

Richmond Community Schools

Financial Statements

June 30, 2015

Table of Contents

<u>Section</u>	<u>Page</u>
1 Members of the Board of Education and Administration	1 - 1
2 Independent Auditors' Report	2 - 1
3 Management's Discussion and Analysis	3 - 1
4 Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	4 - 1
Statement of Activities	4 - 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 4
Reconciliation of the Balance Sheet of	
Governmental Funds to the Statement of Net Position	4 - 5
Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 8
Fiduciary Funds	
Statement of Fiduciary Net Position	4 - 9
Statement of Changes in Fiduciary Net Position	4 - 10
Notes to the Financial Statements	4 - 11
5 Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	5 - 1
Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 3
Schedule of the School District's Contributions	5 - 4

SectionPage

6

Other Supplementary Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

6 - 2

General Fund

Comparative Balance Sheet

6 - 3

Schedule of Revenues Compared to Budget

6 - 4

Schedule of Expenditures Compared to Budget

6 - 5

Schedule of Outstanding Bonded Indebtedness

6 - 15

Richmond Community Schools
Members of the Board of Education and Administration
June 30, 2015

Members of the Board of Education

Margaret Teltow	President
Dan Hill	Vice President
Jeffrey Theut	Treasurer
Bridget Smith	Secretary
Andrew Oderkirk	Trustee
Traci Bartell	Trustee
Kristine Furtaw	Trustee

Administration

Brian Walmsley	Superintendent
Vicki Laseke	Business Manager

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, 2015, 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, 2015, 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, 2015, the School District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, and schedule of the school district's contributions as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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

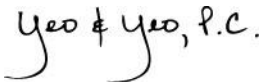
generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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, 2014, which are not presented with the accompanying basic financial statements. In our report dated October 16, 2014, 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 2014 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 2014 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 2014 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 23, 2015 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 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 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.



Flint, Michigan
October 23, 2015

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 its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. 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 that the district uses in managing the functions of the school district.

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 2014-2015 fiscal year consist of is: Food Service Fund, Capital Projects 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.

Adoption of New Accounting Standards: As required by the Government Accounting Standards Board (GASB) the School District adopted GASB 68 and 71. These standards required the inclusion of the District's proportionate share of the Michigan Public School Employees Retirement Plan within the District's financial statements, effective July 1, 2014. The effect of the adoption was to decrease the July 1, 2014 beginning net position by approximately \$17.9 million and the inclusion of the obligation, and related deferred inflows and outflows, in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards. While this represents a significant amount, the retirement plan itself is substantially funded and our statutory required contribution is annually budgeted for.

The (\$12.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations of \$4.3 million less \$16.8 million related to the adoption of GASB 68 and 71. The restricted and unrestricted – other net position balances enable the School District to meet working capital and cash flow requirement as well as to provide for future uncertainties.

Financial Analysis of District-Wide Financial Statements

The District's combined net position decreased by \$16,864,637 to \$(12,540,255) from \$4,324,382. The reason for the decrease in net position is primarily a result of the GASB 68 and 71 standards being implemented and described in the **Adoption of New Accounting Standards**. A summary of net position is provided below:

Summary of Net Position

	June 30, 2015	June 30, 2014
Assets:		
Current Assets	\$ 8,181,131	\$ 16,096,272
Capital Assets	38,770,574	31,375,631
Less: Accumulated depreciation	(11,718,154)	(11,046,128)
Capital Assets, net book value	27,052,420	20,329,503
Deferred Outflows of Resources:		
Deferred outflows of resources	2,048,330	222,023
Total Assets and Deferred Outflows	\$ 37,281,881	\$ 36,647,798
Liabilities:		
Current Liabilities	\$ 4,195,377	\$ 4,788,192
Long-Term Liabilities	43,652,669	27,535,224
Total Liabilities	47,848,046	32,323,416
Deferred Inflows of Resources:		
Deferred amount on net pension liability	\$ 1,974,090.00	\$ -
Total Liabilities and Deferred Inflows	\$ 49,822,136	\$ 32,323,416
Net Position:		
Net investment in capital assets	4,468,825	2,734,195
Restricted net position	218,111	230,748
Unrestricted net position	(17,227,191)	1,359,439
Total Net Position	(12,540,255)	4,324,382
Total Liabilities and Net Position	\$ 37,281,881	\$ 36,647,798

Results of District Operations:

Changes in Net Position: Restricted Net Position represents the assets held in the Debt, Capital Projects and Food Service Funds. As mentioned previously, the change in Net Position is a result of the implementation of GASB 68 and 71.

Governmental Activities: The District's total revenues increased approximately \$1,179,584, primarily due to the increase in debt levy necessary to pay the bond payments including the 2013 & 2014 bonds. Relatively minor increases/decreases in the other revenue categories account for the remaining revenue decreases.

The District's total expenditures increased \$6,129,450 this is mainly due to the completion of many of the Capital Projects funded by the 2013 & 2014 bond issues. The Debt Fund experienced an increase in expenses as compared to 2013 of \$765,575 due to increased principal and interest payments. The Capital Projects expenses increased due to voter approved bond projects which began construction in 2014 and continued through 2014-15. Relatively minor increases/decreases in the non-major fund expenditure categories account for the remaining differences.

Financial Analysis of the District's Funds

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, and student achievement measurement tied to funding the District is attempting to maintain a stable financial position within its governmental funds. At the end of the 2014-15 fiscal year, the combined governmental fund balances was \$ 4.1 million, a decrease of approximately \$7.3 million from the prior year, due to the capital project expenditures with bond funds from Series 1 and Series 2. Approximately \$1,063,719 of the \$ 4.1 million represents the District's General Fund balance. The District's Debt Retirement, Capital Projects and Non Major Governmental fund balances are approximately \$244,520, \$2,703,824 and \$67,283, respectively. Greater detail about the performance of the District funds is provided on the following page:

	June 30, 2015	June 30, 2014
Revenues:		
Governmental:		
General:		
Property taxes for operations	\$ 2,318,190	\$ 2,230,155
Property taxes for debt service	2,633,639	1,740,006
Unrestricted state aid	8,654,674	8,707,704
Insurance recoveries	154,312	-
Other general revenues	92,527	98,012
Total general	13,853,342	12,775,877
Operating Grants:		
Federal	1,006,268	1,003,306
State of Michigan & Other	1,417,275	1,193,255
Total operating grants	2,423,543	2,196,561
<i>Total governmental revenues</i>	16,276,885	14,972,438
Charges for services		
Food service	212,251	178,867
Community services	155,416	128,923
Others	102,767	92,332
<i>Total charges for services</i>	470,434	400,122
Total Revenues	\$ 16,747,319	\$ 15,372,560
Expenses:		
Instruction and instructional support	\$ 8,323,226	\$ 8,408,700
Support services	5,540,206	5,307,538
Food service	481,003	431,795
Community services	59,671	41,931
Interest on long-term debt	1,114,412	704,337
Loss on sale of capital assets	47,868	-
Total Expenses	\$ 15,566,386	\$ 14,894,301
Increase (Decrease) in Net Position	\$ 1,180,933	\$ 478,259
Beginning Net Position, as restated	(13,721,188)	3,846,123
Ending Net Assets	\$ (12,540,255)	\$ 4,324,382

General Fund Budgetary Highlights: The District amended its budget twice during the 2014/2015 fiscal year. The original budget was presented in June prior to the start of the fiscal year, an amended budget was presented in February 2015, and then a final amended budget was presented the following June just prior to the fiscal year ending.

A comparison of the District's original budget in June 2014 is compared to the District final amended budget in June 2015 for the general fund.

