any federal awards to subrecipients.

ROCHESTER COMMUNITY SCHOOLS
RECONCILIATION OF "GRANT AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Current Payments Per the Grant Auditor's Report		
Cash Management System		\$1,878,289
<u>Add:</u> Passed Through Oakland County ISD		
Special Education - State Grants (CFDA 84.027)	\$3,561,350	
Special Education - Preschool (CFDA 84.173)	166,250	
Medicaid Outreach (CFDA 93.778)	450	
Total Passed Through Oakland County ISD	<u>3,728,050</u>	3,728,050
Entitlement and Bonus Commodities		<u>212,736</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u><u>\$5,819,075</u></u>



October 25, 2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Rochester Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rochester Community Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rochester Community Schools' basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rochester Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rochester Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Rochester Community Schools' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rochester Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



October 25, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education of
Rochester Community Schools

Report on Compliance for Each Major Federal Program

We have audited Rochester Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rochester Community Schools' major federal programs for the year ended June 30, 2019. Rochester Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Rochester Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Rochester Community Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROCHESTER COMMUNITY SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs: \$ 750,000.00

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the current year.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the prior year.



October 25, 2019

To the Board of Education of
Rochester Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rochester Community Schools for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 20, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rochester Community Schools are described in Note 1 to the financial statements. The application of existing policies was not changed during the 2018-2019 year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimates have been used to calculate the net pension and net OPEB liabilities.

Estimates have been used in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Rochester Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS