

Annual Comprehensive Financial Report
Rochester Community Schools – Michigan
For the Fiscal Year Ended June 30, 2022

ROCHESTER COMMUNITY SCHOOLS
Rochester, Michigan

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PREPARED BY:

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Deputy Superintendent for Business Affairs

Matthew McDaniel, CPA
Executive Director of Business Operations

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October 23, 2022

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, 2022. 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, 2022. 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, 2022 are as follows:

Name	Position	Term
Kevin Beers	President	2022
Kristin Bull	Vice President	2026
Michelle Bueltel	Treasurer	2024
Joe Pittel	Secretary	2022
Barbara Anness	Trustee	2024
Jessica Gupta	Trustee	2022
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 2021 enrollment totaled 14,983 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:

<u>Name of School</u>	<u>Grades Served</u>	<u>Approximate Enrollment</u>
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	
	2022-2023	2021-2022	2020-2021	2019-20
Unassigned Fund Balance	35,798,827	37,253,610	36,554,334	36,240,432
Expenditures	197,452,949	195,534,584	181,991,891	175,976,982
% Unassigned	18.13%	19.05%	20.09%	20.59%

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.

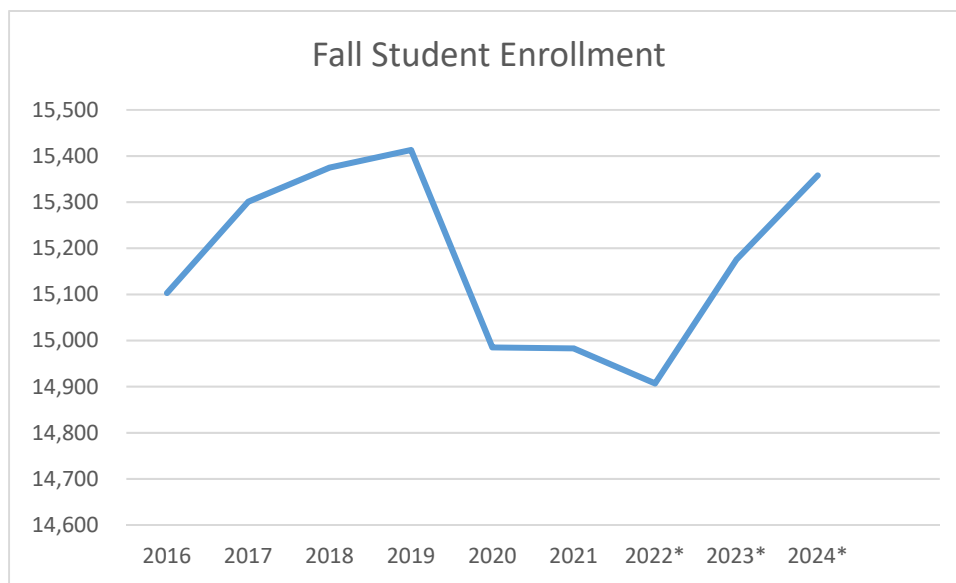
Infrastructure & Technology

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 in early 2023.

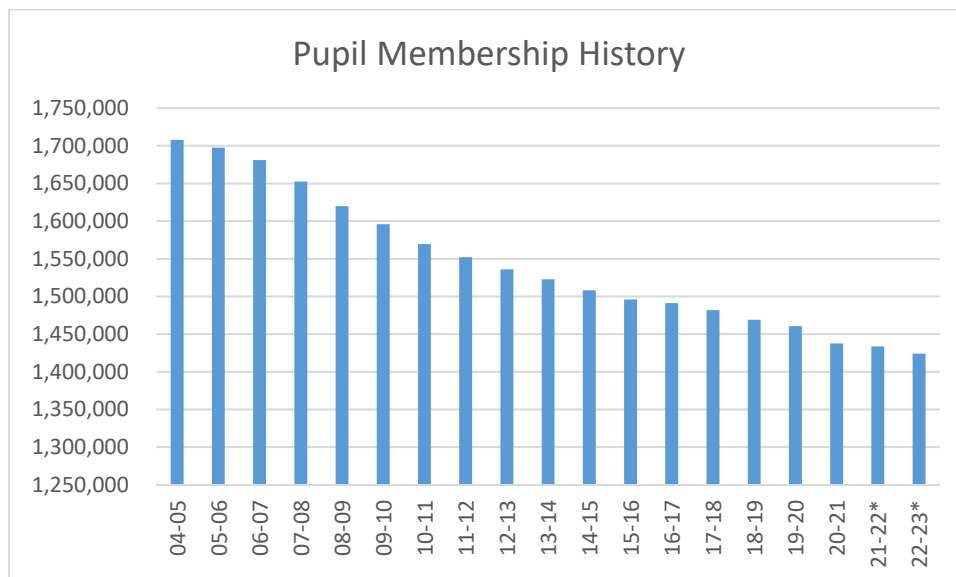
Projected Enrollment

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



*Projected

State-wide student enrollment decreased between 2004-05 and 2020-21 by approximately 255,280 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, a transportation center, and is maintaining the former administration 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 fourth year the district has issued a Comprehensive Annual Financial Report. This document is also the District’s fourth 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.

Respectfully Submitted,

Robert Shaner

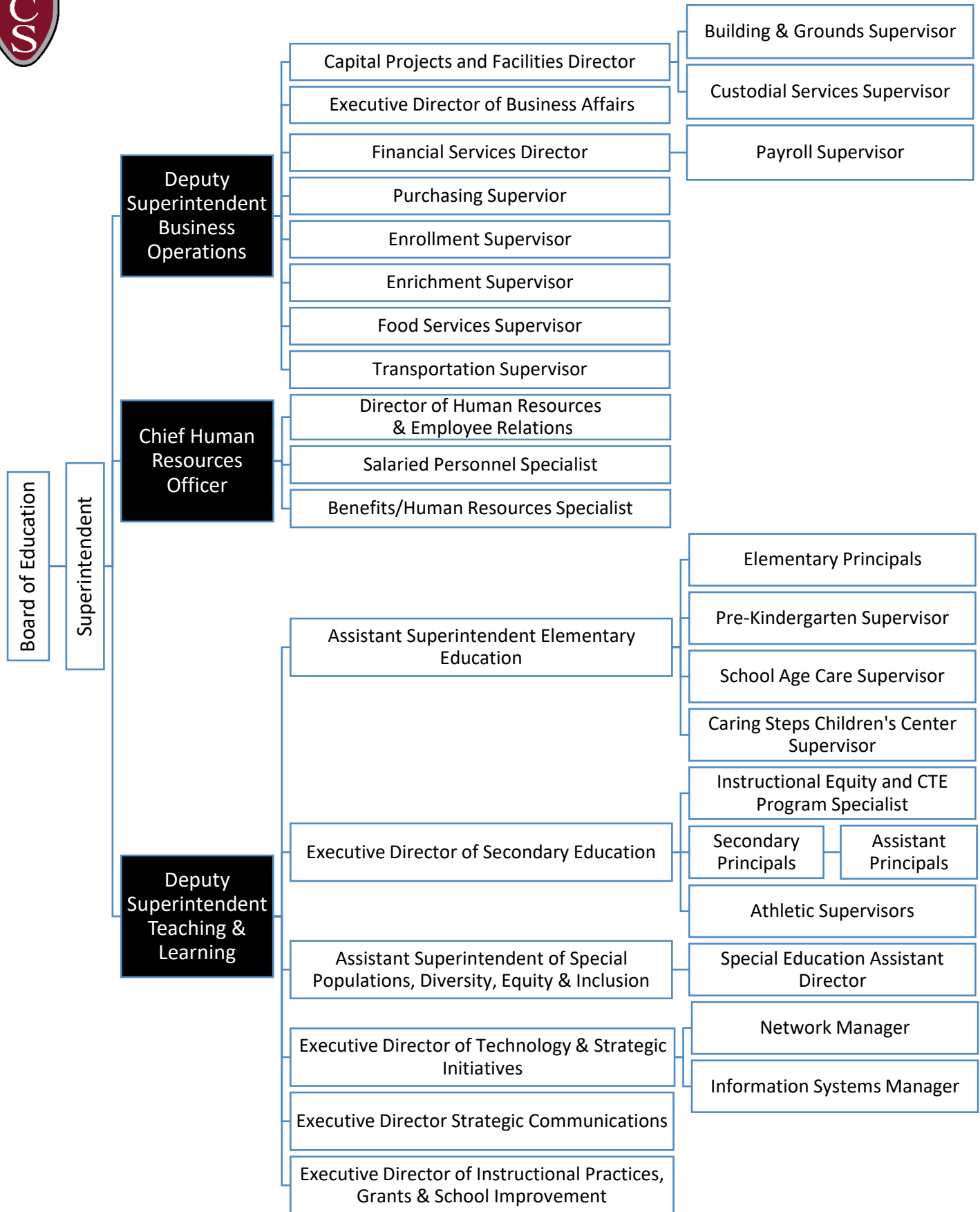
Dr. Robert Shaner, Ph.D.
Superintendent of Schools

Dana J. Taylor

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



Rochester Community Schools Organizational Chart 2021-22



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, 2022 are as follows:

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Jessica Gupta	Trustee	2022



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Rochester Community Schools

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'William A. Sutter'.

William A. Sutter
President

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

David J. Lewis
Executive Director



October 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Rochester Community Schools

Report on the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rochester Community Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rochester Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rochester Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rochester Community Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements, other schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 nonmajor fund financial statements, 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 31, 2022, 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 the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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, 2022.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2022 by \$79,804,861 (net position).

The District's total net position increased by \$19,281,659.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$57,385,039 a decrease of \$5,450,886 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 \$38,835,478.

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, 2022.

