

Comprehensive Annual Financial Report
Rochester Community Schools – Michigan
June 30, 2020

ROCHESTER COMMUNITY SCHOOLS
Rochester, Michigan

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

FISCAL YEAR ENDED JUNE 30, 2020

PREPARED BY:

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Robert Shaner, Ph.D.
Superintendent

Debi Fragomeni
Deputy Superintendent for Teaching & Learning



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Elizabeth A. Davis
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November 24, 2020

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, 2020. 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, 2020. 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 financial 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, 2020 are as follows:

Name	Position	Term
Kristin Bull	President	2020
Kevin Beers	Vice President	2022
Michael Zabat	Treasurer	2020
Michelle Bueltel	Secretary	2024
Barbara Anness	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 2019 enrollment totaled 15,375 Full-Time Equivalent (FTE) students. The district enrollment has remained stable with a slight growth in student FTE since the fall of 2013. The short-and-long term impact of the 2020 global pandemic on student enrollment is unknown as of the date of this report. Enrollment is important to the financial health of the district because State funding is based on a per-pupil formula.

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:

<u>Name of School</u>	<u>Grades Served</u>	<u>Approximate Enrollment</u>
Brookfield Academy	Pre K-5	147
Eagle Creek Academy	Pre K-8	181
Holy Family Regional North Campus	K-3	353
Holy Family Regional South Campus	4-8	490
Lutheran High Northwest	9-12	251
Oak Arbor School	Pre K-8	29
Premier Academy of Oakland	Pre K-K	186
Rochester Hills Christian School	Pre K-12	194
St. John Lutheran School	Pre K-8	<u>204</u>
		<u>2,035</u>

Economic Environment

Local Economy and Outlook

In 2017, the median household income in Rochester Hills was \$87,475 compared to \$56,124 for all U.S. households. Current per capita income is \$43,972 in the area, compared to U.S. per capita income of \$30,820. The per capita income is projected to be \$48,769 in five years (from 2017) compared to \$34,828 for all U.S. households.

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	
	2020-2021	2019-2020	2018-2019	2017-2018
Unassigned Fund Balance	34,585,887.00	36,240,432.00	36,334,421.00	31,250,092.00
Expenditures	173,296,832.00	175,976,982.00	172,865,015.00	170,976,720.00
% Unassigned	19.96%	20.59%	21.02%	18.28%

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.

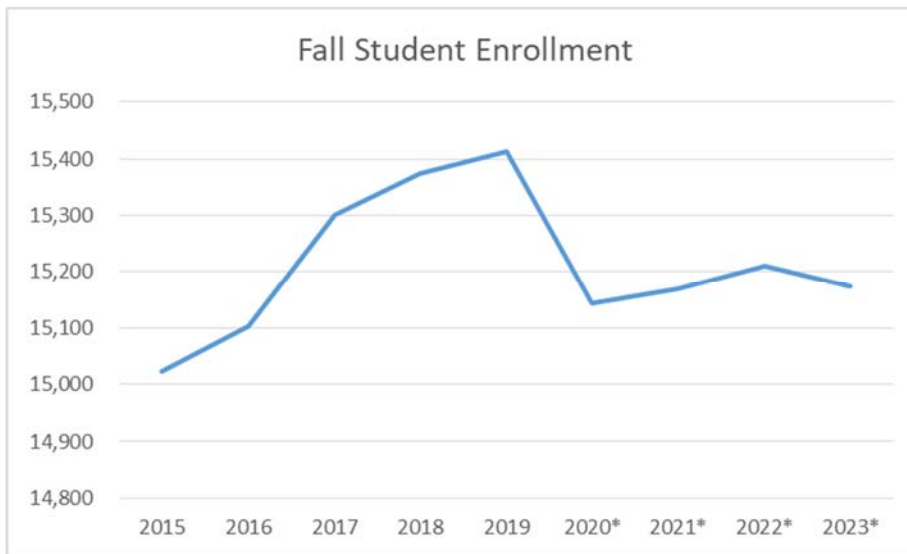
Infrastructure & Technology

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.

The district’s major 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 was reconvened during the 2019-20 fiscal year to assess the status of these major initiatives and set strategic goals through 2025; however, the global pandemic of 2020 forced the district to pause its strategic planning process in order to address critical safety and instructional program delivery challenges.

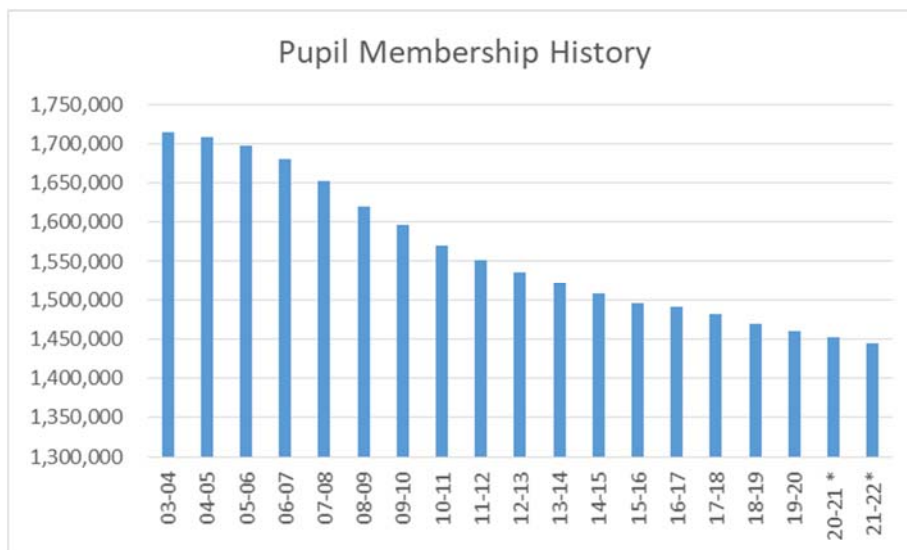
Projected Enrollment

Enrollment continues to be the most significant trend that impacts the district. Overall, statewide enrollment has decreased, however, the district’s most recent projection indicates stable enrollment 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 2019-20 by approximately 269,402 students. State student enrollment is illustrated as follows:



* Estimated
Source: Senate Fiscal Agency

The state aid per-pupil formula changed for fall 2020 membership count in order to help minimize the impact of the global pandemic on public school funding.

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 18 to 94 years old.

Awards and Acknowledgements

This is the second year the district has issued a Comprehensive Audited Financial Report. This document is also the District’s second 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

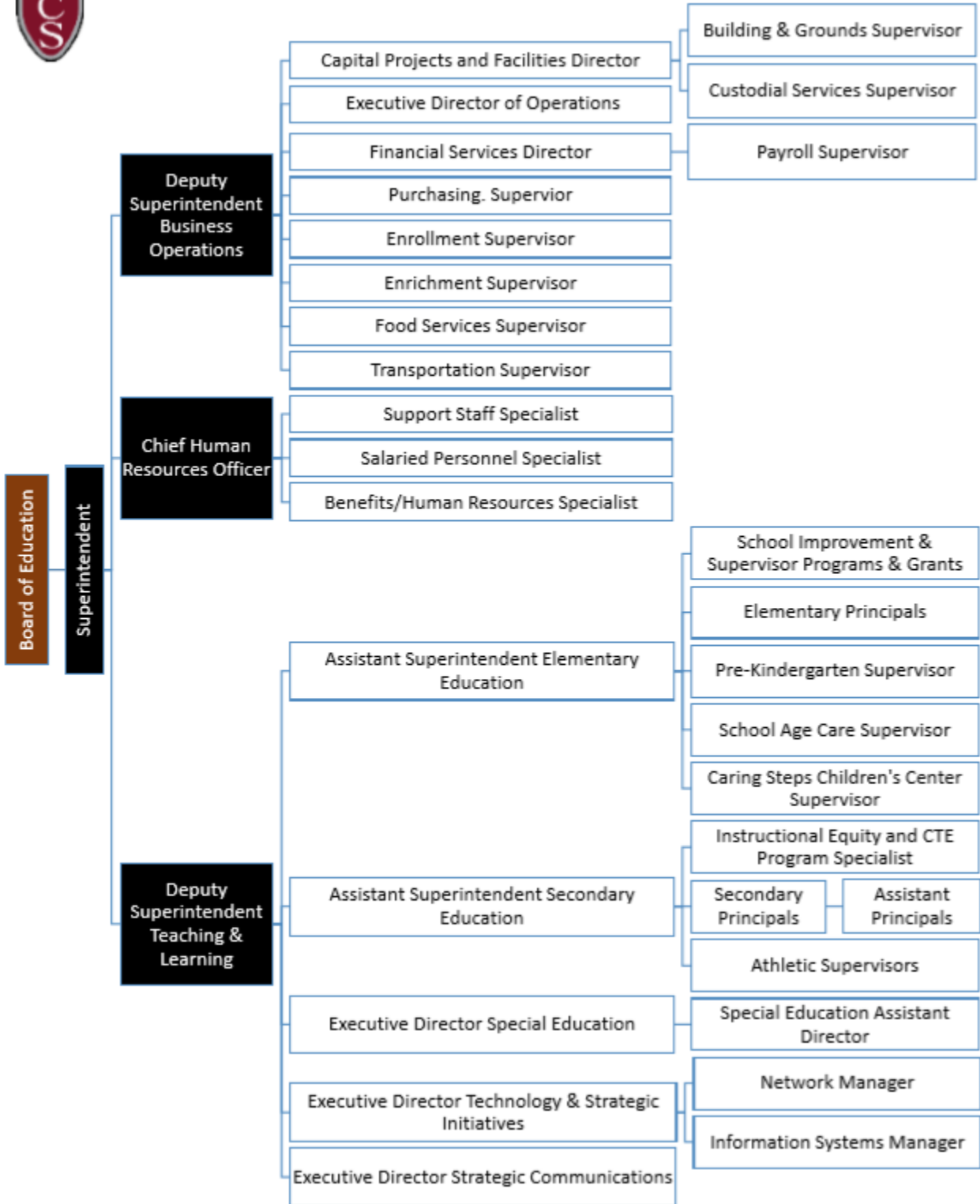
Dr. Robert Shaner, Ph.D.
Superintendent of Schools

Dana J. Taylor

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



Rochester Community Schools Organizational Chart 2019-20





November 24, 2020

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rochester Community Schools, as of June 30, 2020, 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.

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Emphasis of Matter – Change in Accounting Principle

As discussed in Note 12 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, and other required supplementary 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.

The 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 November 24, 2020, 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 & KNOPF, 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, 2020.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2020 by \$92,877,838 (net position).

The District's total net position decreased by \$7,098,648.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$79,741,954, a decrease of \$30,116,272 in comparison with the prior year. The decrease was primarily due to the completion of construction and other projects recorded in the capital projects fund.
- At the end of the current fiscal year, total fund balance for the general fund was \$38,528,794.

