Richmond Community Schools

Financial Statements

June 30, 2018

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Richmond Community Schools
Members of the Board of Education and Administration
June 30, 2018

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Independent Auditors' Report

Management and the Board of Education
Richmond Community Schools
Richmond, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Richmond Community Schools, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richmond Community Schools' basic financial statements. Other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Richmond Community Schools' basic financial statements as of and for the year ended June 30, 2017, which are not presented with the accompanying basic financial statements. In our report dated October 19, 2017, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Richmond Community Schools' basic financial statements as a whole. The 2017 information in the comparative supplementary schedules is presented for purposes of additional analysis and is 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 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of Richmond 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 Richmond 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 Richmond Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
October 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion & Analysis

Richmond Community Schools, a K-12 school district located in Macomb and St. Clair Counties, Michigan, is subject to the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34), and has fulfilled those provisions with the enclosed financial statements. This section of the annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

In accordance with the GASB 34 reporting requirements, the audit reports the school district's financial position with two types of financial statements. Government-wide financial statements aggregate the information for all of the funds managed by the school district. The fund-level audit and reporting provides detail at the level used by the District in managing its functions.

Overview of the Financial Statements

District-Wide Financial Statements: The district-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term. All of the various "funds" are compiled together in the district-wide financial statements. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the district-wide financial statements. The Statement of Net Position and the Statement of Net Activities are the two district-wide financial statements produced, and these statements are reflective of the changes required by GASB 34.

Fund Financial Statements: Fund-level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Fund financial statements comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant fund(s). The Richmond Community School's other funds for the 2017-2018 fiscal year consist of the Food Service Fund, Capital Projects Funds, and Debt Funds.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Financial Analysis of District-Wide Financial Statements

The District's combined net position increased by $568,263 to ($19,247,339) from ($19,815,602). The increase in net position is due to several factors – see page 4-7 of the accompanying financial statements for more information. The primary factors are depreciation expense of about $1.5 million, debt proceeds of $1 million, and debt payments of $2 million combined with our fund level change of $1 million. Also impacting the net position in fiscal years 2018 and 2017 was the adoption of GASB 75, which added the liability and expense for postemployment benefits other than pensions (OPEB) to government activities.

Summary of Net Position

		June 30, 2018	June 30, 2017
Assets:			
	Current Assets	$ 5,086,490	$ 4,436,279
	Capital Assets	39,687,263	39,636,773
	Less: Accumulated depreciation	(15,082,319)	(13,599,634)
	Capital Assets, net book value	24,604,944	26,037,139
Deferred Outflows of Resources:			
	Deferred outflows of resources	5,833,733	3,021,097
	Total Assets and Deferred Outflows	**$ 35,525,167**	**$ 33,494,515**
Liabilities:			
	Current Liabilities	$ 2,958,499	$ 3,312,898
	Long-Term Liabilities	49,025,224	41,846,887
	Total Liabilities	**51,983,723**	**45,159,785**
Deferred Inflows of Resources:			
	Deferred amount on net pension/OPEB liability	$ 2,788,783	$ 1,249,070
	Total Liabilities and Deferred Inflows	**$ 54,772,506**	**$ 46,408,855**
Net Position:			
	Net investment in capital assets	5,304,560	4,674,748
	Restricted net position	205,959	152,673
	Unrestricted net position	(24,757,858)	(17,741,761)
	Total Net Position	**(19,247,339)**	**(12,914,340)**
	Total Liabilities and Net Position	**$ 35,525,167**	**$ 33,494,515**

Results of District Operations:

Changes in Net Position: Restricted Net Position represents the net position restricted for debt service. As mentioned previously, the change in Net Position is primarily due to depreciation expense and debt activity combined with our fund level performance.

	June 30, 2018	June 30, 2017
Revenues:		
Governmental:		
General:		
Property taxes for operations	$ 2,716,255	$ 2,629,921
Property taxes for debt service	2,751,141	2,657,135
Unrestricted state aid	7,999,957	7,936,856
Other general revenues	167,799	125,515
Total general	13,635,152	13,349,427
Operating Grants:		
Federal	1,066,269	1,062,484
State of Michigan & Other	2,099,573	1,668,599
Total governmental revenues	16,800,994	16,080,510
Charges for services		
Food service	248,824	243,407
Community services	180,513	155,181
Others	165,914	130,500
Total charges for services	595,251	529,088
Total Revenues	**$ 17,396,245**	**$ 16,609,598**
Expenses:		
Instruction and instructional support	$ 9,106,427	$ 8,944,909
Support services	6,258,152	5,847,793
Food service	536,889	489,992
Community services	108,313	90,458
Interest on long-term debt	818,201	844,838
Total Expenses	**$ 16,827,982**	**$ 16,217,990**
Increase (Decrease) in Net Position	**$ 568,263**	**$ 391,608**
Beginning Net Position, as restated	**(19,815,602)**	**(13,305,948)**
Ending Net Assets	**$ (19,247,339)**	**$ (12,914,340)**

Adoption of New Accounting Standards

The District adopted GASB 75 during the year, which requires the District to record its proportionate share of the net OPEB liability and OPEB expense. These amounts were not previously recorded on the District's statements. Retroactive application is required by this standard. The impact of this change is to reduce beginning net position as shown on the prior page by $6,901,262, restating it from ($12,914,340) to ($19,815,602).

Financial Analysis of the District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Due to the economic conditions of the State of Michigan and the uncertain State funding for public schools, along with legislation that impacts pupil accounting, the District is attempting to maintain a stable financial position within its governmental funds. At the end of the 2017-18 fiscal year, the combined governmental fund balances was $2.2 million, an increase of approximately $1.0 million from the prior year. This increase is primarily the result of issuance of the 2018 Series C bonds in May, 2018. Approximately $787,000 of the $2.2 million represents the District's General Fund balance. The fund balance in the 2018 Capital Projects Fund is nearly $952,000. The District's Debt Retirement and Non Major Governmental fund balances are approximately $331,000 and $129,000, respectively. Greater detail about the performance of the District's funds is provided on the following page.