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

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

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

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

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

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

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$79,804,861 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 \$200,720,880 at June 30, 2022. 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,	
	2022	2021
Assets		
Current assets	\$ 86,894,857	\$ 100,154,552
Capital assets net of depreciation	327,573,165	330,000,809
Total assets	<u>414,468,022</u>	<u>430,155,361</u>
Deferred Outflows of Resources	80,019,744	104,315,647
Liabilities		
Current liabilities	31,169,318	38,989,554
Long-term liabilities	390,846,091	536,983,842
Total liabilities	<u>422,015,409</u>	<u>575,973,396</u>
Deferred inflows of resources	152,277,218	57,584,132
Net position (deficit)		
Net Investment in capital assets	200,720,880	203,104,659
Restricted for debt service	5,008,424	3,730,486
Unrestricted	(285,534,165)	(305,921,665)
Total net position (deficit)	<u>\$ (79,804,861)</u>	<u>\$ (99,086,520)</u>

An amount of \$5,008,424 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 \$(79,804,861) 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,	
	2022	2021
General revenue		
Property taxes	\$ 38,165,816	\$ 47,393,494
State of Michigan aid, unrestricted	107,178,863	108,675,552
Other – federal, state and local	14,731,472	14,886,174
Program revenue		
Charges for services – local	7,885,960	3,324,430
Operating grants – federal and state	55,807,416	41,868,465
Total revenues	<u>223,769,527</u>	<u>216,148,115</u>
Expenses		
Instruction	105,115,224	117,170,175
Support services	67,906,133	77,915,494
Community services	2,786,757	2,166,822
Food services	3,859,156	2,790,976
Athletics	2,720,314	2,709,963
Preschool	967,766	998,700
Student Activities	2,707,029	1,192,423
Outgoing transfers and other uses	39,753	4,000
Interest on long-term debt	5,147,536	5,745,113
Bond issuance costs	-	-
Depreciation (unallocated)	13,238,200	11,663,131
Total expenses	<u>204,487,868</u>	<u>222,356,797</u>
Change in net position	19,281,659	(6,208,682)
Net position – July 1 (Restated)	(99,086,520)	(92,877,838)
Restatement for implementation of GASB 84	-	-
Net position – June 30	<u>\$ (79,804,861)</u>	<u>\$ (99,086,520)</u>

Financial Analysis of the Government's Funds

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

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

ROCHESTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$57,358,039, a decrease of \$5,450,886 in comparison with the prior year. Unassigned fund balance totaled \$37,253,610 at June 30, 2022. 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 \$37,253,610, while total fund balance was \$38,835,478.

The capital projects fund includes the School Building and Site Bonds issued in February 2016 and March 2019. The bond proceeds fund construction projects that are anticipated to be completed in 2023. At the end of the current fiscal year, the restricted fund balance was \$10,967,597, a decrease of \$7,221,222.

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, 2022 amounted to \$327,573,165 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, site improvements, vehicles and equipment.

Depreciation expense totaled \$13,238,200 for the year ended June 30, 2022.

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, 2022 and 2021 follows:

	CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)	
	2022	2021
Land and improvements	\$ 9,851,083	\$ 9,851,083
Construction in progress	11,969,430	5,092,403
Buildings and additions	267,986,064	274,684,385
Site improvements	26,851,633	27,221,506
Furniture and equipment	7,438,801	8,036,345
Vehicles and buses	3,476,154	5,115,087
Total	<u>\$ 327,573,165</u>	<u>\$ 330,000,809</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 \$135,298,785. The District's total debt principal payments were \$6,701,812 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 2022-23 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, 2022.
- The District has continued to address operational pressures caused by the global pandemic that began in March of 2020. Labor shortages, limited product availability, supply chain disruptions and inflation.
- 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. 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 continues to fine-tune technological support for staff and students

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 Executive Director of Business Operations or the Deputy Superintendent for Business Affairs, 52585 Dequindre Road, Rochester, Michigan 48307.

BASIC FINANCIAL STATEMENTS

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$44,934,038
Investments	11,196,001
Accounts Receivable	782,848
Due from Other Governmental Units	29,129,374
Inventory	159,507
Prepaid Expenditures	693,089
Capital Assets, Not Being Depreciated - Construction in Progress	11,969,430
Capital Assets, Not Being Depreciated - Land	9,851,083
Capital Assets, Net of Accumulated Depreciation/Amortization	305,752,652
Total Assets	\$414,468,022
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	57,187,576
Related to Postemployment Benefits	22,832,168
Total Deferred Outflows of Resources	\$80,019,744
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$494,487,766
<u>LIABILITIES</u>	
Accounts Payable	4,507,674
Due to Other Governmental Units	2,836,981
Accrued Expenditures	5,596,638
Salaries Payable	12,874,277
Unearned Revenue	4,520,523
Claims Payable	833,225
Non-Current Liabilities - Due in One Year	7,384,232
Non-Current Liabilities - Due in More than One Year	133,083,791
Net Pension Liability	235,228,964
Net Other Postemployment Benefits Liability	15,149,104
Total Liabilities	\$422,015,409
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	15,590,911
Related to Pensions	78,702,525
Related to Other Postemployment Benefit	57,876,285
Deferred Gain on Refunding	107,497
Total Deferred Inflows of Resource	\$152,277,218
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$574,292,627
<u>NET POSITION</u>	
Net Investment in Capital Assets	200,720,880
Restricted	5,008,424
Unrestricted	(285,534,165)
<u>TOTAL NET POSITION</u>	(\$79,804,861)

See notes to the basic financial statements

ROCHESTER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges For</u>	<u>Program</u>	<u>Activities</u>
		<u>Services</u>	<u>Specific</u>	<u>Net (Expense)</u>
			<u>Operating</u>	<u>Revenue and</u>
			<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Position</u>
Governmental Activities:				
Instruction	\$105,115,224	\$3,148,634	\$48,792,861	(\$53,173,729)
Support Services	67,906,133	847,016	1,118,797	(65,940,320)
Community Services	2,786,757	0	0	(2,786,757)
Athletics	2,720,314	0	0	(2,720,314)
Outgoing Transfers and Other Uses	39,753	0	0	(39,753)
Food Service	3,859,156	142,273	5,607,838	1,890,955
Preschool	967,766	724,113	287,920	44,267
Student Activities	2,707,029	3,023,924	0	316,895
Interest - Long-Term Obligations	5,147,536	0	0	(5,147,536)
Depreciation/Amortization - Unallocated	13,238,200	0	0	(13,238,200)
<u>Total Governmental Activities</u>	<u>\$204,487,868</u>	<u>\$7,885,960</u>	<u>\$55,807,416</u>	<u>(\$140,794,492)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				20,262,096
Property Taxes, Levied for Debt Retirement				9,436,401
Property Taxes, Levied for Capital Projects				8,467,319
State Sources - Unrestricted				107,178,863
Interdistrict Sources				12,420,191
Investment Earnings				47,929
Miscellaneous				2,263,352
Total General Revenues and Transfers				<u>\$160,076,151</u>
Change in Net Position				\$19,281,659
Net Position - Beginning of Year				<u>(99,086,520)</u>
<u>Net Position - End of Year</u>				<u>(\$79,804,861)</u>

See notes to the basic financial statements.

ROCHESTER COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$34,664,386	\$835,524	\$9,434,128	\$44,934,038
Investments	0	11,196,001	0	11,196,001
Accounts Receivable	772,193	9,966	689	782,848
Due from Other Governmental Units	28,914,291	0	215,083	29,129,374
Inventory	45,840	0	113,667	159,507
Prepaid Expenditures	448,364	0	244,725	693,089
<u>TOTAL ASSETS</u>	<u>\$64,845,074</u>	<u>\$12,041,491</u>	<u>\$10,008,292</u>	<u>\$86,894,857</u>
<u>LIABILITIES</u>				
Accounts Payable	\$1,831,956	\$1,073,894	\$1,601,824	\$4,507,674
Due to Other Governmental Units	2,835,987	0	994	2,836,981
Accrued Expenditures	4,770,363	0	0	4,770,363
Salaries Payable	12,874,277	0	0	12,874,277
Unearned Revenue	3,697,013	0	823,510	4,520,523
Total Liabilities	\$26,009,596	\$1,073,894	\$2,426,328	\$29,509,818
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	45,840	0	113,667	159,507
Prepaid Expenditures	448,364	0	244,725	693,089
Restricted				
Debt Retirement	0	0	1,209,327	1,209,327
Food Service	0	0	2,866,303	2,866,303
Capital Projects		10,967,597	1,470,098	12,437,695
Committed				
Daycare	0	0	61,249	61,249
Student Activities	0	0	1,616,595	1,616,595
Assigned - Subsequent Yr Expenditures	1,087,664	0	0	1,087,664
Unassigned	37,253,610	0	0	37,253,610
Total Fund Balances	\$38,835,478	\$10,967,597	\$7,581,964	\$57,385,039
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$64,845,074</u>	<u>\$12,041,491</u>	<u>\$10,008,292</u>	<u>\$86,894,857</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, 2022

Total Governmental Fund Balances:		\$57,385,039
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows:		
Related to Pensions	\$57,187,576	
Related to Postemployment Benefits	22,832,168	
Total		80,019,744
Deferred Inflows		
State Aid Funding - Pension & Other Postemployment Benefits	(\$15,590,911)	
Related to Pensions	(78,702,525)	
Related to Other Postemployment Benefit	(57,876,285)	
Deferred Gain on Refunding	(107,497)	
Total		(152,277,218)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in Progress	\$11,969,430	
Cost of Assets	500,706,674	
Accumulated Depreciation/Amortization	(185,102,939)	
Capital Assets - Net of Accumulated Depreciation/Amortization		\$327,573,165
Accrued Interest on Long-Term Debt		(826,275)
Claims Payable		(833,225)
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	\$135,298,785	
Notes from Direct Borrowings and Direct Placements	2,413,600	
Other Payroll Obligations	2,755,638	
Total		(140,468,023)
Net Pension Liability		(235,228,964)
Net Other Postemployment Benefits Liability		(15,149,104)
<u>TOTAL NET POSITION -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		<u>(\$79,804,861)</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, 2022