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, 2020.

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 seven 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, capital project, debt service, and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with that budget.

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 MPERS 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 \$92,877,838 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 \$196,771,287 at June 30, 2020. 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,	
	2020	2019
Assets		
Current assets	\$ 105,047,559	\$ 136,862,757
Capital assets net of depreciation	317,840,777	303,169,282
Total assets	<u>422,888,336</u>	<u>440,032,039</u>
Deferred Outflows of Resources	111,410,591	109,730,043
Liabilities		
Current liabilities	41,410,150	58,712,199
Long-term liabilities	531,250,192	525,124,458
Total liabilities	<u>572,660,342</u>	<u>583,836,657</u>
Deferred inflows of resources	54,516,423	52,874,315
Net position (deficit)		
Net Investment in capital assets	196,771,287	190,037,431
Restricted for debt service	3,323,677	4,457,799
Unrestricted	<u>(292,972,802)</u>	<u>(280,274,420)</u>
Total net position (deficit)	<u>\$ (92,877,838)</u>	<u>\$ (85,779,190)</u>

An amount of \$3,323,677 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 (\$92,877,838) 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 11 in the Notes to Financial Statements.

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Changes in Net Position Governmental Activities

	June 30,	
	2020	2019
General Revenue		
Property Taxes	\$ 47,339,846	\$ 47,598,033
State of Michigan aid, unrestricted	106,134,663	108,323,299
Other-federal, state and local	14,981,875	15,283,459
Program Revenue		
Charges for services - local	8,666,703	8,469,864
Operating grants - federal and state	36,260,808	32,999,234
Total Revenues	<u>213,383,895</u>	<u>212,673,889</u>
Expenses		
Instruction	115,107,381	107,749,115
Support services	74,430,811	65,532,257
Community services	3,507,826	3,531,030
Food services	3,401,610	3,498,453
Athletics	2,582,282	2,582,178
Preschool	1,074,284	738,144
Student Activities	2,249,684	-
Outgoing transfers and other uses	4,000	3,821
Interest on long-term debt	6,763,739	6,625,508
Bond Issuance costs		592,481
Depreciation (unallocated)	11,360,926	10,464,073
Total Expenses	<u>220,482,543</u>	<u>201,317,060</u>
Change in Net position	(7,098,648)	11,356,829
Net Position - July 1 (Restated)	(85,779,190)	(98,305,719)
Restatement for implementation of GASB 84	-	1,169,700
Net Position - June 30	<u>\$ (92,877,838)</u>	<u>\$ (85,779,190)</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 \$79,741,954, a decrease of \$30,116,272 in comparison with the prior year. Unassigned fund balance totaled \$36,240,432 at June 30, 2020. 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 \$36,240,432, while total fund balance was \$38,528,794.

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, 2020 amounted to \$317,840,777 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, site improvements, vehicles and equipment.

Depreciation expense totaled \$11,360,926 for the year ended June 30, 2020.

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

- Building Improvements
- Construction in progress

A summary of the District's capital assets (net of accumulated depreciation) as of June 30, 2020 and 2019 follows:

	CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)	
	2020	2019
Land and improvements	\$ 9,144,814	\$ 9,144,814
Construction in progress	38,263,818	31,569,111
Buildings and additions	233,622,263	232,492,856
Site improvements	26,975,223	23,330,583
Furniture and equipment	5,927,249	2,900,182
Vehicles and buses	3,907,410	37,361,736
Totals	<u>\$ 317,840,777</u>	<u>\$ 336,799,282</u>

Additional information on the District's capital assets can be found in Note 4 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 \$156,492,409. The District's total debt principal payments were \$23,270,906 during the current fiscal year.

Additional information on the District's long term debt can be found in Note 6 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 2020-21 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 MPERS rate reimbursements. The District's share of the unfunded pension liability is reported in the government-wide statements as of June 30, 2020.
- The full impact of the global pandemic that began in early 2020 is unknown. It is currently not possible to estimate the duration or severity of the potential impact of the pandemic on the district.
- The quick transition to a remote learning environment in March of 2020 was intended to reduce the opportunity for student and staff exposure to the Covid-19 virus. The district facilitated social-emotional support and instruction through various technologies including wi-fi hotspots and laptops. Students attending the district were given the option of attending classes in a virtual environment or attending class in cohorts with 50% of students attending in-person Monday and Tuesday (Cohort A) and 50% attending class in-person on Thursday and Friday (Cohort B), with a remote learning component taking place on days when either Cohort was not physically in school. This change in the instructional delivery model necessitated an investment in curriculum for a virtual environment as well as professional development classes for instructional staff.
- The district's response to the global Covid-19 pandemic included more stringent cleaning protocols in compliance with federal and state regulations. Estimated costs and federal and state grants related to the pandemic response are included in the initial 2020-21 budget which will be amended periodically throughout the year as more information becomes available.

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, 2020

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$42,516,859
Investments	38,228,758
Accounts Receivable	215,218
Due from Other Governmental Units	23,325,543
Inventory	252,525
Prepaid Expenditures	508,656
Capital Assets, Not Being Depreciated - Construction in Progress	38,263,818
Capital Assets, Not Being Depreciated - Land	9,144,814
Capital Assets, Net of Accumulated Depreciation	270,432,145
Total Assets	\$422,888,336
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	89,538,703
Related to Postemployment Benefits	21,871,888
Total Deferred Outflows of Resources	\$111,410,591
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$534,298,927
<u>LIABILITIES</u>	
Accounts Payable	5,265,102
Due to Other Governmental Units	1,903,663
Accrued Expenditures	5,863,545
Salaries Payable	12,186,352
Unearned Revenue	1,051,812
Claims Payable	717,864
Non-Current Liabilities - Due in One Year	14,421,812
Non-Current Liabilities - Due in More than One Year	145,046,373
Net Pension Liability	317,964,166
Net Other Postemployment Benefits Liability	68,239,653
Total Liabilities	\$572,660,342
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	10,461,756
Related to Pensions	15,821,039
Related to Other Postemployment Benefit	28,072,381
Deferred Gain on Refunding	161,247
Total Deferred Inflows of Resource	\$54,516,423
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$627,176,765
<u>NET POSITION</u>	
Net Investment in Capital Assets	196,771,287
Restricted	3,323,677
Unrestricted	(292,972,802)
<u>TOTAL NET POSITION</u>	(\$92,877,838)

See notes to the financial statements

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

<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	\$115,107,381	\$3,297,564	\$33,390,752	(\$78,419,065)
Support Services	74,430,811	792,081	1,326,158	(72,312,572)
Community Services	3,507,826	0	0	(3,507,826)
Athletics	2,582,282	0	0	(2,582,282)
Outgoing Transfers and Other Uses	4,000	0	0	(4,000)
Food Service	3,401,610	1,552,001	1,543,898	(305,711)
Preschool	1,074,284	681,401	0	(392,883)
Student Activities	2,249,684	2,343,656	0	93,972
Interest - Long-Term Obligations	6,763,739	0	0	(6,763,739)
Depreciation - Unallocated	11,360,926	0	0	(11,360,926)
<u>Total Governmental Activities</u>	<u>\$220,482,543</u>	<u>\$8,666,703</u>	<u>\$36,260,808</u>	<u>(\$175,555,032)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				19,720,682
Property Taxes, Levied for Debt Retirement				27,619,164
State Sources - Unrestricted				106,134,663
Interdistrict Sources				11,983,365
Investment Earnings				1,066,291
Miscellaneous				1,932,219
Total General Revenues and Transfers				<u>\$168,456,384</u>
Change in Net Position				(\$7,098,648)
Net Position - Beginning of Year - As Restated				<u>(85,779,190)</u>
<u>Net Position - End of Year</u>				<u>(\$92,877,838)</u>

See notes to the financial statements.

ROCHESTER COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Debt Retirement Fund	Capital Projects Fund	Non-Major Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$35,877,040	\$2,738,401	\$456,553	\$3,444,865
Investments	0	0	38,228,758	0
Accounts Receivable	91,884	0	101,048	22,286
Due from Other Governmental Units	23,167,561	3,708	0	154,274
Inventory	105,000	0	0	147,525
Prepaid Expenditures	507,395	0	1,261	0
<u>TOTAL ASSETS</u>	<u>\$59,748,880</u>	<u>\$2,742,109</u>	<u>\$38,787,620</u>	<u>\$3,768,950</u>
<u>LIABILITIES</u>				
Accounts Payable	\$1,510,898	\$0	\$3,203,454	\$550,750
Due to Other Governmental Units	1,902,993	0	0	670
Accrued Expenditures	4,898,676	0	0	0
Salaries Payable	12,186,352	0	0	0
Unearned Revenue	721,167	0	0	330,645
Total Liabilities	<u>\$21,220,086</u>	<u>\$0</u>	<u>\$3,203,454</u>	<u>\$882,065</u>
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	105,000	0	0	147,525
Prepaid Expenditures	507,395	0	1,261	0
Restricted				
Debt Retirement	0	2,742,109	0	0
Food Service	0	0	0	1,440,664
Capital Projects			35,582,905	0
Committed				
Daycare	0	0	0	35,024
Student Activities	0	0	0	1,263,672
Assigned - Subsequent Yr Expenditures	1,675,967	0	0	0
Unassigned	36,240,432	0	0	0
Total Fund Balances	<u>\$38,528,794</u>	<u>\$2,742,109</u>	<u>\$35,584,166</u>	<u>\$2,886,885</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$59,748,880</u>	<u>\$2,742,109</u>	<u>\$38,787,620</u>	<u>\$3,768,950</u>

See notes to the financial statements.