	Final Budget June 2015	Original Budget June 2014	Variance
Total Revenues	\$ 13,918,592	\$ 13,198,292	\$ 720,300
Expenses:			
Salaries	7,139,137	7,000,993	138,144
Benefits	4,246,110	4,053,467	192,643
Purchased Services	1,769,219	1,607,955	161,264
Supplies	789,595	620,082	169,513
Capital Outlay and Others	334,154	307,163	26,991
Total Expenses	14,278,215	13,589,660	688,555
Change in Fund Balance	\$ (359,623)	\$ (391,368)	\$ 31,745

From June 2014 to June 2015, the General Fund-fund balance was projected to improve. Budgeted revenue increased from the original budget approved in June 2014 to June 2015 by \$720,300, primarily due to Medicaid funds, grant carryover funds budgeted and insurance claim recoveries. Budgeted expenses fluctuated throughout the year as operational needs changed and more current information became available.

The final budget from June 2015 is also compared to the District's 2014-2015 actual financial results below.

	<u>Final Actual June 2015</u>	<u>Final Budget June 2015</u>	<u>Variance Fav/(Unfav)</u>
Total Revenues	\$ 13,668,304	\$ 13,918,592	\$ (250,288)
Expenses:			
Salaries	6,998,247	7,139,137	140,890
Benefits	4,154,132	4,246,110	91,978
Purchased Services	1,735,725	1,769,219	33,494
Supplies	689,068	789,595	100,527
Capital Outlay and Others	297,213	334,154	36,941
Total Expenses	<u>13,874,385</u>	<u>14,278,215</u>	<u>403,830</u>
Change in Fund Balance	<u><u>\$ (206,081)</u></u>	<u><u>\$ (359,623)</u></u>	<u><u>\$ 153,542</u></u>

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 by \$3,453. At this point the fund balance in the debt account represents 13% of the 2015/16 principal and interest payments. The District will continue to monitor taxable valuations as it looks to its 2015 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 2015-16 School Aid Act which will provide a \$140 per pupil increase in the Foundation Grant for districts at the minimum Foundation Allowance of \$7,251 to \$7,391 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 2015-16 fiscal year.
- Best Practices for 2016 has been eliminated, previously funded at \$50 per pupil.
- The Membership Blend is 90% of the October count and 10% of the PREVIOUS February count, which is a change from 2014-15, which used the subsequent February count.
- 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.
- Pending legislation that may impact the State's ability to provide adequate school funding includes the funding of roads, the resolution of the Detroit Public Schools financial situation, and the State's shifting of School Aid Funds to higher education institutions.
- Early Warning Legislation is expected to be implemented in the 2015-16 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 expanding the Great Start Readiness Program adding an additional half day program.
- The District voters passed a \$12.9 million bond for capital projects in 2013. The majority of the building improvement projects were completed over the 2014-15 school year, most notably, the high school science classroom addition, which opened the second semester. The beginning of the 2015-16 school year will mark 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. The bonds were issued in three series, \$8.1 million in 2013, \$3.4 million in 2014, and the final series will be issued in 2018 for \$1.4 million.
- At the time of this report, the District has labor agreements in place through 2015-2016 with its teachers, however, there is a wage and benefit opener in 2015-16. All other bargaining units' contracts expire June 30, 2015, and negotiations are underway with the administrators, paraprofessionals, bus drivers 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, 2015

	<u>Governmental Activities</u>
Assets	
Cash	\$ 3,084,390
Accounts receivable	12,903
Due from other governmental units	2,137,620
Due from trust and agency funds	30,116
Interest receivable	22
Investments	2,902,651
Prepaid items	13,429
Capital assets not being depreciated	9,342,042
Capital assets - net of accumulated depreciation	<u>17,710,378</u>
 Total assets	 <u>35,233,551</u>
 Deferred outflows of resources	
Deferred amount of pension expense related to net pension liability	1,850,707
Deferred amount on debt refunding	<u>197,623</u>
 Total deferred outflows of resources	 <u>2,048,330</u>
 Total assets and deferred outflows of resources	 <u>37,281,881</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 851,086
State aid anticipation note payable	1,800,000
Due to other governmental units	166,114
Payroll deductions and withholdings	87,088
Accrued expenditures	415,356
Accrued salaries payable	822,993
Unearned revenue	52,740
Noncurrent liabilities	
Net pension liability	17,856,186
Debt due within one year	1,845,732
Debt due in more than one year	<u>23,950,751</u>
Total liabilities	<u>47,848,046</u>
Deferred inflows of resources	
Deferred amount on net pension liability	<u>1,974,090</u>
Total liabilities and deferred inflows of resources	<u>49,822,136</u>
Net Position	
Net investment in capital assets	4,468,825
Restricted for	
Food service	67,283
Debt service	150,828
Unrestricted	<u>(17,227,191)</u>
Total net position	<u>\$ (12,540,255)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Activities
For the Year Ended June 30, 2015

		<u>Program Revenues</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 8,323,226	\$ -	\$ 2,080,250	\$ (6,242,976)
Supporting services	5,540,206	102,767	118,768	(5,318,671)
Food services	481,003	212,251	224,525	(44,227)
Community services	59,671	155,416	-	95,745
Interest and fiscal charges on long-term debt	1,114,412	-	-	(1,114,412)
Loss on disposal of capital assets	<u>47,868</u>	<u>-</u>	<u>-</u>	<u>(47,868)</u>
Total governmental activities	<u>\$ 15,566,386</u>	<u>\$ 470,434</u>	<u>\$ 2,423,543</u>	<u>(12,672,409)</u>
General revenues				
Property taxes, levied for general purposes				2,318,190
Property taxes, levied for debt service				2,633,639
State aid - unrestricted				8,654,674
Interest and investment earnings				5,799
Other				86,728
Insurance recoveries				<u>154,312</u>
Total general revenues				<u>13,853,342</u>
Change in net position				1,180,933
Net position - beginning, as restated				<u>(13,721,188)</u>
Net position - ending				<u>\$ (12,540,255)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Debt Funds	2013 Capital Projects Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 2,082,671	\$ 251,136	\$ 254,742	\$ -	\$ 495,841	\$ 3,084,390
Accounts receivable	12,799	-	-	-	104	12,903
Due from other funds	430,563	-	11,838	-	-	442,401
Due from other governmental units	2,132,818	-	-	-	4,802	2,137,620
Due from agency fund activities	22,319	-	5,000	-	2,797	30,116
Interest receivable	-	-	5	17	-	22
Investments	-	-	800,130	2,102,521	-	2,902,651
Prepaid items	13,429	-	-	-	-	13,429
Total assets	<u>\$ 4,694,599</u>	<u>\$ 251,136</u>	<u>\$ 1,071,715</u>	<u>\$ 2,102,538</u>	<u>\$ 503,544</u>	<u>\$ 8,623,532</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ 390,481	\$ -	\$ 434,545	\$ 26,060	\$ -	\$ 851,086
State aid anticipation note payable	1,800,000	-	-	-	-	1,800,000
Due to other funds	2,241	6,616	127	9,597	423,820	442,401
Due to other governmental units	162,172	-	-	-	3,942	166,114
Payroll deductions and withholdings	87,088	-	-	-	-	87,088
Accrued expenditures	321,664	-	-	-	-	321,664
Accrued salaries payable	820,793	-	-	-	2,200	822,993
Unearned revenue	46,441	-	-	-	6,299	52,740
Total liabilities	<u>3,630,880</u>	<u>6,616</u>	<u>434,672</u>	<u>35,657</u>	<u>436,261</u>	<u>4,544,086</u>
Fund Balance						
Non-spendable						
Prepaid items	13,429	-	-	-	-	13,429
Restricted for						
Food service	-	-	-	-	67,283	67,283
Debt service	-	244,520	-	-	-	244,520
Capital projects	-	-	637,043	2,066,881	-	2,703,924
Assigned for						
Budgeted excess expenditures over revenue	317,472	-	-	-	-	317,472
Unassigned	732,818	-	-	-	-	732,818
Total fund balance	<u>1,063,719</u>	<u>244,520</u>	<u>637,043</u>	<u>2,066,881</u>	<u>67,283</u>	<u>4,079,446</u>
Total liabilities and fund balance	<u>\$ 4,694,599</u>	<u>\$ 251,136</u>	<u>\$ 1,071,715</u>	<u>\$ 2,102,538</u>	<u>\$ 503,544</u>	<u>\$ 8,623,532</u>