Governmental Activities: The District's total revenues increased approximately $741,000. Increases in General Fund revenues make up the majority of the increase with the most significant increase in State sources and a smaller increase in local sources. The other revenue categories saw relatively minor decreases.

The District's total expenditures decreased $254,000 primarily as the result of decreased expenditures in the 2013 and 2014 Capital Projects Funds offset by increased General Fund expenditures. Capital Projects funded by the 2013 and 2014 bond issues were completed in the 2016-17 fiscal year. Debt Fund expenditures decreased $118,000 while other funds had relatively minor increases in expenditures.

General Fund Budgetary Highlights: The District amended its budget twice during the 2017-18 fiscal year. Over the course of the year, the School District revises its budget to adjust for unexpected changes in revenues and expenditures. State law requires the budget be amended to ensure expenditures do not exceed appropriations. The original budget was presented in June prior to the start of the fiscal year, an amended budget was presented in February 2018, and a final amended budget was presented the following June just prior to the end of the fiscal year.

A comparison of the District's original General Fund budget adopted in June 2017 and the final amended budget approved in June 2018 follows:

	Final Budget June 2018	Original Budget June 2017	Variance
Total Revenues	**$ 14,434,737**	**$ 13,464,131**	**$ 970,606**
Expenses:			
Salaries	7,063,329	6,770,576	292,753
Benefits	4,633,415	4,139,606	493,809
Purchased Services	1,701,463	1,645,475	55,988
Supplies	914,038	743,353	170,685
Capital Outlay and Others	288,730	346,928	(58,198)
Total Expenses	**14,600,975**	**13,645,938**	**955,037**
Change in Fund Balance	**$ (166,238)**	**$ (181,807)**	**$ 15,569**

From June 2017 to June 2018, the fund balance in the General Fund was projected to improve. Budgeted revenue increased from the original budget adopted in June 2017 to the final amended budget approved in June 2018 by $970,606. The increases in funding was primarily due to changes in student enrollment and federal grant allocations. Budgeted expenses fluctuated throughout the year as staffing costs changed and operational needs changed as more current information became available.

The final budget from June 2018 is also compared to the District's 2017-2018 actual financial results below.

	Final Actual June 2018	Final Budget June 2018	Variance Fav/(Unfav)
Total Revenues	**$ 14,078,855**	**$ 14,434,737**	**$ (355,882)**
Expenses:			
Salaries	6,968,446	7,063,329	94,883
Benefits	4,501,368	4,633,415	132,047
Purchased Services	1,660,717	1,701,463	40,746
Supplies	754,132	914,038	159,906
Capital Outlay and Others	255,249	288,730	33,481
Total Expenses	**14,139,912**	**14,600,975**	**461,063**
Change in Fund Balance	**$ (61,057)**	**$ (166,238)**	**$ 105,181**

Revenues finished below budget projections while expenses ended the year better than expected.

Debt Retirement Fund Budgetary Highlights: The fund balance for the debt retirement fund increased $110,206. At this point, the fund balance in the debt account represents 12% of the 2018/19 principal and interest payments. The District will continue to monitor taxable valuations as it looks to its 2018 debt tax levy.

Factors bearing on the District's Future

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

- The District is impacted by the passage of 2018-19 School Aid Act which will provide a $240 per pupil increase in the Foundation Grant for districts at the minimum Foundation Allowance of $7,631 to $7,871 in an effort to reduce the gap in funding between the districts receiving the minimum Foundation Allowance and those receiving the maximum Foundation Allowance for the 2018-19 fiscal year.
- The Membership Blend is 90% of the October count and 10% of the PREVIOUS February count, which is consistent with the 2017-18 blend formula.
- Enrollment from the October 2018 count is expected to be higher than the estimated enrollment used for the 2018-2019 budget. When the budget is amended, revenues are expected to increase because of the higher enrollment.
- The District has made adjustments to employee medical care offerings as required by the Patient Protection and Affordable Care Act (PPACA). The District continually measures the eligibility of employees and monitors its impact on the budget.
- Legislation has passed that continues to impact the State's ability to provide adequate school funding. This includes increasing resources to non-public and private schools and the continued shifting of the State's School Aid Funds to higher education institutions.
- Early Warning Legislation was implemented in the 2016-17 school year in which the Department of Treasury determines whether the potential exists in each district for fiscal stress, requiring additional oversight and reporting to the State. Richmond Community Schools does not anticipate being identified as such, and the Board of Education is aware of the legislation and its implications.
- The District continues to support its Early Childhood Programs for three and four year olds, including Great Start Readiness Program with a full day and half day program.
- The District voters passed a $12.9 million bond for capital projects in 2013. The beginning of the 2015-16 school year marked the implementation of the one to one technology initiative, providing students with individual laptops in grades 3-12 and interactive classroom technology for grades K-2. Technology improvement also included projectors, classroom sound systems, and audio and recording improvements in the music and band rooms. The bonds were issued in three series, $8.1 million in 2013, $3.4 million in 2014, and the final series was issued in 2018 for $990,000.
- At the time of this report, the District has labor agreements in place for the administrators, teachers, secretaries, paraprofessionals, and food service workers.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Richmond School District, 35276 Division Road, Richmond, MI 48062.

