

Comprehensive Annual Financial Report  
Rochester Community Schools – Michigan  
June 30, 2021

ROCHESTER COMMUNITY SCHOOLS  
Rochester, Michigan

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

FISCAL YEAR ENDED JUNE 30, 2021

PREPARED BY:

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Executive Director of Business Operations

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October 25, 2021

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, 2021. 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, 2021. 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, 2021 are as follows:

Name	Position	Term
Kristin Bull	President	2026
Kevin Beers	Vice President	2022
Michael Zabat	Treasurer	2022
Michelle Bueltel	Secretary	2024
Barbara Anness	Trustee	2024
Andrea Walker-Leidy	Trustee	2024
Scott Muska	Trustee	2026

## **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 2020 enrollment totaled 14,985 Full-Time Equivalent (FTE) students, which was a decrease compared to pre-pandemic counts. The district enrollment has remained stable since the fall of 2013. The 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:

<b>Name of School</b>	<b>Grades Served</b>	<b>Approximate Enrollment</b>
Brookfield Academy	Pre K-5	130
Eagle Creek Academy	Pre K-8	139
Holy Family Regional North Campus	K-3	430
Holy Family Regional South Campus	4-8	390
Lutheran High Northwest	9-12	230
Oak Arbor School	Pre K-8	25
Premier Academy of Oakland	Pre K-K	200
Premier Academy of Rochester Hills	Pre K-K	176
Rochester Hills Christian School	Pre K-12	260
St. John Lutheran School	Pre K-8	<u>355</u>
		<u>2,335</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		
	2021-2022	2020-2021	2019-2020	2018-2019
Unassigned Fund Balance	34,891,095.00	36,554,334.00	36,240,432.00	36,334,421.00
Expenditures	186,713,191.00	181,991,891.00	175,976,982.00	172,865,015.00
% Unassigned	18.69%	20.09%	20.59%	21.02%

### 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.

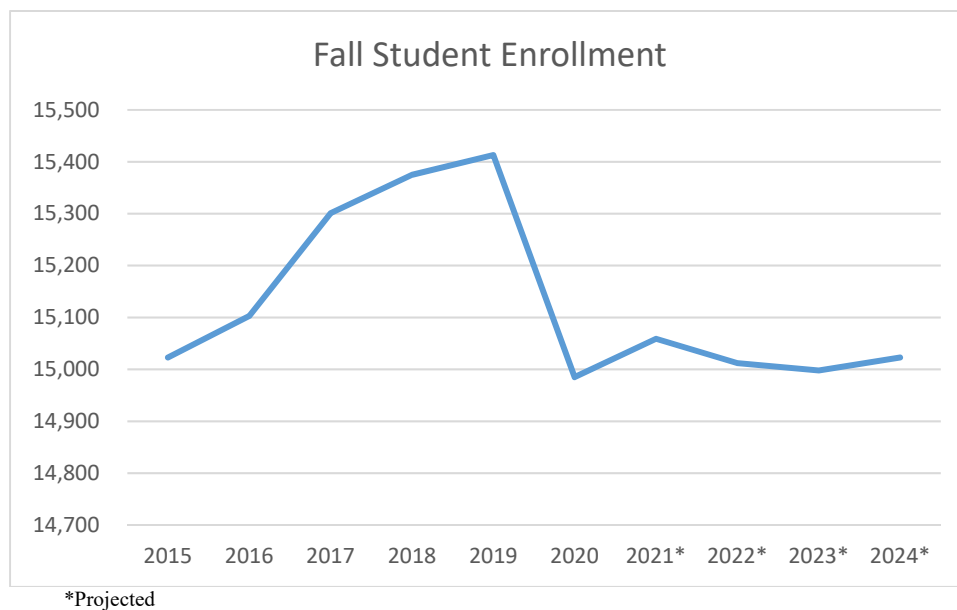
### *Infrastructure & Technology*

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.

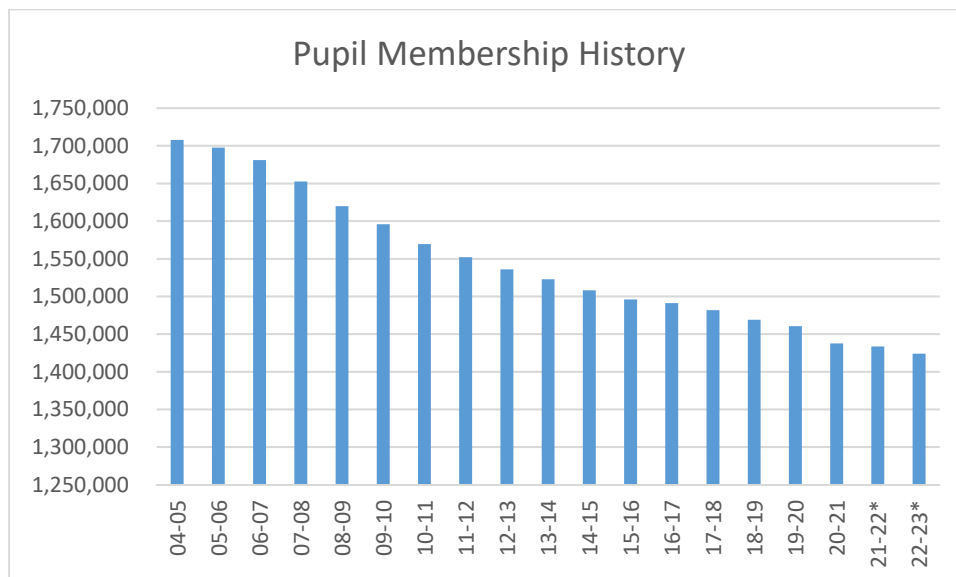
The district's major initiatives were adopted by the Board of Education in 2015. Strategies have been developed and action plans implemented to help the district reach each of its Strategic Plan objectives. Progress toward the objectives is monitored on an on-going basis and presented to the Board of 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. The district anticipates that the strategic planning process will resume during the 2021-22 school year.

### **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:



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 and MI School Data

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 Annual Financial Report. This document is also the District's third submission for the ASBO Certificate of Excellence in 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](http://www.rochester.k12.mi.us).

Respectfully Submitted,

***Robert Shaner***

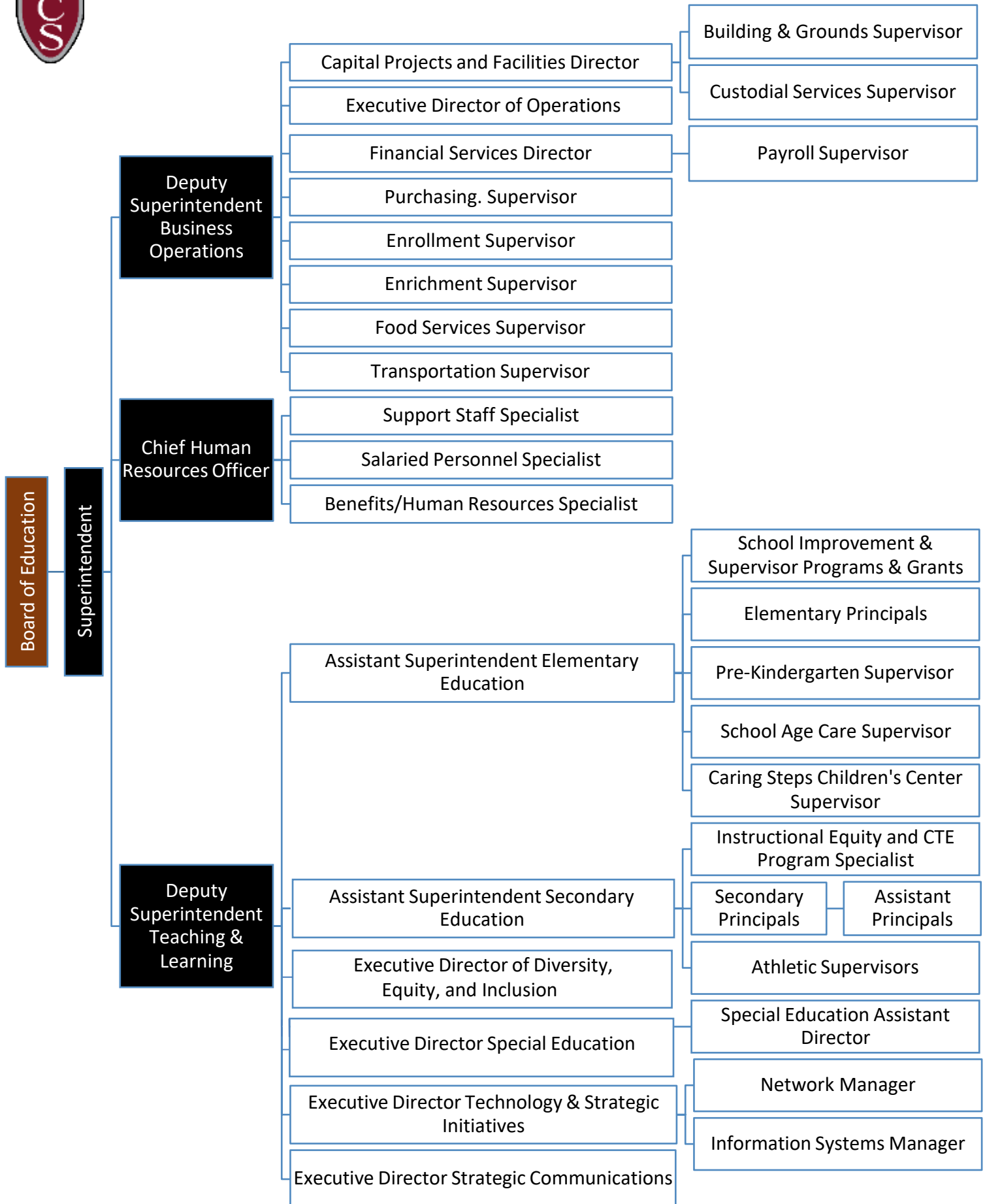
Dr. Robert Shaner, Ph.D.  
Superintendent of Schools

***Dana J. Taylor***

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



# Rochester Community Schools Organizational Chart 2020-21



### **List of Principal Officials of the School District**

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, 2021 are as follows:

Name	Position	Term
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Andrea Walker-Leidy	Trustee	2024
Scott Muska	Trustee	2026



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

**Rochester Community Schools**

**for its Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2020.**

The report meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'W. Edward Chabal'.

W. Edward Chabal  
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis  
Executive Director



October 29, 2021

## 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, 2021, 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, 2021, 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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1100 Torrey Road | Suite 400 | Fenton, MI 48430 | 810-629-1500

[www.lewis-knopf.com](http://www.lewis-knopf.com)

## 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, the combining and individual non-major fund, other schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, 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, 2021.

### Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2021 by \$99,086,520 (net position).

The District's total net position increased by \$6,208,682.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$62,835,925, a decrease of \$16,906,029 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 \$38,610,298.

### 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, 2021.

**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 MPSERS pension plan immediately following the notes to the financial statements. The combining fund statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

## Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$99,086,520 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 \$203,104,659 at June 30, 2021. 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,	
	2021	2020
Assets		
Current assets	\$ 100,154,552	\$ 105,047,559
Capital assets net of depreciation	330,000,809	317,840,777
Total assets	430,155,361	422,888,336
Deferred Outflows of Resources	104,315,647	111,410,591
Liabilities		
Current liabilities	38,989,554	41,410,150
Long-term liabilities	536,983,842	531,250,192
Total liabilities	575,973,396	572,660,342
Deferred inflows of resources	57,584,132	54,516,423
Net position (deficit)		
Net Investment in capital assets	203,104,659	196,771,287
Restricted for debt service	3,730,486	3,323,677
Unrestricted	(305,921,665)	(292,972,802)
Total net position (deficit)	\$ (99,086,520)	\$ (92,877,838)

An amount of \$3,730,486 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 \$(99,086,520) 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



## Changes in Net Position Governmental Activities

	June 30,	
	2021	2020
General revenue		
Property taxes	\$ 47,393,494	\$ 47,339,846
State of Michigan aid, unrestricted	108,675,552	106,134,663
Other – federal, state and local	14,886,174	14,981,875
Program revenue		
Charges for services – local	3,324,430	8,666,703
Operating grants – federal and state	41,868,465	36,260,808
Total revenues	216,148,115	213,383,895
Expenses		
Instruction	117,170,175	115,107,381
Support services	77,915,494	74,430,811
Community services	2,166,822	3,507,826
Food services	2,790,976	3,401,610
Athletics	2,709,963	2,582,282
Preschool	998,700	1,074,284
Student Activities	1,192,423	2,249,684
Outgoing transfers and other uses	4,000	4,000
Interest on long-term debt	5,745,113	6,763,739
Bond issuance costs	-	-
Depreciation (unallocated)	11,663,131	11,360,926
Total expenses	222,356,797	220,482,543
Change in net position	(6,208,682)	(7,098,648)
Net position – July 1 (Restated)	(92,877,838)	(85,779,190)
Restatement for implementation of GASB 84	-	-
Net position – June 30	\$ (99,086,520)	\$ (92,877,838)

## 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 \$62,835,925, a decrease of \$16,906,029 in comparison with the prior year. Unassigned fund balance totaled \$36,554,334 at June 30, 2021. 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 \$36,554,334, while total fund balance was \$38,610,298.

### 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, 2021 amounted to \$330,000,809 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, site improvements, vehicles and equipment.

Depreciation expense totaled \$11,663,131 for the year ended June 30, 2021.

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, 2021 and 2020 follows:

CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)		
	2021	2020
Land and improvements	\$ 9,851,083	\$ 9,144,814
Construction in progress	5,092,403	38,263,818
Buildings and additions	274,684,385	233,622,264
Site improvements	27,221,506	26,975,223
Furniture and equipment	8,036,345	5,927,249
Vehicles and buses	5,115,087	3,907,410
Total	<u>\$ 330,000,809</u>	<u>\$ 317,840,778</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 \$142,000,597. The District's total debt principal payments were \$14,491,812 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 2021-22 fiscal year:

- The District continues to realign its general fund expenditure budget to approximate expected revenues.
- The District's foundation allowance is set by the State of Michigan and is dependent on the state's economic condition. The cost of the State pension system continues to absorb more State resources in the form of categorical MPSERS rate reimbursements. The District's share of the unfunded pension liability is reported in the government-wide statements as of June 30, 2021.
- The district has continued to address operational pressures caused by the global pandemic that began in March of 2020. Labor shortages, limited product availability, and supply chain disruptions
- 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 received instruction through several models. The district operated a fully virtual environment while those students preferring in-person instruction participated in a fully remote model, hybrid model, and full in-person model. The fully remote model consisted of virtual instruction. The hybrid model included attending classes in-person 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. The full in-person model consisted of full day instruction with three two-hour class periods in place of the normal six one-hour class periods. This change in the instructional delivery model necessitated an investment in curriculum and technology equipment to support 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 and physical distancing in compliance with federal and state regulations. Actual equipment and supply costs and one-time federal and state grants related to the pandemic response are included in the 2020-21 financial statements. Future revenue and expenditure estimates are included in the initial 2021-22 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, 2021

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$50,435,372
Investments	18,374,026
Accounts Receivable	132,234
Due from Other Governmental Units	30,702,652
Inventory	150,012
Prepaid Expenditures	360,256
Capital Assets, Not Being Depreciated - Construction in Progress	5,092,403
Capital Assets, Not Being Depreciated - Land	9,851,083
Capital Assets, Net of Accumulated Depreciation	315,057,323
Total Assets	<u>\$430,155,361</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	75,729,229
Related to Postemployment Benefits	28,586,418
Total Deferred Outflows of Resources	<u>\$104,315,647</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$534,471,008</u>
<u>LIABILITIES</u>	
Accounts Payable	5,968,786
Due to Other Governmental Units	2,355,284
Accrued Expenditures	5,810,262
Salaries Payable	12,382,845
Unearned Revenue	11,661,828
Claims Payable	810,549
Non-Current Liabilities - Due in One Year	7,377,132
Non-Current Liabilities - Due in More than One Year	140,445,912
Net Pension Liability	335,769,510
Net Other Postemployment Benefits Liability	53,391,288
Total Liabilities	<u>\$575,973,396</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	12,944,987
Related to Pensions	3,269,599
Related to Other Postemployment Benefit	41,235,174
Deferred Gain on Refunding	134,372
Total Deferred Inflows of Resource:	<u>\$57,584,132</u>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	<u>\$633,557,528</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	203,104,659
Restricted	3,730,486
Unrestricted	<u>(305,921,665)</u>
<u>TOTAL NET POSITION</u>	<u><u>(\$99,086,520)</u></u>

See notes to the basic financial statements

ROCHESTER COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Governmental
		Charges For	Program Specific Operating Grants and Contributions	Activities
		Services		Net (Expense) Revenue and Change in Net Position
Governmental Activities:				
Instruction	\$117,170,175	\$1,147,699	\$38,089,590	(\$77,932,886)
Support Services	77,915,494	277,994	1,184,317	(76,453,183)
Community Services	2,166,822	0	0	(2,166,822)
Athletics	2,709,963	0	0	(2,709,963)
Outgoing Transfers and Other Uses	4,000	0	0	(4,000)
Food Service	2,790,976	46	2,497,777	(293,153)
Preschool	998,700	632,550	96,781	(269,369)
Student Activities	1,192,423	1,266,141	0	73,718
Interest - Long-Term Obligations	5,745,113	0	0	(5,745,113)
Depreciation - Unallocated	11,663,131	0	0	(11,663,131)
<b><u>Total Governmental Activities</u></b>	<b><u>\$222,356,797</u></b>	<b><u>\$3,324,430</u></b>	<b><u>\$41,868,465</u></b>	<b><u>(\$177,163,902)</u></b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				20,227,861
Property Taxes, Levied for Debt Retirement				19,039,341
Property Taxes, Levied for Capital Projects				8,126,292
State Sources - Unrestricted				108,675,552
Interdistrict Sources				13,005,395
Investment Earnings				53,934
Miscellaneous				1,826,845
Total General Revenues and Transfers				<u>\$170,955,220</u>
<b>Change in Net Position</b>				<b>(\$6,208,682)</b>
Net Position - Beginning of Year				<u>(92,877,838)</u>
<b><u>Net Position - End of Year</u></b>				<b><u>(\$99,086,520)</u></b>

See notes to the basic financial statements.



ROCHESTER COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$40,851,797	\$301,232	\$9,282,343	\$50,435,372
Investments	0	18,374,026	0	18,374,026
Accounts Receivable	121,685	386	10,163	132,234
Due from Other Governmental Units	30,499,899	0	202,753	30,702,652
Inventory	56,113	0	93,899	150,012
Prepaid Expenditures	159,622	0	200,634	360,256
<u>TOTAL ASSETS</u>	<u>\$71,689,116</u>	<u>\$18,675,644</u>	<u>\$9,789,792</u>	<u>\$100,154,552</u>
<u>LIABILITIES</u>				
Accounts Payable	\$2,066,217	\$436,825	\$3,465,744	\$5,968,786
Due to Other Governmental Units	2,354,693	0	591	2,355,284
Accrued Expenditures	4,949,884	0	0	4,949,884
Salaries Payable	12,382,845	0	0	12,382,845
Unearned Revenue	11,325,179	0	336,649	11,661,828
Total Liabilities	\$33,078,818	\$436,825	\$3,802,984	\$37,318,627
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	56,113	0	93,899	150,012
Prepaid Expenditures	159,622	0	200,634	360,256
Restricted				
Debt Retirement	0	0	2,554,477	2,554,477
Food Service	0	0	1,000,042	1,000,042
Capital Projects		18,238,819	776,970	19,015,789
Committed				
Daycare	0	0	24,030	24,030
Student Activities	0	0	1,336,756	1,336,756
Assigned - Subsequent Yr Expenditures	1,840,229	0	0	1,840,229
Unassigned	36,554,334	0	0	36,554,334
Total Fund Balances	\$38,610,298	\$18,238,819	\$5,986,808	\$62,835,925
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$71,689,116</u>	<u>\$18,675,644</u>	<u>\$9,789,792</u>	<u>\$100,154,552</u>

See notes to the basic financial statements.

ROCHESTER COMMUNITY SCHOOLS  
RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCES TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

Total Governmental Fund Balances:		\$62,835,925
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows:		
Related to Pensions	\$75,729,229	
Related to Postemployment Benefits	28,586,418	
Total		104,315,647
Deferred Inflows		
State Aid Funding - Pension & Other Postemployment Benefits	(\$12,944,987)	
Related to Pensions	(3,269,599)	
Related to Other Postemployment Benefit	(41,235,174)	
Deferred Gain on Refunding	(134,372)	
Total		(57,584,132)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in Progress	\$5,092,403	
Cost of Assets	498,255,626	
Accumulated Depreciation	(173,347,220)	
Capital Assets - Net of Accumulated Depreciation		\$330,000,809
Accrued Interest on Long-Term Debt		(860,378)
Claims Payable		(810,549)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General Obligation Bonds	\$142,000,597	
Notes from Direct Borrowings and Direct Placements	3,000,000	
Other Payroll Obligations	2,822,447	
Total		(147,823,044)
Net Pension Liability		(335,769,510)
Net Other Postemployment Benefits Liability		(53,391,288)
<u>TOTAL NET POSITION -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>(\$99,086,520)</u>

See notes to the basic financial statements.

ROCHESTER COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$24,499,022	\$81,841	\$29,138,672	\$53,719,535
State Sources	139,080,313	0	86,014	139,166,327
Federal Sources	7,684,829	0	2,508,544	10,193,373
Interdistrict Sources	13,005,395	0	0	13,005,395
Total Revenues	\$184,269,559	\$81,841	\$31,733,230	\$216,084,630
<u>EXPENDITURES</u>				
Current				
Instruction	108,285,937	0	0	108,285,937
Student Services	16,651,293	0	0	16,651,293
Instructional Support	11,801,138	0	0	11,801,138
General Administration	1,639,536	0	0	1,639,536
School Administration	9,054,385	0	0	9,054,385
Business Administration	2,034,048	0	0	2,034,048
Operation & Maintenance of Plant	15,757,925	0	0	15,757,925
Transportation	5,549,401	0	0	5,549,401
Central Support Services	6,131,867	0	0	6,131,867
Athletics	2,709,963	0	0	2,709,963
Other Support Services	182,874	0	0	182,874
Community Services	1,950,705	0	62,302	2,013,007
Outgoing Transfers and Other Uses	4,000	0	0	4,000
Food Service	0	0	2,790,976	2,790,976
Preschool	0	0	992,126	992,126
Student Activities	0	0	1,192,423	1,192,423
Debt Service				
Principal	0	0	13,365,000	13,365,000
Interest	0	0	5,789,219	5,789,219
Other	0	0	87,260	87,260
Capital Outlay	238,819	17,427,188	12,355,759	30,021,766
Total Expenditures	\$181,991,891	\$17,427,188	\$36,635,065	\$236,054,144
Excess (Deficiency) of Revenue (Under) Expenditures	\$2,277,668	(\$17,345,347)	(\$4,901,835)	(\$19,969,514)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	2,259,649	2,259,649
Transfers (Out)	(2,259,649)	0	0	(2,259,649)
Loan Proceeds	0	0	3,000,000	3,000,000
Other Reimbursements	63,485	0	0	63,485
Total Other Financing Sources (Uses)	(\$2,196,164)	\$0	\$5,259,649	\$3,063,485
Net Change in Fund Balance	\$81,504	(\$17,345,347)	\$357,814	(\$16,906,029)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>38,528,794</u>	<u>35,584,166</u>	<u>5,628,994</u>	<u>79,741,954</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$38,610,298</u>	<u>\$18,238,819</u>	<u>\$5,986,808</u>	<u>\$62,835,925</u>

See notes to the basic 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, 2021

Total net change in fund balances - governmental fund	(\$16,906,029)
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Net Change in Construction in Progress	(\$33,171,415)	
Capital Outlay	57,012,783	
Depreciation Expense	(11,663,131)	
Loss on Sale of Assets	(18,205)	
Total		12,160,032

Loan Proceeds	(3,000,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds

13,365,000

Amortization of:

Bond Refunding	26,875	
Unamortized Premiums		1,126,812

Net Change in Compensated Absences, Early Retirement and Termination Incentives	153,329
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Net Change in Medical Claims Payable	(92,685)
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Change in accrued interest on long-term liabilities	104,491
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

State Aid Funding for Pension and Other Postemployment Benefit	(2,483,231)	
Pension Related Items	(19,063,378)	
OPEB Related Items	8,400,102	
		(13,146,507)

CHANGE IN NET POSITION OF  
GOVERNMENTAL ACTIVITIES

(\$6,208,682)

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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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, 2021.

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.

**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.

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other Non-Major Funds:

**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.

**Capital Projects Sinking Funds** - The Capital Projects Sinking Funds records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provision of §1212 of the Revised School Code.

**Special Revenue Funds** - The special revenue funds accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major 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 BASIC FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

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 BASIC FINANCIAL STATEMENTS

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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 acquisition 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.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

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

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 BASIC FINANCIAL STATEMENTS

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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 BASIC FINANCIAL STATEMENTS

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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 grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) REVENUE (Continued)

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

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.

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.

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U) BUDGETARY INFORMATION (Continued)

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, 2021. The District does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2021 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, 2021, \$41,474,210 of the District's bank balance of \$45,953,986 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 \$50,435,372.

**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.

**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.

Investment Type	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
Cash Management	<u>\$18,374,026</u>	0.0027	AAAm	<u>100.00%</u>

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

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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2) DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

The asset or liability's fair measurement level with 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.

Cash management investments fair value measurement is level 2.

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 Federated Government Obligations Fund. The Federated Government Obligations Fund is an external pooled investment fund of "qualified" investments for Michigan school districts. This fund is not regulated nor is it registered with the SEC. Federated Government Obligations Fund reports as of June 30, 2021, the fair value of the District's investments is the same as the value of the pooled shares.

Federated Government Obligations Fund funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The Federated Government Obligations Fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

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

Cash – District Wide	\$ 50,435,372
Investments – District Wide	<u>18,374,026</u>
<u>TOTAL</u>	<u>\$ 68,809,398</u>

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2021, 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	\$ 26,519,296
Federal Grants	3,893,327
Other Grant Programs & Fees	290,029
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 30,702,652</u>

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>Non-Depreciable</u>				
Land	\$9,144,814	\$706,269	\$0	\$9,851,083
Construction in Progress	38,263,818	14,470,915	(47,642,330)	5,092,403
Total Non-Depreciable	\$47,408,632	\$15,177,184	(47,642,330)	\$14,943,486
Buildings and Improvements	369,873,482	49,233,342	0	419,106,824
Site Improvements	40,060,920	1,595,716	0	41,656,636
Equipment and Furniture	12,233,566	3,262,463	(7,784)	15,488,245
Vehicles and Buses	11,899,593	2,214,993	(1,961,748)	12,152,838
Totals at Historical Cost	\$434,067,561	\$56,306,514	(\$1,969,532)	\$488,404,543
Less: Accumulated Depreciation				
Buildings and Improvements	(136,251,219)	(8,171,220)	0	(144,422,439)
Site Improvements	(13,085,697)	(1,349,433)	0	(14,435,130)
Equipment and Furniture	(6,306,318)	(1,092,045)	3,462	(7,394,901)
Vehicles and Buses	(7,992,182)	(1,050,433)	1,947,865	(7,094,750)
Total Accumulated Depreciation	(\$163,635,416)	(\$11,663,131)	\$1,951,327	(\$173,347,220)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$317,840,777</u>	<u>\$59,820,567</u>	<u>(\$47,660,535)</u>	<u>\$330,000,809</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	\$ 5,092,403
Capital Assets	498,255,626
Less: Accumulated Depreciation	(173,347,220)
Less: Related Long-Term Liabilities	(145,000,597)
Less: Deferred Gain on Refunding	(134,372)
Add: Unspent Capital Projects	18,238,819
<u>NET INVESTMENT IN CAPITAL ASSETS</u>	<u>\$ 203,104,659</u>

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC 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, 2021.

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2021:

	Balance			Balance	Amount Due
<u>Governmental Activities:</u>	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>	<u>in One Year</u>
General Obligation Bonds	\$156,492,409	\$0	\$14,491,812	\$142,000,597	\$6,701,812
Notes From Direct Borrowings					
And Direct Placements	0	3,000,000	0	3,000,000	\$586,400
Other Employee Obligations	2,975,776	127,976	281,305	2,822,447	88,920
<u>Total Governmental Activities</u>	<u>\$159,468,185</u>	<u>\$3,127,976</u>	<u>\$14,773,117</u>	<u>\$147,823,044</u>	<u>\$7,377,132</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% for the purpose erecting, furnishing, and equipping additions to and remodeling, furnishing and refurbishing, equipping and re-equipping school facilities for vocational education purposes; acquiring and installing technology; and developing and improving the site. \$ 73,675,000

**\$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%, for the purpose erecting, furnishing, and equipping additions to and remodeling, furnishing and refurbishing, equipping and re-equipping school facilities for vocational education purposes; acquiring and installing technology; and developing and improving the site. 51,965,000

**Bond Premium** 16,360,597

**TOTAL GENERAL OBLIGATION BONDS** \$ 142,000,597

**NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS**

**Installment purchase agreement** – PNC Bank; requires 5 annual payments ranging from \$611,125 to \$618,574 including interest at 1.24% per annum, matures April 2026, secured by building. 3,000,000

**OTHER EMPLOYEE OBLIGATIONS**

Early Retirement Incentives	194,820
Compensated Absences	1,765,412
Termination Incentives	<u>862,215</u>

**OTHER EMPLOYEE OBLIGATIONS** \$ 2,822,447

**TOTAL GENERAL LONG-TERM OBLIGATIONS** \$ 147,823,044

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

6) GENERAL LONG-TERM DEBT (Continued)

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

	<u>General Obligation Bonds</u>		<u>Notes from Direct Borrowings and Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
June 30, 2022	\$6,701,812	\$5,162,268	\$586,400	\$24,725	\$12,475,205
June 30, 2023	6,926,812	4,926,518	593,500	20,757	12,467,587
June 30, 2024	7,201,812	4,681,018	600,100	15,653	12,498,583
June 30, 2025	7,476,812	4,423,268	606,700	10,492	12,517,272
June 30, 2026	7,781,811	4,153,768	613,300	5,274	12,554,153
June 30, 2027-2031	43,128,185	16,571,490	0	0	59,699,675
June 30, 2032-2036	51,848,190	7,852,940	0	0	59,701,130
June 30, 2037-2039	10,935,163	672,536	0	0	11,607,699
<u>TOTAL</u>	<u>\$142,000,597</u>	<u>\$48,443,806</u>	<u>\$3,000,000</u>	<u>\$76,901</u>	<u>\$193,521,304</u>

Interest expense for the year ended June 30, 2021 was \$5,789,219.

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, 2021, consisted of the following:

<u>TRANSFERS FROM</u>	
<u>TRANSFERS TO</u>	<u>General Fund</u>
	Sinking Capital Projects
	Caring Steps
	Food Service
	<u>TOTAL</u>
	<u>\$2,259,649</u>

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

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	\$295,882
City of Rochester	39,979
<u>TOTAL</u>	<u>\$ 335,861</u>



ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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8) TAX ABATEMENTS (Continued)

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	\$2,554,477
Less: Accrued Interest - General Obligation Bonds	(860,378)
Sinking Capital Projects	776,970
Food Service	<u>1,259,417</u>
 <u>TOTAL</u>	 <u><u>\$3,730,486</u></u>

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	\$717,864	\$821,714
Estimated Claims Incurred, Including Changes in Estimates	16,800,888	14,764,124
Claim Payments	<u>16,708,203</u>	<u>14,867,974</u>
 <u>ESTIMATED LIABILITY - END OF YEAR</u>	 <u><u>\$810,549</u></u>	 <u><u>\$717,864</u></u>

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS

General Information about the Michigan Public School Employees' Retirement System (MPERS) pension and OPEB plans.