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$27,462,573	\$21,745	\$21,994,003	\$49,478,321
State Sources	146,603,065	0	108,618	146,711,683
Federal Sources	9,368,659	0	5,787,140	15,155,799
Interdistrict Sources	12,420,191	0	0	12,420,191
Total Revenues	<u>\$195,854,488</u>	<u>\$21,745</u>	<u>\$27,889,761</u>	<u>\$223,765,994</u>
EXPENDITURES				
Current				
Instruction	117,669,808	0	0	117,669,808
Student Services	18,316,763	0	0	18,316,763
Instructional Support	9,482,873	0	0	9,482,873
General Administration	2,045,989	0	0	2,045,989
School Administration	9,531,189	0	0	9,531,189
Business Administration	2,157,443	0	0	2,157,443
Operation & Maintenance of Plant	15,600,831	0	0	15,600,831
Transportation	7,275,517	0	0	7,275,517
Central Support Services	7,039,109	0	0	7,039,109
Athletics	2,720,314	0	0	2,720,314
Other Support Services	168,655	0	0	168,655
Community Services	2,899,940	0	145,762	3,045,702
Outgoing Transfers and Other Uses	39,753	0	0	39,753
Food Service	0	0	3,859,156	3,859,156
Preschool	0	0	1,108,110	1,108,110
Student Activities	0	0	2,707,029	2,707,029
Debt Service				
Principal	586,400	0	5,575,000	6,161,400
Interest	0	0	5,162,269	5,162,269
Other	0	0	46,245	46,245
Capital Outlay	0	7,292,967	7,789,291	15,082,258
Total Expenditures	<u>\$195,534,584</u>	<u>\$7,292,967</u>	<u>\$26,392,862</u>	<u>\$229,220,413</u>
Excess (Deficiency) of Revenue (Under) Expenditures	\$319,904	(\$7,271,222)	\$1,496,899	(\$5,454,419)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	98,257	98,257
Transfers (Out)	(98,257)	0	0	(98,257)
Other Reimbursements	3,533	0	0	3,533
Total Other Financing Sources (Uses)	<u>(\$94,724)</u>	<u>\$0</u>	<u>\$98,257</u>	<u>\$3,533</u>
Net Change in Fund Balance	\$225,180	(\$7,271,222)	\$1,595,156	(\$5,450,886)
FUND BALANCE - BEGINNING OF YEAR	<u>38,610,298</u>	<u>18,238,819</u>	<u>5,986,808</u>	<u>62,835,925</u>
FUND BALANCE - END OF YEAR	<u>\$38,835,478</u>	<u>\$10,967,597</u>	<u>\$7,581,964</u>	<u>\$57,385,039</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, 2022

Total net change in fund balances - governmental fund (\$5,450,886)

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:	\$6,877,027	
Capital Outlay	3,933,937	
Depreciation/Amortization Expense	(13,238,200)	
Loss on Sale of Assets	(408)	
Total		(2,427,644)

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 5,575,000

Payments on Installment Contract 586,400

Amortization of:

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

Net Change in Compensated Absences, Early Retirement and Termination Incentives 66,809

Net Change in Medical Claims Payable (22,676)

Change in accrued interest on long-term liabilities 34,103

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		(2,645,924)
Pension Related Items		6,565,967
OPEB Related Items		15,846,823

CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES

\$19,281,659

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) REPORTING ENTITY

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

B) GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2022.

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

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

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

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. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. 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>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	25 – 45 years
Site Improvements	25 – 45 Years
Furniture and Equipment	5 – 50 years
Buses and Other Vehicles	6 years

J) UNEARNED REVENUE

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

K) COMPENSATED ABSENCES

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

L) LONG-TERM OBLIGATIONS

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

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) LONG-TERM OBLIGATIONS (Continued)

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

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

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

N) DEFINED BENEFIT PLAN

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

O) NET POSITION FLOW ASSUMPTION

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

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P) FUND BALANCE FLOW ASSUMPTION

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

Q) FUND BALANCE POLICIES

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

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

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 10% of the preceding year's expenditures.

R) LEASES

Lessee: The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) LEASES (Continued)

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- * The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- * The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position. The District did not have any items to report as capital assets and lease liabilities as of June 30, 2022.

S) 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.

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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T) 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.

U) 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.

V) BUDGETARY INFORMATION

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

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

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The District does not consider these amendments to be significant.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS

As of June 30, 2022 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, 2022, \$41,429,760 of the District’s bank balance of \$44,878,419 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 \$44,934,038.

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 & Poor's Rating</u>	<u>%</u>
Cash Management	<u>\$11,196,001</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.

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.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS (Continued)

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, 2022, 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	\$ 44,934,038
Investments – District Wide	<u>11,196,001</u>
 <u>TOTAL</u>	 <u>\$ 56,130,039</u>

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2022, 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	\$ 25,677,645
Federal Grants	3,304,661
Other Grant Programs & Fees	<u>147,068</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 29,129,374</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, 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	\$9,851,083	\$0	\$0	\$9,851,083
Construction in Progress	5,092,403	8,818,033	(1,941,006)	11,969,430
Total Non-Depreciable	<u>\$14,943,486</u>	<u>\$8,818,033</u>	<u>(\$1,941,006)</u>	<u>\$21,820,513</u>
Buildings and Improvements	419,106,824	2,608,147	(724,000)	420,990,971
Site Improvements	41,656,636	1,038,475	0	42,695,111
Equipment and Furniture	15,488,245	287,315	(758,889)	15,016,671
Vehicles and Buses	12,152,838	0	0	12,152,838
Totals at Historical Cost	<u>\$488,404,543</u>	<u>\$3,933,937</u>	<u>(\$1,482,889)</u>	<u>\$490,855,591</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(144,422,439)	(9,306,468)	724,000	(153,004,907)
Site Improvements	(14,435,130)	(1,408,348)	0	(15,843,478)
Equipment and Furniture	(7,394,901)	(941,450)	758,481	(7,577,870)
Vehicles and Buses	(7,094,750)	(1,581,934)	0	(8,676,684)
Total Accumulated Depreciation	<u>(\$173,347,220)</u>	<u>(\$13,238,200)</u>	<u>\$1,482,481</u>	<u>(\$185,102,939)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$330,000,809</u>	<u>(\$486,230)</u>	<u>(\$1,941,414)</u>	<u>\$327,573,165</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	\$ 11,969,430
Capital Assets	500,706,674
Less: Accumulated Depreciation	(185,102,939)
Less: Related Long-Term Liabilities	(137,712,385)
Less: Deferred Gain on Refunding	(107,497)
Add: Unspent Capital Projects	<u>10,967,597</u>
<u>NET INVESTMENT IN CAPITAL ASSETS</u>	<u>\$ 200,720,880</u>

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, 2022.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
General Obligation Bonds	\$142,000,597	\$0	\$6,701,812	\$135,298,785	\$6,701,812
Notes From Direct Borrowings					
And Direct Placements	3,000,000	0	586,400	2,413,600	593,500
Other Employee Obligations	2,822,447	0	66,809	2,755,638	88,920
<u>Total Governmental Activities</u>	<u>\$147,823,044</u>	<u>\$0</u>	<u>\$7,355,021</u>	<u>\$140,468,023</u>	<u>\$7,384,232</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. \$ 70,250,000

\$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. 49,815,000

Bond Premium 15,233,785

TOTAL GENERAL OBLIGATION BONDS \$ 135,298,785

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. 2,413,600

OTHER EMPLOYEE OBLIGATIONS

Early Retirement Incentives	105,900
Compensated Absences	1,649,388
Termination Incentives	<u>1,000,350</u>

OTHER EMPLOYEE OBLIGATIONS \$ 2,755,638

TOTAL GENERAL LONG-TERM OBLIGATIONS \$ 140,468,023

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, 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	8,011,637	3,871,118	0	0	11,882,755
June 30, 2028-2032	44,743,185	15,042,390	0	0	59,785,575
June 30, 2033-2037	45,761,608	5,841,740	0	0	51,603,348
June 30, 2038-2039	7,395,108	341,718	0	0	7,736,826
<u>TOTAL</u>	<u>\$135,298,785</u>	<u>\$43,281,538</u>	<u>\$2,413,600</u>	<u>\$52,176</u>	<u>\$181,046,099</u>

Interest expense for the year ended June 30, 2022 was \$5,186,994.

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, 2022, consisted of the following:

<u>TRANSFERS TO</u>	<u>TRANSFERS FROM</u>	
	<u>General Fund</u>	
Caring Steps	\$96,077	
Food Service	2,180	
<u>TOTAL</u>	<u>\$98,257</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>
City of Rochester	\$ 38,761
Oakland County	106,220
Rochester Hills	316,704
<u>TOTAL</u>	<u>\$ 461,685</u>

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$1,209,327
Less: Accrued Interest - General Obligation Bonds	(826,275)
Sinking Capital Projects	1,470,098
Food Service	<u>3,155,274</u>
 <u>TOTAL</u>	 <u><u>\$5,008,424</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	\$810,549	\$717,864
Estimated Claims Incurred, Including Changes in Estimates	14,212,466	16,800,888
Claim Payments	<u>14,189,790</u>	<u>16,708,203</u>
 <u>ESTIMATED LIABILITY - END OF YEAR</u>	 <u><u>\$833,225</u></u>	 <u><u>\$810,549</u></u>

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description

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

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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

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, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

The schedule below summarizes **pension** contribution rates in effect for fiscal year ended September 30, 2021.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	19.78%
Member Investment Plan	3.0 – 7.0%	19.78%
Pension Plus	3.0 – 6.4%	16.82%
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, 2021.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$34,159,000, with \$33,389,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB benefits were approximately \$8,423,000, with \$7,916,000 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, 2022, the District reported a liability of \$235,228,964 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the District's proportion was 0.9936 percent, which was an increase of 0.016 percent from its proportion measured as of September 30, 2020.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$86,392,473,395	\$85,290,583,799
Plan Fiduciary Net Position	62,717,060,894	50,939,496,006
Net Pension Liability	\$23,675,412,501	\$34,351,087,793
Proportionate Share	0.9936%	0.97746%
Net Pension Liability for the District	\$235,228,964	\$335,769,510

For the year ending June 30, 2022, the District recognized pension expense of \$27,515,526. At June 30, 2022, 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	\$3,643,797	(\$1,385,219)
Changes of Assumptions	14,827,993	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(75,625,356)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	6,422,597	(1,691,950)
Employer Contributions Subsequent to the Measurement Date	32,293,189	0
<u>TOTAL</u>	<u>\$57,187,576</u>	<u>(\$78,702,525)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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>
2022	(\$5,463,542)
2023	(11,606,021)
2024	(16,764,535)
2025	(19,974,040)

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, 2022, the District reported a liability of \$15,149,104 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021 the District's proportion was 0.9925% percent, which was a decrease of 0.004 percent from its proportion measured as of October 1, 2020.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Other Postemployment Benefits Liability	\$12,046,393,511	\$13,206,903,534
Plan Fiduciary Net Position	<u>10,520,015,621</u>	<u>7,849,636,555</u>
Net Other Postemployment Benefits Liability	\$1,526,377,890	\$5,357,266,979
Proportionate Share	0.9925%	0.99661%
Net Other Postemployment Benefits Liability for the District	\$15,149,104	\$53,391,288