ROCHESTER COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

<u>Total</u>	Total Governmental Fund Balances:	\$79,741,954
Governmental		
<u>Funds</u>	Amounts reported for governmental activities in the statement of net position are different because:	
\$42,516,859	Deferred Outflows:	
38,228,758	Related to Pensions	\$89,538,703
215,218	Related to Postemployment Benefits	<u>21,871,888</u>
23,325,543	Total	111,410,591
252,525	Deferred Inflows	
508,656	State Aid Funding - Pension & Other Postemployment Benefits	(\$10,461,756)
	Related to Pensions	(15,821,039)
<u>\$105,047,559</u>	Related to Other Postemployment Benefit	(28,072,381)
	Deferred Gain on Refunding	<u>(161,247)</u>
	Total	(54,516,423)
\$5,265,102	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
1,903,663	Construction in Progress	\$38,263,818
4,898,676	Cost of Assets	443,212,375
12,186,352	Accumulated Depreciation	<u>(163,635,416)</u>
<u>1,051,812</u>	Capital Assets - Net of Accumulated Depreciation	\$317,840,777
\$25,305,605		
	Accrued Interest on Long-Term Debt	(964,869)
252,525		
508,656	Claims Payable	(717,864)
2,742,109	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
1,440,664	General Obligation Bonds	\$156,492,409
35,582,905	Other Payroll Obligations	<u>2,975,776</u>
	Total	(159,468,185)
35,024	Net Pension Liability	(317,964,166)
1,263,672		
1,675,967	Net Other Postemployment Benefits Liability	<u>(68,239,653)</u>
36,240,432		
<u>\$79,741,954</u>		
<u>\$105,047,559</u>	<u>TOTAL NET POSITION -</u>	
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$92,877,838)</u>

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Debt Retirement Fund	Capital Projects Fund	Non-Major Governmental Funds
<u>REVENUES</u>				
Local Sources	\$27,007,784	\$27,647,299	\$945,112	\$4,678,174
State Sources	135,197,827	0	0	121,682
Federal Sources	4,327,588	0	0	1,422,216
Interdistrict Sources	11,983,365	0	0	0
Total Revenues	<u>\$178,516,564</u>	<u>\$27,647,299</u>	<u>\$945,112</u>	<u>\$6,222,072</u>
<u>EXPENDITURES</u>				
Instruction	104,713,970	0	0	0
Student Services	15,705,063	0	0	0
Instructional Support	7,912,199	0	0	0
General Administration	1,731,407	0	0	0
School Administration	9,145,569	0	0	0
Business Administration	2,071,289	0	0	0
Operation & Maintenance of Plant	13,602,674	0	0	0
Transportation	6,123,306	0	0	0
Central Support Services	5,923,873	0	0	0
Athletics	2,582,282	0	0	0
Other Support Services	290,910	0	0	0
Community Services	3,119,659	0	0	103,766
Outgoing Transfers and Other Uses	4,000	0	0	0
Food Service	0	0	0	3,401,610
Preschool	0	0	0	1,074,284
Student Activities	0	0	0	2,249,684
Debt Service				
Principal	0	21,820,000	0	0
Interest	0	6,781,374	0	0
Other	0	40,140	0	0
Capital Outlay	3,050,781	0	32,052,327	0
Total Expenditures	<u>\$175,976,982</u>	<u>\$28,641,514</u>	<u>\$32,052,327</u>	<u>\$6,829,344</u>
Excess (Deficiency) of Revenues (Under) Expenditures	\$2,539,582	(\$994,215)	(\$31,107,215)	(\$607,272)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	0	397,705
Transfers (Out)	(397,705)	0	0	0
Other Reimbursements	52,653	0	0	195
Total Other Financing Sources (Uses)	<u>(\$345,052)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$397,900</u>
Net Change in Fund Balance	\$2,194,530	(\$994,215)	(\$31,107,215)	(\$209,372)
<u>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</u>				
	<u>36,334,264</u>	<u>3,736,324</u>	<u>66,691,381</u>	<u>3,096,257</u>
<u>FUND BALANCE - END OF YEAR</u>				
	<u>\$38,528,794</u>	<u>\$2,742,109</u>	<u>\$35,584,166</u>	<u>\$2,886,885</u>

See notes to the financial statements.

ROCHESTER COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Total net change in fund balances - governmental funds	(\$30,116,272)
Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
\$60,278,369	Governmental funds report capital outlays as expenditures.	
135,319,509	However, in the statement of activities, the cost of those	
5,749,804	assets is allocated over their estimated useful lives as	
11,983,365	depreciation expense.	
\$213,331,047	Net Change in Construction in Progress	6,694,707
	Capital Outlay	19,704,009
104,713,970	Depreciation Expense	(11,360,926)
15,705,063	Loss on Sale of Assets	(366,295)
7,912,199	Total	14,671,495
1,731,407	Repayment of bond principal is an expenditure in	
9,145,569	the governmental funds, but the repayment reduces	
2,071,289	long-term liabilities in the statement of net position.	
13,602,674	This is the amount of repayments reported as	
6,123,306	expenditures in the governmental funds.	21,820,000
5,923,873	Amortization of:	
2,582,282	Bond Refunding	(101,330)
290,910	Unamortized Premiums	1,450,906
3,223,425	Net Change in Compensated Absences, Early Retirement	
4,000	and Termination Incentives	(196,260)
3,401,610	Net Change in Medical Claims Payable	103,850
1,074,284	Change in accrued interest on long-term liabilities	159,105
2,249,684	Some expenses reported in the statement of activities do not	
21,820,000	require the use of current financial resources and, therefore,	
6,781,374	are not reported as expenditures in the governmental Funds.	
40,140	State Aid Funding for Pension and Other Postemployment Benefits	301,189
35,103,108	Pension Related Items	(20,999,637)
\$243,500,167	OPEB Related Items	5,808,306
(\$30,169,120)	<u>CHANGE IN NET POSITION OF</u>	
397,705	<u>GOVERNMENTAL ACTIVITIES</u>	(\$7,098,648)
(397,705)		
52,848		
\$52,848		
(\$30,116,272)		
109,858,226		
\$79,741,954		

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, 2020.

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) BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental fund:

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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS (Continued)

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.

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

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary Fund Financial Statements (if any) are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is 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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)

Property taxes, state and federal aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

G) 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)

H) 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.

I) 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>	<u>Governmental Activities</u>
	<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

J) UNEARNED REVENUE

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

K) 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.

L) 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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) LONG-TERM OBLIGATIONS (Continued)

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.

M) 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 two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. 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.

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.

N) 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

O) NET POSITION FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P) FUND BALANCE FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q) FUND BALANCE POLICIES

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Debt Retirement Fund and Food Service balances are considered restricted.
- * Committed fund balance – amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- * Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

R) REVENUE

The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. The School Aid Act and the School Code of Michigan primarily govern revenues from state sources. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law.

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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

T) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

U) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2020. The District does not consider these amendments to be significant.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS

As of June 30, 2020 the District had deposits and investments subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2020, \$38,329,204 of the District’s bank balance of \$42,837,532 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$42,516,859.

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.

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.

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

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Cash Management	\$21,802,636	0.0027	AAAm	57.03%
US Treasury Notes	6,281,202	0.0457	AA+	16.43%
Federal Agency Notes	10,144,920	0.0454	AA+	26.54%
<u>TOTAL</u>	<u>\$38,228,758</u>			<u>100.00%</u>

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS (Continued)

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.

	As of June 30, 2020			
Investments by fair value level:	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 6,281,202	\$ 0	\$ 0	\$ 6,281,202
Federal Agency Bond Notes	0	10,144,920	0	10,144,920
<u>TOTAL</u>	<u>\$ 6,281,202</u>	<u>\$ 10,144,920</u>	<u>\$ 0</u>	<u>\$ 16,426,122</u>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan CLASS investment pool Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Investments in Entities that Calculate Net Asset Value per share

The District holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The above amounts are reported in the financial statements as follows:

Cash – District Wide	\$ 42,516,859
Investments – District Wide	38,228,758
<u>TOTAL</u>	<u>\$ 80,745,617</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2020, 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:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 22,063,262
Federal Grants	1,078,520
Other Grant Programs & Fees	<u>183,761</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 23,325,543</u>

4) CAPITAL ASSETS

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

	Balance Beginning	Additions	Deductions	Balance Ending
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>Non-Depreciable</u>				
Land	\$9,144,814	\$0	\$0	\$9,144,814
Construction in Progress	<u>31,569,111</u>	<u>28,772,045</u>	<u>(22,077,338)</u>	<u>38,263,818</u>
Total Non-Depreciable	<u>\$40,713,925</u>	<u>\$28,772,045</u>	<u>(22,077,338)</u>	<u>\$47,408,632</u>
Buildings and Improvements	360,721,210	9,152,272	0	369,873,482
Site Improvements	35,125,794	4,935,126	0	40,060,920
Equipment and Furniture	9,130,380	3,462,389	(359,203)	12,233,566
Vehicles and Buses	<u>11,636,828</u>	<u>2,154,222</u>	<u>(1,891,457)</u>	<u>11,899,593</u>
Totals at Historical Cost	<u>\$416,614,212</u>	<u>\$19,704,009</u>	<u>(\$2,250,660)</u>	<u>\$434,067,561</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(128,228,354)	(8,022,865)	0	(136,251,219)
Site Improvements	(11,795,211)	(1,290,486)	0	(13,085,697)
Equipment and Furniture	(5,398,644)	(957,576)	49,902	(6,306,318)
Vehicles and Buses	<u>(8,736,646)</u>	<u>(1,089,999)</u>	<u>1,834,463</u>	<u>(7,992,182)</u>
Total Accumulated Depreciation	<u>(\$154,158,855)</u>	<u>(\$11,360,926)</u>	<u>\$1,884,365</u>	<u>(\$163,635,416)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$303,169,282</u>	<u>\$37,115,128</u>	<u>(\$22,443,633)</u>	<u>\$317,840,777</u>

Depreciation expense was unallocated on the Statement of Activities as the District considers all fixed assets to have mixed use.

Net investment in capital assets consists of the following:

Construction in Progress	\$ 38,263,818
Capital Assets	443,212,375
Less: Accumulated Depreciation	(163,635,416)
Less: Related Long-Term Liabilities	(156,492,409)
Less: Deferred Gain on Refunding	(161,247)
Add: Unspent Capital Projects	<u>35,584,166</u>
 <u>NET INVESTMENT IN CAPITAL ASSETS</u>	 <u>\$ 196,771,287</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

5) **SHORT-TERM DEBT**

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2020.

6) **GENERAL LONG-TERM DEBT**

The following is a summary of long-term obligations for the District for the year ended June 30, 2020:

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
General Obligation Bonds	\$179,763,315	\$0	\$23,270,906	\$156,492,409	\$14,421,812
Other Employee Obligations	2,779,516	438,660	242,400	2,975,776	0
<u>Total Governmental Activities</u>	<u>\$182,542,831</u>	<u>\$438,660</u>	<u>\$23,513,306</u>	<u>\$159,468,185</u>	<u>\$14,421,812</u>

GENERAL OBLIGATIONS BONDS

\$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% \$ 84,975,000

\$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%. 54,030,000

Bond Premium 17,487,409

TOTAL GENERAL OBLIGATION BONDS \$ 156,492,409

OTHER EMPLOYEE OBLIGATIONS

Early Retirement Incentives	314,380
Compensated Absences	1,637,436
Termination Incentives	<u>1,023,960</u>

OTHER EMPLOYEE OBLIGATIONS \$ 2,975,776

TOTAL GENERAL LONG-TERM OBLIGATIONS \$ 159,468,185

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

	<u>Principal</u>	<u>Interest</u>
June 30, 2021	\$14,491,812	\$5,789,218
June 30, 2022	6,701,812	5,162,268
June 30, 2023	6,926,812	4,926,518
June 30, 2024	7,201,812	4,681,018
June 30, 2025	7,476,812	4,423,268
June 30, 2026-2030	41,643,359	18,030,790
June 30, 2031-2035	50,043,185	9,782,990
June 30, 2036-2039	<u>22,006,805</u>	<u>1,436,954</u>
<u>TOTAL</u>	<u>\$156,492,409</u>	<u>\$54,233,024</u>

Interest expense for the year ended June 30, 2020 was \$6,781,374.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

6) GENERAL LONG-TERM DEBT (Continued)

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.

7) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	General Fund
Caring Steps	\$392,883
Food Service	4,822
<u>TOTAL</u>	\$397,705

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.

8) 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	\$306,667

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.

9) RESTRICTED NET POSITION

Restricted net position consists of the following:

Debt Retirement	\$2,742,109
Less: Accrued Interest - General Obligation Bonds	(964,869)
Food Service	1,546,437
<u>TOTAL</u>	\$3,323,677

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

10) 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:

	<u>Current Year</u>	<u>Prior Year</u>
Estimated Liability - Beginning of Year	\$821,714	\$741,338
Estimated Claims Incurred, Including Changes in Estimates	14,764,124	16,309,006
Claim Payments	<u>14,867,974</u>	<u>16,228,630</u>
 <u>ESTIMATED LIABILITY - END OF YEAR</u>	 <u>\$717,864</u>	 <u>\$821,714</u>

11) 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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

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 Jan. 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.

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 Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 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 Pension & OPEB 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 Sept. 30, 2018 valuation will be amortized over a 20-year period beginning Oct. 1, 2018 and ending Sept. 30, 2038.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	18.25%
Member Investment Plan	3.0 – 7.0%	18.25%
Pension Plus	3.0 – 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$26,849,000, with \$26,366,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. OPEB benefits were approximately \$7,891,000, with \$7,513,000 specifically for the OPEB 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, 2020, *the District* reported a liability of \$317,964,166 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.960134 percent, which was a decrease of 0.0168 percent from its proportion measured as of September 30, 2018.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Pension Liability	\$83,442,507,212	\$79,863,694,444
Plan Fiduciary Net Position	50,325,869,388	49,801,889,205
Net Pension Liability	\$33,116,637,824	\$30,061,805,239
Proportionate Share	0.960134%	0.97695%
Net Pension Liability for the District	317,964,166	293,689,377

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

For the year ended September 30, 2019, the District recognized pension expense of \$47,682,726.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2020, 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	\$1,425,216	(\$1,325,880)
Changes of Assumptions	62,257,607	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(10,190,211)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	536,682	(4,304,948)
Employer Contributions Subsequent to the Measurement Date	<u>25,319,198</u>	<u>0</u>
<u>TOTAL</u>	<u>\$89,538,703</u>	<u>(\$15,821,039)</u>

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2020	\$19,232,974
2021	15,626,453
2022	9,729,420
2023	3,809,619

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

OPEB Liabilities

At June 30, 2020, the District reported a liability of \$68,239,653 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.950711 percent, which was a decrease of 0.0241 percent from its proportion measured as of October 1, 2018.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Other Postemployment Benefits Liability	\$13,925,860,688	\$13,932,170,264
Plan Fiduciary Net Position	<u>6,748,112,668</u>	<u>5,983,218,473</u>
Net Other Postemployment Benefits Liability	\$7,177,748,020	\$7,948,951,791
Proportionate Share	0.950711%	0.97481%
Net Other Postemployment Benefits Liability for the District	68,239,653	77,487,530

For the year ending September 30, 2019, the District recognized OPEB expense of \$1,364,599.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2020, 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	(\$25,039,058)
Changes of Assumptions	14,786,151	0
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(1,186,720)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	42,821	(1,846,603)
Employer Contributions Subsequent to the Measurement Date	<u>7,042,916</u>	<u>0</u>
<u>TOTAL</u>	<u>\$21,871,888</u>	<u>(\$28,072,381)</u>

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2020	(\$3,557,695)
2021	(3,557,695)
2022	(2,965,235)
2023	(2,048,675)
2024	(1,114,109)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

Summary of Actuarial Assumptions (Continued)

Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
- OPEB	6.95%
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 3.5% 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.

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: [4.4977 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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

Summary of Actuarial Assumptions (Continued)

- * *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.7101 for non-university employers].*
- * *Recognition period for assets in years: 5.0000*
- * *Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

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, 2019, are summarized in the following table:

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

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14% for retirement and 5.37% 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 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine 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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

Discount Rate – OPEB

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

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	Pension		
	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	5.8%/5.8%/5.0%	6.8%/6.8%/6.0%	7.8%/7.8%/7.0%
District’s proportionate share of the net pension liability	\$413,373,757	\$317,964,166	\$238,866,328

* Discount rates listed in the following order: Basis and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
	5.95%	6.95%	7.95%
District’s proportionate share of the net other postemployment benefit liability	\$83,706,188	\$68,239,653	\$55,252,059

Sensitivity of the District’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District’s proportionate share of 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	\$54,701,441	\$68,239,653

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension or OPEB plan's fiduciary net position is available in the separately issued 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).

12) RESTATEMENT

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, Fiduciary Activities.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is 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. The restatement of the beginning of the year fund balances and net position is as follows:

	<u>FUND BALANCES</u>	
	<u>Student/School Activity Fund</u>	<u>Governmental Activities</u>
Fund Balances as of July 1, 2019, as Previously Stated	\$1,169,700	\$108,688,526
Adoption of GASB statement No. 84	(1,169,700)	1,169,700
<u>FUND BALANCE AS OF JULY 1, 2019, AS RESTATED</u>	\$0	\$109,858,226
	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	<u>Custodial Fund</u>
Net Position as of July 1, 2019, as Previously Stated	(\$86,948,890)	\$1,169,700
Adoption of GASB statement No. 84	1,169,700	(1,169,700)
<u>NET POSITION AS OF JULY 1, 2019, AS RESTATED</u>	(\$85,779,190)	\$0

ROCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

13) COVID

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved subsequent to June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation per pupil and allows flexibilities in the days and attendance requirements for Districts. Currently, it is not possible to estimate the extent of any potential impacts or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of this subsequent event.

14) UPCOMING ACCOUNTING PRONOUNCEMENTS

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 2022 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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$28,833,729	\$28,111,627	\$27,007,784	(\$1,103,843)
State Sources	135,925,978	134,981,655	135,197,827	216,172
Federal Sources	4,712,633	4,889,097	4,327,588	(561,509)
Total Revenues	<u>\$169,472,340</u>	<u>\$167,982,379</u>	<u>\$166,533,199</u>	<u>(\$1,449,180)</u>
<u>EXPENDITURES</u>				
Instruction				
Basic	82,896,300	83,087,456	82,547,940	539,516
Added Needs	21,476,627	22,775,225	21,984,409	790,816
Adult and Continuing Education	237,678	207,763	181,621	26,142
Total Instruction	<u>\$104,610,605</u>	<u>\$106,070,444</u>	<u>\$104,713,970</u>	<u>\$1,356,474</u>
Student Services	15,105,150	15,390,758	15,705,063	(314,305)
Instructional Support	8,584,737	8,458,377	7,912,199	546,178
General Administration	1,527,273	1,821,580	1,731,407	90,173
School Administration	8,857,402	9,033,632	9,145,569	(111,937)
Business Administration	2,439,986	2,383,866	2,071,289	312,577
Operation & Maintenance of Plant	14,845,143	14,462,936	13,602,674	860,262
Transportation	7,838,265	6,282,966	6,123,306	159,660
Central Support Services	6,648,554	6,428,273	5,923,873	504,400
Other Support	2,828,895	2,972,936	2,873,192	99,744
Community Services	3,321,809	3,177,622	3,119,659	57,963
Capital Outlay	2,880,724	3,262,312	3,050,781	211,531
Total Expenditures	<u>\$179,488,543</u>	<u>\$179,745,702</u>	<u>\$175,972,982</u>	<u>\$3,772,720</u>
Excess of Revenues Over Expenditures	(\$10,016,203)	(\$11,763,323)	(\$9,439,783)	\$2,323,540
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>\$1,231,691</u>	<u>(\$66,943)</u>	<u>\$2,194,530</u>	<u>\$2,261,473</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>36,334,264</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$38,528,794</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)

	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.96013%	0.97695%	0.97593%	0.97097%	0.99526%	0.97968%
Reporting unit's proportionate share of net pension liability	\$317,964,166	\$293,689,377	\$252,905,785	\$242,248,042	\$243,093,129	\$215,789,986
Reporting unit's covered-employee payroll	\$83,016,339	\$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	383.01%	354.10%	307.60%	299.06%	293.00%	259.54%
Plan fiduciary net position as a percentage of total pension liability	60.31%	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)

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$25,506,338	\$26,602,609	\$22,890,815	\$22,745,187	\$19,199,906	\$25,763,366
Contributions in relation to statutorily required contributions	25,506,338	26,602,609	22,890,815	22,745,187	19,199,906	25,763,366
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$87,267,447	\$82,987,084	\$82,570,054	\$84,817,697	\$81,307,377	\$82,959,226
Contributions as a percentage of covered-employee payroll	29.23%	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)

	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.95071%	0.97481%	0.97411%
Reporting unit's proportionate share of net OPEB liability	\$68,239,653	\$77,487,530	\$86,262,131
Reporting unit's covered-employee payroll	\$83,016,339	\$82,938,835	\$82,218,893
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.20%	93.43%	104.92%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	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)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$6,527,656	\$6,327,485	\$7,583,864
Contributions in relation to statutorily required contributions	<u>6,527,656</u>	<u>6,327,485</u>	<u>7,583,864</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$87,267,447	\$82,987,084	\$82,570,054
Contributions as a percentage of covered-employee payroll	7.48%	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 Funds (Food Service, Bookstore, Caring Steps and Student Activities). 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.

	Final Budget	Actual	Variance With Final Budget
Student Services	\$15,390,758	\$15,705,063	(\$314,305)
School Administration	9,033,632	9,145,569	(111,937)

PENSION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

- Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.
- Discount rate for Pension Plus decreased to 6.80% from 7.00%.