BASIC FINANCIAL STATEMENTS

Richmond Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 2,682,808
Accounts receivable	81,856
Due from other governmental units	2,315,915
Prepaid items	5,911
Capital assets not being depreciated	18,460
Capital assets - net of accumulated depreciation	24,586,484
Total assets	29,691,434
Deferred outflows of resources	
Deferred amount on the net pension liability	5,050,256
Deferred amount on the net OPEB liability	477,249
Deferred amount on debt refunding	306,228
Total deferred outflows of resources	5,833,733
Total assets and deferred outflows of resources	35,525,167

Richmond Community Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	$ 316,780
State aid anticipation note payable	1,014,859
Due to other governmental units	154,375
Payroll deductions and withholdings	29,999
Accrued expenditures	412,588
Accrued salaries payable	863,210
Unearned revenue	166,688
Long-term liabilities	
Debt due within one year	2,181,410
Debt due in more than one year	18,719,563
Net pension liability	20,977,770
Net OPEB liability	7,146,481
Total liabilities	51,983,723
Deferred inflows of resources	
Deferred amount on the net pension liability	2,547,180
Deferred amount on the net OPEB liability	241,603
Total deferred inflows of resources	2,788,783
Total liabilities and deferred inflows of resources	54,772,506
Net Position	
Net investment in capital assets	5,304,560
Restricted for	
Debt service	205,959
Unrestricted (deficit)	(24,757,858)
Total net position	$ (19,247,339)

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 9,106,457	$ 3,500	$ 2,323,346	$ (6,779,611)
Supporting services	6,258,123	162,414	569,870	(5,525,839)
Food services	536,889	248,824	248,337	(39,728)
Community services	108,312	180,513	24,289	96,490
Interest and fiscal charges on long-term debt	818,201	-	-	(818,201)
Total governmental activities	$ 16,827,982	$ 595,251	$ 3,165,842	(13,066,889)
General revenues				
Property taxes, levied for general purposes				2,716,255
Property taxes, levied for debt service				2,751,141
State aid - unrestricted				7,999,957
Interest and investment earnings				14,223
Other				153,576
Total general revenues				13,635,152
Change in net position				568,263
Net position - beginning, as restated				(19,815,602)
Net position - ending				$ (19,247,339)

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Debt Funds	2018 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 1,306,079	$ 331,492	$ 962,908	$ 82,329	$ 2,682,808
Accounts receivable	81,856	-	-	-	81,856
Due from other funds	542	-	-	49,816	50,358
Due from other governmental units	2,301,423	-	-	14,492	2,315,915
Prepaid items	5,400	-	-	511	5,911
Total assets	$ 3,695,300	$ 331,492	$ 962,908	$ 147,148	$ 5,136,848
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	$ 303,161	$ -	$ 11,331	$ 2,288	$ 316,780
State aid anticipation note payable	1,014,859	-	-	-	1,014,859
Due to other funds	48,182	542	-	1,634	50,358
Due to other governmental units	154,375	-	-	-	154,375
Payroll deductions and withholdings	29,999	-	-	-	29,999
Accrued expenditures	284,361	-	-	3,236	287,597
Accrued salaries payable	855,620	-	-	7,590	863,210
Unearned revenue	162,965	-	-	3,723	166,688
Total liabilities	2,853,522	542	11,331	18,471	2,883,866
Deferred inflows of resources					
Unavailable revenue	54,806	-	-	-	54,806
Fund Balance					
Non-spendable					
Prepaid items	5,400	-	-	511	5,911
Restricted for					
Food service	-	-	-	124,941	124,941
Debt service	-	330,950	-	-	330,950
Capital projects	-	-	951,577	3,225	954,802
Unassigned	781,572	-	-	-	781,572
Total fund balance	786,972	330,950	951,577	128,677	2,198,176
Total liabilities, deferred inflows of resources, and fund balance	$ 3,695,300	$ 331,492	$ 962,908	$ 147,148	$ 5,136,848

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	$ 2,198,176
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	54,806
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	18,460
Capital assets - net of accumulated depreciation	24,586,484
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(124,991)
Special termination benefits	(91,448)
Deferred outflows (inflows) of resources	
Deferred amounts on debt refunding are not available to reduce debt in the current period and are not reported in the funds.	306,228
Deferred inflows of resources resulting from the net pension liability	(2,547,180)
Deferred outflow of resources resulting from the net pension liability	5,050,256
Deferred inflows of resources resulting from the net OPEB liability	(241,603)
Deferred outflow of resources resulting from the net OPEB liability	477,249
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(20,977,770)
Net OPEB liability	(7,146,481)
Compensated absences	(248,111)
Bonds payable	(20,561,414)
Net position of governmental activities	$ (19,247,339)

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Debt Funds	2018 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 3,198,823	$ 2,762,982	$ 908	$ 238,181	$ 6,200,894
State sources	10,013,940	-	-	27,160	10,041,100
Federal sources	848,716	-	-	217,553	1,066,269
Interdistrict sources	17,376	-	-	-	17,376
Total revenues	14,078,855	2,762,982	908	482,894	17,325,639
Expenditures					
Current					
Education					
Instruction	8,232,671	-	-	-	8,232,671
Supporting services	5,630,701	-	-	-	5,630,701
Food services	-	-	-	486,922	486,922
Community services	98,232	-	-	-	98,232
Capital outlay	6,372	-	11,331	-	17,703
Debt service					
Principal	155,000	1,855,000	-	-	2,010,000
Interest and other expenditures	6,910	813,576	-	-	820,486
Bond issuance costs	-	-	28,000	-	28,000
Total expenditures	14,129,886	2,668,576	39,331	486,922	17,324,715
Excess (deficiency) of revenues over expenditures	(51,031)	94,406	(38,423)	(4,028)	924
Other Financing Sources (Uses)					
Proceeds from issuance of bonds	-	-	990,000	-	990,000
Insurance recoveries	-	15,800	-	-	15,800
Transfers in	-	-	-	40,658	40,658
Transfers out	(10,026)	-	-	(30,632)	(40,658)
Total other financing sources (uses)	(10,026)	15,800	990,000	10,026	1,005,800
Net change in fund balance	(61,057)	110,206	951,577	5,998	1,006,724
Fund balance - beginning	848,029	220,744	-	122,679	1,191,452
Fund balance - ending	$ 786,972	$ 330,950	$ 951,577	$ 128,677	$ 2,198,176