For the year ending June 30, 2022, the District recognized OPEB expense of \$(8,226,360). At June 30, 2022, 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	(\$43,242,037)
Changes of Assumptions	12,663,899	(1,894,992)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(11,418,152)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,702,060	(1,321,104)
Employer Contributions Subsequent to the Measurement Date	<u>7,466,209</u>	<u>0</u>
<u>TOTAL</u>	<u>\$22,832,168</u>	<u>(\$57,876,285)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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>
2022	(\$11,175,559)
2023	(10,218,575)
2024	(9,247,696)
2025	(8,324,863)
2026	(3,132,633)
Thereafter	(411,000)

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% Net of Investment Expenses
- Pension Plus Plan:	6.80% Net of Investment Expenses
- Pension Plus 2 Plan:	6.00% Net of Investment Expenses
- OPEB	6.95% Net of Investment Expenses
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
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.
Other Assumptions OPEB	
Healthcare Cost Trend Rate:	Pre-65 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

11) PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Notes:

Pension

- * *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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: [4.4367 for non-university employers].*
- * *Recognition period for assets in years is 5.0000.*

OPEB

- * *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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: [6.1312 for non-university employers].*
- * *Recognition period for assets in years: 5.0000*
- * *Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2021, are summarized in the following table:

Investment Category	Target Allocation*	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity	15.0%	7.5%
Fixed Income Pools	10.5%	-0.7%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	2.0%	-1.3%
Total	100.0%	

* Long term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3% for pension and 27.14% 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:

	Pension		
	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	5.8%/5.8%/5.0%	6.8%/6.8%/6.0%	7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	\$336,313,625	\$235,228,964	\$151,423,151

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

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

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
	5.95%	6.95%	7.95%
District's proportionate share of the net other postemployment benefit liability	\$28,149,769	\$15,149,104	\$4,116,182

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

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

	Other Postemployment Benefit		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District proportionate share of the net other postemployment benefit liability	\$3,687,171	\$15,149,104	\$28,045,157

ROCHESTER COMMUNITY SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 believe 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.

Construction Commitment Footnote

The District has active construction projects at year-end. The District’s commitments are as follows:

	Spent to Date	Remaining Commitment
Capital Projects Fund	\$ 2,747,389	\$ 2,188,664
Sinking Fund	884,238	7,059,587
Total	3,631,627	9,248,251

13) UPCOMING ACCOUNTING PRONOUNCEMENTS

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

13) UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

14) CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) 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.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY
INFORMATION

ROCHESTER COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$26,858,071	\$27,602,425	\$27,462,573	(\$139,852)
State Sources	139,794,792	146,674,786	146,603,065	(71,721)
Federal Sources	5,586,289	12,036,218	9,368,659	(2,667,559)
Total Revenues	<u>\$172,239,152</u>	<u>\$186,313,429</u>	<u>\$183,434,297</u>	<u>(\$2,879,132)</u>
<u>EXPENDITURES</u>				
Instruction				
Basic	88,345,958	93,678,185	95,190,611	(1,512,426)
Added Needs	22,820,407	23,601,749	22,313,334	1,288,415
Adult and Continuing Education	304,556	285,634	165,863	119,771
Total Instruction	<u>\$111,470,921</u>	<u>\$117,565,568</u>	<u>\$117,669,808</u>	<u>(\$104,240)</u>
Student Services	16,488,058	17,932,236	18,316,763	(384,527)
Instructional Support	8,511,977	10,439,604	9,482,873	956,731
General Administration	1,863,738	2,156,706	2,045,989	110,717
School Administration	9,091,168	9,492,926	9,531,189	(38,263)
Business Administration	2,285,428	2,450,778	2,157,443	293,335
Operation & Maintenance of Plant	15,862,409	17,170,600	15,600,831	1,569,769
Transportation	7,768,946	7,854,049	7,275,517	578,532
Central Support Services	7,088,852	7,553,506	7,039,109	514,397
Other Support	3,045,093	3,103,754	2,888,969	214,785
Community Services	3,119,664	3,241,791	2,899,940	341,851
Capital Outlay	0	6,300	0	6,300
Total Expenditures	<u>\$186,596,254</u>	<u>\$198,967,818</u>	<u>\$194,908,431</u>	<u>\$4,059,387</u>
Excess of Revenues Over Expenditures	(\$14,357,102)	(\$12,654,389)	(\$11,474,134)	\$1,180,255
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>12,516,873</u>	<u>11,856,383</u>	<u>11,699,314</u>	<u>(157,069)</u>
	(\$1,840,229)	(\$798,006)	\$225,180	\$1,023,186
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>38,610,298</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$38,835,478</u>	

ROCHESTER COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$75,045	\$5,015	\$21,745	\$16,730
<u>EXPENDITURES</u>				
Capital Outlay	11,606,731	8,184,304	7,292,967	891,337
Net Change in Fund Balance	(\$11,531,686)	(\$8,179,289)	(\$7,271,222)	\$908,067
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>18,238,819</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$10,967,597</u>	

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

	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.97695%	0.97593%	0.97097%	0.99526%	0.97968%
Reporting unit's proportionate share of net pension liability	\$293,689,377	\$252,905,785	\$242,248,042	\$243,093,129	\$215,789,986
Reporting unit's covered-employee payroll	\$82,938,835	\$82,218,893	\$81,004,312	\$82,966,730	\$83,141,855
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	354.10%	307.60%	299.06%	293.00%	259.54%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%
			2021	2020	2019
Reporting unit's proportion of net pension liability (%)			0.99355%	0.97746%	0.96013%
Reporting unit's proportionate share of net pension liability			\$235,228,964	\$335,769,510	\$317,964,166
Reporting unit's covered-employee payroll			\$89,294,863	\$88,204,232	\$83,016,339
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll			263.43%	380.67%	383.01%
Plan fiduciary net position as a percentage of total pension liability			72.60%	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)

	2019	2018	2017	2016	2015
Statutorily required contributions	\$26,602,609	\$22,890,815	\$22,745,187	\$19,199,906	\$25,763,366
Contributions in relation to statutorily required contributions	26,602,609	22,890,815	22,745,187	19,199,906	25,763,366
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Reporting unit's covered-employee payroll	\$82,987,084	\$82,570,054	\$84,817,697	\$81,307,377	\$82,959,226
Contributions as a percentage of covered-employee payroll	32.06%	27.72%	26.82%	23.61%	31.06%
			2022	2021	2020
Statutorily required contributions			\$29,832,792	\$26,861,982	\$25,506,338
Contributions in relation to statutorily required contributions			29,832,792	26,861,982	25,506,338
Contribution deficiency (excess)			\$0	\$0	\$0
Reporting unit's covered-employee payroll			\$94,801,164	\$89,161,299	\$87,267,447
Contributions as a percentage of covered-employee payroll			31.47%	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)

	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.99248%	0.99661%	0.95071%	0.97481%	0.97411%
Reporting unit's proportionate share of net OPEB liability	\$15,149,104	\$53,391,288	\$68,239,653	\$77,487,530	\$86,262,131
Reporting unit's covered-employee payroll	\$89,294,863	\$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	16.97%	60.53%	82.20%	93.43%	104.92%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	87.33%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$7,367,675	\$7,041,327	\$6,527,656	\$6,327,485	\$7,583,864
Contributions in relation to statutorily required contributions	<u>7,367,675</u>	<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>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$94,801,164	\$89,161,299	\$87,267,447	\$82,987,084	\$82,570,054
Contributions as a percentage of covered-employee payroll	7.77%	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

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
Instruction - Basic	\$93,678,185	\$95,190,611	(\$1,512,426)
Student Services	17,932,236	18,316,763	(384,527)
School Administration	9,492,926	9,531,189	(38,263)

PENSION

Benefit changes – there were no changes of benefit terms for the year ended September 30, 2021

Changes in assumptions – the assumption changes for the year ended September 30, 2021 were:

- * The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.50% to 2.00%. While this assumption change had no impact on the Actuarial Accrued Liability, it did result in an increase in employer contribution requirements.
- * The Non-Hybrid and Pension Plus plan investment return assumptions were lowered from 6.80% to 6.00%. This assumption change increased the Actuarial Accrued Liability as of the valuation date and the fiscal year 2024 employer contribution.

OPEB

Benefit changes – there were no changes of benefit terms for the year ended September 30, 2021

Changes in assumptions – the assumption changes for the year ended September 30, 2021 were:

- * The medical and prescription drug trend rates used in the valuation were re-set to better reflect anticipated future experience. The change in medical and drug trend rates increased the Actuarial Accrued Liability and increased the actuarially computed employer contribution.
- * The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.50% to 2.00%. While this assumption change had no impact on the Actuarial Accrued Liability, it increased the actuarially computed employer contribution.
- * The investment return assumption was lowered from 6.95% to 6.00%. This change in investment return assumption increased the Actuarial Accrued Liability.

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, 2022

	Debt Retirement Fund	Sinking Capital Projects	Special Revenue Funds				Total
			Caring Steps Fund	Food Services Fund	Bookstore Fund	Student Activities Fund	
<u>ASSETS</u>							
Cash and Cash Equivalents	\$1,209,327	\$2,692,449	\$405,929	\$3,398,260	\$61,412	\$1,666,751	\$9,434,128
Accounts Receivable	0	0	240	0	0	449	689
Due from Other Gov. Units	0	0	0	215,083	0	0	215,083
Inventory	0	0	0	81,936	31,731	0	113,667
Prepaid Expenditures	0	0	0	207,035	0	37,690	244,725
<u>TOTAL ASSETS</u>	<u>\$1,209,327</u>	<u>\$2,692,449</u>	<u>\$406,169</u>	<u>\$3,902,314</u>	<u>\$93,143</u>	<u>\$1,704,890</u>	<u>\$10,008,292</u>
<u>LIABILITIES</u>							
Accounts Payable	\$0	\$1,222,351	\$70,419	\$272,060	\$0	\$36,994	\$1,601,824
Due to Other Gov. Units	0	0	0	0	163	831	994
Unearned Revenue	0	0	335,750	474,980	0	12,780	823,510
Total Liabilities	\$0	\$1,222,351	\$406,169	\$747,040	\$163	\$50,605	\$2,426,328
<u>FUND BALANCES</u>							
Non-Spendable							
Inventory	0	0	0	81,936	31,731	0	113,667
Prepaid Expenditures	0	0	0	207,035	0	37,690	244,725
Restricted							
Debt Retirement	1,209,327	0	0	0	0	0	1,209,327
Capital Projects	0	1,470,098	0	0	0	0	1,470,098
Food Service	0	0	0	2,866,303	0	0	2,866,303
Committed							
Bookstore	0	0	0	0	61,249	0	61,249
Student Activities	0	0	0	0	0	1,616,595	1,616,595
Total Fund Balance	\$1,209,327	\$1,470,098	\$0	\$3,155,274	\$92,980	\$1,654,285	\$7,581,964
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,209,327</u>	<u>\$2,692,449</u>	<u>\$406,169</u>	<u>\$3,902,314</u>	<u>\$93,143</u>	<u>\$1,704,890</u>	<u>\$10,008,292</u>