OPEB

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

- Discount rate for decreased to 6.95% from 7.15%.
- Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

ADDITIONAL SUPPLEMENTARY
INFORMATION

ROCHESTER COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Caring Steps Fund	Food Services Fund	Bookstore Fund	Student Activities Fund	Total
<u>ASSETS</u>					
Cash and Cash Equivalents	\$64,384	\$2,091,569	\$35,032	\$1,253,880	\$3,444,865
Accounts Receivable	259	0	0	22,027	22,286
Due from Other Governmental Units	0	154,274	0	0	154,274
Inventory	0	105,773	41,752	0	147,525
<u>TOTAL ASSETS</u>	<u>\$64,643</u>	<u>\$2,351,616</u>	<u>\$76,784</u>	<u>\$1,275,907</u>	<u>\$3,768,950</u>
<u>LIABILITIES</u>					
Accounts Payable	\$36,562	\$502,620	\$0	\$11,568	\$550,750
Due to Other Governmental Units	0	320	8	342	670
Unearned Revenue	28,081	302,239	0	325	330,645
Total Liabilities	\$64,643	\$805,179	\$8	\$12,235	\$882,065
<u>FUND BALANCES</u>					
Non-Spendable					
Inventory	0	105,773	41,752	0	147,525
Restricted					
Food Service	0	1,440,664	0	0	1,440,664
Committed					
Bookstore	0	0	35,024	0	35,024
Student Activities	0	0	0	1,263,672	1,263,672
Total Fund Balance	\$0	\$1,546,437	\$76,776	\$1,263,672	\$2,886,885
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$64,643</u>	<u>\$2,351,616</u>	<u>\$76,784</u>	<u>\$1,275,907</u>	<u>\$3,768,950</u>

ROCHESTER COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Caring Steps Fund</u>	<u>Food Services Fund</u>	<u>Bookstore Fund</u>	<u>Student Activities Fund</u>	<u>Total</u>
<u>REVENUES</u>					
<u>Local Sources</u>					
Cafeteria Sales	\$0	\$1,552,001	\$0	\$0	\$1,552,001
Preschool	681,401	0	0	0	681,401
Student Activities	0	0	0	2,343,656	2,343,656
Other Local Revenues	0	1,682	99,434	0	101,116
Total Local Sources	<u>\$681,401</u>	<u>\$1,553,683</u>	<u>\$99,434</u>	<u>\$2,343,656</u>	<u>\$4,678,174</u>
<u>State Sources</u>					
State Reimbursements	0	121,682	0	0	121,682
<u>Federal Sources</u>					
Federal Reimbursements	0	1,231,788	0	0	1,231,788
Commodities	0	190,428	0	0	190,428
Total Federal Sources	<u>\$0</u>	<u>\$1,422,216</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,422,216</u>
Total Revenues	<u>\$681,401</u>	<u>\$3,097,581</u>	<u>\$99,434</u>	<u>\$2,343,656</u>	<u>\$6,222,072</u>
<u>OTHER FINANCING SOURCES</u>					
Sale of Assets	0	195	0	0	195
Transfers from General Fund	392,883	4,822	0	0	397,705
Total Other Financing Sources	<u>\$392,883</u>	<u>\$5,017</u>	<u>\$0</u>	<u>\$0</u>	<u>\$397,900</u>
Total Revenues & Other Financing Sources	<u>\$1,074,284</u>	<u>\$3,102,598</u>	<u>\$99,434</u>	<u>\$2,343,656</u>	<u>\$6,619,972</u>
<u>EXPENDITURES</u>					
Professional Salaries	88,901	0	0	0	88,901
Insurances	12,267	0	0	0	12,267
Fica, Retirement, Etc.	42,128	0	0	0	42,128
Purchased Services	762,274	1,737,059	2,698	0	2,502,031
Supplies and Materials	152,903	1,086,976	101,068	0	1,340,947
Capital Outlay	15,811	568,933	0	0	584,744
Other	0	8,642	0	2,249,684	2,258,326
Total Expenditures	<u>\$1,074,284</u>	<u>\$3,401,610</u>	<u>\$103,766</u>	<u>\$2,249,684</u>	<u>\$6,829,344</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>					
	\$0	(\$299,012)	(\$4,332)	\$93,972	(\$209,372)
<u>FUND BALANCE - BEGINNING OF YEAR - AS RESTATED</u>					
	<u>0</u>	<u>1,845,449</u>	<u>81,108</u>	<u>1,169,700</u>	<u>3,096,257</u>
<u>FUND BALANCE - END OF YEAR</u>					
	<u>\$0</u>	<u>\$1,546,437</u>	<u>\$76,776</u>	<u>\$1,263,672</u>	<u>\$2,886,885</u>

ROCHESTER COMMUNITY SCHOOLS
DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

<u>Years Ending</u> <u>June 30</u>	<u>2016</u> <u>Principal</u>	<u>2019</u> <u>Principal</u>
2021	\$11,300,000	\$2,065,000
2022	3,425,000	2,150,000
2023	3,575,000	2,225,000
2024	3,775,000	2,300,000
2025	3,950,000	2,400,000
2026	4,150,000	2,505,000
2027	4,375,000	2,585,000
2028	4,575,000	2,670,000
2029	4,825,000	2,745,000
2030	5,050,000	2,830,000
2031	5,300,000	2,915,000
2032	5,575,000	3,000,000
2033	5,850,000	3,090,000
2034	6,150,000	3,180,000
2035	6,450,000	3,275,000
2036	6,650,000	3,370,000
2037	0	3,470,000
2038	0	3,575,000
2039	0	3,680,000
<u>TOTAL</u>	<u>\$84,975,000</u>	<u>\$54,030,000</u>
Principal Payment Dues	May 1	May 1
Interest Payments Due	May 1, Nov 1	May 1, Nov 1
Interest Rate	4% to 5%	3% to 3.125%
Original Issue	<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,				
	2011	2012	2013	2014	2015*
Governmental Activities					
Net Investment in Capital Assets	\$ 75,554,802	\$ 88,851,905	\$ 101,293,666	\$ 117,624,746	\$ 134,651,099
Restricted	3,167,686	2,683,904	2,225,763	2,112,086	2,258,951
Unrestricted	20,789,055	10,043,982	10,147,634	8,868,138	(196,851,931)
Total Primary Government Net Position	<u>\$ 99,511,543</u>	<u>\$ 101,579,791</u>	<u>\$ 113,667,063</u>	<u>\$ 128,604,970</u>	<u>\$ (59,941,881)</u>

	June 30,				
	2016	2017**	2018	2019	2020***
Governmental Activities					
Net Investment in Capital Assets	\$ 150,577,125	\$ 162,779,420	\$ 178,109,280	\$ 190,107,486	\$ 196,771,287
Restricted	1,963,967	2,911,490	3,147,098	4,457,799	3,323,677
Unrestricted	(204,122,904)	(187,861,839)	(279,562,097)	(281,444,120)	(292,972,802)
Total Primary Government Net Position	<u>\$ (51,581,812)</u>	<u>\$ (22,170,929)</u>	<u>\$ (98,305,719)</u>	<u>\$ (86,878,835)</u>	<u>\$ (92,877,838)</u>

*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*.

***Note: Net Position restated for fiscal year 2019 as of July 1, 2019 with implementation of GASB 84, *Fiduciary Activities*.

Source: Rochester Community Schools Audited Financial Reports

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

	June 30,				
	2011	2012	2013*	2014	2015**
Expenses					
Governmental Activities					
Instruction	\$ 89,466,194	\$ 96,705,976	\$ 95,987,820	\$ 97,940,300	\$ 96,581,033
Support Services	55,555,268	58,356,308	54,159,833	55,089,496	52,240,053
Community Services	2,963,674	2,974,532	2,426,223	2,607,103	2,789,715
Athletics	2,525,307	2,592,762	2,594,382	2,572,880	2,613,889
Outgoing Transfers and Other Uses	-	-	-	-	-
Food Service	2,966,664	3,702,117	3,655,228	3,739,720	3,560,500
Child Care Services	-	-	-	-	-
Student Activities	-	-	-	-	-
Interest on Long-term Debt	8,982,835	8,051,892	6,346,530	4,508,161	3,292,555
Bond Issue Costs	-	-	-	-	-
Capital Outlay	412,695	446,235	859,342	-	-
Unallocated Depreciation	8,909,754	8,390,228	8,367,578	8,395,088	8,121,786
Total Governmental Activities	171,782,391	181,220,050	174,396,936	174,852,748	169,199,531
Program Revenues					
Charges for Services:					
Instruction	6,162,038	5,500,597	5,419,898	-	-
Support Services	2,348,157	2,363,984	2,330,615	760,501	634,860
Community Services				5,168,552	5,336,459
Preschool					
Athletics				2,293,492	1,114,388
Food Services	1,143,678	1,161,410	1,178,003	1,166,410	2,348,598
Student Activities	-	-	-	-	-
Operating Grants and Contributions	33,307,452	29,026,264	32,482,600	33,446,284	37,067,240
Total Program Revenues	42,961,325	38,052,255	41,411,116	42,835,239	46,501,545
Net Expenses	(128,821,066)	(143,167,795)	(132,985,820)	(132,017,509)	(122,697,986)
General Revenue					
Property Levied for General Purposes	17,851,530	16,654,197	16,041,892	15,813,974	16,019,584
Levied for Debt Service	28,823,404	27,562,331	27,247,775	27,779,200	27,235,347
State Sources - Unrestricted	99,761,865	99,890,277	100,770,730	102,211,410	101,395,269
Interdistrict Sources	-	-	-	-	-
Investment Earnings	78,446	54,582	10,552	35,205	21,347
Miscellaneous	788,985	1,288,443	1,085,214	1,115,627	1,118,807
Gain (Loss) on Disposal of Capital Assets	(213,236)	(213,787)	12,526		27,038
Total General Revenues and Transfers	147,090,994	145,236,043	145,168,689	146,955,416	145,817,392
Change in Net Position	\$ 18,269,928	\$ 2,068,248	\$ 12,182,869	\$ 14,937,907	\$ 23,119,406

*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).

**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
Changes in Governmental Net Position (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2016	2017	2018	2019	2020
Expenses					
Governmental Activities					
Instruction	\$ 115,955,077	\$ 90,623,730	\$ 104,705,428	\$ 107,749,115	\$ 115,107,381
Support Services	50,875,773	54,902,471	65,699,674	65,462,202	74,430,811
Community Services	2,848,346	3,206,787	3,143,048	3,531,030	3,507,826
Athletics	2,626,952	2,334,358	2,435,549	2,582,178	2,582,282
Outgoing Transfers and Other Uses	4,000	81,501	3,821	3,821	4,000
Food Service	3,430,313	2,744,727	3,116,701	3,498,453	3,401,610
Child Care Services	-	-	-	738,144	1,074,284
Student Activities	-	-	-	-	2,249,684
Interest on Long-term Debt	5,100,887	8,884,483	7,389,547	6,625,508	6,763,739
Bond Issue Costs	632,611	-	-	592,481	-
Capital Outlay	-	-	-	-	-
Unallocated Depreciation	7,994,964	8,379,040	8,606,198	10,464,073	11,360,926
	<u>189,468,923</u>	<u>171,157,097</u>	<u>195,099,966</u>	<u>201,247,005</u>	<u>220,482,543</u>
Program Revenues					
Charges for Services:					
Instruction	4,227,916	4,325,120	4,526,499	4,831,328	3,297,564
Support Services	1,951,111	818,035	910,520	946,328	792,081
Community Services				-	-
Preschool				433,688	681,401
Athletics				-	-
Food Services	2,337,269	2,255,273	2,260,894	2,258,520	1,552,001
Student Activities	-	-	-	-	2,343,656
Operating Grants and Contributions	29,934,813	30,556,215	31,133,542	32,999,234	36,260,808
Total Program Revenues	<u>38,451,109</u>	<u>37,954,643</u>	<u>38,831,455</u>	<u>41,469,098</u>	<u>44,927,511</u>
Net Expenses	<u>(151,017,814)</u>	<u>(133,202,454)</u>	<u>(156,268,511)</u>	<u>(159,777,907)</u>	<u>(175,555,032)</u>
General Revenue					
Property Levied for General Purposes	16,740,459	17,145,927	17,332,500	18,025,077	19,720,682
Levied for Debt Service	27,310,206	26,687,769	28,079,584	29,572,956	27,619,164
State Sources - Unrestricted	101,903,194	103,458,205	106,216,519	108,323,299	106,134,663
Interdistrict Sources	11,238,105	11,179,573	11,677,700	11,352,304	11,983,365
Investment Earnings	345,507	910,200	1,005,467	817,669	1,066,291
Miscellaneous	1,823,462	3,214,713	2,817,204	3,113,486	1,932,219
Gain (Loss) on Disposal of Capital Assets	16,950	16,950	-	-	-
Total General Revenues and Transfers	<u>159,377,883</u>	<u>162,613,337</u>	<u>167,128,974</u>	<u>171,204,791</u>	<u>168,456,384</u>
Change in Net Position	<u>\$ 8,360,069</u>	<u>\$ 29,410,883</u>	<u>\$ 10,860,463</u>	<u>\$ 11,426,884</u>	<u>\$ (7,098,648)</u>