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	$ 1,006,724
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	54,806
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 and reported as depreciation expense.	
Depreciation expense	(1,482,685)
Capital outlay	50,490
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(1,234,624)
Net change in the deferral of resources related to the net pension liability	1,078,177
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	71,614
Net change in the deferral of resources related to the net OPEB liability	(81,187)
Expenses are recorded when incurred in the statement of activities.	
Interest	(56,920)
Special termination benefits	10,782
Compensated absences	43,881
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing sources or expenditures in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(990,000)
Repayments of long-term debt	2,010,000
Amortization of deferred amount on refunding	(40,900)
Amortization of premiums	129,500
Amortization of bond discount	(1,395)
Change in net position of governmental activities	$ 568,263

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	$ 263,969	$ 178,089
Investments	60,000	-
Total assets	$ 323,969	$ 178,089
Liabilities		
Due to agency fund activities	-	$ 178,089
Net Position		
Assets held for scholarships and loans	$ 323,969	

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Private Purpose Trust Funds
Additions	
Interest and investment earnings	$ 1,194
Deductions	
Scholarships	2,001
Change in net position	(807)
Net position - beginning	324,776
Net position - ending	$ 323,969

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Richmond Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity
The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements
The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

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

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. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Debt Funds – The Debt Funds are used to record tax and interest revenue and the payment of long-term debt principal, interest, and related cost of all debt issuances.

2018 Capital Projects Fund – The 2018 Capital Project Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically for projects associated with the 2018 bond issue. This fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund.

Capital Projects Funds – The 2014 and 2013 Capital Project Funds are used to record bond proceeds and other revenue and the disbursement of invoices specifically for projects associated with the 2013 and 2014 bond issues. These funds are kept open until the purpose for which the funds were created have been accomplished.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per $1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	5.50000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School

District's boundaries. The tax roll of the School District lies within St. Clair and Macomb Counties.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the applicable county and remitted to the School District by June 30.

Investments – Investments consist of certificates of deposit, which are stated at cost, which approximates fair value.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $ 5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – Sick days are earned by most employees at the rate of one day per month. Unused sick days may be accumulated by an employee in amounts determined by job category and range from ninety days to unlimited. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. Employees are eligible for vacation pay based on job category, ranging from zero to twenty-three days. No vacation days may be carried forward to subsequent years. Upon termination, some categories of employees are paid, on a pro-rated basis, for unused vacation earned during the year of termination.

The liability for compensated absences reported in the district-wide financial statements consist of unpaid, accumulated sick leave balances and earned unused vacation. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. The amount reported is salary related and does not include fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have formally been set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or the Superintendent. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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, as well as deferred inflows and deferred outflows at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Note 2 - Stewardship, Compliance, And Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any functions must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations
The School District's expenditure budget variances are as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	$ 981,363	$ 1,054,062	$ 72,699
Operations and maintenance	1,043,205	1,055,016	11,811
Transfers Out	-	10,026	10,026

Compliance Bond Proceeds
The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital project activities, management believes the School District has complied, in all material respects, with the applicable provision of section 1351a of the State of Michigan Revised School Code, Act 451 of 1976. The following is a summary of the revenue and expenditures in the 2014 and 2018 Capital Project Funds from the inception of the funds through the current fiscal year.

	2018 School Building and Site Bonds	
	Current Year	Total
Revenues	$ 990,908	$ 990,908
Expenditures	39,331	39,331

	2014 School Building and Site Bonds	
	Current Year	Total
Revenues	$ 120	$ 3,601,594
Expenditures	30,632	3,598,369

Note 3 - Deposits And Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 2,682,808	$ 442,058	$ 3,124,866
Investments	-	60,000	60,000
	$ 2,682,808	$ 502,058	$ 3,184,866

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$	3,184,186
Petty cash and cash on hand		680
Total	$	3,184,866

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, $ 3,025,345 of the School District's bank balance of $ 3,525,345 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 7,129	$ -	$ -	$ 7,129
Construction in progress	-	11,331	-	11,331
Total capital assets not being depreciated	7,129	11,331	-	18,460
Capital assets being depreciated				
Buildings and additions	33,826,833	-	-	33,826,833
Site improvements	4,173,368	-	-	4,173,368
Equipment and furniture	464,591	15,707	-	480,298
Buses and other vehicles	1,164,852	23,452	-	1,188,304
Total capital assets being depreciated	39,629,644	39,159	-	39,668,803
Less accumulated depreciation for				
Buildings and additions	10,694,699	1,198,045	-	11,892,744
Site improvements	1,862,915	159,737	-	2,022,652
Equipment and furniture	218,194	47,308	-	265,502
Buses and other vehicles	823,826	77,595	-	901,421
Total accumulated depreciation	13,599,634	1,482,685	-	15,082,319
Net capital assets being depreciated	26,030,010	(1,443,526)	-	24,586,484
Net capital assets	$ 26,037,139	$ (1,432,195)	$ -	$ 24,604,944

Depreciation expense for the fiscal year ended June 30, 2018 amounted to $ 1,482,685. The School District allocated depreciation to the various governmental activities as follows:

Governmental activities		
Instruction	$	844,824
Support services		577,814
Food services		49,967
Community services		10,080
Total governmental activities	$	1,482,685

Note 5 - Interfund Receivable And Payable And Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Debt Funds	General Fund	$ 542
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,634
General Fund	Nonmajor Governmental Funds	48,182
	Total governmental funds	$ 50,358

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consisted of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
Nonmajor governmental funds	$ 10,026	$ 30,632	$ 40,658

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue consisted of $ 157,705 in grant payments received prior to meeting all eligibility requirements, $ 5,260 in advance collection for childcare dues, and $ 3,723 of prepaid student lunch fees.