ROCHESTER COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
YEAR ENDED JUNE 30, 2022

	Debt Retirement Fund	Sinking Capital Projects	Special Revenue Funds				Total
			Caring Steps Fund	Food Services Fund	Bookstore Fund	Student Activities Fund	
<u>REVENUES</u>							
<u>Local Sources</u>	\$9,438,364	\$8,482,419	\$724,113	\$144,995	\$180,188	\$3,023,924	\$21,994,003
<u>State Sources</u>							
State Reimbursements	0	0	0	108,618	0	0	108,618
<u>Federal Sources</u>							
Federal Reimbursements	0	0	287,920	5,199,129	0	0	5,487,049
Commodities	0	0	0	300,091	0	0	300,091
Total Federal Sources	\$0	\$0	\$287,920	\$5,499,220	\$0	\$0	\$5,787,140
Total Revenues	\$9,438,364	\$8,482,419	\$1,012,033	\$5,752,833	\$180,188	\$3,023,924	\$27,889,761
<u>OTHER FINANCING SOURCES</u>							
Transfer from General Fund	0	0	96,077	2,180	0	0	98,257
Total Revenues & Other Financing Sources	\$9,438,364	\$8,482,419	\$1,108,110	\$5,755,013	\$180,188	\$3,023,924	\$27,988,018
<u>EXPENDITURES</u>							
Professional Salaries	0	0	13,107	0	0	0	13,107
Non-Professional Salaries	0	0	6,881	0	0	133,855	140,736
Insurances	0	0	1,260	0	0	0	1,260
Fica, Retirement, Etc.	0	0	10,019	0	0	68,120	78,139
Purchased Services	0	0	924,875	1,932,155	3,155	362	2,860,547
Supplies and Materials	0	0	151,320	1,872,186	141,232	0	2,164,738
Capital Outlay	0	0	648	53,163	0	23,463	77,274
Other	0	0	0	1,652	1,375	2,481,229	2,484,256
<u>Debt Retirement</u>							
Principal	5,575,000	0	0	0	0	0	5,575,000
Interest	5,162,269	0	0	0	0	0	5,162,269
Other	46,245	0	0	0	0	0	46,245
Capital Projects	0	7,789,291	0	0	0	0	7,789,291
Total Expenditures	\$10,783,514	\$7,789,291	\$1,108,110	\$3,859,156	\$145,762	\$2,707,029	\$26,392,862
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>							
	(\$1,345,150)	\$693,128	\$0	\$1,895,857	\$34,426	\$316,895	\$1,595,156
<u>FUND BALANCE - BEGINNING</u>							
	2,554,477	776,970	0	1,259,417	58,554	1,337,390	5,986,808
<u>FUND BALANCE - ENDING</u>							
	\$1,209,327	\$1,470,098	\$0	\$3,155,274	\$92,980	\$1,654,285	\$7,581,964

ROCHESTER COMMUNITY SCHOOLS
DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

Years Ending June 30	2016 Principal	2019 Principal
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>\$70,250,000</u>	<u>\$49,815,000</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,				
	2013	2014	2015*	2016	2017**
Governmental Activities					
Net Investment in Capital Assets	\$ 101,293,666	\$ 117,624,746	\$ 134,651,099	\$ 150,577,125	\$ 162,779,420
Restricted	2,225,763	2,112,086	2,258,951	1,963,967	2,911,490
Unrestricted	10,147,634	8,868,138	(196,851,931)	(204,122,904)	(187,861,839)
Total Primary Government Net Position	<u>\$ 113,667,063</u>	<u>\$ 128,604,970</u>	<u>\$ (59,941,881)</u>	<u>\$ (51,581,812)</u>	<u>\$ (22,170,929)</u>

	June 30,				
	2018	2019	2020***	2021	2022
Governmental Activities					
Net Investment in Capital Assets	\$ 178,109,280	\$ 190,107,486	\$ 196,771,287	\$ 203,104,659	\$ 200,720,880
Restricted	3,147,098	4,457,799	3,323,677	3,730,486	5,008,424
Unrestricted	(279,562,097)	(281,444,120)	(292,972,802)	(305,921,665)	(285,534,165)
Total Primary Government Net Position	<u>\$ (98,305,719)</u>	<u>\$ (86,878,835)</u>	<u>\$ (92,877,838)</u>	<u>\$ (99,086,520)</u>	<u>\$ (79,804,861)</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,				
	2013*	2014	2015**	2016	2017
Expenses					
Governmental Activities					
Instruction	\$ 95,987,820	\$ 97,940,300	\$ 96,581,033	\$ 115,955,077	\$ 90,623,730
Support Services	54,159,833	55,089,496	52,240,053	50,875,773	54,902,471
Community Services	2,426,223	2,607,103	2,789,715	2,848,346	3,206,787
Athletics	2,594,382	2,572,880	2,613,889	2,626,952	2,334,358
Outgoing Transfers and Other Uses	-	-	-	4,000	81,501
Food Service	3,655,228	3,739,720	3,560,500	3,430,313	2,744,727
Child Care Services	-	-	-	-	-
Student Activities	-	-	-	-	-
Interest on Long-term Debt	6,346,530	4,508,161	3,292,555	5,100,887	8,884,483
Bond Issue Costs	-	-	-	632,611	-
Capital Outlay	859,342	-	-	-	-
Unallocated Depreciation	8,367,578	8,395,088	8,121,786	7,994,964	8,379,040
Total Governmental Activities	<u>174,396,936</u>	<u>174,852,748</u>	<u>169,199,531</u>	<u>189,468,923</u>	<u>171,157,097</u>
Program Revenues					
Charges for Services:					
Instruction	5,419,898	-	-	4,227,916	4,325,120
Support Services	2,330,615	760,501	634,860	1,951,111	818,035
Community Services		5,168,552	5,336,459		
Preschool					
Athletics		2,293,492	1,114,388		
Food Services	1,178,003	1,166,410	2,348,598	2,337,269	2,255,273
Student Activities	-	-	-	-	-
Operating Grants and Contributions	32,482,600	33,446,284	37,067,240	29,934,813	30,556,215
Total Program Revenues	<u>41,411,116</u>	<u>42,835,239</u>	<u>46,501,545</u>	<u>38,451,109</u>	<u>37,954,643</u>
Net Expenses	<u>(132,985,820)</u>	<u>(132,017,509)</u>	<u>(122,697,986)</u>	<u>(151,017,814)</u>	<u>(133,202,454)</u>
General Revenue					
Property Levied for General Purposes	16,041,892	15,813,974	16,019,584	16,740,459	17,145,927
Levied for Debt Service	27,247,775	27,779,200	27,235,347	27,310,206	26,687,769
Levied for Capital Projects	-	-	-	-	-
State Sources - Unrestricted	100,770,730	102,211,410	101,395,269	101,903,194	103,458,205
Interdistrict Sources	-	-	-	11,238,105	11,179,573
Investment Earnings	10,552	35,205	21,347	345,507	910,200
Miscellaneous	1,085,214	1,115,627	1,118,807	1,823,462	3,214,713
Gain (Loss) on Disposal of Capital Assets	12,526	-	27,038	16,950	16,950
Total General Revenues and Transfers	<u>145,168,689</u>	<u>146,955,416</u>	<u>145,817,392</u>	<u>159,377,883</u>	<u>162,613,337</u>
Change in Net Position	<u>\$ 12,182,869</u>	<u>\$ 14,937,907</u>	<u>\$ 23,119,406</u>	<u>\$ 8,360,069</u>	<u>\$ 29,410,883</u>