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, 2015

Total fund balances for governmental funds	\$ 4,079,446
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	9,342,042
Capital assets - net of accumulated depreciation	17,710,378
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(93,692)
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.	197,623
Deferred inflow of resources resulting from the difference between projected and actual earnings on pension plan investments used to calculate the net pension liability	(1,974,090)
Deferred outflow of resources from pension contributions made subsequent to the measurement date.	1,191,852
Deferred outflow of resources resulting from changes in actuarial assumptions related to the net pension liability	658,855
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	(17,856,186)
Compensated absences	(305,609)
Bonds payable	(25,485,142)
Other loans payable and liabilities	<u>(5,732)</u>
Net position of governmental activities	<u>\$(12,540,255)</u>

Richmond Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Fund	Debt Funds	2013 Capital Projects Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 2,654,670	\$ 2,644,742	\$ 2,165	\$ 418	\$ 180,677	\$ 5,482,672
State sources	10,046,085	-	-	-	25,864	10,071,949
Federal sources	807,607	-	-	-	198,661	1,006,268
Interdistrict sources	5,630	-	-	-	26,488	32,118
Total revenues	<u>13,513,992</u>	<u>2,644,742</u>	<u>2,165</u>	<u>418</u>	<u>431,690</u>	<u>16,593,007</u>
Expenditures						
Current						
Education						
Instruction	8,312,890	-	-	-	-	8,312,890
Supporting services	5,290,807	-	-	-	-	5,290,807
Food services	-	-	-	-	457,232	457,232
Community services	56,721	-	-	-	-	56,721
Capital outlay	60,617	-	6,086,854	1,018,837	-	7,166,308
Debt service						
Principal	130,000	1,475,000	-	-	-	1,605,000
Interest and other expenditures	23,350	1,166,289	-	500	-	1,190,139
Total expenditures	<u>13,874,385</u>	<u>2,641,289</u>	<u>6,086,854</u>	<u>1,019,337</u>	<u>457,232</u>	<u>24,079,097</u>
Excess (deficiency) of revenues over expenditures	<u>(360,393)</u>	<u>3,453</u>	<u>(6,084,689)</u>	<u>(1,018,919)</u>	<u>(25,542)</u>	<u>(7,486,090)</u>

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, 2015

	General Fund	Debt Funds	2013 Capital Projects Fund	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Insurance recoveries	154,312	-	-	-	-	154,312
Transfers in	-	-	2,241	-	-	2,241
Transfers out	-	-	-	-	(2,241)	(2,241)
Total other financing sources (uses)	154,312	-	2,241	-	(2,241)	154,312
Net change in fund balance	(206,081)	3,453	(6,082,448)	(1,018,919)	(27,783)	(7,331,778)
Fund balance - beginning	1,269,800	241,067	6,719,491	3,085,800	95,066	11,411,224
Fund balance - ending	<u>\$ 1,063,719</u>	<u>\$ 244,520</u>	<u>\$ 637,043</u>	<u>\$ 2,066,881</u>	<u>\$ 67,283</u>	<u>\$ 4,079,446</u>

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, 2015

Net change in fund balances - Total governmental funds	\$ (7,331,778)
---	-----------------------

Total change in net position reported for governmental activities in the statement of activities is different because

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

Depreciation expense	(733,975)
Capital outlay	7,504,760
Loss on disposal of capital assets (net book value)	(47,868)

Expenses are recorded when incurred in the statement of activities.

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows 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	1,139,986
Net change in the deferred inflow of resources related to the net pension liability	(1,315,235)
Net change between the current year and prior year deferred outflow of resources related to contributions made subsequent to the measurement date	241,250
Interest	9,452
Special termination benefits	51,711
Compensated absences	(8,645)

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.

Repayments of long-term debt	1,605,000
Amortization of deferred amount on refunding	(24,400)
Amortization of premiums	91,845
Amortization of bond discount	(1,170)

Change in net position of governmental activities	<u>\$ 1,180,933</u>
--	----------------------------

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 273,389	\$ 239,440
Investments	<u>60,000</u>	<u>-</u>
Total assets	<u>\$ 333,389</u>	<u>\$ 239,440</u>
Liabilities		
Due to other funds	-	30,116
Due to agency fund activities	<u>-</u>	<u>209,324</u>
Total liabilities	<u>-</u>	<u>\$ 239,440</u>
Net Position		
Assets held for scholarships and loans	<u>\$ 333,389</u>	

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, 2015

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment earnings	\$ 1,162
Deductions	
Scholarships	<u>5,000</u>
Change in net position	(3,838)
Net position - beginning	<u>337,227</u>
Net position - ending	<u>\$ 333,389</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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.

2013 and 2014 Capital Project Funds - Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. These funds are kept open until the purpose for which the funds were 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. Operating deficits generated by these activities are generally transferred from the General Fund.

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, 2015, 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	5.96000

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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 are stated at fair value based on a quoted market price. Certificates of deposit 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 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.

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.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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

The Government Accounting Standards Board ("The GASB") has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability is recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for

Richmond Community Schools

Notes to the Financial Statements

June 30, 2015

applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value.

In addition, the Governmental Accounting Standards Board has released the following three Statements.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing

information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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.

The School District is evaluating the impact GASB 72 through 75 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.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund 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

There were no significant expenditures in excess of appropriations for the year.

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 2008, 2013, and 2014 Capital Project Funds from the inception of the funds through the current fiscal year.

2008 School Building and Site Bonds			
	Current Year		Total
Revenues	\$ -	\$	6,803,014
Expenditures	2,241		6,803,014

2013 School Building and Site Bonds			
	Current Year		Total
Revenues	\$ 4,406	\$	8,377,148
Expenditures	6,086,854		7,740,105

2014 School Building and Site Bonds			
	Current Year		Total
Revenues	\$ 418	\$	3,599,023
Expenditures	1,019,337		1,532,142

District-Wide Deficits

The School District has an unrestricted net position deficit for district-wide activities in the amount of \$ 17,227,191 as of June 30, 2015. There are no other governmental funds with a deficit.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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	\$ 3,084,390	\$ 512,829	\$ 3,597,219
Investments	<u>2,902,651</u>	<u>-</u>	<u>2,902,651</u>
	<u><u>\$ 5,987,041</u></u>	<u><u>\$ 512,829</u></u>	<u><u>\$ 6,499,870</u></u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 6,499,520
Petty cash and cash on hand	<u>350</u>
Total	<u><u>\$ 6,499,870</u></u>

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, \$ 5,356,182 of the School District's bank balance of \$ 6,656,312 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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	2,335,837	6,999,076	-	9,334,913
Total capital assets not being depreciated	2,342,966	6,999,076	-	9,342,042
Capital assets being depreciated				
Buildings and additions	23,668,088	-	92,172	23,575,916
Site improvements	4,145,994	27,374	-	4,173,368
Equipment and furniture	243,259	197,226	17,645	422,840
Buses and other vehicles	975,324	281,084	-	1,256,408
Total capital assets being depreciated	29,032,665	505,684	109,817	29,428,532
Less accumulated depreciation for				
Buildings and additions	8,699,843	515,210	56,334	9,158,719
Site improvements	1,439,089	140,631	-	1,579,720
Equipment and furniture	129,293	19,637	5,615	143,315
Buses and other vehicles	777,903	58,497	-	836,400
Total accumulated depreciation	11,046,128	733,975	61,949	11,718,154
Net capital assets being depreciated	17,986,537	(228,291)	47,868	17,710,378
Net capital assets	<u>\$ 20,329,503</u>	<u>\$ 6,770,785</u>	<u>\$ 47,868</u>	<u>\$ 27,052,420</u>

Depreciation expense for the fiscal year ended June 30, 2015 amounted to \$ 733,975. The School District allocated depreciation to the various governmental activities as follows:

Governmental activities

Instruction	\$ 432,186
Support services	275,068
Food services	23,771
Community services	2,950
Total governmental activities	<u>\$ 733,975</u>

Construction Contracts

As of year end, the School District has approximately \$ 319,661 in commitments remaining on contracts related to capital project fund activities.

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
Food Service	General Fund	\$ 423,820
Debt Funds	General Fund	6,616
2013 Capital Projects	General Fund	127
General Fund	2013 Capital Projects	2,241
2014 Capital Projects	2013 Capital Projects	9,597
	Total governmental funds	<u>\$ 442,401</u>
Agency Fund	Food Service Fund	\$ 2,797
Agency Fund	General Fund	22,319
Trust Fund	2013 Capital Projects	5,000
	Total fiduciary funds	<u>\$ 30,116</u>

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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:

<u>Transfers in</u>	<u>Transfers Out</u>
	Other
	governmental
	funds
Other governmental funds	<u>\$ 2,241</u>

The transfer was made to transfer the residual fund balance from an old capital project fund so it could be closed out. The funds were transferred to an existing capital projects fund.

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 \$ 43,241 in grant payments received prior to meeting all eligibility requirements, \$ 6,299 in student lunch fees received in advance, and \$ 3,200 of child care dues received in advance.

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. The balance consist of two notes issued through the Michigan Finance Authority at interest rates of 1.05% and 1.235%. The total amount borrowed for the fiscal year was \$ 1,800,000.

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 1,600,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,800,000</u>

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 compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 25,465,000	\$ -	\$ 1,475,000	\$ 23,990,000	\$ 1,705,000
Unamortized bond discount	(5,085)	-	(1,170)	(3,915)	-
Energy conservation improvement bonds	565,000	-	130,000	435,000	135,000
Compensated absences	296,964	8,645	-	305,609	-
Premium on bonds	1,155,902	-	91,845	1,064,057	-
Special termination benefits	57,443	-	51,711	5,732	5,732
Total	<u>\$ 27,535,224</u>	<u>\$ 8,645</u>	<u>\$ 1,747,386</u>	<u>\$ 25,796,483</u>	<u>\$ 1,845,732</u>

For governmental activities, 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 \$ 1,025,000 to \$ 1,175,000 through May 1, 2022, interest at 3.00% to 5.00%	\$ 7,905,000
\$ 6,575,000 serial bonds due in annual installments of \$ 250,000 to \$ 575,000 through May 1, 2027, interest at 3.50% to 4.125%	4,850,000
\$ 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%	<u>3,110,000</u>
Total general obligation bonded debt	<u>\$ 23,990,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2016	\$ 1,705,000	\$ 991,213	\$ 2,696,213
2017	1,775,000	918,313	2,693,313
2018	1,855,000	842,413	2,697,413
2019	1,910,000	757,637	2,667,637
2020	1,885,000	669,488	2,554,488
2021-2025	9,105,000	2,221,812	11,326,812
2026-2028	5,755,000	392,556	6,147,556
Total	<u>\$ 23,990,000</u>	<u>\$ 6,793,432</u>	<u>\$ 30,783,432</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 244,520 to pay this debt. Future debt and interest will be payable from future tax levies.

Energy Conservation Improvement Bonds

The 2006 Energy Conservation Improvement Bonds are due May 1, 2018. The bonds are issued under the Qualified Zone Academy Bond program. Interest is at 3.60% to 4.00%.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2016	\$ 135,000	\$ 17,400	\$ 152,400
2017	145,000	12,000	157,000
2018	155,000	6,200	161,200
Total	<u>\$ 435,000</u>	<u>\$ 35,600</u>	<u>\$ 470,600</u>

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

Interest expenditures for all debt obligations for the fiscal year in the General Fund and Debt Service Funds were \$ 22,600 and \$ 1,162,120, respectively.

Compensated Absences

Accrued compensated absences at year end, consist of \$ 8,356 of vacation time earned and vested and \$ 297,253 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

During fiscal years 2007-2010, the District offered voluntary severance plans to employees to retire during or before June 30 of those respective fiscal years. The final payment on this plan is during the 2015-16 fiscal year. The balance of the retirement incentive plans as of year end is \$ 5,732.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 1, 2022. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2010 Issue refunded

\$ 13,120,000

Deferred amount on debt refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2022.

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 three fiscal years.

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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 Plans and Post-Employment Benefits

Organization

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

- Two active classroom teachers or other certified school personnel.
- One active member or retiree from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retiree from a classroom teaching position.
- One retiree from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

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, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological, and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

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.

MPERS issues a publicly-available Comprehensive Annual Financial Report. That report may be obtained by writing to ORS at P.O. Box 30171, Lansing, Michigan 48909-7671, or on the Internet at <http://www.michigan.gov/orsschools>.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

Membership – At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	<u>204,512</u>
Inactive plan members entitled to, but not yet receiving benefits:	
	<u>16,979</u>
Active plan members:	
Vested	108,934
Non-vested	101,843
Total	<u>210,777</u>
Total plan members	<u>432,268</u>

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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 member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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.

Member Contributions – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, and December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates as a percent of wages: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation – The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves – Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions - This reserve represents all employer contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was a deficit of (\$25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all employer contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules.

Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

Reporting Entity – The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection – Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process, except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "anti-alienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments – Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income – Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System – Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment – Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value

exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Post-employment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions – Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

Building rentals	\$ 789,000
Technological support	10,420,000
Attorney general	417,000
Investment services	12,846,000
Personnel services	9,922,000

Cash – At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

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. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the plan's 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.34 - 19.61%
Member Investment Plan	3.0 - 7.0	18.34 - 19.61
Pension Plus	3.0 - 6.4	18.11
Defined Contribution	0.0	15.44 - 16.61

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

Net Pension Liability

Measurement of the MPSERS Net Pension Liability – The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability – As of September 30, 2014:

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>43,134,384,072</u>
Net Pension Liability	<u><u>\$ 22,026,503,110</u></u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
--	--------

Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%
---	---------

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

Year one MPSERS implementation of GASB Statement No. 68 recognizes a 0.00% change in the employers' proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability – As of October 1, 2013

Total Pension Liability	\$62,859,499,994
Plan Fiduciary Net Position	<u>39,427,686,072</u>
Net Pension Liability	<u>\$23,431,813,922</u>

Proportionate Share of Reporting Unit's Net Pension Liability – At September 30, 2014, the School District reported a liability of \$ 17,856,186 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportionate share percent was .08107 percent, which is unchanged since the prior measurement date.

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, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8%
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
	<u>100.0%</u>	

*Long term rate of return does not include 2.5% inflation

Rate of Return – For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. 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 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (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.

Richmond Community Schools

Notes to the Financial Statements

June 30, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – As required by GASB Statement No. 68, the following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus 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-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 23,541,826	\$ 17,856,186	\$ 13,065,950

*Long term rate of return does not include 2.5% inflation

Timing of the Valuation – An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions – Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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:

Actuarial Assumptions:

- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - 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
- Healthcare Cost Trend Rate: 8.5% 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. 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.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The experience study is included in the actuarial valuation described above.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the School District recognized total pension expense of \$ 1,446,380. At June 30, 2015, the employer 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
Changes in assumptions	\$ 658,855	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,974,009)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(81)
Employer contributions subsequent to the measurement date	1,191,852	-
	<u>\$ 1,850,707</u>	<u>\$ (1,974,090)</u>

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 (Inflows) and Deferred Outflows of Resources by Year

Plan Year Ending September 30	Amount:
2015	\$ 869,651
2016	(322,201)
2017	(322,201)
2018	<u>(348,632)</u>
Total	<u>\$ (123,383)</u>

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health,

Richmond Community Schools
Notes to the Financial Statements
June 30, 2015

dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2014 through September 30, 2014, and October 1, 2014 through June 30, 2015, the employer contribution rate ranged from 5.52% to 6.45% and 2.20% to 2.71%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2015, 2014, and 2013 and were approximately \$ 251,000, \$ 480,000, and \$ 635,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2015, the School District had contributions in the amount of \$ 609,007 to the MPSERS, which represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 7.63% for the year.

Note 11 - 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, 2015.

The School District is a defendant in various lawsuits. In the opinion of management and the School District's attorneys, both the outcome and possible exposure to the District are not presently determinable for all cases. A portion of any potential liability would be covered by insurance; however, the possibility of a liability to the School District does exist. As of the date the financial statements were available to be issued, the full amount of compensation one plaintiff is seeking is

unknown. However, the potential liability to the School District could exceed \$ 100,000.

Note 12 - Prior Period Adjustment

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statements 68 and 71. These statements require the School District to record their proportionate share of the net pension liability and pension expense. Previously these amounts were not recorded on the School District's statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2014, by \$ 18,045,570, restating it from \$ 4,324,382 to \$ (13,721,188).

REQUIRED SUPPLEMENTARY INFORMATION

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 2,610,718	\$ 2,675,573	\$ 2,654,670	\$ (20,903)
State sources	9,739,782	10,066,988	10,046,085	(20,903)
Federal sources	845,183	1,016,780	807,607	(209,173)
Interdistrict sources	-	-	5,630	5,630
Total revenues	13,195,683	13,759,341	13,513,992	(245,349)
Expenditures				
Instruction				
Basic programs	6,994,867	7,156,739	6,995,217	(161,522)
Added needs	1,345,689	1,421,503	1,317,673	(103,830)
Supporting services				
Pupil	970,566	1,031,345	1,053,296	21,951
Instructional staff	515,510	575,831	538,001	(37,830)
General administration	318,828	321,416	332,762	11,346
School administration	1,016,662	972,139	954,334	(17,805)
Business	446,468	465,178	472,820	7,642
Operations and maintenance	917,191	1,055,046	1,025,945	(29,101)
Pupil transportation services	484,721	501,335	479,041	(22,294)
Central	23,105	40,055	20,440	(19,615)
Athletics	332,825	417,358	414,168	(3,190)
Community services	60,064	94,448	56,721	(37,727)
Capital outlay	10,564	72,472	60,617	(11,855)
Debt service				
Principal	130,000	130,000	130,000	-
Interest and fiscal charges	22,600	23,350	23,350	-
Total expenditures	13,589,660	14,278,215	13,874,385	(403,830)
Excess (deficiency) of revenues over expenditures	(393,977)	(518,874)	(360,393)	158,481

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources				
Insurance recoveries	-	155,042	154,312	(730)
Transfers in	<u>2,609</u>	<u>4,209</u>	<u>-</u>	<u>(4,209)</u>
Total other financing sources	<u>2,609</u>	<u>159,251</u>	<u>154,312</u>	<u>(4,939)</u>
Net change in fund balance	(391,368)	(359,623)	(206,081)	153,542
Fund balance - beginning	<u>1,269,800</u>	<u>1,269,800</u>	<u>1,269,800</u>	<u>-</u>
Fund balance - ending	<u>\$ 878,432</u>	<u>\$ 910,177</u>	<u>\$ 1,063,719</u>	<u>\$ 153,542</u>

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)

		June 30,									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A.	School district's proportion of net pension liability (%)	0.08%									
B.	School district's proportionate share of the net pension liability	\$ 17,856,186									
C.	School district's covered-employee payroll	\$ 7,136,201									
D.	School district's proportionate share of net pension liability as a percentage of its covered- employee payroll	250.22%									
E.	Plan fiduciary net position as a percentage of total pension liability	66.20%									

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

		For the Years Ended June 30,									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A.	Statutorily required contributions	\$ 1,500,854									
B.	Contributions in relation to statutorily required contributions	<u>1,500,854</u>									
C.	Contribution deficiency (excess)	<u>\$ -</u>									
D.	School district's covered- employee payroll	7,126,285									
E.	Contributions as a percentage of covered-employee payroll	21.06%									

OTHER SUPPLEMENTARY INFORMATION

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	<u>Special Revenue Fund</u>
	<u>Food Service</u>
Assets	
Cash	\$ 495,841
Accounts receivable	104
Due from other governmental units	4,802
Due from agency fund activities	<u>2,797</u>
Total assets	<u><u>\$ 503,544</u></u>
Liabilities and Fund Balance	
Liabilities	
Due to other funds	\$ 423,820
Due to other governmental units	3,942
Accrued salaries payable	2,200
Unearned revenue	<u>6,299</u>
Total liabilities	<u>436,261</u>
Fund Balance	
Restricted for	
Food Service	<u>67,283</u>
Total liabilities and fund balance	<u><u>\$ 503,544</u></u>

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, 2015

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>2008 School Building & Site Bonds</u>	
Revenues			
Local sources	\$ 180,677	\$ -	\$ 180,677
State sources	25,864	-	25,864
Federal sources	198,661	-	198,661
Interdistrict sources	<u>26,488</u>	<u>-</u>	<u>26,488</u>
Total revenues	<u>431,690</u>	<u>-</u>	<u>431,690</u>
Expenditures			
Current			
Education			
Food services	<u>457,232</u>	<u>-</u>	<u>457,232</u>
Deficiency of revenues over expenditures	<u>(25,542)</u>	<u>-</u>	<u>(25,542)</u>
Other Financing Uses			
Transfers out	<u>-</u>	<u>(2,241)</u>	<u>(2,241)</u>
Net change in fund balance	(25,542)	(2,241)	(27,783)
Fund balance - beginning	<u>92,825</u>	<u>2,241</u>	<u>95,066</u>
Fund balance - ending	<u>\$ 67,283</u>	<u>\$ -</u>	<u>\$ 67,283</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2015

	2015	2014
Assets		
Cash	\$ 2,082,671	\$ 2,162,346
Accounts receivable	12,799	16,456
Due from other funds	430,563	246,966
Due from other governmental units	2,132,818	2,039,680
Due from agency fund activities	22,319	-
Prepaid items	13,429	19,753
Total assets	<u>\$ 4,694,599</u>	<u>\$ 4,485,201</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 390,481	\$ 258,224
State aid anticipation note payable	1,800,000	1,600,000
Due to other funds	2,241	-
Due to other governmental units	162,172	95,162
Due to agency fund activities	-	5,000
Payroll deductions and withholdings	87,088	87,074
Accrued expenditures	321,664	314,270
Accrued salaries payable	820,793	817,203
Unearned revenue	46,441	38,468
Total liabilities	<u>3,630,880</u>	<u>3,215,401</u>
Fund Balance		
Non-spendable		
Prepaid items	13,429	19,753
Assigned for		
Budgeted excess expenditures over revenue	317,472	391,368
Unassigned	732,818	858,679
Total fund balance	<u>1,063,719</u>	<u>1,269,800</u>
Total liabilities and fund balance	<u>\$ 4,694,599</u>	<u>\$ 4,485,201</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources				
Property tax levy	\$ 2,337,372	\$ 2,331,364	\$ 2,328,852	\$ (2,512)
Transportation fees	20,000	15,576	21,139	5,563
Earnings on investments	-	11	11	-
Student activities	92,505	128,348	102,767	(25,581)
Community service activities	108,000	155,785	155,416	(369)
Other local revenues	<u>52,841</u>	<u>44,489</u>	<u>46,485</u>	<u>1,996</u>
Total revenues from local sources	<u>2,610,718</u>	<u>2,675,573</u>	<u>2,654,670</u>	<u>(20,903)</u>
Revenues from state sources				
Grants - unrestricted	8,418,474	8,648,145	8,654,674	6,529
Grants - restricted	<u>1,321,308</u>	<u>1,418,843</u>	<u>1,391,411</u>	<u>(27,432)</u>
Total revenues from state sources	<u>9,739,782</u>	<u>10,066,988</u>	<u>10,046,085</u>	<u>(20,903)</u>
Revenues from federal sources				
Grants	<u>845,183</u>	<u>1,016,780</u>	<u>807,607</u>	<u>(209,173)</u>
Interdistrict sources				
Other	<u>-</u>	<u>-</u>	<u>5,630</u>	<u>5,630</u>
Other financing sources				
Insurance recoveries	-	155,042	154,312	(730)
Transfers in	<u>2,609</u>	<u>4,209</u>	<u>-</u>	<u>(4,209)</u>
Total other financing sources	<u>2,609</u>	<u>159,251</u>	<u>154,312</u>	<u>(4,939)</u>
Total revenue and other financing sources	<u>\$ 13,198,292</u>	<u>\$ 13,918,592</u>	<u>\$ 13,668,304</u>	<u>\$ (250,288)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,358,178	\$ 1,393,263	\$ 1,376,487	\$ (16,776)
Employee benefits	817,599	851,614	837,665	(13,949)
Purchased services	42,251	50,919	50,067	(852)
Supplies and materials	44,061	40,838	42,051	1,213
	<u>2,262,089</u>	<u>2,336,634</u>	<u>2,306,270</u>	<u>(30,364)</u>
Total elementary				
Basic program - middle school				
Salaries	1,234,471	1,271,558	1,225,277	(46,281)
Employee benefits	736,701	764,601	760,637	(3,964)
Purchased services	22,667	32,004	33,580	1,576
Supplies and materials	22,000	25,636	23,031	(2,605)
Other	-	84	-	(84)
	<u>2,015,839</u>	<u>2,093,883</u>	<u>2,042,525</u>	<u>(51,358)</u>
Total middle school				
Basic program - high school				
Salaries	1,411,731	1,428,888	1,394,724	(34,164)
Employee benefits	882,548	907,687	877,554	(30,133)
Purchased services	121,564	148,552	145,547	(3,005)
Supplies and materials	68,390	59,318	55,487	(3,831)
Other	57,484	16,710	17,563	853
	<u>2,541,717</u>	<u>2,561,155</u>	<u>2,490,875</u>	<u>(70,280)</u>
Total high school				

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school				
Salaries	76,252	84,414	86,952	2,538
Employee benefits	45,473	39,424	40,783	1,359
Purchased services	9,920	3,608	3,611	3
Supplies and materials	21,857	28,243	14,824	(13,419)
Other	9,320	280	275	(5)
Total pre-school	162,822	155,969	146,445	(9,524)
Basic program - summer school				
Employee benefits	-	-	4	4
Purchased services	12,400	9,098	9,098	-
Total summer school	12,400	9,098	9,102	4
Added needs - special education				
Salaries	556,452	548,959	547,733	(1,226)
Employee benefits	325,021	330,879	341,394	10,515
Purchased services	16,423	10,936	9,829	(1,107)
Supplies and materials	5,461	1,922	4,163	2,241
Total special education	903,357	892,696	903,119	10,423

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - compensatory education				
Salaries	165,336	145,905	127,812	(18,093)
Employee benefits	65,618	66,852	59,631	(7,221)
Purchased services	17,949	20,268	9,980	(10,288)
Supplies and materials	1,310	115,245	71,026	(44,219)
Other	2,797	28,834	-	(28,834)
Total compensatory education	253,010	377,104	268,449	(108,655)
Added needs - career and technical education				
Salaries	48,803	48,803	49,058	255
Employee benefits	27,470	28,176	28,374	198
Purchased services	96,500	48,399	48,085	(314)
Supplies and materials	16,549	26,325	20,588	(5,737)
Total career and technical education	189,322	151,703	146,105	(5,598)
Pupil - guidance services				
Salaries	180,051	224,961	229,439	4,478
Employee benefits	73,143	127,281	135,780	8,499
Total guidance services	253,194	352,242	365,219	12,977
Pupil - psychological services				
Purchased services	15,000	21,482	21,483	1

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - speech services				
Salaries	118,737	110,236	115,601	5,365
Employee benefits	77,159	75,272	76,719	1,447
Purchased services	700	700	459	(241)
Supplies and materials	850	1,154	1,154	-
Total speech services	197,446	187,362	193,933	6,571
Pupil - social work services				
Salaries	103,672	103,239	103,018	(221)
Employee benefits	62,861	63,571	63,623	52
Purchased services	9,900	12,870	12,870	-
Supplies and materials	-	1,000	1,300	300
Total social work services	176,433	180,680	180,811	131
Pupil - teacher consultant				
Salaries	149,752	133,124	150,542	17,418
Employee benefits	101,280	85,578	69,248	(16,330)
Total teacher consultant	251,032	218,702	219,790	1,088
Pupil - other support services				
Salaries	53,000	46,581	46,581	-
Employee benefits	17,711	19,071	20,254	1,183
Purchased services	6,750	5,225	5,225	-
Total other pupil support services	77,461	70,877	72,060	1,183

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Salaries	27,526	27,692	90	(27,602)
Employee benefits	10,029	13,260	16,503	3,243
Purchased services	12,001	34,843	41,816	6,973
Supplies and materials	-	14,096	13,358	(738)
Other	50	108	20	(88)
Total improvement of education	49,606	89,999	71,787	(18,212)
Instructional staff - educational media services				
Salaries	62,092	55,497	55,497	-
Employee benefits	39,086	37,876	37,095	(781)
Purchased services	1,100	14,854	14,881	27
Supplies and materials	2,250	750	740	(10)
Total educational media services	104,528	108,977	108,213	(764)
Instructional staff - technology assisted instruction				
Salaries	50,000	51,058	51,058	-
Employee benefits	19,441	21,900	21,406	(494)
Purchased services	28,000	33,540	28,815	(4,725)
Supplies and materials	3,000	17,870	16,023	(1,847)
Total technology assisted instruction	100,441	124,368	117,302	(7,066)

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - supervision and direction of instructional staff				
Salaries	160,869	158,107	163,424	5,317
Employee benefits	90,646	89,248	71,801	(17,447)
Purchased services	3,200	1,547	1,785	238
Supplies and materials	2,000	800	904	104
Other	220	1,385	1,385	-
Total supervision and direction of instructional staff	256,935	251,087	239,299	(11,788)
Instructional staff - academic student assessment				
Purchased services	-	1,400	1,400	-
Supplies and materials	4,000	-	-	-
Total academic student assessment	4,000	1,400	1,400	-
General administration - board of education				
Purchased services	37,508	37,151	39,005	1,854
Other	6,033	2,850	6,842	3,992
Total board of education	43,541	40,001	45,847	5,846
General administration - executive administration				
Salaries	164,296	167,083	167,527	444
Employee benefits	102,241	103,316	108,360	5,044
Purchased services	1,500	275	301	26
Supplies and materials	750	5,500	5,532	32
Other	6,500	5,241	5,195	(46)
Total executive administration	275,287	281,415	286,915	5,500

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
School administration - office of the principal				
Salaries	630,739	593,449	589,223	(4,226)
Employee benefits	346,928	347,737	334,386	(13,351)
Purchased services	20,750	13,462	13,053	(409)
Supplies and materials	14,500	14,950	15,176	226
Other	3,745	2,541	2,496	(45)
Total office of the principal	1,016,662	972,139	954,334	(17,805)
Business - fiscal services				
Salaries	73,960	75,710	76,979	1,269
Employee benefits	68,497	70,565	68,598	(1,967)
Purchased services	116,600	116,280	112,499	(3,781)
Supplies and materials	5,000	4,000	4,061	61
Other	1,400	1,872	1,724	(148)
Total fiscal services	265,457	268,427	263,861	(4,566)
Business - other				
Salaries	51,711	51,711	51,711	-
Employee benefits	3,909	3,956	3,956	-
Purchased services	79,891	101,348	114,247	12,899
Other	45,500	39,736	39,045	(691)
Total other business	181,011	196,751	208,959	12,208

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services				
Salaries	1,000	1,000	925	(75)
Employee benefits	318	423	404	(19)
Purchased services	598,015	729,591	712,282	(17,309)
Supplies and materials	301,500	307,761	295,208	(12,553)
Other	8,350	7,505	7,447	(58)
Total operating building services	909,183	1,046,280	1,016,266	(30,014)
Operations and maintenance - security services				
Purchased services	8,008	8,766	9,679	913
Pupil transportation services				
Salaries	189,780	200,026	191,120	(8,906)
Employee benefits	87,681	93,943	85,538	(8,405)
Purchased services	121,540	119,274	122,466	3,192
Supplies and materials	83,120	86,906	78,713	(8,193)
Other	2,600	1,186	1,204	18
Total transportation services	484,721	501,335	479,041	(22,294)
Central - communication services				
Purchased services	1,950	500	15	(485)
Central - staff/personnel services				
Purchased services	955	16,855	6,276	(10,579)
Supplies and materials	-	2,500	60	(2,440)
Total staff/personnel services	955	19,355	6,336	(13,019)

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - support services technology				
Purchased services	20,200	20,200	14,089	(6,111)
Athletic activities				
Salaries	101,123	164,614	163,846	(768)
Employee benefits	42,052	79,956	79,170	(786)
Purchased services	171,650	146,060	146,349	289
Supplies and materials	18,000	26,728	24,753	(1,975)
Other	-	-	50	50
Total athletic activities	332,825	417,358	414,168	(3,190)
Community services - community activities				
Salaries	3,984	154	-	(154)
Employee benefits	788	62	-	(62)
Purchased services	5,530	850	1,323	473
Supplies and materials	-	1,400	-	(1,400)
Total community activities	10,302	2,466	1,323	(1,143)
Community services - custody and care of children				
Salaries	24,862	29,481	27,561	(1,920)
Employee benefits	8,411	12,413	12,335	(78)
Purchased services	-	2,138	1,138	(1,000)
Supplies and materials	950	950	916	(34)
Total custody and care of children	34,223	44,982	41,950	(3,032)

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Community services - non-public school pupils				
Salaries	2,616	23,624	6,068	(17,556)
Employee benefits	856	11,449	2,908	(8,541)
Purchased services	7,533	6,224	4,472	(1,752)
Supplies and materials	4,534	5,703	-	(5,703)
Total non-public school pupils	15,539	47,000	13,448	(33,552)
Capital outlay				
Basic program - pre-school	10,564	15,292	3,437	(11,855)
Operations and maintenance - operating building services	-	57,180	57,180	-
Total capital outlay	10,564	72,472	60,617	(11,855)
Debt service				
Principal	130,000	130,000	130,000	-
Interest and other expenditures	22,600	23,350	23,350	-
Total debt service	152,600	153,350	153,350	-
Total expenditures	\$ 13,589,660	\$ 14,278,215	\$ 13,874,385	\$ (403,830)

Richmond Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2015

<u>Year Ending June 30,</u>	<u>2006 Issue</u>	<u>2008 Issue</u>	<u>2010 Refunding</u>	<u>2013 Series A</u>	<u>2014 Series B</u>	<u>Total</u>
2016	\$ 135,000	\$ 250,000	\$ 1,025,000	\$ -	\$ 430,000	\$ 1,840,000
2017	145,000	250,000	1,070,000	-	455,000	1,920,000
2018	155,000	250,000	1,120,000	-	485,000	2,010,000
2019	-	250,000	1,175,000	-	485,000	1,910,000
2020	-	300,000	1,175,000	-	410,000	1,885,000
2021	-	350,000	1,170,000	-	415,000	1,935,000
2022	-	400,000	1,170,000	-	430,000	2,000,000
2023	-	525,000	-	1,055,000	-	1,580,000
2024	-	550,000	-	1,070,000	-	1,620,000
2025	-	575,000	-	1,395,000	-	1,970,000
2026	-	575,000	-	1,470,000	-	2,045,000
2027	-	575,000	-	1,550,000	-	2,125,000
2028	-	-	-	1,585,000	-	1,585,000
Total	<u>\$ 435,000</u>	<u>\$ 4,850,000</u>	<u>\$ 7,905,000</u>	<u>\$ 8,125,000</u>	<u>\$ 3,110,000</u>	<u>\$ 24,425,000</u>
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	3.60% - 4.00%	3.50% - 4.125%	3.00% - 5.00%	3.25% - 4.25%	3.00% - 4.00%	
Original issue	<u>\$ 1,325,000</u>	<u>\$ 6,575,000</u>	<u>\$ 12,300,000</u>	<u>\$ 8,125,000</u>	<u>\$ 3,360,000</u>	

Richmond Community Schools

Single Audit Report

June 30, 2015

Table of Contents

	<u>Page</u>
SINGLE AUDIT REPORT	
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures Of Federal Awards Required by with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	11

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

To 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, 2015, 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 23, 2015.

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 opinion 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 23, 2015

**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 OMB Circular A-133**

Independent Auditors' Report

To 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 Circular A-133 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, 2015. Richmond Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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.

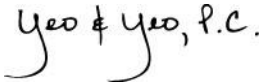
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements. We issued our report thereon dated October 23, 2015, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Flint, Michigan
October 23, 2015

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2014	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2015
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-Entitlement		\$ 20,627	\$ -	\$ -	\$ 20,627	\$ 20,627	\$ -
Cash Assistance							
School Breakfast Program	10.553						
141970		27,470	1,302	24,529	4,243	2,941	-
151970		30,479	-	-	30,479	30,479	-
National School Lunch Program	10.555						
141960		143,131	4,540	126,568	21,103	16,563	-
151960		128,051	-	-	128,051	128,051	-
Total Cash Assistance		329,131	5,842	151,097	183,876	178,034	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		349,758	5,842	151,097	204,503	198,661	-
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed Through the Macomb County Intermediate School District							
IDEA Flowthrough	84.027						
140450-1314		544,914	126,848	537,538	130,589	5,855	2,114
150450-1415		506,416	-	-	274,636	496,508	221,872
Total IDEA Flowthrough		1,051,330	126,848	537,538	405,225	502,363	223,986
Preschool Incentive	84.173						
140460-1314		11,064	2,896	11,064	2,896	-	-
150460-1415		6,586	-	-	6,586	6,586	-
Total Preschool Incentive		17,650	2,896	11,064	9,482	6,586	-
Total Special Education Cluster		1,068,980	129,744	548,602	414,707	508,949	223,986