Plan Description

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

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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11) **PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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](http://www.michigan.gov/orsschools).

**Benefits Provided - Overall**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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11) **PENSION AND OTHER POSTEMPLOYMENT BENEFITS** (Continued)

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, 2019 valuation will be amortized over a 20-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes **pension** contribution rates in effect for fiscal year ended September 30, 2020.

<b><u>Benefit Structure</u></b>	<b><u>Member</u></b>	<b><u>Employer</u></b>
Basic	0.0 – 4.0%	19.41%
Member Investment Plan	3.0 – 7.0%	19.41%
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, 2020.

<b><u>Benefit Structure</u></b>	<b><u>Member</u></b>	<b><u>Employer</u></b>
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$29,636,000, with \$29,131,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. OPEB benefits were approximately \$8,067,000, with \$7,687,000 specifically for the OPEB Defined Benefit Plan.

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

At June 30, 2021, the District reported a liability of \$335,769,510 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020, the District's proportion was 0.97746 percent, which was an increase of 0.0173 percent from its proportion measured as of September 30, 2019.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Pension Liability	\$85,290,583,799	\$83,442,507,212
Plan Fiduciary Net Position	50,939,496,006	50,325,869,388
Net Pension Liability	\$34,351,087,793	\$33,116,637,824
Proportionate Share	0.97746%	0.96013%
Net Pension Liability for the District	\$335,769,510	\$317,964,166

For the year ending June 30, 2021, the District recognized pension expense of \$48,636,356. At June 30, 2021, the District 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	\$5,130,283	(\$716,651)
Changes of Assumptions	37,206,499	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,410,753	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,948,386	(2,552,948)
Employer Contributions Subsequent to the Measurement Date	28,033,308	0
<b><u>TOTAL</u></b>	<b><u>\$75,729,229</u></b>	<b><u>(\$3,269,599)</u></b>

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, 2022. 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>
2021	\$19,893,969
2022	13,892,909
2023	7,857,652
2024	2,781,792

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

At June 30, 2021, the District reported a liability of \$53,391,288 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020 the District's proportion was 0.99661 percent, which was an increase of 0.0459 percent from its proportion measured as of October 1, 2019.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total Other Postemployment Benefits Liability	\$13,206,903,534	\$13,925,860,688
Plan Fiduciary Net Position	7,849,636,555	6,748,112,668
Net Other Postemployment Benefits Liability	\$5,357,266,979	\$7,177,748,020
Proportionate Share	0.99661%	0.95071%
Net Other Postemployment Benefits Liability for the District	\$53,391,288	\$68,239,653

For the year ending June 30, 2021, the District recognized OPEB expense of \$(1,194,675). At June 30, 2021, 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	(\$39,781,500)
Changes of Assumptions	17,604,168	0
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	445,610	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,327,891	(1,453,674)
Employer Contributions Subsequent to the Measurement Date	7,208,749	0
<b><u>TOTAL</u></b>	<b><u>\$28,586,418</u></b>	<b><u>(\$41,235,174)</u></b>

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, 2022. 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>
2021	(\$5,619,849)
2022	(4,998,769)
2023	(4,037,793)
2024	(3,063,326)
2025	(2,137,768)

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
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:	7.0% Year 1 graded to 3.5% Year 15; 3.00% Year 120
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:	RP-2014 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Disabled Retirees	RP-2014 Male and Female Disabled Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Summary of Actuarial Assumptions** (Continued)

**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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- \* *Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years: [4.4892 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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- \* *Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years: [5.9870 for non-university employers].*
- \* *Recognition period for assets in years: 5.0000*
- \* *Full actuarial assumptions are available in the 2020 MPERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).*

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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, 2020, are summarized in the following table:

<b>Investment Category</b>	<b>Target Allocation*</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
<b>Total</b>	<b>100.0%</b>	

\* Long term rates of return are net of administrative expenses and 2.1% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37% for pension and 5.24% 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 BASIC FINANCIAL STATEMENTS

11) PENSION AND OTHER POSTEMPLOYMENT 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:

	<b>Pension</b>		
	<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
	<b>5.8%/5.8%/5.0%</b>	<b>6.8%/6.8%/6.0%</b>	<b>7.8%/7.8%/7.0%</b>
District's proportionate share of the net pension liability	\$434,596,672	\$335,769,510	\$253,863,820

\* 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:

	<b>Other Postemployment Benefit</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>5.95%</b>	<b>6.95%</b>	<b>7.95%</b>
District's proportionate share of the net other postemployment benefit liability	\$68,587,177	\$53,391,288	\$40,597,623

**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:

	<b>Other Postemployment Benefit</b>		
	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
District proportionate share of the net other postemployment benefit liability	\$40,107,777	\$53,391,288	\$68,499,643

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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11) PENSION AND OTHER POSTEMPLOYMENT 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](http://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) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believes that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

13) UPCOMING ACCOUNTING PRONOUNCEMENTS

**Statement No. 87, Leases**, was issued by the GASB in June 2017. 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. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

**Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period** enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

**Statement No. 91, Conduit Debt Obligations** provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

ROCHESTER COMMUNITY SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS

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13) UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

**Statement No. 93, Replacement of Interbank Offered Rates** establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

**Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements** improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

**Statement No. 96, Subscription-based Information Technology Arrangements.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for the year ending June 30, 2023.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

REQUIRED SUPPLEMENTARY  
INFORMATION

ROCHESTER COMMUNITY SCHOOLS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$30,148,439	\$25,022,292	\$24,499,022	(\$523,270)
State Sources	125,070,667	139,148,129	139,080,313	(67,816)
Federal Sources	4,426,938	11,610,831	7,684,829	(3,926,002)
Total Revenues	<u>\$159,646,044</u>	<u>\$175,781,252</u>	<u>\$171,264,164</u>	<u>(\$4,517,088)</u>
<u>EXPENDITURES</u>				
Instruction				
Basic	80,459,186	87,834,185	86,106,652	1,727,533
Added Needs	22,078,121	22,749,319	21,965,677	783,642
Adult and Continuing Education	254,871	304,556	213,608	90,948
Total Instruction	<u>\$102,792,178</u>	<u>\$110,888,060</u>	<u>\$108,285,937</u>	<u>\$2,602,123</u>
Student Services	15,226,328	16,488,058	16,651,293	(163,235)
Instructional Support	8,446,608	11,914,150	11,801,138	113,012
General Administration	1,660,478	1,873,938	1,639,536	234,402
School Administration	7,814,583	9,091,168	9,054,385	36,783
Business Administration	2,463,849	2,325,312	2,034,048	291,264
Operation & Maintenance of Plant	14,415,398	17,065,722	15,757,925	1,307,797
Transportation	7,806,553	7,384,970	5,549,401	1,835,569
Central Support Services	6,200,459	7,246,523	6,131,867	1,114,656
Other Support	2,917,365	3,045,093	2,892,837	152,256
Community Services	3,553,233	2,139,243	1,950,705	188,538
Capital Outlay	0	242,819	238,819	4,000
Total Expenditures	<u>\$173,297,032</u>	<u>\$189,705,056</u>	<u>\$181,987,891</u>	<u>\$7,717,165</u>
Excess of Revenues Over Expenditures	<u>(\$13,650,988)</u>	<u>(\$13,923,804)</u>	<u>(\$10,723,727)</u>	<u>\$3,200,077</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>11,975,021</u>	<u>12,126,334</u>	<u>10,805,231</u>	<u>(1,321,103)</u>
Net Change in Fund Balance	<u>(\$1,675,967)</u>	<u>(\$1,797,470)</u>	<u>\$81,504</u>	<u>\$1,878,974</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>38,528,794</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$38,610,298</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)

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Reporting unit's proportion of net pension liability (%)	0.97695%	0.97593%	0.97097%	0.99526%	0.97968%
Reporting unit's proportionate share of net pension liability	\$293,689,377	\$252,905,785	\$242,248,042	\$243,093,129	\$215,789,986
Reporting unit's covered-employee payroll	\$82,938,835	\$82,218,893	\$81,004,312	\$82,966,730	\$83,141,855
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	354.10%	307.60%	299.06%	293.00%	259.54%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%
				<b>2020</b>	<b>2019</b>
Reporting unit's proportion of net pension liability (%)				0.97746%	0.96013%
Reporting unit's proportionate share of net pension liability				\$335,769,510	\$317,964,166
Reporting unit's covered-employee payroll				\$88,204,232	\$83,016,339
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll				380.67%	383.01%
Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%

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)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$26,602,609	\$22,890,815	\$22,745,187	\$19,199,906	\$25,763,366
Contributions in relation to statutorily required contributions	26,602,609	22,890,815	22,745,187	19,199,906	25,763,366
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$82,987,084	\$82,570,054	\$84,817,697	\$81,307,377	\$82,959,226
Contributions as a percentage of covered-employee payroll	32.06%	27.72%	26.82%	23.61%	31.06%
				<u>2021</u>	<u>2020</u>
Statutorily required contributions				\$26,861,982	\$25,506,338
Contributions in relation to statutorily required contributions				26,861,982	25,506,338
Contribution deficiency (excess)				\$0	\$0
Reporting unit's covered-employee payroll				\$89,161,299	\$87,267,447
Contributions as a percentage of covered-employee payroll				30.13%	29.23%

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)

	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.99661%	0.95071%	0.97481%	0.97411%
Reporting unit's proportionate share of net OPEB liability	\$53,391,288	\$68,239,653	\$77,487,530	\$86,262,131
Reporting unit's covered-employee payroll	\$88,204,232	\$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	60.53%	82.20%	93.43%	104.92%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	59.44%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$7,041,327	\$6,527,656	\$6,327,485	\$7,583,864
Contributions in relation to statutorily required contributions	<u>7,041,327</u>	<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>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$89,161,299	\$87,267,447	\$82,987,084	\$82,570,054
Contributions as a percentage of covered-employee payroll	7.90%	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

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**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	\$16,488,058	\$16,651,293	(\$163,235)

**PENSION**

**Benefit changes** - there were no changes of benefit terms in 2020.

**Changes of assumptions** – there were no changes of assumptions in 2020

**OPEB**

**Benefit changes** - there were no changes of benefit terms in 2020.

**Changes of assumptions** - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

ADDITIONAL SUPPLEMENTARY  
INFORMATION

### **Description of Combining Nonmajor Funds**

**Caring Steps Fund** – Generates revenue from tuition costs for up to 170 early learners aged 0-6 years. All expenditures are for staff, supplies, utilities and other building operational costs.