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

**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,				
	2018	2019***	2020	2021	2022
Expenses					
Governmental Activities					
Instruction	\$ 104,705,428	\$ 107,749,115	\$ 115,107,381	\$ 117,170,175	\$ 105,115,224
Support Services	65,699,674	65,462,202	74,430,811	77,915,494	67,906,133
Community Services	3,143,048	3,531,030	3,507,826	2,166,822	2,786,757
Athletics	2,435,549	2,582,178	2,582,282	2,709,963	2,720,314
Outgoing Transfers and Other Uses	3,821	3,821	4,000	4,000	39,753
Food Service	3,116,701	3,498,453	3,401,610	2,790,976	3,859,156
Child Care Services	-	738,144	1,074,284	998,700	967,766
Student Activities	-	-	2,249,684	1,192,423	2,707,029
Interest on Long-term Debt	7,389,547	6,625,508	6,763,739	5,745,113	5,147,536
Bond Issue Costs	-	592,481	-	-	-
Capital Outlay	-	-	-	-	-
Unallocated Depreciation	8,606,198	10,464,073	11,360,926	11,663,131	13,238,200
	<u>195,099,966</u>	<u>201,247,005</u>	<u>220,482,543</u>	<u>222,356,797</u>	<u>204,487,868</u>
Program Revenues					
Charges for Services:					
Instruction	4,526,499	4,831,328	3,297,564	1,147,699	3,148,634
Support Services	910,520	946,328	792,081	277,994	847,016
Community Services	-	-	-	-	-
Preschool	-	433,688	681,401	632,550	724,113
Athletics	-	-	-	-	-
Food Services	2,260,894	2,258,520	1,552,001	46	142,273
Student Activities	-	-	2,343,656	1,266,141	3,023,924
Operating Grants and Contributions	31,133,542	32,999,234	36,260,808	41,868,465	55,807,416
Total Program Revenues	<u>38,831,455</u>	<u>41,469,098</u>	<u>44,927,511</u>	<u>45,192,895</u>	<u>63,693,376</u>
Net Expenses	<u>(156,268,511)</u>	<u>(159,777,907)</u>	<u>(175,555,032)</u>	<u>(177,163,902)</u>	<u>(140,794,492)</u>
General Revenue					
Property Levied for General Purposes	17,332,500	18,025,077	19,720,682	20,227,861	20,262,096
Levied for Debt Service	28,079,584	29,572,956	27,619,164	19,039,341	9,436,401
Levied for Capital Projects	-	-	-	8,126,292	8,467,319
State Sources - Unrestricted	106,216,519	108,323,299	106,134,663	108,675,552	107,178,863
Interdistrict Sources	11,677,700	11,352,304	11,983,365	13,005,395	12,420,191
Investment Earnings	1,005,467	817,669	1,066,291	53,934	47,929
Miscellaneous	2,817,204	3,113,486	1,932,219	1,826,845	2,263,352
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-
Total General Revenues and Transfers	<u>167,128,974</u>	<u>171,204,791</u>	<u>168,456,384</u>	<u>170,955,220</u>	<u>160,076,151</u>
Change in Net Position	<u>\$ 10,860,463</u>	<u>\$ 11,426,884</u>	<u>\$ (7,098,648)</u>	<u>\$ (6,208,682)</u>	<u>\$ 19,281,659</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,				
	2013	2014	2015	2016	2017
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 310,838	\$ 722,818	\$ 655,448	\$ 456,489	\$ 521,547
Restricted	173,672	-	-	-	-
Committed					
Encumbrances, Inventory and Prepaid Items	338,493	-	-	-	-
Insurance Escrow	451,157	-	-	-	-
Assigned					
Subsequent Year Expenditures	378,051	-	-	-	-
Unassigned	14,605,796	14,047,694	15,493,198	22,004,557	28,380,867
Total General Fund	<u>16,258,007</u>	<u>14,770,512</u>	<u>16,148,646</u>	<u>22,461,046</u>	<u>28,902,414</u>
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	113,926	110,168	84,168	80,110	111,106
Restricted					
Debt Payments	2,225,763	2,841,575	2,504,756	2,841,549	2,485,279
Food Service	-	162,637	323,318	750,335	1,547,915
Committed					91,261,161
Specified Purposes	-	48,687	34,552	32,701	-
Capital Projects	1,685,950	1,116,803	23,848	123,965,355	36,824
Assigned	400,910	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>4,426,549</u>	<u>4,279,870</u>	<u>2,970,642</u>	<u>127,670,050</u>	<u>95,442,285</u>
Total All Governmental Funds	<u>\$ 20,684,556</u>	<u>\$ 19,050,382</u>	<u>\$ 19,119,288</u>	<u>\$ 150,131,096</u>	<u>\$ 124,344,699</u>

	June 30,				
	2018	2019	2020	2021	2022
General Fund					
Nonspendable					
Inventory and Prepaid Items	\$ 602,383	\$ 707,957	\$ 612,395	\$ 215,735	\$ 494,204
Assigned	-	-	1,675,967	1,840,229	1,087,664
Unassigned	30,647,711	35,626,307	36,240,432	36,554,334	37,253,610
Total General Fund	<u>31,250,094</u>	<u>36,334,264</u>	<u>38,528,794</u>	<u>38,610,298</u>	<u>38,835,478</u>
All Other Governmental Funds					
Nonspendable					
Inventory and Prepaid Items	115,148	106,537	148,786	294,533	358,392
Restricted					
Debt Payments	2,250,558	3,736,324	2,742,109	2,554,477	1,209,327
Food Service	1,856,899	1,786,722	1,440,664	1,000,042	2,866,303
Capital Projects	48,039,585	66,674,154	35,582,905	19,015,789	12,437,695
Committed					
Specified Purposes	39,673	50,525	1,298,696	1,360,786	1,677,844
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>52,301,863</u>	<u>72,354,262</u>	<u>41,213,160</u>	<u>24,225,627</u>	<u>18,549,561</u>
Total All Governmental Funds	<u>\$ 83,551,957</u>	<u>\$ 108,688,526</u>	<u>\$ 79,741,954</u>	<u>\$ 62,835,925</u>	<u>\$ 57,385,039</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,				
	2013	2014	2015	2016	2017
Revenue					
Local Sources	\$ 53,665,584	\$ 54,413,271	\$ 54,113,338	\$ 55,518,873	\$ 56,415,778
State Sources	117,066,280	119,378,548	121,739,208	125,560,941	127,387,852
Federal Sources	5,822,677	5,517,412	5,835,453	5,482,363	5,577,471
Interdistrict Sources	10,012,738	10,481,424	10,603,900	11,238,105	11,179,573
Total Revenue	186,567,279	189,790,655	192,291,899	197,800,282	200,560,674
Expenditures					
Current:					
Instruction	98,864,235	98,883,303	100,916,106	102,397,607	100,436,799
Support Services	55,962,580	54,557,582	53,187,341	52,270,628	56,869,765
Community Services	2,426,223	2,606,664	2,857,409	2,784,163	3,149,409
Building Improvements	22,615	-	-	-	-
Early Retirement	-	-	-	-	-
Food Services	3,655,228	3,739,720	3,565,230	3,430,313	2,744,727
Book Store	65,765	72,657	49,293	64,183	57,378
Athletics	2,594,382	2,572,683	2,678,856	2,626,952	2,334,358
Child Care	-	-	-	-	-
Student Activities	-	-	-	-	-
Debt Service:					
Principal	20,386,000	20,054,553	21,841,587	23,320,000	18,065,000
Interest	6,572,372	4,852,630	4,380,970	3,604,572	8,959,320
Other	846,139	142,484	132,273	65,118	44,058
Capital Outlay	531,931	1,555,285	1,226,562	4,119,047	33,612,062
Other	-	149,881	39,461	4,000	81,501
Total Expenditures	191,927,470	189,187,442	190,875,088	194,686,583	226,354,377
Excess Revenue Over (Under) Expenditures	(5,360,191)	603,213	1,416,811	3,113,699	(25,793,703)
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	50,885	14,613	29,329	-	-
Loan Proceeds	-	-	-	-	-
Other Reimbursements	-	-	-	28,710	7,306
Transfers In	1,972,595	1,727,894	100,000	50,754	4,344
Transfers Out	(1,972,595)	(1,727,894)	(100,000)	(50,754)	(4,344)
Total Other Financing Sources (Uses)	(260,362)	(2,237,386)	(1,347,905)	127,898,108	7,306
Net Change in Fund Balance	(5,620,553)	(1,634,173)	68,906	131,011,807	(25,786,397)
Fund Balance - Beginning	26,305,109	20,684,556	19,050,383	19,119,289	150,131,096
Fund Balance - Restatement	-	-	-	-	-
Fund Balance - Ending	\$ 20,684,556	\$ 19,050,383	\$ 19,119,289	\$ 150,131,096	\$ 124,344,699
Debt Service - Percentage of Non-Capital Expenditures	17.00%	15.42%	16.14%	16.50%	16.35%

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

	June 30,				
	2018	2019	2020	2021	2022
Revenue					
Local Sources	\$ 57,921,010	\$ 61,185,211	\$ 60,278,369	\$ 53,719,535	\$ 49,478,321
State Sources	131,221,883	134,872,394	135,319,509	139,166,327	146,711,683
Federal Sources	5,133,487	5,222,437	5,749,804	10,193,373	15,155,799
Interdistrict Sources	11,677,700	11,352,304	11,983,365	13,005,395	12,420,191
Total Revenue	205,954,080	212,632,346	213,331,047	216,084,630	223,765,994
Expenditures					
Current:					
Instruction	100,191,725	102,844,510	104,713,970	108,285,937	117,669,808
Support Services	62,480,361	65,237,844	62,510,290	68,802,467	71,618,369
Community Services	2,920,806	3,296,453	3,119,659	2,013,007	3,045,702
Building Improvements	-	-	-	-	-
Early Retirement	-	-	-	-	-
Food Services	3,116,701	3,498,453	3,401,610	2,790,976	3,859,156
Book Store	77,048	99,229	103,766	-	-
Athletics	2,435,549	-	2,582,282	2,709,963	2,720,314
Child Care	-	738,144	1,074,284	992,126	1,108,110
Student Activities	-	-	2,249,684	1,192,423	2,707,029
Debt Service:					
Principal	21,160,000	21,970,000	21,820,000	13,365,000	6,161,400
Interest	7,101,952	6,132,733	6,781,374	5,789,219	5,162,269
Other	72,739	14,865	-	87,260	46,245
Capital Outlay	47,155,949	40,498,365	35,103,108	30,021,766	15,082,258
Other	40,341	40,341	40,140	4,000	39,753
Total Expenditures	246,753,171	244,370,937	243,500,167	236,054,144	229,220,413
Excess Revenue Over (Under) Expenditures	(40,799,091)	(31,738,591)	(30,169,120)	(19,969,514)	(5,454,419)
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	6,349	41,543	52,848	63,485	3,533
Transfers In	2,912	307,220	397,705	2,259,649	98,257
Transfers Out	(2,912)	(307,220)	(397,705)	(2,259,649)	(98,257)
Total Other Financing Sources (Uses)	6,349	56,875,160	52,848	3,063,485	3,533
Net Change in Fund Balance	(40,792,742)	25,136,569	(30,116,272)	(16,906,029)	(5,450,886)
Fund Balance - Beginning	124,344,699	83,551,957	108,688,526	79,741,954	62,835,925
Fund Balance - Restatement	-	-	1,169,700	-	-
Fund Balance - Ending	\$ 83,551,957	\$ 108,688,526	\$ 79,741,954	\$ 62,835,925	\$ 57,385,039
Debt Service - Percentage of Non-Capital Expenditures	16.55%	16.00%	15.91%	10.30%	5.61%

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

Tax Year	Fiscal Year	Taxable Value by Property Type				Total Value	Tax Rate (Mills)		Estimated Actual Value	Taxable Value as a Percentage Of Actual
		Real Property		Personal Property			Homestead	Non-Homestead		
		Homestead & Other	Non-Homestead	Industrial	Commercial					
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%
2021	2022	4,519,574,065	1,098,973,082	40,607,570	79,095,680	5,738,250,397	3.1132	24.0000	11,476,500,794	50%

Note: Tax revenue is based on taxable value which 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
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
2022		18.0000	3.1132	3.1132	21.1132