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 1,619,147	$ 1,014,859	$ 1,619,147	$ 1,014,859

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments 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 School District. Other long-term obligations include energy conservation improvement bonds, compensated absences, and special termination benefits.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	$ 20,555,000	$ 990,000	$ 1,855,000	$ 19,690,000	$ 2,085,000
Discount on bonds	(1,395)	-	(1,395)	-	-
Energy conservation improvement bonds	155,000	-	155,000	-	-
Compensated absences	291,992	-	43,881	248,111	49,000
Premium on bonds	1,000,914	-	129,500	871,414	-
Special termination benefits	102,230	36,628	47,410	91,448	47,410
Total	$ 22,103,741	$ 1,026,628	$ 2,229,396	$ 20,900,973	$ 2,181,410

For governmental activities, energy conservation improvement bonds, compensated absences, and special termination benefits are primarily liquidated by the General Fund.

General obligation bonds payable at year end consist of the following:

$ 12,300,000 Bond refunding serial bond due in annual installments of $ 1,170,000 to $ 1,175,000 through May 1, 2022, interest at 3.00% to 5.00%	$ 4,690,000
$ 4,145,000 serial bonds due in annual installments of $ 265,000 to $ 570,000 through May 1, 2027, interest at 3.00%	4,145,000
$ 990,000 serial bonds due in annual installments of $ 130,000 to $310,000 through May 1, 2024, interest at 3.52%	990,000
$ 8,125,000 serial bonds due in annual installments of $ 1,055,000 to $ 1,585,000 from May 2023 through May 2028 with interest payable annually beginning 2015 at 3.25% to 4.25%	8,125,000
$ 3,360,000 serial bonds due in annual installments of $ 410,000 to $ 485,000 from May 2016 through May 2022, interest at 3.00% to 4.00%	1,740,000
Total general obligation bonded debt	$ 19,690,000

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,085,000	$ 749,946	$ 2,834,946
2020	2,215,000	659,666	2,874,666
2021	2,080,000	575,754	2,655,754
2022	2,140,000	495,128	2,635,128
2023	1,720,000	406,852	2,126,852
2024-2028	9,450,000	1,084,512	10,534,512
Total	$ 19,690,000	$ 3,971,858	$ 23,661,858

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $ 330,950 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for all debt obligations for the fiscal year in the General Fund and Debt Service Funds were $ 6,200 and $ 810,652, respectively.

Compensated Absences
Accrued compensated absences at year end, consist of $ 1,296 of vacation time earned and vested and $ 246,815 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Special Termination Benefits
The School District has offered voluntary severance plans to employees in various fiscal years. Payments for these arrangements are due as follows:

Year Ending June 30,	
2019	$ 47,410
2020	16,567
2021	9,157
2022	9,157
2023	9,157
Total	$ 91,448

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for worker's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past four fiscal years.

The School District is self-insured for certain groups of employees for certain benefits. The liability for these claims is recorded based on invoices received as of the date the financial statements were available to be issued. Any amounts incurred but not reported are believed to be immaterial and are not estimated at year end.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. There were no unemployment claims paid during the year.

Note 10 - Pension Plan

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided
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.

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were $ 1,898,724 for the year ending September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the School District reported a liability of $ 20,977,770 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School 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, 2017, the School District's proportion was .0810 percent, which was an increase of .0018 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was $ 2,166,806.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 182,311	$ 102,934
Changes of assumptions	2,298,281	-
Net difference between projected and actual earnings on pension plan investments	-	1,002,875
Changes in proportion and differences between the School District contributions and proportionate share of contributions	469,013	437,189
School District contributions subsequent to the measurement date	2,100,651	1,004,182
Total	$ 5,050,256	$ 2,547,180

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 ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future Pension Expenses)	
2018	$ 374,600
2019	709,997
2020	315,908
2021	6,102
Total	$ 1,406,607

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:

  - o MIP and Basic Plans (Non-Hybrid): 7.5%
  - o Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

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

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5%

(7.0% for the Pension Plus 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.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School 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:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$ 27,327,057	$ 20,977,770	$ 15,632,075

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Post-employment Benefits Other Than Pensions (OPEB)

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were $ 628,294 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the School District reported a liability of $ 7,146,481 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School 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, 2017, the School District's proportion was .0807 percent, which was unchanged from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was $ 478,453.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 76,089
Net difference between projected and actual earnings on OPEB plan investments	-	165,514
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,980	-
School District contributions subsequent to the measurement date	475,269	-
Total	$ 477,249	$ 241,603

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

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

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future OPEB Expenses)		
2018	$	(57,942)
2019		(57,942)
2020		(57,942)
2021		(57,942)
2022		(7,855)
Total	$	(239,623)

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School 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 higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 8,370,595	$ 7,146,481	$ 6,107,592

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School 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:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 6,052,109	$ 7,146,481	$ 8,389,065

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

Note 13 - Tax Abatements

School Districts may receive reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities within the School District boundaries. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2018, the School District's property tax revenues were not reduced under these programs. There are no significant abatements made by the School District.

Note 14 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by $ 6,901,262, restating it from ($ 12,914,340) to ($ 19,815,602).

REQUIRED SUPPLEMENTARY INFORMATION

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 3,058,159	$ 3,175,972	$ 3,198,823	$ 22,851
State sources	9,383,772	10,161,212	10,013,940	(147,272)
Federal sources	975,829	1,061,851	848,716	(213,135)
Interdistrict sources	23,671	15,702	17,376	1,674
Total revenues	13,441,431	14,414,737	14,078,855	(335,882)
Expenditures				
Instruction				
Basic programs	6,555,003	6,861,028	6,725,564	(135,464)
Added needs	1,471,756	1,726,812	1,507,107	(219,705)
Supporting services				
Pupil	987,502	981,363	1,054,062	72,699
Instructional staff	675,269	713,173	629,887	(83,286)
General administration	364,442	398,428	395,871	(2,557)
School administration	964,711	1,019,344	1,000,661	(18,683)
Business	460,920	497,281	474,409	(22,872)
Operations and maintenance	942,084	1,043,205	1,055,016	11,811
Pupil transportation services	556,922	638,467	616,244	(22,223)
Central	30,709	37,090	33,753	(3,337)
Athletics	305,851	374,501	370,798	(3,703)
Community services	128,019	133,973	98,232	(35,741)
Capital outlay	15,000	14,400	6,372	(8,028)
Debt service				
Principal	155,000	155,000	155,000	-
Interest and fiscal charges	32,750	6,910	6,910	-
Total expenditures	13,645,938	14,600,975	14,129,886	(471,089)
Excess (deficiency) of revenues over expenditures	(204,507)	(186,238)	(51,031)	135,207

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources				
Proceeds from sale of capital assets	2,700	-	-	-
Transfers in	20,000	20,000	-	(20,000)
Transfers out	-	-	(10,026)	10,026
Total other financing sources	22,700	20,000	(10,026)	30,026
Net change in fund balance	(181,807)	(166,238)	(61,057)	105,181
Fund balance - beginning	848,029	848,029	848,029	-
Fund balance - ending	$ 666,222	$ 681,791	$ 786,972	$ 105,181

Richmond Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	School district's proportion of net pension liability (%)	0.0810%	0.0791%	0.0823%	0.0811%						
B.	School district's proportionate share of the net pension liability	$ 20,977,770	$ 19,743,146	$ 20,113,560	$ 17,856,186						
C.	School district's covered-employee payroll	$ 6,902,035	$ 6,557,064	$ 7,015,729	$ 7,136,201						
D.	School district's proportionate share of the net pension liability as a percentage of its covered- employee payroll	303.94%	301.10%	286.69%	250.22%						
E.	Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Richmond Community Schools

Required Supplementary Information

Schedule of the School District's Pension Contributions

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	$ 2,386,707	$ 1,290,019	$ 1,304,704	$ 1,500,854						
B. Contributions in relation to statutorily required contributions	2,386,707	1,290,019	1,304,704	1,500,854						
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
D. School district's covered-employee payroll	$ 6,873,431	$ 6,986,160	$ 6,616,340	$ 7,126,285						
E. Contributions as a percentage of covered-employee payroll	34.72%	18.47%	19.72%	21.06%						

Richmond Community Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A.	School district's proportion of net OPEB liability (%)	0.0807%									
B.	School district's proportionate share of the net OPEB liability	$ 7,146,481									
C.	School district's covered-employee payroll	$ 6,902,035									
D.	School district's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	103.54%									
E.	Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Richmond Community Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	$ 564,432									
B. Contributions in relation to statutorily required contributions	564,432									
C. Contribution deficiency (excess)	$ -									
D. School district's covered-employee payroll	$ 6,873,431									
E. Contributions as a percentage of covered-employee payroll	8.21%									

OTHER SUPPLEMENTARY INFORMATION

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Fund	Capital Projects Fund	
	Food Service	2014 Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
Cash	$ 79,104	$ 3,225	$ 82,329
Due from other funds	49,816	-	49,816
Due from other governmental units	14,492	-	14,492
Prepaid items	511	-	511
Total assets	$ 143,923	$ 3,225	$ 147,148
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 2,288	$ -	$ 2,288
Due to other funds	1,634	-	1,634
Accrued expenditures	3,236	-	3,236
Accrued salaries payable	7,590	-	7,590
Unearned revenue	3,723	-	3,723
Total liabilities	18,471	-	18,471
Fund Balance			
Non-spendable			
Prepaid items	511	-	511
Restricted for			
Food Service	124,941	-	124,941
Capital Projects	-	3,225	3,225
Total fund balance	125,452	3,225	128,677
Total liabilities and fund balance	$ 143,923	$ 3,225	$ 147,148

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue Fund	Capital Project Funds		Total
	Food Service	2013 Capital Projects Fund	2014 Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues				
Local sources	$ 238,061	$ -	$ 120	$ 238,181
State sources	27,160	-	-	27,160
Federal sources	217,553	-	-	217,553
Total revenues	482,774	-	120	482,894
Expenditures				
Current				
Education				
Food services	486,922	-	-	486,922
Excess (deficiency) of revenues over expenditures	(4,148)	-	120	(4,028)
Other Financing Sources (Uses)				
Transfers in	-	40,658	-	40,658
Transfers out	-	-	(30,632)	(30,632)
Total other financing sources (uses)	-	40,658	(30,632)	10,026
Net change in fund balance	(4,148)	40,658	(30,512)	5,998
Fund balance - beginning	129,600	(40,658)	33,737	122,679
Fund balance - ending	$ 125,452	$ -	$ 3,225	$ 128,677

Richmond Community Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2018

	2018	2017
Assets		
Cash	$ 1,306,079	$ 1,678,321
Accounts receivable	81,856	81,559
Due from other funds	542	214,247
Due from other governmental units	2,301,423	2,026,011
Due from agency fund activities	-	56,482
Prepaid items	5,400	33,115
Total assets	$ 3,695,300	$ 4,089,735
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 303,161	$ 187,095
State aid anticipation note payable	1,014,859	1,619,147
Due to other funds	48,182	11,141
Due to other governmental units	154,375	149,264
Payroll deductions and withholdings	29,999	34,415
Accrued expenditures	284,361	352,287
Accrued salaries payable	855,620	794,182
Unearned revenue	162,965	94,175
Total liabilities	2,853,522	3,241,706
Deferred inflows of resources		
Unavailable revenue - state aid	54,806	-
Fund Balance		
Non-spendable		
Prepaid items	5,400	33,115
Assigned for		
2017-18 budgeted use of fund balance	-	181,807
Unassigned	781,572	633,107
Total fund balance	786,972	848,029
Total liabilities and fund balance	$ 3,695,300	$ 4,089,735

Richmond Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

Year Ending June 30,	2010 Refunding	2013 Series A	2014 Series B	2017 Refunding	2018 Series C	Total
2019	$ 1,175,000	$ -	$ 485,000	$ 265,000	$ 160,000	$ 2,085,000
2020	1,175,000	-	410,000	320,000	310,000	2,215,000
2021	1,170,000	-	415,000	365,000	130,000	2,080,000
2022	1,170,000	-	430,000	410,000	130,000	2,140,000
2023	-	1,055,000	-	535,000	130,000	1,720,000
2024	-	1,070,000	-	555,000	130,000	1,755,000
2025	-	1,395,000	-	570,000	-	1,965,000
2026	-	1,470,000	-	565,000	-	2,035,000
2027	-	1,550,000	-	560,000	-	2,110,000
2028	-	1,585,000	-	-	-	1,585,000
Total	$ 4,690,000	$ 8,125,000	$ 1,740,000	$ 4,145,000	$ 990,000	$ 19,690,000
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	3.00% - 5.00%	3.25% - 4.25%	3.00% - 4.00%	3.00%	3.52%	
Original issue	$ 12,300,000	$ 8,125,000	$ 3,360,000	$ 4,145,000	$ 990,000	

Richmond Community Schools

Single Audit Report

June 30, 2018

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Table of Contents

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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*

Independent Auditors' Report

Management and the Board of Education
Richmond Community Schools
Richmond, Michigan

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 Richmond Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, Michigan
October 30, 2018

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Richmond Community Schools
Richmond, Michigan

Report on Compliance for Each Major Federal Program

We have audited Richmond Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richmond Community Schools' major federal programs for the year ended June 30, 2018. Richmond Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Richmond 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, 2018.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements. We issued our report thereon dated October 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 30, 2018

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue July 1, 2017	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2018
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through the Michigan Department of Education							
Child Nutrition Cluster							
Non-Cash Assistance (Commodities):	10.555						
National School Lunch Program - Entitlements		$ 36,611	$ -	$ -	$ 36,611	$ 36,611	$ -
Cash Assistance							
School Breakfast Program	10.553						
171970		26,651	-	24,483	2,168	2,168	-
181970		26,409	-	-	25,509	26,409	900
Total School Breakfast Program		53,060	-	24,483	27,677	28,577	900
National School Lunch Program	10.555						
171960		148,623	-	132,096	16,527	16,527	-
181960		128,444	-	-	125,961	128,444	2,483
Total National School Lunch Program		277,067	-	132,096	142,488	144,971	2,483
Summer Food Service Program for Children	10.559						
180900		6,700	-	-	-	6,700	6,700
181900		694	-	-	-	694	694
Total Summer Food Service Program for Children		7,394	-	-	-	7,394	7,394
Total Child Nutrition Cluster		374,132	-	156,579	206,776	217,553	10,777
TOTAL U.S. DEPARTMENT OF AGRICULTURE		374,132	-	156,579	206,776	217,553	10,777

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue July 1, 2017	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2018
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed Through the Macomb County Intermediate School District							
Special Education - Grants to States	84.027						
170450-1617		458,701	144,174	454,562	144,174	4,139	4,139
180450-1718		459,175	-	-	167,269	453,236	285,967
Total Special Education - Grants to States		917,876	144,174	454,562	311,443	457,375	290,106
Special Education - Preschool Grants	84.173						
170460-1617		9,198	1,270	9,198	1,270	-	-
180460-1718		8,490	-	-	7,041	8,490	1,449
Total Special Education - Preschool Grants		17,688	1,270	9,198	8,311	8,490	1,449
Total Special Education Cluster		935,564	145,444	463,760	319,754	465,865	291,555
Title I							
Passed Through the Michigan Department of Education							
Title I Grants to Local Educational Agencies	84.010						
171530-1617		370,738	93,887	222,621	163,504	69,617	-
181530-1718		374,774	-	-	127,171	294,666	167,495
Total Title I Grants to Local Educational Agencies		745,512	93,887	222,621	290,675	364,283	167,495
Passed Through the Macomb County Intermediate School District							
Career and Technical Education - Basic Grants to States	84.048						
173520-171216		20,000	12,457	20,000	12,457	-	-
183520-181216		17,000	-	-	9,500	17,000	7,500
Total Career and Technical Education - Basic Grants to States		37,000	12,457	20,000	21,957	17,000	7,500
Title IIA - Supporting Effective Instruction State Grant	84.367						
170520-1617		117,815	19,057	64,299	19,782	725	-
180520-1718		121,527	-	-	30,102	46,407	16,305
Total Title IIA - Supporting Effective Instruction State Grant		239,342	19,057	64,299	49,884	47,132	16,305
Passed Through the Michigan Department of Education							
Title IV, Part A - Student Support and Academic Enrichment	84.424						
180750-1718		10,000	-	-	5,786	9,242	3,456
TOTAL U.S. DEPARTMENT OF EDUCATION		1,967,418	270,845	770,680	688,056	903,522	486,311
TOTAL FEDERAL PROGRAMS		$ 2,341,550	$ 270,845	$ 927,259	$ 894,832	$ 1,121,075	$ 497,088

Richmond Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Richmond Community Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Richmond Community Schools, it is not intended to and does not present the financial position or changes in financial position of Richmond Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures
Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate
Richmond Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Federal revenues reported on the financial statements reconcile to the expenditures reported on the SEFA as follows:

Federal revenues, per the financial statements	$ 1,066,269
Unavailable revenue (not received within sixty days of year end), per the financial statements	54,806
Federal expenditures, per the SEFA	$ 1,121,075

Note 4 - Funds Transferred to Subrecipients

The Schools District did not transfer any federal funds to subrecipients during the fiscal year.