**Food Services Fund** – This includes federal revenue based on the number of free and reduced price meals served. Additional revenue is generated by a-la-carte food sales. Expenditures in the Food Service Fund are directly related to the program, management fees, food costs and labor.

**Bookstore Fund** - Revenue is generated from retail sales and expenditures are generally good purchased for resale.

**Student Activities Fund** – Generates revenue from fundraisers, pay to play fees and staff contributions. Expenditures are made to fulfill a fundraiser purpose or for initiatives identified by each activity group.

**Sinking Capital Projects Fund** – Voter approved in November of 2019, a ten-year 1.5 mills Sinking Fund provides a source of revenue to fund facility repairs and replacement.

**Debt Retirement Fund** – Revenues in the debt retirement fund are generated by property tax millage levied on all classes of taxable property and are used to retire the District's bonded debt.

ROCHESTER COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2021

	Debt	Sinking	Special Revenue Funds				
	Retirement	Capital	Caring	Food	Bookstore	Student	
	Fund	Projects	Steps	Services	Fund	Activities	Total
	Fund	Projects	Fund	Fund	Fund	Fund	
<u>ASSETS</u>							
Cash and Cash Equivalents	\$2,570,962	\$3,983,332	\$85,317	\$1,252,526	\$24,524	\$1,365,682	\$9,282,343
Accounts Receivable	0	0	170	1,474	0	8,519	10,163
Due from Other Gov. Units	386	165	0	202,202	0	0	202,753
Inventory	0	0	0	59,375	34,524	0	93,899
Prepaid Expenditures	0	0	0	200,000	0	634	200,634
<u>TOTAL ASSETS</u>	<u>\$2,571,348</u>	<u>\$3,983,497</u>	<u>\$85,487</u>	<u>\$1,715,577</u>	<u>\$59,048</u>	<u>\$1,374,835</u>	<u>\$9,789,792</u>
<u>LIABILITIES</u>							
Accounts Payable	\$16,871	\$3,206,527	\$83,223	\$133,175	\$329	\$25,619	\$3,465,744
Due to Other Gov. Units	0	0	0	0	165	426	591
Unearned Revenue	0	0	2,264	322,985	0	11,400	336,649
Total Liabilities	\$16,871	\$3,206,527	\$85,487	\$456,160	\$494	\$37,445	\$3,802,984
<u>FUND BALANCES</u>							
Non-Spendable							
Inventory	0	0	0	59,375	34,524	0	93,899
Prepaid Expenditures	0	0	0	200,000	0	634	200,634
Restricted							
Debt Retirement	2,554,477	0	0	0	0	0	2,554,477
Capital Projects	0	776,970	0	0	0	0	776,970
Food Service	0	0	0	1,000,042	0	0	1,000,042
Committed							
Bookstore	0	0	0	0	24,030	0	24,030
Student Activities	0	0	0	0	0	1,336,756	1,336,756
Total Fund Balance	\$2,554,477	\$776,970	\$0	\$1,259,417	\$58,554	\$1,337,390	\$5,986,808
<u>TOTAL LIABILITIES AND</u> <u>FUND BALANCES</u>	<u>\$2,571,348</u>	<u>\$3,983,497</u>	<u>\$85,487</u>	<u>\$1,715,577</u>	<u>\$59,048</u>	<u>\$1,374,835</u>	<u>\$9,789,792</u>

**ROCHESTER COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR FUNDS**  
**YEAR ENDED JUNE 30, 2021**

	Debt Retirement Fund	Sinking Capital Projects	Caring Steps Fund	Food Services Fund	Bookstore Fund	Student Activities Fund	Total
<b>REVENUES</b>							
<u>Local Sources</u>	\$19,053,847	\$8,132,729	\$641,050	\$825	\$44,080	\$1,266,141	\$29,138,672
<u>State Sources</u>							
State Reimbursements	0	0	687	85,327	0	0	86,014
<u>Federal Sources</u>							
Federal Reimbursements	0	0	96,094	2,150,251	0	0	2,246,345
Commodities	0	0	0	262,199	0	0	262,199
Total Federal Sources	\$0	\$0	\$96,094	\$2,412,450	\$0	\$0	\$2,508,544
Total Revenues	\$19,053,847	\$8,132,729	\$737,831	\$2,498,602	\$44,080	\$1,266,141	\$31,733,230
<b>OTHER FINANCING SOURCES</b>							
Loan Proceeds	0	3,000,000	0	0	0	0	3,000,000
Transfers from General Fund	0	2,000,000	254,295	5,354	0	0	2,259,649
Total Other Financing Sources	\$0	\$5,000,000	\$254,295	\$5,354	\$0	\$0	\$5,259,649
Total Revenues & Other Financing Sources	\$19,053,847	\$13,132,729	\$992,126	\$2,503,956	\$44,080	\$1,266,141	\$36,992,879
<b>EXPENDITURES</b>							
Professional Salaries	0	0	45,153	0	0	0	45,153
Non-Professional Salaries	0	0	133	0	0	0	133
Insurances	0	0	7,488	0	0	0	7,488
Fica, Retirement, Etc.	0	0	22,760	0	0	0	22,760
Purchased Services	0	0	779,564	1,337,307	1,275	0	2,118,146
Supplies and Materials	0	0	136,451	946,092	51,732	0	1,134,275
Capital Outlay	0	0	206	480,663	9,295	0	490,164
Other	0	0	371	26,914	0	1,192,423	1,219,708
Debt Retirement							
Principal	13,365,000	0	0	0	0	0	13,365,000
Interest	5,789,219	0	0	0	0	0	5,789,219
Other	87,260	0	0	0	0	0	87,260
Capital Projects	0	12,355,759	0	0	0	0	12,355,759
Total Expenditures	\$19,241,479	\$12,355,759	\$992,126	\$2,790,976	\$62,302	\$1,192,423	\$36,635,065
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>							
	(\$187,632)	\$776,970	\$0	(\$287,020)	(\$18,222)	\$73,718	\$357,814
<b>FUND BALANCE - BEGINNING</b>							
	2,742,109	0	0	1,546,437	76,776	1,263,672	5,628,994
<b>FUND BALANCE - ENDING</b>							
	\$2,554,477	\$776,970	\$0	\$1,259,417	\$58,554	\$1,337,390	\$5,986,808

ROCHESTER COMMUNITY SCHOOLS  
DEBT SERVICE REQUIREMENTS  
JUNE 30, 2021

<u>Years Ending</u> <u>June 30</u>	<u>2016</u> <u>Principal</u>	<u>2019</u> <u>Principal</u>
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>\$73,675,000</u>	<u>\$51,965,000</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,				
	2012	2013	2014	2015*	2016
Governmental Activities					
Net Investment in Capital Assets	\$ 88,851,905	\$ 101,293,666	\$ 117,624,746	\$ 134,651,099	\$ 150,577,125
Restricted	2,683,904	2,225,763	2,112,086	2,258,951	1,963,967
Unrestricted	10,043,982	10,147,634	8,868,138	(196,851,931)	(204,122,904)
Total Primary Government Net Position	<u>\$ 101,579,791</u>	<u>\$ 113,667,063</u>	<u>\$ 128,604,970</u>	<u>\$ (59,941,881)</u>	<u>\$ (51,581,812)</u>

	June 30,				
	2017**	2018	2019	2020***	2021
Governmental Activities					
Net Investment in Capital Assets	\$ 162,779,420	\$ 178,109,280	\$ 190,107,486	\$ 196,771,287	\$ 203,104,659
Restricted	2,911,490	3,147,098	4,457,799	3,323,677	3,730,486
Unrestricted	(187,861,839)	(279,562,097)	(281,444,120)	(292,972,802)	(305,921,665)
Total Primary Government Net Position	<u>\$ (22,170,929)</u>	<u>\$ (98,305,719)</u>	<u>\$ (86,878,835)</u>	<u>\$ (92,877,838)</u>	<u>\$ (99,086,520)</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,				
	2012	2013*	2014	2015**	2016
Expenses					
Governmental Activities					
Instruction	\$ 96,705,976	\$ 95,987,820	\$ 97,940,300	\$ 96,581,033	\$ 115,955,077
Support Services	58,356,308	54,159,833	55,089,496	52,240,053	50,875,773
Community Services	2,974,532	2,426,223	2,607,103	2,789,715	2,848,346
Athletics	2,592,762	2,594,382	2,572,880	2,613,889	2,626,952
Outgoing Transfers and Other Uses	-	-	-	-	4,000
Food Service	3,702,117	3,655,228	3,739,720	3,560,500	3,430,313
Child Care Services	-	-	-	-	-
Student Activities	-	-	-	-	-
Interest on Long-term Debt	8,051,892	6,346,530	4,508,161	3,292,555	5,100,887
Bond Issue Costs	-	-	-	-	632,611
Capital Outlay	446,235	859,342	-	-	-
Unallocated Depreciation	8,390,228	8,367,578	8,395,088	8,121,786	7,994,964
Total Governmental Activities	181,220,050	174,396,936	174,852,748	169,199,531	189,468,923
Program Revenues					
Charges for Services:					
Instruction	5,500,597	5,419,898	-	-	4,227,916
Support Services	2,363,984	2,330,615	760,501	634,860	1,951,111
Community Services			5,168,552	5,336,459	
Preschool					
Athletics			2,293,492	1,114,388	
Food Services	1,161,410	1,178,003	1,166,410	2,348,598	2,337,269
Student Activities	-	-	-	-	-
Operating Grants and Contributions	29,026,264	32,482,600	33,446,284	37,067,240	29,934,813
Total Program Revenues	38,052,255	41,411,116	42,835,239	46,501,545	38,451,109
Net Expenses	(143,167,795)	(132,985,820)	(132,017,509)	(122,697,986)	(151,017,814)
General Revenue					
Property ' Levied for General Purposes	16,654,197	16,041,892	15,813,974	16,019,584	16,740,459
Levied for Debt Service	27,562,331	27,247,775	27,779,200	27,235,347	27,310,206
Levied for Capital Projects	-	-	-	-	-
State Sources - Unrestricted	99,890,277	100,770,730	102,211,410	101,395,269	101,903,194
Interdistrict Sources	-	-	-	-	11,238,105
Investment Earnings	54,582	10,552	35,205	21,347	345,507
Miscellaneous	1,288,443	1,085,214	1,115,627	1,118,807	1,823,462
Gain (Loss) on Disposal of Capital Assets	(213,787)	12,526		27,038	16,950
Total General Revenues and Transfers	145,236,043	145,168,689	146,955,416	145,817,392	159,377,883
Change in Net Position	\$ 2,068,248	\$ 12,182,869	\$ 14,937,907	\$ 23,119,406	\$ 8,360,069