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		
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
2022	4.3852	4.6845	4.3602	3.1658	1.4077	1.4891	1.0607	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	2021 Value	Percentage of Total	2012 Value	Percentage of Total
Detroit Edison	\$ 30,774,930	16%	\$ 25,883,050	16%
Singh Properties	28,468,100	15%	24,023,280	15%
Vorth Assoc. LLC (The Village RH)	24,962,680	13%	20,897,560	13%
New Plan (Hampton Village Center)	20,655,390	11%	18,404,360	11%
Consumers Power	20,568,940	11%	9,828,180	6%
Good Will Co Inc. (Meijers)	14,664,300	8%	13,844,280	9%
Ramco / Winchester Center LLC	14,583,320	8%	13,175,540	8%
Sunoco Pipeline LP	13,703,880	7%	-	0%
Stuart Frankel	13,610,530	7%	13,230,530	8%
Associate Estates Realty: Apartments	12,303,080	6%	11,054,460	7%
1185 River Oaks North, LLC (Solomon Properties)	-	0%	10,657,730	7%
Total	<u>\$ 194,295,150</u>	<u>100%</u>	<u>\$ 160,998,970</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

<u>Tax Year</u>	<u>Fiscal Year End June 30</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percentage of Collections</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Levy Collected</u>
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	20,221,886	19,523,837	97%	698,048	20,221,886	100%
2021	2022	20,258,729	19,819,148	98%	439,580	20,258,729	100%
2022	2023	21,599,456	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, 2022

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
City of Auburn Hills	\$ 24,062,597	1.39%	\$ 334,470
City of Rochester	36,745,688	100.00%	36,745,688
City of Rochester Hills	12,561,604	82.88%	10,411,057
Charter Township of Oakland	2,470,402	89.95%	2,222,127
Charter Township of Orion	17,408,654	5.31%	924,400
Charter Township of Shelby	27,720,606	0.00%	-
Charter Township of Washington	40,957,603	4.60%	1,884,050
Macomb County	253,400,607	0.24%	608,161
Oakland County	220,654,700	8.68%	19,152,828
Oakland ISD	41,070,000	8.83%	3,626,481
			<u>75,909,262</u>
Total Overlapping Debt			
Direct District Debt			<u>120,065,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 195,974,262</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**
2013	128,845,000	2,225,763	126,619,237	-	126,619,237	4,037,764,923
2014	104,210,000	1,116,804	103,093,196	-	103,093,196	4,128,208,939
2015	80,590,000	2,504,756	78,085,244	-	78,085,244	4,250,488,669
2016	165,995,000	2,841,549	163,153,451	-	163,153,451	4,432,995,946
2017	147,930,000	2,485,279	145,444,721	-	145,444,721	4,550,634,561
2018	126,770,000	2,250,558	124,519,442	-	124,519,442	4,719,004,689
2019	160,825,000	3,736,324	157,088,676	-	157,088,676	4,963,015,345
2020	156,492,409	2,742,109	153,750,300	-	153,750,300	5,254,544,858
2021	142,000,597	2,554,477	139,446,120	-	139,446,120	5,510,847,109
2022	135,298,785	1,209,327	134,089,458	-	134,089,458	5,753,618,092

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
2013	3.14%	3.14%	89,700	1,412	1,412	42,662
2014	2.50%	2.50%	94,747	1,088	1,088	43,738
2015	1.84%	1.84%	92,087	848	848	45,805
2016	3.68%	3.68%	93,622	1,743	1,743	47,500
2017	3.20%	3.20%	93,631	1,553	1,553	51,204
2018	2.64%	2.64%	92,789	1,342	1,342	53,767
2019	3.17%	3.17%	98,659	1,592	1,592	52,056
2020	2.53%	2.53%	95,079	1,617	53,864	53,864
2021	2.53%	2.53%	98,867	1,410	55,488	55,488
2022	2.33%	2.33%	N/A	N/A	N/A	N/A

Sources: *US Census Bureau

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

N/A Not Available

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

	2013	2014	2015	2016	2017
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 4,279,095,480	\$ 4,221,995,200	\$ 5,142,070,960	\$ 5,527,820,500	\$ 5,776,460,080
15% of SEV	\$ 641,864,322	\$ 633,299,280	\$ 771,310,644	\$ 829,173,075	\$ 866,469,012
Calculation of Debt Subject to Limit					
Total Debt	128,845,000	104,210,000	80,590,000	165,995,000	147,930,000
Less Debt not Subject to Limit - State Qualified Debt Issuance	(128,845,000)	(104,210,000)	(80,590,000)	(57,270,000)	(40,355,000)
Net Debt Subject to Limit	-	-	-	108,725,000	107,575,000
Legal Debt Margin	<u>\$ 641,864,322</u>	<u>\$ 633,299,280</u>	<u>\$ 771,310,644</u>	<u>\$ 720,448,075</u>	<u>\$ 758,894,012</u>
Net Debt Subject to Limit as a percentage of Debt Limit	0%	0%	0%	13%	12%
<hr/>					
	2018	2019	2020	2021	2022
Calculation of Debt Limit					
State Equalized Valuation (SEV)	\$ 6,002,231,890	\$ 6,078,649,100	\$ 6,726,324,453	\$ 7,025,273,210	\$ 7,295,112,150
Legal Debt Limit - 15% of SEV	\$ 900,334,784	\$ 911,797,365	\$ 1,008,948,668	\$ 1,053,790,982	\$ 1,094,266,823
Calculation of Debt Subject to Limit					
Total Debt	126,770,000	160,825,000	139,005,000	125,640,000	134,089,458
Less Debt not Subject to Limit - State Qualified Debt Issuance	(22,995,000)	(5,225,000)	-	-	-
Net Debt Subject to Limit	103,775,000	155,600,000	139,005,000	125,640,000	134,089,458
Legal Debt Margin	<u>\$ 796,559,784</u>	<u>\$ 756,197,365</u>	<u>\$ 869,943,668</u>	<u>\$ 928,150,982</u>	<u>\$ 960,177,365</u>
Net Debt Subject to Limit as a percentage of Debt Limit	12%	17%	14%	12%	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*
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	95,079	5,121,335,256	53,864	3.9%
2021	98,867	5,485,932,096	55,488	5.3%
2022	N/A	N/A	N/A	N/A

Sources: * US Census Bureau
N/A Not Available

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

2021 Rank	Taxpayer	2021 Number of Employees	Percentage of Total Employment	2012 Number of Employees	Percentage of Total Employment	2011 Rank
1	Oakland University	2,432	6.18%	2,039	3.80%	1
2	Rochester Community Schools	1,884	4.79%	1,381	4.02%	3
3	Ascension Crittenton Hospital	1,286	3.27%	1,436	4.47%	2
4	FANUC America Corporation	704	1.79%	650	1.11%	4
5	Webasto Roof Systems, Inc.	677	1.72%	413	1.74%	5
6	A. Raymond Group	440	1.12%	-	-	-
7	Henry Ford Health Systems	417	1.06%	300	0.94%	7
8	Molex	344	0.87%	-	-	-
9	City of Rochester Hills	237	0.60%	-	-	-
10	Hi-Tech Mold & Eng	190	0.48%	206	0.58%	-
	Lear Corporation	-	-	300	0.80%	6
	Wright & Filippis, Inc.	-	-	250	0.75%	9
	3 Dimensional Services	-	-	250	0.67%	8
	Total Principal Employers	8,611				
	Total Employment	<u>39,322</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

	2013	2014	2015	2016	2017
General Government					
Teachers	961	961	950	890	893
Administrators	31	31	31	31	32
Secretaries	86	86	86	92	90
Maintenance/Grounds/Technicians	41	41	41	39	42
Paraprofessionals	351	351	351	280	274
Executive Staff/Directors	11	11	11	9	10
Total	<u>1,481</u>	<u>1,481</u>	<u>1,470</u>	<u>1,341</u>	<u>1,341</u>
<hr/>					
	2018	2019	2020	2021	2022
General Government					
Teachers	901	902	909	901	903
Administrators	32	33	35	34	37
Secretaries	90	92	80	81	70
Maintenance/Grounds/Technicians	42	37	32	29	28
Paraprofessionals	274	272	277	181	190
Executive Staff/Directors	10	11	12	11	12
Total	<u>1,349</u>	<u>1,347</u>	<u>1,345</u>	<u>1,237</u>	<u>1,240</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
2013	7,878	15,081	154,419,992	10,240	159,596,424	10,583	69,789
2014	7,878	14,937	158,412,319	10,605	159,999,772	10,712	68,669
2015	7,922	15,024	161,254,600	10,733	159,899,620	10,643	71,196
2016	7,972	15,103	166,446,503	11,021	159,988,737	10,593	72,580
2017	8,076	15,301	169,367,244	11,069	162,925,876	10,648	71,327
2018	8,164	15,375	173,327,312	11,273	170,979,632	11,121	69,617
2019	8,251	15,413	178,256,563	11,565	173,172,235	11,235	70,303
2020	8,529	14,985	178,516,564	11,913	175,976,982	11,744	70,954
2021	8,259	14,985	184,269,559	12,297	181,991,891	12,145	71,802
2022	8,700	14,983	195,854,488	13,072	195,534,584	13,050	69,028

Source: Rochester Community Schools audited financial statements and district records

Rochester Community Schools
Capital Asset Information (Unaudited)
Year Ended June 30, 2022

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	<u>7,225</u>	<u>346</u>	<u>968,724</u>	<u>185</u>	
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	<u>3,200</u>	<u>176</u>	<u>561,417</u>	<u>190</u>	
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	<u>4,500</u>	<u>232</u>	<u>955,613</u>	<u>118</u>	
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	<u>290</u>	<u>32</u>	<u>85,178</u>	<u>33</u>	
Total Instructional	15,215	786	2,570,932	525	
Non-Instructional:					
Admin 501 University Dr. Rochester	-	-	84,790	4	1882/1990
Admin 52585 Dequindre Rd., Rochester	-	-	96,460	18	1995/2022
Bus Garage/Transportation	-	-	20,538	3	1957/2019
Facility Operations Center	-	-	12,948	12	2006/2019
Total Non-Instructional	<u>-</u>	<u>-</u>	<u>214,736</u>	<u>37</u>	
Grand Total	<u>15,215</u>	<u>786</u>	<u>2,785,668</u>	<u>561</u>	