Note 5 - Michigan Department of Education Disclosures

Management has reported the expenditures in the SEFA equal to those amounts reported in the annual or final cost reports that have been submitted for that particular grant year.

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with the SEFA for USDA donated food commodities.

The federal amounts reported on the CMS Grant Auditor Report (GAR) are in agreement with the SEFA except for the following:

CFDA	Grant	Disbursements per the GAR	Receipts per the SEFA	Amount
10.553	181970	26,409	25,509	$ 900
10.555	181960	128,444	125,961	2,483

These payments were disbursed per the GAR as of June 30, 2018, but not received by the District until July 2018.

Richmond Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:			Unmodified	
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	X	None reported
Type of auditors' report issued on compliance for major programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?		Yes	X	No

Richmond Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Identification of major programs:

CFDA Numbers	*Name of Federal Program*
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee: ___X___ Yes ______ No

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

Richmond Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2018

Finding 2017-001

Finding Type: Significant Deficiency

Criteria: As required by Michigan law, the School District is required to undergo an annual audit. The School District did not fully prepare for the audit before fieldwork, which took place in October 2017. As a result, several adjustments were made during and after fieldwork, which were both identified by the School District and proposed by the auditor.

Status: Corrected. The District's financial records and supporting audit documentation was completed for the current year and did not require significant adjustments.

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October 30, 2018

Management and the Board of Education
Richmond Community Schools
Richmond, Michigan

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2018, and have issued our report dated October 30, 2018. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and have already met with management on during fieldwork. We will meet with you on November 12, 2018 to discuss these matters.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Flint, Michigan

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 29, 2018. 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 the School District are described in Note 1 of the financial statements. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2017.

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 Richmond Community Schools' financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards
The Governmental Accounting Standards Board has released the following Statements:

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1)

pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Regulatory and Other Updates

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Uniform Guidance – Implementation of Federal Grant Procurement Standards
In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Michigan Department of Education has put out sample procedures covering all the required items, including procurement, on their website.

Fiscal Year (FY) 2019 School Aid
The School Aid budget for FY 2019 was signed in June, 2018. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2019 will increase by a range of \$120 to \$240 using the "2X formula." The increase will be added to the FY 2018 foundation grant resulting in the lowest foundation for FY 2018 being \$7,871 and the maximum state guaranteed foundation being \$8,409.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$499,000,000. Eligibility expanded to include grades K-12, from K-3, and shall use resources to address early literacy and numeracy through an evidence-based framework that uses data-driven problem solving though a multi-tiered system of supports. Adds language that for schools in which more than 40% of pupils are identified as At-Risk, a district may use the funds it receives to implement schoolwide reforms that are guided by the district's comprehensive needs assessment and are included in the district improvement plan. Allows for up to 5% to be used for professional development.
- The per pupil funding under Section 20f will be equal to the per pupil funding in 2017-18.
- A New Section 31m has been created as a separate account to improve mental health and support services for K-12 pupils. A deposit of \$30 million has been allocated for this purpose.
- A new Section 54d appropriates \$5 million in grant funds for intermediate districts to provide pilot programs for children from birth to 3 years of age with developmental disability and/or delay.
- Section 147c has a MPSERS rate cap funding set at \$1.03 billion, which is an increase of \$72 million. The rate cap is estimated at \$690 per pupil.
- Section 147e includes \$37.6 million allocated as a direct reimbursement for additional retirement costs for specific qualified participants due to PA 92 of 2017.

Budget Assumptions & Early Warning
Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2015-2016 or 2016-2017 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)
The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations

to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Current Operating Expenditures (COE) for UAAL

Effective for the plan year ended September 30, 2019, the percentage change in Current Operating Expenditures (COE) from one year to the next will be used to adjust the payroll on which the UAAL rate is charged. FY 2017 (September) reported payroll will be adjusted by the percent change in COE from 2016 to 2017 to establish the FY19 adjusted payroll. The capped UAAL rate of 20.96% continues to be used in the calculation. ORS has put examples on their website to walk the school district through the calculation.

- UAAL contributions will no longer be calculated on member wages reported throughout the FY.
- This did not affect the 2018 fiscal year, but will impact the 2019 fiscal year.
- The FY 2019 payment process for contributions will be spread out over all Employer Statements in State FY 2019 (October 2018 through September 2019).

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 that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other 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 School District'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 School 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.

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards
As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we 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 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.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, 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.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Richmond Community Schools as of and for the year ended June 30, 2018, we considered Richmond Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls and ensuring compliance with state and federal regulations. This letter does not affect our report dated October 30, 2018, on the financial statements of Richmond Community Schools. Our comment and recommendation regarding this matter is:

Unclaimed Property
During the audit, it appeared that old, outstanding checks which had not been cashed by vendors and/or employees had not been timely reported or escheated to the State of Michigan as required. We recommend the District completes this process as soon as possible and ensures that reporting and submission deadlines are followed in the future. We also recommend that the proper procedures are outlined in the accounting procedures manual.