\*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,				
	2017	2018	2019***	2020	2021
Expenses					
Governmental Activities					
Instruction	\$ 90,623,730	\$ 104,705,428	\$ 107,749,115	\$ 115,107,381	\$ 117,170,175
Support Services	54,902,471	65,699,674	65,462,202	74,430,811	77,915,494
Community Services	3,206,787	3,143,048	3,531,030	3,507,826	2,166,822
Athletics	2,334,358	2,435,549	2,582,178	2,582,282	2,709,963
Outgoing Transfers and Other Uses	81,501	3,821	3,821	4,000	4,000
Food Service	2,744,727	3,116,701	3,498,453	3,401,610	2,790,976
Child Care Services	-	-	738,144	1,074,284	998,700
Student Activities	-	-	-	2,249,684	1,192,423
Interest on Long-term Debt	8,884,483	7,389,547	6,625,508	6,763,739	5,745,113
Bond Issue Costs	-	-	592,481	-	-
Capital Outlay	-	-	-	-	-
Unallocated Depreciation	8,379,040	8,606,198	10,464,073	11,360,926	11,663,131
	<u>171,157,097</u>	<u>195,099,966</u>	<u>201,247,005</u>	<u>220,482,543</u>	<u>222,356,797</u>
Program Revenues					
Charges for Services:					
Instruction	4,325,120	4,526,499	4,831,328	3,297,564	1,147,699
Support Services	818,035	910,520	946,328	792,081	277,994
Community Services			-	-	-
Preschool			433,688	681,401	632,550
Athletics			-	-	-
Food Services	2,255,273	2,260,894	2,258,520	1,552,001	46
Student Activities	-	-	-	2,343,656	1,266,141
Operating Grants and Contributions	30,556,215	31,133,542	32,999,234	36,260,808	41,868,465
Total Program Revenues	<u>37,954,643</u>	<u>38,831,455</u>	<u>41,469,098</u>	<u>44,927,511</u>	<u>45,192,895</u>
Net Expenses	<u>(133,202,454)</u>	<u>(156,268,511)</u>	<u>(159,777,907)</u>	<u>(175,555,032)</u>	<u>(177,163,902)</u>
General Revenue					
Property ' Levied for General Purposes	17,145,927	17,332,500	18,025,077	19,720,682	20,227,861
Levied for Debt Service	26,687,769	28,079,584	29,572,956	27,619,164	19,039,341
Levied for Capital Projects	-	-	-	-	8,126,292
State Sources - Unrestricted	103,458,205	106,216,519	108,323,299	106,134,663	108,675,552
Interdistrict Sources	11,179,573	11,677,700	11,352,304	11,983,365	13,005,395
Investment Earnings	910,200	1,005,467	817,669	1,066,291	53,934
Miscellaneous	3,214,713	2,817,204	3,113,486	1,932,219	1,826,845
Gain (Loss) on Disposal of Capital Assets	16,950	-	-	-	-
Total General Revenues and Transfers	<u>162,613,337</u>	<u>167,128,974</u>	<u>171,204,791</u>	<u>168,456,384</u>	<u>170,955,220</u>
Change in Net Position	<u>\$ 29,410,883</u>	<u>\$ 10,860,463</u>	<u>\$ 11,426,884</u>	<u>\$ (7,098,648)</u>	<u>\$ (6,208,682)</u>

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

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

	June 30,				
	2012	2013	2014	2015	2016
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 755,425	\$ 310,838	\$ 722,818	\$ 655,448	\$ 456,489
Restricted	154,422	173,672	-	-	-
Committed					
Encumbrances, Inventory and Prepaid Items	1,401,891	338,493	-	-	-
Insurance Escrow	448,043	451,157	-	-	-
Assigned					
Subsequent Year Expenditures	4,959,415	378,051	-	-	-
Unassigned	13,715,243	14,605,796	14,047,694	15,493,198	22,004,557
Total General Fund	<u>21,434,439</u>	<u>16,258,007</u>	<u>14,770,512</u>	<u>16,148,646</u>	<u>22,461,046</u>
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	107,539	113,926	110,168	84,168	80,110
Restricted					
Debt Payments	2,683,904	2,225,763	2,841,575	2,504,756	2,841,549
Food Service	-	-	162,637	323,318	750,335
Committed					
Specified Purposes	-	-	48,687	34,552	32,701
Capital Projects	1,714,544	1,685,950	1,116,803	23,848	123,965,355
Assigned	-	400,910	-	-	-
Unassigned	364,683	-	-	-	-
Total All Other Governmental Funds	<u>4,870,670</u>	<u>4,426,549</u>	<u>4,279,870</u>	<u>2,970,642</u>	<u>127,670,050</u>
Total All Governmental Funds	<u>\$ 26,305,109</u>	<u>\$ 20,684,556</u>	<u>\$ 19,050,382</u>	<u>\$ 19,119,288</u>	<u>\$ 150,131,096</u>
	June 30,				
	2017	2018	2019	2020	2021
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 521,547	\$ 602,383	\$ 707,957	\$ 612,395	\$ 215,735
Assigned	-	-	-	1,675,967	1,840,229
Unassigned	28,380,867	30,647,711	35,626,307	36,240,432	36,554,334
Total General Fund	<u>28,902,414</u>	<u>31,250,094</u>	<u>36,334,264</u>	<u>38,528,794</u>	<u>38,610,298</u>
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	111,106	115,148	106,537	148,786	294,533
Restricted					
Debt Payments	2,485,279	2,250,558	3,736,324	2,742,109	2,554,477
Food Service	1,547,915	1,856,899	1,786,722	1,440,664	1,000,042
Capital Projects	91,261,161	48,039,585	66,674,154	35,582,905	19,015,789
Committed					
Specified Purposes	36,824	39,673	50,525	1,298,696	1,360,786
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>95,442,285</u>	<u>52,301,863</u>	<u>72,354,262</u>	<u>41,213,160</u>	<u>24,225,627</u>
Total All Governmental Funds	<u>\$ 124,344,699</u>	<u>\$ 83,551,957</u>	<u>\$ 108,688,526</u>	<u>\$ 79,741,954</u>	<u>\$ 62,835,925</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,				
	2012	2013	2014	2015	2016
Revenue					
Local Sources	\$ 54,875,400	\$ 53,665,584	\$ 54,413,271	\$ 54,113,338	\$ 55,518,873
State Sources	111,045,829	117,066,280	119,378,548	121,739,208	125,560,941
Federal Sources	5,987,682	5,822,677	5,517,412	5,835,453	5,482,363
Interdistrict Sources	11,593,174	10,012,738	10,481,424	10,603,900	11,238,105
Total Revenue	183,502,085	186,567,279	189,790,655	192,291,899	197,800,282
Expenditures					
Current:					
Instruction	97,065,875	98,864,235	98,883,303	100,916,106	102,397,607
Support Services	58,809,257	55,962,580	54,557,582	53,187,341	52,270,628
Community Services	2,974,532	2,426,223	2,606,664	2,857,409	2,784,163
Building Improvements	511,131	22,615	-	-	-
Early Retirement	-	-	-	-	-
Food Services	3,702,117	3,655,228	3,739,720	3,565,230	3,430,313
Book Store	80,807	65,765	72,657	49,293	64,183
Athletics	2,592,762	2,594,382	2,572,683	2,678,856	2,626,952
Child Care	-	-	-	-	-
Student Activities	-	-	-	-	-
Debt Service:					
Principal	19,410,000	20,386,000	20,054,553	21,841,587	23,320,000
Interest	8,213,245	6,572,372	4,852,630	4,380,970	3,604,572
Other	956,522	846,139	142,484	132,273	65,118
Capital Outlay	1,043,130	531,931	1,555,285	1,226,562	4,119,047
Other	-	-	149,881	39,461	4,000
Total Expenditures	195,359,378	191,927,470	189,187,442	190,875,088	194,686,583
Excess Revenue Over (Under) Expenditures	(11,857,293)	(5,360,191)	603,213	1,416,811	3,113,699
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	-	26,980,000	47,614,896	11,449,740	108,870,365
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	19,631,645
Bond Issuance Costs	-	-	-	-	(632,612)
Proceeds from Sale of Capital Assets	11,669	50,885	14,613	29,329	-
Loan Proceeds	-	-	-	-	-
Other Reimbursements	-	-	-	-	28,710
Transfers In	2,533,966	1,972,595	1,727,894	100,000	50,754
Transfers Out	(2,533,966)	(1,972,595)	(1,727,894)	(100,000)	(50,754)
Total Other Financing Sources (Uses)	11,669	(260,362)	(2,237,386)	(1,347,905)	127,898,108
Net Change in Fund Balance	(11,845,624)	(5,620,553)	(1,634,173)	68,906	131,011,807
Fund Balance - Beginning	38,150,733	26,305,109	20,684,556	19,050,383	19,119,289
Fund Balance - Restatement	-	-	-	-	-
Fund Balance - Ending	\$ 26,305,109	\$ 20,684,556	\$ 19,050,383	\$ 19,119,289	\$ 150,131,096
Debt Service - Percentage of Non-Capital Expenditures	17.24%	17.00%	15.42%	16.14%	16.50%