Source: Rochester Community Schools Audited Financial Reports

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

	June 30,				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 2,553,712	\$ 755,425	\$ 310,838	\$ 722,818	\$ 655,448
Restricted	211,198	154,422	173,672	-	-
Committed					
Encumbrances, Inventory and Prepaid Items	586,337	1,401,891	338,493	-	-
Insurance Escrow	-	448,043	451,157	-	-
Assigned					
Subsequent Year Expenditures	11,373,820	4,959,415	378,051	-	-
Unassigned	18,015,284	13,715,243	14,605,796	14,047,694	15,493,198
Total General Fund	<u>32,740,351</u>	<u>21,434,439</u>	<u>16,258,007</u>	<u>14,770,512</u>	<u>16,148,646</u>
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	199,752	107,539	113,926	110,168	84,168
Restricted					
Debt Payments	3,167,686	2,683,904	2,225,763	2,841,575	2,504,756
Food Service	-	-	-	162,637	323,318
Committed					
Specified Purposes	-	-	-	48,687	34,552
Capital Projects	1,745,219	1,714,544	1,685,950	1,116,803	23,848
Assigned	-	-	400,910	-	-
Unassigned	297,725	364,683	-	-	-
Total All Other Governmental Funds	<u>5,410,382</u>	<u>4,870,670</u>	<u>4,426,549</u>	<u>4,279,870</u>	<u>2,970,642</u>
Total All Governmental Funds	<u>\$ 38,150,733</u>	<u>\$ 26,305,109</u>	<u>\$ 20,684,556</u>	<u>\$ 19,050,382</u>	<u>\$ 19,119,288</u>
			June 30,		
	2016	2017	2018	2019	2020
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 456,489	\$ 521,547	\$ 602,383	\$ 707,957	\$ 612,395
Assigned	-	-	-	-	1,675,967
Unassigned	22,004,557	28,380,867	30,647,711	35,626,307	36,240,432
Total General Fund	<u>22,461,046</u>	<u>28,902,414</u>	<u>31,250,094</u>	<u>36,334,264</u>	<u>38,528,794</u>
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	80,110	111,106	115,148	106,537	148,786
Restricted					
Debt Payments	2,841,549	2,485,279	2,250,558	3,736,324	2,742,109
Food Service	750,335	1,547,915	1,856,899	1,786,722	1,440,664
Committed					
Specified Purposes	32,701	36,824	39,673	50,525	1,298,696
Capital Projects	123,965,355	91,261,161	48,039,585	66,674,154	35,582,905
Assigned					
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>127,670,050</u>	<u>95,442,285</u>	<u>52,301,863</u>	<u>72,354,262</u>	<u>41,213,160</u>
Total All Governmental Funds	<u>\$ 150,131,096</u>	<u>\$ 124,344,699</u>	<u>\$ 83,551,957</u>	<u>\$ 108,688,526</u>	<u>\$ 79,741,954</u>

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. Fiscal Year end June 30, 2019 fund balances have been restated for implementation of GASB 84, *Fiduciary Activities*.

Source: Rochester Community Schools Audited Financial Reports

Rochester Community Schools
Changes in Fund Balances for Governmental Funds (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2011	2012	2013	2014	2015
Revenue					
Local Sources	\$ 58,200,951	\$ 54,875,400	\$ 53,665,584	\$ 54,413,271	\$ 54,113,338
State Sources	109,740,444	111,045,829	117,066,280	119,378,548	121,739,208
Federal Sources	11,382,472	5,987,682	5,822,677	5,517,412	5,835,453
Interdistrict Sources	11,871,553	11,593,174	10,012,738	10,481,424	10,603,900
Total Revenue	191,195,420	183,502,085	186,567,279	189,790,655	192,291,899
Expenditures					
Current:					
Instruction	89,377,225	97,065,875	98,864,235	98,883,303	100,916,106
Support Services	55,875,444	58,809,257	55,962,580	54,557,582	53,187,341
Community Services	2,963,674	2,974,532	2,426,223	2,606,664	2,857,409
Building Improvements	28,761	511,131	22,615	-	-
Early Retirement	1,811,890	-	-	-	-
Food Services	2,933,318	3,702,117	3,655,228	3,739,720	3,565,230
Book Store	74,145	80,807	65,765	72,657	49,293
Athletics	2,518,807	2,592,762	2,594,382	2,572,683	2,678,856
Child Care	-	-	-	-	-
Student Activities	-	-	-	-	-
Debt Service:					
Principal	18,410,000	19,410,000	20,386,000	20,054,553	21,841,587
Interest	9,142,635	8,213,245	6,572,372	4,852,630	4,380,970
Other	1,382,645	956,522	846,139	142,484	132,273
Capital Outlay	2,691,061	1,043,130	531,931	1,555,285	1,226,562
Other	-	-	-	149,881	39,461
Total Expenditures	187,209,605	195,359,378	191,927,470	189,187,442	190,875,088
Excess Revenue Over (Under) Expenditures	3,985,815	(11,857,293)	(5,360,191)	603,213	1,416,811
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	-	-	26,980,000	47,614,896	11,449,740
Payments to Escrow Agent	-	-	(30,272,886)	(53,676,424)	(13,653,898)
Premium (Discount) on Bond Issuance	-	-	2,981,639	3,809,529	826,924
Bond Issuance Costs	-	-	-	-	-
Proceeds from Sale of Capital Assets	26,612	11,669	50,885	14,613	29,329
Other Reimbursements	-	-	-	-	-
Transfers In	2,695,015	2,533,966	1,972,595	1,727,894	100,000
Transfers Out	(2,695,015)	(2,533,966)	(1,972,595)	(1,727,894)	(100,000)
Total Other Financing Sources (Uses)	26,612	11,669	(260,362)	(2,237,386)	(1,347,905)
Net Change in Fund Balance	4,012,427	(11,845,624)	(5,620,553)	(1,634,173)	68,906
Fund Balance - Beginning	34,138,306	38,150,733	26,305,109	20,684,556	19,050,383
Fund Balance - Restatement	-	-	-	-	-
Fund Balance - Ending	\$ 38,150,733	\$ 26,305,109	\$ 20,684,556	\$ 19,050,383	\$ 19,119,289
Debt Service - Percentage of Non-Capital Expenditures	18.60%	17.24%	17.00%	15.42%	16.14%

Rochester Community Schools
Changes in Fund Balances for Governmental Funds (Unaudited)
Last Ten Fiscal Years

	June 30,				
	2016	2017	2018	2019	2020
Revenue					
Local Sources	\$ 55,518,873	\$ 56,415,778	\$ 57,921,010	\$ 61,185,211	\$ 60,278,369
State Sources	125,560,941	127,387,852	131,221,883	134,872,394	135,319,509
Federal Sources	5,482,363	5,577,471	5,133,487	5,222,437	5,749,804
Interdistrict Sources	11,238,105	11,179,573	11,677,700	11,352,304	11,983,365
Total Revenue	197,800,282	200,560,674	205,954,080	212,632,346	213,331,047
Expenditures					
Current:					
Instruction	102,397,607	100,436,799	100,191,725	102,844,510	104,713,970
Support Services	52,270,628	56,869,765	62,480,361	65,237,844	62,510,290
Community Services	2,784,163	3,149,409	2,920,806	3,296,453	3,119,659
Building Improvements	-	-	-	-	-
Early Retirement	-	-	-	-	-
Food Services	3,430,313	2,744,727	3,116,701	3,498,453	3,401,610
Book Store	64,183	57,378	77,048	99,229	103,766
Athletics	2,626,952	2,334,358	2,435,549	-	2,582,282
Child Care	-	-	-	738,144	1,074,284
Student Activities	-	-	-	-	2,249,684
Debt Service:					
Principal	23,320,000	18,065,000	21,160,000	21,970,000	21,820,000
Interest	3,604,572	8,959,320	7,101,952	6,132,733	6,781,374
Other	65,118	44,058	72,739	14,865	-
Capital Outlay	4,119,047	33,612,062	47,155,949	40,498,365	35,103,108
Other	4,000	81,501	40,341	40,341	40,140
Total Expenditures	194,686,583	226,354,377	246,753,171	244,370,937	243,500,167
Excess Revenue Over (Under) Expenditures	3,113,699	(25,793,703)	(40,799,091)	(31,738,591)	(30,169,120)
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	108,870,365	-	-	56,025,000	-
Payments to Escrow Agent	-	-	-	-	-
Permium (Discount) on Bond Issuance	19,631,645	-	-	1,401,098	-
Bond Issuance Costs	(632,612)	-	-	(592,481)	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Other Reimbursements	28,710	7,306	6,349	41,543	52,848
Transfers In	50,754	4,344	2,912	307,220	397,705
Transfers Out	(50,754)	(4,344)	(2,912)	(307,220)	(397,705)
Total Other Financing Sources (Uses)	127,898,108	7,306	6,349	56,875,160	52,848
Net Change in Fund Balance	131,011,807	(25,786,397)	(40,792,742)	25,136,569	(30,116,272)
Fund Balance - Beginning	19,119,289	150,131,096	124,344,699	83,551,957	108,688,526
Fund Balance - Restatement	-	-	-	-	1,169,700
Fund Balance - Ending	\$ 150,131,096	\$ 124,344,699	\$ 83,551,957	\$ 108,688,526	\$ 79,741,954
Debt Service - Percentage of Non-Capital Expenditures	16.50%	16.35%	16.55%	16.07%	16.21%