*Shared site: Adams & Van Hoosen

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

Grade	Fall Full Time Equivalent Count									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21	2021-22
K	966	959	991	1,024	1,004	1,023	1,132	1,010	1,010	1,189
1	1,031	1,010	1,002	1,010	1,093	1,044	1,074	1,039	1,039	959
2	1,048	1,035	1,020	1,040	1,039	1,123	1,072	1,032	1,032	1,051
3	1,050	1,052	1,081	1,030	1,082	1,060	1,159	1,068	1,068	1,015
4	1,122	1,089	1,078	1,109	1,079	1,106	1,085	1,136	1,136	1,066
5	1,106	1,150	1,108	1,111	1,136	1,096	1,106	1,069	1,069	1,141
6	1,107	1,095	1,154	1,127	1,137	1,158	1,110	1,103	1,103	1,065
7	1,176	1,116	1,131	1,167	1,177	1,156	1,170	1,109	1,109	1,109
8	1,111	1,180	1,148	1,168	1,183	1,202	1,174	1,165	1,165	1,121
9	1,195	1,155	1,215	1,218	1,217	1,218	1,230	1,205	1,205	1,205
10	1,225	1,200	1,188	1,244	1,221	1,219	1,219	1,213	1,213	1,183
11	1,205	1,242	1,215	1,184	1,270	1,232	1,208	1,217	1,217	1,211
12	1,284	1,225	1,266	1,257	1,226	1,302	1,237	1,208	1,208	1,248
Special Education	455	429	427	414	437	436	437	411	411	420
Total	15,081	14,937	15,024	15,103	15,301	15,375	15,413	14,985	14,985	14,983

Source: MDE Form DS-4120

ROCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Federal ALN	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2022
<u>U.S. DEPARTMENT OF EDUCATION</u>									
Passed Through Michigan Department of Education:									
Adult Basic Education (20-21)	84.002	211130-211537	\$275,240	\$169,512	\$169,512	\$0	\$0	\$169,512	\$0
Adult Basic Education (21-22)	84.002	221130	177,947	0	0	88,154	0	0	88,154
Total ALN 84.002			\$453,187	\$169,512	\$169,512	\$88,154	\$0	\$169,512	\$88,154
Title I (20-21)	84.010	211530-2021	316,691	90,114	236,934	5,284	8,492	103,890	0
Title I (21-22)	84.010	221530-2122	368,555	0	0	354,772	0	0	354,772
Total ALN 84.010			\$685,246	\$90,114	\$236,934	\$360,056	\$8,492	\$103,890	\$354,772
Title III Limited English (20-21)	84.365	210570-2021	122,787	34,975	59,453	1,922	0	36,897	0
Title III Limited English (20-21)	84.365	210580-2021	192,525	63,963	138,706	9,105	3,160	76,228	0
Title III Limited English (21-22)	84.365	220570-2122	136,956	0	0	88,475	0	0	88,475
Title III Limited English (21-22)	84.365	220580-2122	163,206	0	0	103,212	0	0	103,212
Total ALN 84.365			\$615,474	\$98,938	\$198,159	\$202,714	\$3,160	\$113,125	\$191,687
Supporting Effective Instruction (20-21)	84.367	210520-2021	330,208	100,869	154,349	44,539	1,026	146,434	0
Supporting Effective Instruction (21-22)	84.367	220520-2122	339,093	0	0	315,296	0	0	315,296
Total ALN 84.367			\$669,301	\$100,869	\$154,349	\$359,835	\$1,026	\$146,434	\$315,296
Student Support and Academic Enrichment									
Title IV (20-21)	84.424	210750-2021	22,392	3,572	13,096	1,182	0	4,754	0
Title IV (21-22)	84.424	220750-2122	30,401	0	0	22,542	0	0	22,542
Total ALN 84.424			\$52,793	\$3,572	\$13,096	\$23,724	\$0	\$4,754	\$22,542
Education Stabilization Fund									
Covid 19 - (ESSER I)	84.425D	203710-1920	252,916	70,212	251,332	0	0	70,212	0
Covid 19 - (ESSER II)	84.425D	213712-2021	1,020,881	0	0	0	0	0	0
Covid 19 - ARP/ESSER III	84.425U	213713-2122	2,294,385	0	0	553,536	0	0	553,536
Covid 19 - ARP/ESSER III, Section 11t	84.425U	213723-2122	14,445,697	0	0	0	0	0	0
Passed Through Department of Labor & Economic									
Opportunity Workforce Development									
Future for Frontliners - High School									
Completion (Futures-HSC)	84.425C	LEO-WDAEF4F- 26	10,000	0	0	0	0	250	(250)
Total ALN 84.425			\$18,023,879	\$70,212	\$251,332	\$553,536	\$0	\$70,462	\$553,286
Passed Through Oakland County ISD									
Special Education Cluster									
Special Education IDEA (19-20)	84.027	200450-1920	3,140,339	37,427	3,123,265	174	46	37,647	0
Special Education IDEA (20-21)	84.027	210450-2021	3,193,267	3,005,388	3,005,388	54,959	92,953	3,098,341	54,959
Special Education IDEA (21-22)	84.027	220450-2122	3,284,121	0	0	2,933,824	0	0	2,933,824
Total ALN 84.027			\$9,617,727	\$3,042,815	\$6,128,653	\$2,988,957	\$92,999	\$3,135,988	\$2,988,783
Special Education Preschool (20-21)	84.173	210460-2021	153,636	133,978	133,978	14,059	4,541	138,519	14,059
Special Education Preschool (21-22)	84.173	220460-2122	178,938	0	0	164,661	0	0	164,661
Total ALN 84.173			\$332,574	\$133,978	\$133,978	\$178,720	\$4,541	\$138,519	\$178,720
Total Special Education Cluster			\$9,950,301	\$3,176,793	\$6,262,631	\$3,167,677	\$97,540	\$3,274,507	\$3,167,503
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$30,450,181	\$3,710,010	\$7,286,013	\$4,755,696	\$110,218	\$3,882,684	\$4,693,240

ROCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Federal ALN	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2022
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Michigan Department of Education:									
Covid 19 - Seamless Summer Option (SSO) - Breakfast	10.553	211971	\$35,881	\$0	\$0	\$35,881	\$0	\$35,881	\$0
Covid 19 - Seamless Summer Option (SSO) - Breakfast	10.553	221971	432,840	0	0	432,840	0	407,553	25,287
Total ALN 10.553			\$468,721	\$0	\$0	\$468,721	\$0	\$443,434	\$25,287
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	300,091	0	0	300,091	0	300,091	0
Cash Assistance									
Covid 19 - Seamless Summer Option (SSO) - Lunch	10.555	211961	499,112	0	0	499,112	0	499,112	0
Covid 19 - Seamless Summer Option (SSO) - Lunch	10.555	221961	4,088,685	0	0	4,088,685	0	3,905,670	183,015
Covid 19 - Supply Chain Assistance	10.555	220910	249,820	0	0	0		249,820	(249,820)
Total Cash Assistance			\$4,837,617	\$0	\$0	\$4,587,797	\$0	\$4,654,602	(\$66,805)
Total ALN 10.555			\$5,137,708	\$0	\$0	\$4,887,888	\$0	\$4,954,693	(\$66,805)
Covid 19 - SFSP Operating	10.559	210904	1,874,104	183,317	2,057,421	140,409		323,726	0
Total Nutrition Cluster			\$7,480,533	\$183,317	\$2,057,421	\$5,497,018	\$0	\$5,721,853	(\$41,518)
Child Care Food Program (CACFP)	10.558	211920	2,202	0	0	2,202	0	2,151	51
Covid 19 - Pandemic-EBT Local Costs	10.649	210980-2021	3,063	0	0	3,063	0	3,063	0
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$7,485,798	\$183,317	\$2,057,421	\$5,502,283	\$0	\$5,727,067	(\$41,467)
<u>U.S. DEPARTMENT OF TREASURY</u>									
Passed Through Michigan Department of Education									
Coronavirus Relief Funds	21.019	2021	5,393,514	(4,246,856)	1,146,658	4,246,856	0	0	0
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>									
Passed Through Oakland County ISD									
Medicaid Outreach Program (21-22)	93.778	N/A	80,154	0	0	80,154	0	80,154	0
<u>TOTAL FEDERAL AWARDS</u>			\$43,409,647	(\$353,529)	\$10,490,092	\$14,584,989	\$110,218	\$9,689,905	\$4,651,773

ROCHESTER COMMUNITY SCHOOLS
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	\$14,584,989
<u>Add:</u> Adjustments reflect revenue received more than 60 days after the end of the fiscal year.	<u>110,218</u>
<u>TOTAL</u>	<u>\$14,695,207</u>

<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$9,368,659
Caring Steps Fund	287,920
Food Service Fund	5,499,220
Childcare Relief Funds (Not Subject to Single Audit)	<u>(2,057,774)</u>
Total	\$13,098,025
Add: Draws were not requested until after 8/31/22. Expenses are recognized as incurred in 21-22 year but revenue recognized in 22-23 with no accounts receivable in 21-22.	1,525,987
Add: District's 5th accrual paid on 9/2/22. Expenses are recognized as incurred in 21-22 year but revenue recognized in 22-23 with no accounts receivable in 21-22.	<u>71,195</u>
<u>TOTAL</u>	<u>\$14,695,207</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, 2022.

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 System 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 83 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, 2022 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, 2022

Current Payments Per the Grant Auditor's Report		\$6,034,903
NexSys System		
<u>Add:</u> Passed Through Oakland County ISD		
Special Education - State Grants (ALN 84.027)	\$3,135,988	
Special Education - Preschool (ALN 84.173)	138,519	
Medicaid Outreach (ALN 93.778)	80,154	
Total Passed Through Oakland County ISD	3,354,661	
Passed Through Department of Labor & Economic Opportunity Workforce Development Future for Frontliners - High School Completion (Futures-HSC) (ALN 84.425C)		250
Entitlement and Bonus Commodities		300,091
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		\$9,689,905



October 31, 2022

**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, 2022, 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 31, 2022.

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 or significant deficiencies may exist that were not identified.

Report on 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 & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



October 31, 2022

**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

Opinion on Each Major Federal Program

We have audited Rochester Community Schools compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rochester Community Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rochester Community Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rochester Community Schools' federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rochester Community Schools’ compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rochester Community Schools’ compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rochester Community Schools’ compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rochester Community Schools’ internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Rochester Community Schools’ internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022

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>ALN</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Nutrition Cluster
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the current year.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the prior year.



October 31, 2022

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, 2022. 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 17, 2022. 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. No new accounting policies were adopted and the application of existing policies was not changed during the 2021-2022 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 31, 2022.

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.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS