

# **Richmond Community Schools**

## **Financial Statements**

**June 30, 2017**



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**Richmond Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2017**

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Members of the Board of Education

Margaret Teltow	President
Kristine Furtaw	Vice President
Kyle Simmons	Treasurer
Sarah Gillies	Secretary
Traci Bartell	Trustee
David Wirth	Trustee
Ryan Edberg	Trustee

Administration

Brian Walmsley	Superintendent
Tammie Schadd	Business Manager



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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of and for the year ended June 30, 2017, 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, 2017, 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.

## **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.

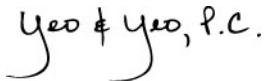
### ***Prior Year Supplementary Information***

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, 2016, which are not presented with the accompanying basic financial statements. In our report dated October 21, 2016, 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 2016 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 2016 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 2016 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 19, 2017 on our consideration of Richmond Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 19, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## *Management's Discussion & Analysis*

Richmond Community Schools, a K-12 school district located in Macomb and St. Clair Counties, Michigan, is subject to the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34), and has fulfilled those provisions with the enclosed financial statements. This section of the annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

### **Overview of the Financial Statements**

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

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

Fund financial statements comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant fund(s). The Richmond Community School's other funds for the 2016-2017 fiscal year consist of the Food Service Fund, Capital Projects Funds, and Debt Funds.

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

### **Financial Analysis of District-Wide Financial Statements**

The District's combined net position increased by \$391,608 to (\$12,914,340) from (\$13,305,948). The increase in net position is due to several factors – see page 4-7 of the accompanying financial statements for more information. Also impacting the net position in fiscal years 2017 and 2016 was the adoption of GASB 68 and 71, which added the pension liability to government activities.

## Summary of Net Position

		June 30, 2017	June 30, 2016
<b>Assets:</b>			
	Current Assets	\$ 4,436,279	\$ 5,947,244
	Capital Assets	39,636,773	39,364,615
	Less: Accumulated depreciation	(13,599,634)	(12,427,690)
	Capital Assets, net book value	26,037,139	26,936,925
<b>Deferred Outflows of Resources:</b>			
	Deferred outflows of resources	3,021,097	2,446,629
	<b>Total Assets and Deferred Outflows</b>	<b>\$ 33,494,515</b>	<b>\$ 35,330,798</b>
<b>Liabilities:</b>			
	Current Liabilities	\$ 3,312,898	\$ 3,951,474
	Long-Term Liabilities	41,846,887	44,098,949
	<b>Total Liabilities</b>	<b>45,159,785</b>	<b>48,050,423</b>
<b>Deferred Inflows of Resources:</b>			
	Deferred amount on net pension liability	\$ 1,249,070	\$ 586,323
	<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 46,408,855</b>	<b>\$ 48,636,746</b>
<b>Net Position:</b>			
	Net investment in capital assets	4,674,748	4,267,415
	Restricted net position	152,673	154,352
	Unrestricted net position	(17,741,761)	(17,727,715)
	<b>Total Net Position</b>	<b>(12,914,340)</b>	<b>(13,305,948)</b>
	<b>Total Liabilities and Net Position</b>	<b>\$ 33,494,515</b>	<b>\$ 35,330,798</b>