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

Tax Year	Fiscal Year	Taxable Value by Property Type					Total Value	Tax Rate (Mills)		Estimated Actual Value	Taxable Value as a Percentage Of Actual
		Real Property		Personal Property				Homestead	Non-Homestead		
		Homestead & Other	Non-Homestead	Industrial	Commercial						
2010	2011	3,156,725,950	957,726,535	31,581,420	81,376,777	4,227,410,682	6.7000	24.7000	8,454,821,364	50%	
2011	2012	3,040,818,049	888,234,154	30,611,760	83,250,326	4,042,914,289	6.7000	24.7000	8,085,828,578	50%	
2012	2013	3,080,863,899	844,032,425	31,910,020	80,958,579	4,037,764,923	6.7000	24.7000	8,075,529,846	50%	
2013	2014	3,165,737,009	846,034,239	35,194,980	81,242,711	4,128,208,939	6.7000	24.7000	8,256,417,878	50%	
2014	2015	3,277,197,573	867,299,936	37,960,310	68,030,850	4,250,488,669	6.0000	24.0000	8,500,977,338	50%	
2015	2016	3,431,906,935	890,857,181	39,133,910	71,097,920	4,432,995,946	6.0000	24.0000	8,865,991,892	50%	
2016	2017	3,553,538,232	913,004,279	12,151,980	71,940,070	4,550,634,561	5.9000	23.9000	9,101,269,122	50%	
2017	2018	3,710,924,789	927,745,230	10,105,010	70,229,660	4,719,004,689	6.0000	24.0000	9,438,009,378	50%	
2018	2019	3,918,885,673	964,635,482	8,463,720	71,030,470	4,963,015,345	6.0100	24.0100	9,926,030,690	50%	
2019	2020	4,142,389,196	1,034,506,188	4,933,940	72,795,760	5,254,625,084	5.3000	24.0000	10,509,250,168	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
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
2020	-	18.0000	5.3000	5.3000	23.3000

Fiscal Year Ended June 30,	Overlapping Taxes							
	Macomb County	Macomb County ISD	Oakland County	Oakland County ISD	Community College		Romeo District Library	State Education Tax
					Macomb	Oakland		
2011	4.5685	N/A	4.7461	3.3690	1.5712	1.5844	-	6.0000
2012	4.5685	N/A	4.1900	3.3690	1.5712	1.5844	-	6.0000
2013	4.5685	N/A	4.1900	3.3690	1.5712	1.5844	-	6.0000
2014	4.5685	N/A	4.1900	3.3690	1.5262	1.5844	-	6.0000
2015	4.5685	2.9430	4.0900	3.3633	1.5262	1.5844	-	6.0000
2016	4.5566	2.9355	4.0400	3.3398	1.4174	1.5707	-	6.0000
2017	4.5974	2.9166	4.0900	3.3079	1.4212	1.5550	-	6.0000
2018	4.5974	2.8945	4.2468	3.3079	1.4072	1.5555	1.1271	6.0000
2019	4.5651	2.8744	4.2749	3.2813	1.4640	1.5431	1.1086	6.0000
2020	4.5807	4.7296	4.3700	3.2280	1.4387	1.5184	1.0849	6.0000

* Non-homestead operating levy limited to 18.0000 mills.

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

Source: Michigan Department of Treasury

<https://eequal.bsasoftware.com/MillageSearch.aspx>

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	\$ 28,043,610	16%	\$ 25,091,000	12%
Singh Properties	27,332,880	15%	31,219,010	15%
Vorth Assoc. LLC (The Village RH)	21,931,550	12%	27,768,170	13%
New Plan (Hampton Village Center)	19,778,370	11%	23,495,220	11%
Consumers Power	16,665,590	9%	-	0%
Ramco / Winchester Center LLC	13,975,990	8%	17,533,050	9%
Sunoco Pipeline LP	13,439,710	8%	-	0%
Stuart Frankel	12,719,350	7%	18,100,690	9%
Good Will Co. Inc. (Meijers)	12,631,050	7%	-	0%
Associate Estates Realty: Apartments	11,790,720	7%	15,188,160	7%
1185 River Oaks North, LLC (Solomon Properties)	-	0%	15,769,060	8%
FANUC Robotics	-	0%	16,504,220	8%
Marketplace of RH			15,235,870	7%
Total	<u>\$ 178,308,820</u>	<u>100%</u>	<u>\$ 205,904,450</u>	<u>100%</u>

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

Notes: Obtained schedules from City of Rochester Hills CAFR (most recent report available)
<https://rochesterhills.org/Archive/44>

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

<u>Tax Year</u>	<u>Fiscal Year End June 30</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percentage of Collections</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Levy Collected</u>
2011	2012	16,616,677	15,976,775	96%	639,902	16,616,677	100%
2012	2013	16,872,543	15,470,434	92%	588,549	16,058,983	95%
2013	2014	15,813,974	15,314,610	97%	451,231	15,765,841	100%
2014	2015	16,009,536	15,556,359	97%	434,588	15,990,947	100%
2015	2016	16,082,684	15,690,521	98%	371,833	16,062,354	100%
2016	2017	16,904,921	16,462,429	97%	442,492	16,904,921	100%
2017	2018	17,104,796	16,749,733	98%	355,063	17,104,796	100%
2018	2019	17,778,694	17,412,108	98%	351,938	17,764,046	100%
2019	2020	19,389,011	18,677,868	96%	736,560	19,414,428	100%
2020	2021	20,629,994	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**
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
2020	156,492,409	-	156,492,409	-	156,492,409	5,254,544,858

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
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%	98,659	1,630	1,630	52,056
2020	2.98%	2.98%	N/A	N/A	N/A	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, 2020

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
City of Auburn Hills	\$ 140,464,035	0.14%	\$ 199,709
City of Rochester	23,140,929	100.00%	23,140,929
City of Rochester Hills	16,305,917	8.22%	1,340,102
Charter Township of Oakland	2,232,385	89.93%	2,007,584
Charter Township of Orion	3,292,479	4.79%	157,710
Charter Township of Shelby	23,250,162	0.01%	2,325
Charter Township of Washington	41,655,179	46.00%	19,163,138
Macomb County	268,627,685	0.24%	644,706
Oakland County	317,015,768	8.63%	27,358,461
Oakland ISD	42,970,000	8.78%	3,772,766
			<u>77,787,430</u>
Total Overlapping Debt			
Direct District Debt			<u>139,005,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 216,792,430</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

	2011	2012	2013	2014	2015
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 4,082,023,284	\$ 4,092,261,741	\$ 4,279,095,480	\$ 4,221,995,200	\$ 5,142,070,960
15% of SEV	\$ 612,303,493	\$ 613,839,261	\$ 641,864,322	\$ 633,299,280	\$ 771,310,644
Calculation of Debt Subject to Limit					
Total Debt	168,920,000	149,510,000	128,845,000	104,210,000	80,590,000
Less Debt not Subject to Limit - State Qualified Debt Issuance	<u>(168,920,000)</u>	<u>(149,510,000)</u>	<u>(128,845,000)</u>	<u>(104,210,000)</u>	<u>(80,590,000)</u>
Net Debt Subject to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 612,303,493</u>	<u>\$ 613,839,261</u>	<u>\$ 641,864,322</u>	<u>\$ 633,299,280</u>	<u>\$ 771,310,644</u>
Net Debt Subject to Limit as a percentage of Debt Limit	0%	0%	0%	0%	0%
<hr/>					
	2016	2017	2018	2019	2020
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 5,527,820,500	\$ 5,776,460,080	\$ 6,002,231,890	\$ 6,078,649,100	\$ 6,726,324,453
Legal Debt Limit - 15% of SEV	\$ 829,173,075	\$ 866,469,012	\$ 900,334,784	\$ 911,797,365	\$ 1,008,948,668
Calculation of Debt Subject to Limit					
Total Debt	165,995,000	147,930,000	126,770,000	160,825,000	156,492,409
Less Debt not Subject to Limit - State Qualified Debt Issuance	<u>(57,270,000)</u>	<u>(40,355,000)</u>	<u>(22,995,000)</u>	<u>(5,225,000)</u>	<u>-</u>
Net Debt Subject to Limit	<u>108,725,000</u>	<u>107,575,000</u>	<u>103,775,000</u>	<u>155,600,000</u>	<u>156,492,409</u>
Legal Debt Margin	<u>\$ 720,448,075</u>	<u>\$ 758,894,012</u>	<u>\$ 796,559,784</u>	<u>\$ 756,197,365</u>	<u>\$ 852,456,259</u>
Net Debt Subject to Limit as a percentage of Debt Limit	13%	12%	12%	17%	16%

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*
2011	87,273	3,812,695,551	43,687	7.3%
2012	89,673	3,835,672,902	42,774	6.8%
2013	89,700	3,826,781,400	42,662	5.0%
2014	94,747	4,144,044,286	43,738	3.7%
2015	92,087	4,218,045,035	45,805	3.8%
2016	93,622	4,447,045,000	47,500	3.7%
2017	93,631	4,794,281,724	51,204	3.1%
2018	92,789	4,988,986,163	53,767	3.7%
2019	98,659	5,135,792,904	52,056	4.4%
2020	N/A	N/A	N/A	

Sources: * US Census Bureau
 N/A Not Available

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

2019 Rank	Taxpayer	2019 Number of Employees	Percentage of Total Employment	2010 Number of Employees	Percentage of Total Employment	2010 Rank
1	Oakland University	1,793	4.31%	1,480	3.97%	3.00%
2	Ascension Crittenton Hospital	1,263	3.04%	1,670	4.48%	2.00%
3	Rochester Community Schools	1,237	2.97%	1,691	4.54%	1.00%
4	Webasto Roof Systems, Inc.	677	1.63%	383	1.03%	6.00%
5	FANUC America Corporation	650	1.56%	550	1.48%	4.00%
6	Henry Ford Health Systems	440	1.06%	280	0.75%	9.00%
7	A. Raymond Group	421	1.01%			
8	Molex	352	0.85%			
9	3 Dimensional Services	225	0.54%			
10	City of Rochester Hills	213	0.51%			
	Wright & Filippis, Inc.			421	1.13%	5.00%
	Volkswagen/Audi			380	1.02%	7.00%
	Dura Automotive			280	0.75%	8.00%
	Computer & Engineering Services			250	0.67%	10.00%
	Total Principal Employers	7,271		7,385		
	Total Employment	<u>41,599</u>		<u>37,247</u>		

Source: City of Rochester Hills CAFR (most recent report available)