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2014	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2015
Title I							
Passed Through the Michigan Department of Education							
Title I	84.010						
141530-1314		286,079	106,348	170,790	116,787	10,439	-
151530-1415		351,821	-	-	132,322	206,160	73,838
Total Title I		637,900	106,348	170,790	249,109	216,599	73,838
Passed Through the Macomb County Intermediate School District							
Career and Technical Education- Perkins	84.048						
143520-141216		20,000	8,934	20,000	8,934	-	-
153520-151216		18,000	-	-	18,000	18,000	-
Total Career and Technical Education (Perkins)		38,000	8,934	20,000	26,934	18,000	-
Title IIA - Teacher/Principal Training & Recruiting	84.367						
140520-1314		122,140	29,514	45,443	44,681	15,167	-
150520-1415		123,173	-	-	62,041	48,892	(13,149)
Total Title IIA		245,313	29,514	45,443	106,722	64,059	(13,149)
TOTAL U.S. DEPARTMENT OF EDUCATION		1,990,193	274,540	784,835	797,472	807,607	284,675
TOTAL FEDERAL PROGRAMS		<u>\$ 2,339,951</u>	<u>\$ 280,382</u>	<u>\$ 935,932</u>	<u>\$ 1,001,975</u>	<u>\$ 1,006,268</u>	<u>\$ 284,675</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Richmond Community Schools
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2015.
3. The federal amounts reported on the CMS Grant Auditor Report (GAR) and Macomb Intermediate School District Schedule of Federal Financial Assistance Provided to Subrecipients are in agreement with the Schedule of Expenditures of Federal Awards except for the following payments received by the District in July 2014, but included in the GAR at June 30, 2014: \$ 1,302 from grant 141970, CFDA 10.553; \$ 4,540 from grant 141960, CFDA 10.555.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The total expenditures on the Schedule of Expenditures of Federal Awards equal the federal revenues on the financial statements.

Richmond Community Schools
Schedule of Findings and Questioned Costs
June 30, 2015

Section I - Summary of Auditors' Results

Type of auditors' report issued:

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 section 510(a) of Circular A-133?

_____	Yes	_____X_____	No
-------	-----	-------------	----

(continued)

Richmond Community Schools
Schedule of Findings and Questioned Costs
June 30, 2015

Identification of major programs:

CFDA Numbers

84.027/84.173

Name of Federal Program

Special Education Cluster

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

\$ 300,000

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, 2015

There were no audit findings in the year ended June 30, 2014.

October 23, 2015

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, 2015, and have issued our report dated October 23, 2015. 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 OMB Circular A-133, 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 June 25, 2015. 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. The School District has adopted Government Accounting Standards Board Statements (GASBS) No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Both statements are effective July 1, 2014. Statement No. 68 provides guidance to improve accounting and financial reporting by state and local governments for pensions. Statement No. 71 addresses the application of the transition provisions of Statement No. 68. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- The useful lives of 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. We have evaluated management's estimates in these areas and the process used for making the accounting estimates, the risk of material misstatement, and the indication of possible bias and disclosure and uncertainty in the financial statements.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report. We noted no bias on the calculation of the estimate.

We feel the estimates have been properly recorded and evaluated by management.

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

Accounting Standards and Regulatory Updates

Sec. 147c- State Share of Unfunded Liability – Michigan Public School Employees Retirement System (MPERS)

For 2015-16, the method in which the State will allocate the State Share of the Unfunded Liability will not change. However, the rate will increase to an estimated 10.53% of payroll. The funding was increased to accommodate the unfunded liability statutory cap of 20.96%. The UAAL rate of 10.53% is not the true percent that will be charged to your district. The amount is based on prior year payroll and could either be more or less depending on the current year payroll specific to your district. 147c payments should be a net zero, as the income (the amount received from State Aid), should equal the 147c expenditures, (the amount that must be remitted to ORS).

Audit and FID Submission Deadline

For the current year, June 30, 2015, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years.

State Aid 2015-16

Foundation Grant (Secs. 22a, 22b, and 22c) - The Foundation Grant increases using a 2x funding formula with increases ranging from \$70 and \$140 per pupil. Also, the pupil membership blend will be 90% of the fall count plus 10% of the **previous** February count.

Categorical Offset Payments (20f)- Categorical Offset guarantees a minimum net increase of \$25 per pupil when including Foundation Allowance and At-Risk increases plus the elimination of Best Practices and Districts Performance grants.

At-Risk (Sec. 31a)- At- Risk funding will increase by \$70 million for the 2015-16 fiscal year.

Best Practice and Performance Funding Grants (Sec. 22f and 22j)- Best Practice funding is eliminated for 2015-16 fiscal year.

Early Literacy - 3rd Grade Reading (Sec. 35 and 35a)- Early Literacy funding provides \$26.4 million for early literacy improvement effort for the 2015-16 year.

Budget Transparency

The Michigan Department of Education has revised the Budget Transparency guidance to include changes made to the legislation under PA 85 of 2015. Below is a summary of the legislative changes for 2015-16:

- A district or intermediate school district (ISD) shall adopt an annual budget in a manner that complies with the uniform budgeting and accounting act.
- Three new data elements have been added to Subsection 2c, which means they apply to all schools including ISDs:
 - A written policy governing procurement of supplies, materials, and equipment.
 - A written policy establishing specific categories of reimbursable expenses.
 - An accounts payable check register for the most recent school fiscal year *or* a statement of the total amount of expenses incurred by board members or employees of the district that were reimbursed by the district for the most recent school fiscal year.

- If a district or ISD does not comply with subsection (2), the department may withhold up to 10% of the state school aid otherwise payable to the district or ISD, beginning with the next payment due to the district or ISD until the district or ISD complies. If the district or ISD does not comply with subsection (2) by the end of the fiscal year, the district or ISD forfeits the amount withheld.
- Other elements that continue to be required include:
 - Current year budgets and amendments, which must include detail by function level and beginning and ending fund balances.
 - Health care plans
 - Health benefit bids
 - Employee compensation information, which must include the Superintendent and other individuals whose Medicare wages exceed \$100,000

Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts will need to implement the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR will be the source for guidance that school districts will follow.

Highlights of the Super Circular:

- Raises the single audit threshold from \$500,000 to \$750,000 (federal expenditures during the June 30, 2016 year end)
- Increases monitoring and risk assessment necessary by federal program offices
- Focuses heavily on internal controls and policies/procedures, which should be in compliance with COSO (Committee of Sponsoring Organizations of the Treadway Commissions)
- Additional monitoring by pass-through agencies of sub-recipients
- New rules for procurement/property management
- Cost principles are more principles based, with intention to reduce administrative burden

Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>

Uniform Budgeting and Accounting Act (UB&AA)

The UB&AA establishes budget and accounting requirements for schools.

- The UB&AA states that if it becomes obvious during the year that the likely revenues will be less than the budgeted revenues, the business manager (or school officer) will present recommendations to the Board which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year. It also states that the business manager of the school shall not incur expenditures against an appropriation account in excess of the amount budgeted by the Board.
- Additionally, funds should not be used for purposes that are inconsistent with the budget.
- Over-expending the budget authorized by the Board will result in noncompliance. *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.*

- Material violations of the UB&AA, including general fund deficits and material noncompliance, should be reported as financial statement findings in the audit report.

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. The adjustments identified during the audit have been communicated to management and management has posted all adjustments. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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.

The School District adopted a new accounting standard, and our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the School District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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: 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*; Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133; 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 contributions, schedule of the school district's proportionate share of the net pension liability, 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 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.

We discussed these matters with various personnel in the School District during the audit and have already met with management at the completion of fieldwork. We will meet with you at your convenience to discuss these matters.

Restriction on Use

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