## Results of District Operations:

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

	June 30, 2017	June 30, 2016
<b>Revenues:</b>		
<b>Governmental:</b>		
<b>General:</b>		
Property taxes for operations	\$ 2,629,921	\$ 2,728,286
Property taxes for debt service	2,657,135	2,681,805
Unrestricted state aid	7,936,856	7,951,612
Other general revenues	125,515	112,015
Total general	13,349,427	13,473,718
<b>Operating Grants:</b>		
Federal	1,062,484	1,272,205
State of Michigan & Other	1,668,599	1,531,388
Others	-	-
<i>Total governmental revenues</i>	16,080,510	16,277,311
<b>Charges for services</b>		
Food service	243,407	238,031
Community services	155,181	134,785
Others	130,500	116,819
<i>Total charges for services</i>	529,088	489,635
<b>Total Revenues</b>	<b>\$ 16,609,598</b>	<b>\$ 16,766,946</b>
<b>Expenses:</b>		
Instruction and instructional support	\$ 8,944,909	\$ 10,542,843
Support services	5,847,793	5,542,987
Food service	489,992	427,924
Community services	90,458	104,115
Interest on long-term debt	844,838	914,770
Loss on sale of capital assets	-	-
<b>Total Expenses</b>	<b>\$ 16,217,990</b>	<b>\$ 17,532,639</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 391,608</b>	<b>\$ (765,693)</b>
<b>Beginning Net Position, as restated</b>	<b>(13,305,948)</b>	<b>(12,540,255)</b>
<b>Ending Net Assets</b>	<b>\$ (12,914,340)</b>	<b>\$ (13,305,948)</b>

**Adoption of New Accounting Standards**

The District adopted GASB77 during the year, which requires disclosure of tax abatement agreements affecting the District.

**Financial Analysis of the District's Funds**

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

Due to the economic conditions of the State of Michigan and the uncertain State funding for public schools, along with legislation that impacts pupil accounting, the District is attempting to maintain a stable financial position within its governmental funds. At the end of the 2016-17 fiscal year, the combined governmental fund balances was \$1.2 million, a decrease of approximately \$900,000 from the prior year, due to the capital project expenditures with bond funds from Series 1 and Series 2. Approximately \$848,000 of the \$1.2 million represents the District's General Fund balance. The District's Debt Retirement and Non Major Governmental fund balances are approximately \$221,000 and \$123,000, respectively. Greater detail about the performance of the District's funds is provided on the following page.

**Governmental Activities:** The District's total revenues decreased approximately \$183,000. Decreases in General Fund revenues make up the majority of the decrease with the most significant decrease in State sources and smaller decreases in the other revenue categories, local, federal, and interdistrict sources. The other revenue categories saw relatively minor decreases.

The District's total expenditures decreased \$1.2 million mainly due to the completion of many of the Capital Projects funded by the 2013 & 2014 bond issues. Debt Fund expenditures increased less than \$100,000 while other funds had relatively minor decreases in expenditures.

**General Fund Budgetary Highlights:** The District amended its budget twice during the 2016/2017 fiscal year. Over the course of the year, the School District revises its budget to adjust for unexpected changes in revenues and expenditures. State law requires the budget be amended to ensure expenditures do not exceed appropriations. The original budget was presented in June prior to the start of the fiscal year, an amended budget was presented in February 2017, and a final amended budget was presented the following June just prior to the end of the fiscal year.

A comparison of the District's original General Fund budget adopted in June 2016 and the final amended budget approved in June 2017 follows:

	<b>Final Budget June 2017</b>	<b>Original Budget June 2016</b>	<b>Variance</b>
<b>Total Revenues</b>	<b>\$ 13,803,737</b>	<b>\$ 13,333,501</b>	<b>\$ 470,236</b>
Expenses:			
Salaries	6,859,180	6,612,592	246,588
Benefits	4,229,895	4,872,425	(642,530)
Purchased Services	1,737,994	1,272,838	465,156
Supplies	885,702	410,175	475,527
Capital Outlay and Others	323,004	327,523	(4,519)
<b>Total Expenses</b>	<b>14,035,775</b>	<b>13,495,553</b>	<b>540,222</b>
<b>Change in Fund Balance</b>	<b>\$ (232,038)</b>	<b>\$ (162,052)</b>	<b>\$ (69,986)</b>

From June 2016 to June 2017, the fund balance in the General Fund was projected to decrease. Budgeted revenue increased from the original budget adopted in June 2016 to the final amended budget approved in June 2017 by \$470,236. The increases in funding was primarily due to changes in student enrollment and federal grant allocations. Budgeted expenses fluctuated throughout the year as staffing costs changed and operational needs changed as more current information became available.