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

	June 30,				
	2017	2018	2019	2020	2021
Revenue					
Local Sources	\$ 56,415,778	\$ 57,921,010	\$ 61,185,211	\$ 60,278,369	\$ 53,719,535
State Sources	127,387,852	131,221,883	134,872,394	135,319,509	139,166,327
Federal Sources	5,577,471	5,133,487	5,222,437	5,749,804	10,193,373
Interdistrict Sources	11,179,573	11,677,700	11,352,304	11,983,365	13,005,395
Total Revenue	200,560,674	205,954,080	212,632,346	213,331,047	216,084,630
Expenditures					
Current:					
Instruction	100,436,799	100,191,725	102,844,510	104,713,970	108,285,937
Support Services	56,869,765	62,480,361	65,237,844	62,510,290	68,802,467
Community Services	3,149,409	2,920,806	3,296,453	3,119,659	2,013,007
Building Improvements	-	-	-	-	-
Early Retirement	-	-	-	-	-
Food Services	2,744,727	3,116,701	3,498,453	3,401,610	2,790,976
Book Store	57,378	77,048	99,229	103,766	-
Athletics	2,334,358	2,435,549	-	2,582,282	2,709,963
Child Care	-	-	738,144	1,074,284	992,126
Student Activities	-	-	-	2,249,684	1,192,423
Debt Service:					
Principal	18,065,000	21,160,000	21,970,000	21,820,000	13,365,000
Interest	8,959,320	7,101,952	6,132,733	6,781,374	5,789,219
Other	44,058	72,739	14,865	-	87,260
Capital Outlay	33,612,062	47,155,949	40,498,365	35,103,108	30,021,766
Other	81,501	40,341	40,341	40,140	4,000
Total Expenditures	226,354,377	246,753,171	244,370,937	243,500,167	236,054,144
Excess Revenue Over (Under) Expenditures	(25,793,703)	(40,799,091)	(31,738,591)	(30,169,120)	(19,969,514)
Other Financing Sources (Uses)					
Proceeds from Bond Issuance	-	-	56,025,000	-	-
Payments to Escrow Agent	-	-	-	-	-
Premium (Discount) on Bond Issuance	-	-	1,401,098	-	-
Bond Issuance Costs	-	-	(592,481)	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Loan Proceeds	-	-	-	-	3,000,000
Other Reimbursements	7,306	6,349	41,543	52,848	63,485
Transfers In	4,344	2,912	307,220	397,705	2,259,649
Transfers Out	(4,344)	(2,912)	(307,220)	(397,705)	(2,259,649)
Total Other Financing Sources (Uses)	7,306	6,349	56,875,160	52,848	3,063,485
Net Change in Fund Balance	(25,786,397)	(40,792,742)	25,136,569	(30,116,272)	(16,906,029)
Fund Balance - Beginning	150,131,096	124,344,699	83,551,957	108,688,526	79,741,954
Fund Balance - Restatement	-	-	-	1,169,700	-
Fund Balance - Ending	\$ 124,344,699	\$ 83,551,957	\$ 108,688,526	\$ 79,741,954	\$ 62,835,925
Debt Service - Percentage of Non-Capital Expenditures	16.35%	16.55%	16.07%	16.21%	10.42%

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					Tax Rate (Mills)	Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage Of Actual
		Real Property		Personal Property						
		Homestead & Other	Non-Homestead	Industrial	Commercial	Total Value				
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%
2020	2021	4,335,814,339	1,082,506,930	3,875,890	80,148,556	5,502,345,715	4.9674	24.0000	11,004,691,430	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

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
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
2021		18.0000	4.9674	4.9674	22.9674

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		
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
2021	4.4381	4.6845	4.3602	3.2012	1.4247	1.5057	1.0731	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	2020 Value	Percentage of Total	2011 Value	Percentage of Total
Detroit Edison	\$ 29,675,230	16%	\$ 25,737,570	15%
Singh Properties	27,967,570	15%	24,443,950	15%
Vorth Assoc. LLC (The Village RH)	22,457,900	12%	21,533,280	13%
New Plan (Hampton Village Center)	20,270,300	11%	19,424,670	12%
Consumers Power	19,175,640	10%	-	0%
Ramco / Winchester Center LLC	14,311,410	8%	13,562,210	8%
Sunoco Pipeline LP	13,569,600	7%	-	0%
Stuart Frankel	13,024,580	7%	14,971,810	9%
Good Will Co. Inc. (Meijers)	12,686,920	7%	14,551,820	9%
Associate Estates Realty: Apartments	12,073,690	7%	12,060,000	7%
FANUC Robotics	-	0%	11,137,770	7%
1185 River Oaks North, LLC (Solomon Properties)	-	0%	10,792,640	6%
Total	<u>\$ 185,212,840</u>	<u>100%</u>	<u>\$ 168,215,720</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)

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

Tax Year	Fiscal Year End June 30	Total Levy	Current Collections	Percentage of Collections	Delinquent Collections	Total Tax Collections	Percentage of Levy Collected
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	19,523,837	95%	698,048	20,221,886	98%
2021	2022	20,375,583	N/A	N/A	N/A	N/A	N/A

Source: District records

N/A: data not available

Rochester Community Schools  
Direct and Overlapping Debt (Unaudited)  
Year Ended June 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
City of Auburn Hills	\$ 12,834,377	1.39%	\$ 178,398
City of Rochester	38,364,624	100.00%	38,364,624
City of Rochester Hills	13,481,815	82.88%	11,173,728
Charter Township of Oakland	2,561,946	89.95%	2,304,470
Charter Township of Orion	18,081,701	5.31%	960,085
Charter Township of Washington	42,692,987	4.60%	1,963,877
Macomb County	273,215,479	0.24%	655,717
Oakland County	253,404,549	8.68%	21,995,515
Oakland ISD	42,045,000	8.83%	3,712,574
			81,308,988
Total Overlapping Debt			
Direct District Debt			<u>125,640,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 206,948,988</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  
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**
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
2021	125,640,000	-	125,640,000		125,640,000	5,510,847,109

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
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***	2.28%	2.28%	N/A	N/A	N/A	N/A
2021	2.28%	2.28%	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

\*\*\*Due to COVID-19 Census data for 2020 has not been released

N/A Not Available

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

	2012	2013	2014	2015	2016
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 4,092,261,741	\$ 4,279,095,480	\$ 4,221,995,200	\$ 5,142,070,960	\$ 5,527,820,500
15% of SEV	\$ 613,839,261	\$ 641,864,322	\$ 633,299,280	\$ 771,310,644	\$ 829,173,075
Calculation of Debt Subject to Limit					
Total Debt	149,510,000	128,845,000	104,210,000	80,590,000	165,995,000
Less Debt not Subject to Limit - State Qualified Debt Issuance	(149,510,000)	(128,845,000)	(104,210,000)	(80,590,000)	(57,270,000)
Net Debt Subject to Limit	-	-	-	-	108,725,000
Legal Debt Margin	<u>\$ 613,839,261</u>	<u>\$ 641,864,322</u>	<u>\$ 633,299,280</u>	<u>\$ 771,310,644</u>	<u>\$ 720,448,075</u>
Net Debt Subject to Limit as a percentage of Debt Limit	0%	0%	0%	0%	13%
	2017	2018	2019	2020	2021
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 5,776,460,080	\$ 6,002,231,890	\$ 6,078,649,100	\$ 6,726,324,453	\$ 7,025,273,210
Legal Debt Limit - 15% of SEV	\$ 866,469,012	\$ 900,334,784	\$ 911,797,365	\$ 1,008,948,668	\$ 1,053,790,982
Calculation of Debt Subject to Limit					
Total Debt	147,930,000	126,770,000	160,825,000	156,492,409	125,640,000
Less Debt not Subject to Limit - State Qualified Debt Issuance	(40,355,000)	(22,995,000)	(5,225,000)	-	-
Net Debt Subject to Limit	<u>107,575,000</u>	<u>103,775,000</u>	<u>155,600,000</u>	<u>156,492,409</u>	<u>125,640,000</u>
Legal Debt Margin	<u>\$ 758,894,012</u>	<u>\$ 796,559,784</u>	<u>\$ 756,197,365</u>	<u>\$ 852,456,259</u>	<u>\$ 928,150,982</u>
Net Debt Subject to Limit as a percentage of Debt Limit	12%	12%	17%	16%	12%

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*
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	N/A
2021	N/A	N/A	N/A	N/A

Sources: \* US Census Bureau  
N/A Not Available

\*\* Due to COVID-19 2020 Census Information has not yet been released.

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

2020 Rank	Taxpayer	2020 Number of Employees	Percentage of Total Employment	2011 Number of Employees	Percentage of Total Employment	2011 Rank
1	Oakland University	2,422	5.61%	1,416	3.80%	3
2	Ascension Crittenton Hospital	1,797	4.16%	1,500	4.03%	2
3	Rochester Community Schools	1,347	3.12%	1,668	4.48%	1
4	Webasto Roof Systems, Inc.	677	1.57%	413	1.11%	5
5	FANUC America Corporation	650	1.50%	650	1.75%	4
6	Henry Ford Health Systems	433	1.00%	-	-	-
7	A. Raymond Group	388	0.90%	350	0.94%	6
8	Molex	330	0.76%	-	-	-
9	3 Dimensional Services	319	0.74%	-	-	-
10	City of Rochester Hills	240	0.56%	-	-	-
	Lear Corporation	-	-	300	0.81%	7
	Wright & Filippis, Inc.	-	-	280	0.75%	8
	3 Dimensional Services	-	-	250	0.67%	9
	Magna eCar	-	-	227	0.61%	10
	Total Principal Employers	8,603		7,054		
	Total Employment	<u>43,206</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

	2012*	2013	2014	2015	2016
General Government					
Teachers	930	961	961	950	890
Administrators	31	31	31	31	31
Secretaries	86	86	86	86	92
Maintenance/Grounds/Technicians	37	41	41	41	39
Paraprofessionals	351	351	351	351	280
Executive Staff/Directors	11	11	11	11	9
Total	<u>1,446</u>	<u>1,481</u>	<u>1,481</u>	<u>1,470</u>	<u>1,341</u>
<hr/>					
	2017	2018	2019	2020	2021
General Government					
Teachers	893	901	902	909	901
Administrators	32	32	33	35	34
Secretaries	90	90	92	80	81
Maintenance/Grounds/Technicians	42	42	37	32	29
Paraprofessionals	274	274	272	277	181
Executive Staff/Directors	10	10	11	12	11
Total	<u>1,341</u>	<u>1,349</u>	<u>1,347</u>	<u>1,345</u>	<u>1,237</u>

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



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
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
2021	8,259	15,315	184,269,559	12,032	181,991,891	11,883	71,802

Source: Rochester Community Schools audited financial statements and district records

Rochester Community Schools  
Capital Asset Information (Unaudited)  
Year Ended June 30, 2021

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	69,566	13	1980/2020
Brooklands	625	27	71,877	20	1993
Delta Kelly	625	29	83,564	21	2002
Hamlin	625	27	72,408	13	1933/2018
Hampton	625	33	84,227	12	1993/2018
Hugger	475	22	69,621	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	69,621	19	1989/2017
North Hill	625	33	80,802	12	1955/2019
University Hills	475	24	68,421	10	1971/2020
Total Elementary	7,225	346	968,724	185	
Middle School:					
Hart	950	53	160,000	53	1990
Reuther	650	45	124,145	45	1971/2007
Van Hoosen	650	30	124,145	71	1971/2007
West	950	48	153,127	21	1961/2002
Total Middle School	3,200	176	561,417	190	
High School:					
Adams	1,500	77	316,502	*	1970/2000
Rochester	1,500	78	317,700	46	1955/2002
Stoney Creek	1,500	77	321,411	72	2000
Total High School	4,500	232	955,613	118	
Other:					
Shultz Educational Campus	120	19	45,178	9	1928/2018
Caring Steps Children's Center	170	13	40,000	24	1997/2018
Total Other	290	32	85,178	33	
Total Instructional	15,215	786	2,570,932	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	-	-	118,276	19	
Grand Total	15,215	786	2,689,208	544	