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

	2011	2012*	2013	2014	2015
General Government					
Teachers	976	930	961	961	950
Administrators	33	31	31	31	31
Secretaries	97	86	86	86	86
Maintenance/Grounds/Technicians	52	37	41	41	41
Paraprofessionals	271	351	351	351	351
Executive Staff/Directors	11	11	11	11	11
Total	<u>1,440</u>	<u>1,446</u>	<u>1,481</u>	<u>1,481</u>	<u>1,470</u>
<hr/>					
	2016	2017	2018	2019	2020
General Government					
Teachers	890	893	901	902	909
Administrators	31	32	32	33	35
Secretaries	92	90	90	92	80
Maintenance/Grounds/Technicians	39	42	42	37	32
Paraprofessionals	280	274	274	272	277
Executive Staff/Directors	9	10	10	11	12
Total	<u>1,341</u>	<u>1,341</u>	<u>1,349</u>	<u>1,347</u>	<u>1,345</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
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
2020	8,529	15,413	178,516,564	11,582	175,976,982	11,417	70,954

Source: Rochester Community Schools audited financial statements and district records

Rochester Community Schools
Capital Asset Information (Unaudited)
Year Ended June 30, 2020

Instructional	Pupil Capacity	Number of Teaching Stations	Building Square Footage	Site Acreage	Year Built/ Renovated
Elementary					
Baldwin	625	28	68,276	13	1926/1993
Brewster	475	24	69,013	13	1980/2020
Brooklands	625	27	71,877	20	1993/2020
Delta Kelly	625	29	83,564	21	2002
Hamlin	625	27	74,408	13	1933/2018
Hampton	625	34	84,227	12	1993/2018
Hugger	475	22	68,340	21	1988/2017
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	1989/2017
North Hill	625	31	80,802	12	1955/2019
University Hills	475	24	69,958	10	1971/2020
Total Elementary	<u>7,225</u>	<u>345</u>	<u>969,146</u>	<u>185</u>	
Middle School:					
Hart	950	50	160,000	53	1990
Reuther	650	30	124,145	45	1971/2007
Van Hoosen	650	30	124,145	71	1971/2007
West	950	48	153,127	21	1961/2017
Total Middle School	<u>3,200</u>	<u>158</u>	<u>561,417</u>	<u>190</u>	
High School:					
Adams	1,500	77	316,502	*	1970/2000
Rochester	1,500	78	325,060	46	1955/2002
Stoney Creek	1,500	77	321,411	72	2000
Total High School	<u>4,500</u>	<u>232</u>	<u>962,973</u>	<u>118</u>	
Other:					
Shultz Educational Campus	120	20	45,178	9	1928/2018
Caring Steps Children's Center	127	13	40,000	24	1996
Total Other	<u>247</u>	<u>33</u>	<u>85,178</u>	<u>33</u>	
Total Instructional	15,172	768	2,578,714	525	
Non-Instructional:					
Administration Center	-	-	84,790	4	1882/1990
Bus Garage/Transportation	-	-	20,538	3	1957/2019
Facility Operations Center	-	-	12,948	12	2006/2019
Total Non-Instructional	<u>-</u>	<u>-</u>	<u>118,276</u>	<u>19</u>	
Grand Total	<u>15,172</u>	<u>768</u>	<u>2,696,990</u>	<u>544</u>	

*Shared site: Adams & Van Hoosen

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

Grade	Fall Full Time Equivalent Count									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
K	899	944	967	966	959	991	1,024	1,004	1,023	1,132
1	1,020	972	1,014	1,031	1,010	1,002	1,010	1,093	1,044	1,074
2	1,033	1,030	1,019	1,048	1,035	1,020	1,040	1,039	1,123	1,072
3	1,023	1,064	1,074	1,050	1,052	1,081	1,030	1,082	1,060	1,159
4	1,126	1,041	1,082	1,122	1,089	1,078	1,109	1,079	1,106	1,085
5	1,056	1,156	1,073	1,106	1,150	1,108	1,111	1,136	1,096	1,106
6	1,122	1,081	1,161	1,107	1,095	1,154	1,127	1,137	1,158	1,110
7	1,139	1,135	1,101	1,176	1,116	1,131	1,167	1,177	1,156	1,170
8	1,121	1,173	1,156	1,111	1,180	1,148	1,168	1,183	1,202	1,174
9	1,250	1,215	1,230	1,195	1,155	1,215	1,218	1,217	1,218	1,230
10	1,249	1,271	1,211	1,225	1,200	1,188	1,244	1,221	1,219	1,219
11	1,206	1,247	1,269	1,205	1,242	1,215	1,184	1,270	1,232	1,208
12	1,238	1,232	1,248	1,284	1,225	1,266	1,257	1,226	1,302	1,237
Special Education	406	437	452	455	429	427	414	437	436	437
Total	14,888	14,998	15,057	15,081	14,937	15,024	15,103	15,301	15,375	15,413

Source: MDE Form DS-4120

ROCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2019	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2020
<u>U.S. DEPARTMENT OF EDUCATION</u>									
Passed Through Michigan Department of Education:									
Adult Basic Education	84.002								
Adult Basic Education (18-19)		191130-191537	\$171,514	\$4,677	\$146,705	\$0	\$0	\$4,677	\$0
Adult Basic Education (19-20)		191537-201537	172,138	0	0	170,413	0	170,413	0
Total Adult Basic Education			\$343,652	\$4,677	\$146,705	\$170,413	\$0	\$175,090	\$0
Title I Grants to Local Educational Agencies: 84.010									
Title I (18-19)		191530-1819	354,686	49,001	293,974	8,630	0	57,631	0
Title I (19-20)		201530-1920	359,059	0	0	339,132	0	306,573	32,559
Total Title I Grants to Local Educational Agencies			\$713,745	\$49,001	\$293,974	\$347,762	\$0	\$364,204	\$32,559
Title III Limited English: 84.365									
Title III (18-19)		190570-1819	76,600	12,777	28,334	10,069	0	22,846	0
Title III (18-19)		190580-1819	144,094	2,386	107,797	8,164	0	10,550	0
Title III (19-20)		200570-1920	104,994	0	0	46,000	0	31,952	14,048
Title III (19-20)		200580-1920	147,202	0	0	71,700	0	51,712	19,988
Total Title III Limited English			\$472,890	\$15,163	\$136,131	\$135,933	\$0	\$117,060	\$34,036
Improving Teacher Quality: 84.367									
Title IIA (18-19)		190520-1819	467,943	28,260	263,391	78,727	0	106,987	0
Title IIA (19-20)		200520-1920	336,669	0	0	218,219	0	209,702	8,517
Total Improving Teacher Quality			\$804,612	\$28,260	\$263,391	\$296,946	\$0	\$316,689	\$8,517
Student Support and Academic Enrichment 84.424									
Title IV (18-19)		190750-1819	34,570	8,286	33,665	905	0	9,191	0
Title IV (19-20)		200750-1920	23,824	0	0	23,824	0	23,824	0
Total Student Support and Academic Enrichment			\$58,394	\$8,286	\$33,665	\$24,729	\$0	\$33,015	\$0
Total Passed Through Michigan Department of Education			\$2,393,293	\$105,387	\$873,866	\$975,783	\$0	\$1,006,058	\$75,112
Passed Through Oakland County ISD									
Special Education - Grants to States: 84.027									
IDEA (17-18)		180450-1718	3,113,922	4,090	3,113,922	0	0	4,090	0
IDEA (18-19)		190450-1819	3,133,043	474,039	3,021,155	136,637	0	610,676	0
IDEA (19-20)		200450-1920	3,140,339	0	0	2,988,795	0	2,153,191	835,604
Total Special Education - Grants to States			\$9,387,304	\$478,129	\$6,135,077	\$3,125,432	\$0	\$2,767,957	\$835,604
Special Education - Preschool: 84.173									
Special Education Preschool (18-19)		190460-1819	142,229	20,954	138,161	4,068	0	25,022	0
Special Education Preschool (19-20)		200460-1920	154,907	0	0	154,334	0	118,233	36,101
Total Special Education - Preschool			\$297,136	\$20,954	\$138,161	\$158,402	\$0	\$143,255	\$36,101
Total Special Education Cluster			\$9,684,440	\$499,083	\$6,273,238	\$3,283,834	\$0	\$2,911,212	\$871,705
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$12,077,733	\$604,470	\$7,147,104	\$4,259,617	\$0	\$3,917,270	\$946,817

ROCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2019	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2020
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Michigan Department of Education:									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	\$190,350	\$0	\$0	\$190,350	\$0	\$190,350	\$0
Bonus Commodities	10.555	N/A	78	0	0	78	0	78	0
Total Non-Cash Assistance			\$190,428	\$0	\$0	\$190,428	\$0	\$190,428	\$0
Cash Assistance									
National School Lunch Program	10.555	N/A	486,344	36,036	0	486,344	0	522,380	0
Covid-19 Unanticipated School Closure	10.555	N/A	691,530	0	0	681,530	0	549,827	131,703
Total 10.555			\$1,368,302	\$36,036	\$0	\$1,358,302	\$0	\$1,262,635	\$131,703
School Breakfast Program	10.553	N/A	63,914	5,218	0	63,914	0	69,132	0
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE (NUTRITION CLUSTER)</u>			\$1,432,216	\$41,254	\$0	\$1,422,216	\$0	\$1,331,767	\$131,703
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>									
Passed Through Oakland County ISD									
Medicaid Outreach Program (18-19)	93.778	N/A	67,971	0	0	67,971	0	67,971	0
<u>TOTAL FEDERAL AWARDS</u>			\$13,577,920	\$645,724	\$7,147,104	\$5,749,804	\$0	\$5,317,008	\$1,078,520

ROCHESTER COMMUNITY SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$5,749,804</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$4,327,588
Special Revenue Funds	<u>1,422,216</u>
 <u>TOTAL</u>	 <u>\$5,749,804</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, 2020.

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.

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 74 of this report.

The District qualifies for low-risk auditee status.

- 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 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) 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, 2020 that is not included on the schedule of expenditures of federal awards.
- 4) 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, 2020

Current Payments Per the Grant Auditor's Report		
Cash Management System		\$2,147,397
<u>Add:</u> Passed Through Oakland County ISD		
Special Education - State Grants (CFDA 84.027)	\$2,767,957	
Special Education - Preschool (CFDA 84.173)	143,255	
Medicaid Outreach (CFDA 93.778)	67,971	
Total Passed Through Oakland County ISD	2,979,183	2,979,183
Entitlement and Bonus Commodities		190,428
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		\$5,317,008



November 24, 2020

**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, 2020, and the related notes to the financial statements, which collectively comprise Rochester Community Schools' basic financial statements, and have issued our report thereon dated November 24, 2020.

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) as a basis for designing 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 financial statements. 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*.

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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 & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



November 24, 2020

**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, 2020. 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, 2020.

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, 2020

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:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555	Nutrition 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.



November 24, 2020

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, 2020. 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 22, 2020. 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 2019-2020 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. 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 November 24, 2020.

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.

Rochester Community Schools
Page 3
November 24, 2020

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