\*Shared site: Adams & Van Hoosen

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

Grade	Fall Full Time Equivalent Count									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
K	944	967	966	959	991	1,024	1,004	1,023	1,132	1,010
1	972	1,014	1,031	1,010	1,002	1,010	1,093	1,044	1,074	1,039
2	1,030	1,019	1,048	1,035	1,020	1,040	1,039	1,123	1,072	1,032
3	1,064	1,074	1,050	1,052	1,081	1,030	1,082	1,060	1,159	1,068
4	1,041	1,082	1,122	1,089	1,078	1,109	1,079	1,106	1,085	1,136
5	1,156	1,073	1,106	1,150	1,108	1,111	1,136	1,096	1,106	1,069
6	1,081	1,161	1,107	1,095	1,154	1,127	1,137	1,158	1,110	1,103
7	1,135	1,101	1,176	1,116	1,131	1,167	1,177	1,156	1,170	1,109
8	1,173	1,156	1,111	1,180	1,148	1,168	1,183	1,202	1,174	1,165
9	1,215	1,230	1,195	1,155	1,215	1,218	1,217	1,218	1,230	1,205
10	1,271	1,211	1,225	1,200	1,188	1,244	1,221	1,219	1,219	1,213
11	1,247	1,269	1,205	1,242	1,215	1,184	1,270	1,232	1,208	1,217
12	1,232	1,248	1,284	1,225	1,266	1,257	1,226	1,302	1,237	1,208
Special Education	437	452	455	429	427	414	437	436	437	411
Total	<u>14,998</u>	<u>15,057</u>	<u>15,081</u>	<u>14,937</u>	<u>15,024</u>	<u>15,103</u>	<u>15,301</u>	<u>15,375</u>	<u>15,413</u>	<u>14,985</u>

Source: MDE Form DS-4120

**ROCHESTER COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal AL Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2020	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2021
<b>U.S. DEPARTMENT OF EDUCATION</b>									
Passed Through Michigan Department of Education:									
Adult Basic Education	84.002								
Adult Basic Education (20-21)		211130-211537	\$275,240	\$0	\$0	\$169,512	\$0	\$0	\$169,512
Title I Grants to Local Educational Agencies: 84.010									
Title I (19-20)		201530-1920	359,059	32,559	339,132	9,373	0	41,932	0
Title I (20-21)		211530-2021	316,691	0	0	236,934	0	146,820	90,114
Total Title I Grants to Local Educational Agencies			\$675,750	\$32,559	\$339,132	\$246,307	\$0	\$188,752	\$90,114
Title III Limited English: 84.365									
Title III (19-20)		200570-1920	104,994	14,048	46,000	10,257	0	24,305	0
Title III (19-20)		200580-1920	147,202	19,988	71,700	6,466	0	26,454	0
Title III (20-21)		210570-2021	122,787	0	0	59,453	0	24,478	34,975
Title III (20-21)		210580-2021	192,525	0	0	138,706	0	74,743	63,963
Total Title III Limited English			\$567,508	\$34,036	\$117,700	\$214,882	\$0	\$149,980	\$98,938
Improving Teacher Quality: 84.367									
Title IIA (19-20)		200520-1920	336,669	8,517	218,219	3,446	0	11,963	0
Title IIA (20-21)		210520-2021	330,094	0	0	154,349	0	53,480	100,869
Total Improving Teacher Quality			\$666,763	\$8,517	\$218,219	\$157,795	\$0	\$65,443	\$100,869
Student Support and Academic Enrichment 84.424									
Title IV (20-21)		210750-2021	22,392	0	0	13,096	0	9,524	3,572
Education Satablization Fund 84.425D									
Covid 19 Elementary and Secondary School									
Emergency Relief Fund (ESSER I)		203710-1920	252,916	0	0	251,332	0	181,120	70,212
Total Passed Through Michigan Department of Education			\$2,460,569	\$75,112	\$675,051	\$1,052,924	\$0	\$594,819	\$533,217
Passed Through Oakland County ISD									
Special Education - Grants to States: 84.027									
IDEA (19-20)		200450-1920	3,140,339	835,604	2,988,795	134,470	0	932,647	37,427
IDEA (20-21)		210450-2021	3,193,267	0	0	3,005,388	0	0	3,005,388
Total Special Education - Grants to States			\$6,333,606	\$835,604	\$2,988,795	\$3,139,858	\$0	\$932,647	\$3,042,815
Special Education - Preschool 84.173									
Special Education Preschool (19-20)		200460-1920	154,907	36,101	154,334	573	0	36,674	0
Special Education Preschool (20-21)		210460-2021	153,636	0	0	133,978	0	0	133,978
Total Special Education - Preschool			\$308,543	\$36,101	\$154,334	\$134,551	\$0	\$36,674	\$133,978
Total Special Education Cluster			\$6,642,149	\$871,705	\$3,143,129	\$3,274,409	\$0	\$969,321	\$3,176,793
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			\$9,102,718	\$946,817	\$3,818,180	\$4,327,333	\$0	\$1,564,140	\$3,710,010
<b>U.S. DEPARTMENT OF AGRICULTURE</b>									
Passed Through Michigan Department of Education:									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	261,836	0	0	261,836	0	261,836	0
Bonus Commodities	10.555	N/A	363	0	0	363	0	363	0
Total Non-Cash Assistance			\$262,199	\$0	\$0	\$262,199	\$0	\$262,199	\$0
Cash Assistance									
Covid-19 Unanticipated School Closure	10.555	200902	691,530	131,703	681,530	0	0	131,703	0
Covid-19 Unanticipated School Closure	10.555	201960	162	0	0	162	0	162	0
SFSP Operating	10.559	200900	90,596	0	0	90,596	0	90,596	0
SFSP Operating	10.559	210904	1,874,104	0	0	2,057,421	0	1,874,104	183,317
Total Cash Assistance			\$2,656,392	\$131,703	\$681,530	\$2,148,179	\$0	\$2,096,565	\$183,317
Total Nutrition Cluster			\$2,918,591	\$131,703	\$681,530	\$2,410,378	\$0	\$2,358,764	\$183,317
Child Care Food Program (CACFP)	10.558	211920	2,072	0	0	2,072	0	2,072	0
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			\$2,920,663	\$131,703	\$681,530	\$2,412,450	\$0	\$2,360,836	\$183,317

ROCHESTER COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Federal AL Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2020	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2021
<u>U.S. DEPARTMENT OF TREASURY</u>									
Passed Through Michigan Department of Education Coronavirus Relief Funds	21.019								
Covid 19 Coronavirus Relief Funds		2021	\$5,393,514	\$0	\$0	\$1,146,658	\$0	\$1,146,658	\$0
District Covid 19 Costs		2021	189,850	0	0	189,850	0	189,850	0
Total Passed Through Michigan Department of Education			\$5,583,364	\$0	\$0	\$1,336,508	\$0	\$1,336,508	\$0
Passed through MAISA/Copper County ISD COVID-19 Coronavirus Relief Funds -	21.019								
MiConnect Connectivity Purchasing Rebate		2021	119,850	0	0	119,850	0	119,850	0
MiConnect Connectivity Rebate		2021	68,412	0	0	68,412	0	68,412	0
Total Passed through MAISA/Copper County ISD			\$188,262	\$0	\$0	\$188,262	\$0	\$188,262	\$0
Passed through Oakland County Covid 19 Coronavirus Relief Funds	21.019								
		2021	1,790,903	0	0	1,790,903	0	1,790,903	0
<u>TOTAL U.S. DEPARTMENT OF TREASURY</u>			\$7,562,529	\$0	\$0	\$3,315,673	\$0	\$3,315,673	\$0
<u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>									
Passed Through State of Michigan Covid 19 Childcare and Development	93.575								
Block Grant		N/A	33,982	0	0	33,982	0	33,982	0
Passed Through Oakland County ISD Medicaid Outreach Program (20-21)	93.778								
		N/A	41,823	0	0	41,823	0	41,823	0
<u>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>			\$75,805	\$0	\$0	\$75,805	\$0	\$75,805	\$0
<u>TOTAL FEDERAL AWARDS</u>			\$19,661,715	\$1,078,520	\$4,499,710	\$10,131,261	\$0	\$7,316,454	\$3,893,327

ROCHESTER COMMUNITY SCHOOLS  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

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FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS

\$10,131,261

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund	\$7,684,829
Caring Steps Fund	96,094
Food Service Fund	2,412,450
Childcare Relief Funds (Not Subject to SEFA)	<u>(62,112)</u>
<u>TOTAL</u>	<u>\$10,131,261</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, 2021.

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 NexSys and 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 80 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, 2021 that is not included on the schedule of expenditures of federal awards.
- 4) The District did not pass-through any federal awards to sub recipients.

ROCHESTER COMMUNITY SCHOOLS  
RECONCILIATION OF "GRANT AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

Current Payments Per the Grant Auditor's Report		
NexSys/Cash Management System		\$2,693,456
<u>Add:</u> Passed Through Oakland County ISD		
Special Education - State Grants (CFDA 84.027)	\$932,647	
Special Education - Preschool (CFDA 84.173)	36,674	
Medicaid Outreach (CFDA 93.778)	41,823	
Total Passed Through Oakland County ISD		1,011,144
Grants Passed Through Michigan Department of Education		
Covid 19 Coronavirus Relief Funds (CFDA 21.019)	\$1,146,658	
District Covid 19 Costs (CFDA 21.019)	189,850	
Covid 19 Childcare and Development Block Grant (CFDA 93.575)	33,982	
Total Passed Through Michigan Department of Education		1,370,490
Passed through MAISA/Copper County ISD		
COVID-19 Coronavirus Relief Funds -		
MiConnect Connectivity Funding (CFDA 21.019)		188,262
Passed through Oakland County		
Covid 19 Coronavirus Relief Funds (CFDA 21.019)		1,790,903
Entitlement and Bonus Commodities		262,199
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$7,316,454</u>



October 29, 2021

**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, 2021, and the related notes to the financial statements, which collectively comprise Rochester Community Schools' basic financial statements, and have issued our report thereon dated October 29, 2021.

**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



October 29, 2021

**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, 2021. 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, 2021.

**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, 2021

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?

☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Covid 19 Coronavirus Relief Funds, District Covid 19 Costs, MiConnect Connectivity Funding

Dollar threshold use to distinguish between type A and type B programs:

\$ 750,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings for the current year.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings for the current year.

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no findings for the prior year.



October 29, 2021

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, 2021. 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 23, 2021. 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 2020-2021 year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

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

##### *Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 29, 2021.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the Statistical Section, which accompany the financial statements but are not RSI. Such information has 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 it.

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.  
CERTIFIED PUBLIC ACCOUNTANTS