The final budget from June 2017 is also compared to the District's 2016-2017 actual financial results below.

	<u>Final Actual June 2017</u>	<u>Final Budget June 2017</u>	<u>Variance Fav/(Unfav)</u>
<b>Total Revenues</b>	<b>\$ 13,461,654</b>	<b>\$ 13,803,737</b>	<b>\$ (342,083)</b>
Expenses:			
Salaries	6,815,910	6,859,180	43,270
Benefits	4,145,605	4,229,895	84,290
Purchased Services	1,787,015	1,737,994	(49,021)
Supplies	644,603	885,702	241,099
Capital Outlay and Others	245,003	323,004	78,001
<b>Total Expenses</b>	<b><u>13,638,136</u></b>	<b><u>14,035,775</u></b>	<b><u>397,639</u></b>
<b>Change in Fund Balance</b>	<b><u><u>\$ (176,482)</u></u></b>	<b><u><u>\$ (232,038)</u></u></b>	<b><u><u>\$ 55,556</u></u></b>

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

**Debt Retirement Fund Budgetary Highlights:** In May of 2017, the District refunded the 2008 bond issue to reduce future debt service requirements. The net savings on the refunding was \$229,849.

The fund balance for the debt retirement fund decreased \$11,134. At this point, the fund balance in the debt account represents 8% of the 2017/18 principal and interest payments. The District will continue to monitor taxable valuations as it looks to its 2017 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 2017-18 School Aid Act which will provide a \$120 per pupil increase in the Foundation Grant for districts at the minimum Foundation Allowance of \$7,511 to \$7,631 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 2017-18 fiscal year.
- The Membership Blend is 90% of the October count and 10% of the PREVIOUS February count, which is consistent with the 2016-17 blend formula.
- The District has made adjustments to employee medical care offerings as required by the Patient Protection and Affordable Care Act (PPACA). The District continually measures the eligibility of employees and monitors its impact on the budget.
- Legislation has passed that continues to impact the State's ability to provide adequate school funding. This includes increasing resources to non-public and private schools and the continued shifting of the State's School Aid Funds to higher education institutions.
- Early Warning Legislation was implemented in the 2016-17 school year in which the Department of Treasury determines whether the potential exists in each district for fiscal stress, requiring additional oversight and reporting to the State. Richmond Community Schools does not anticipate being identified as such, and the Board of Education is aware of the legislation and its implications.
- The District continues to support its Early Childhood Programs for three and four year olds, including Great Start Readiness Program with a full day and half day program.
- The District voters passed a \$12.9 million bond for capital projects in 2013. The beginning of the 2015-16 school year marked the implementation of the one to one technology initiative, providing students with individual laptops in grades 3-12 and interactive classroom technology for grades K-2. Technology improvement also included projectors, classroom sound systems, and audio and recording improvements in the music and band rooms. The bonds were issued in three series, \$8.1 million in 2013, \$3.4 million in 2014, and the final series will be issued in 2018 for \$1.4 million.
- At the time of this report, the District has labor agreements in place for the administrators, teachers, secretaries, paraprofessionals, bus drivers and food service workers. However, the Secretarial bargaining unit has a wage and benefit opener for the 2017-18 school year.

### **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, 2017**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 2,225,455
Accounts receivable	81,559
Due from other governmental units	2,031,002
Due from trust and agency funds	65,148
Prepaid items	33,115
Capital assets not being depreciated	7,129
Capital assets - net of accumulated depreciation	<u>26,030,010</u>
 Total assets	 <u>30,473,418</u>
 <b>Deferred outflows of resources</b>	
Deferred amount on the net pension liability	2,673,969
Deferred amount on debt refunding	<u>347,128</u>
 Total deferred outflows of resources	 <u>3,021,097</u>
 Total assets and deferred outflows of resources	 <u>33,494,515</u>

See Accompanying Notes to the Financial Statements

**Richmond Community Schools**  
**Statement of Net Position**  
**June 30, 2017**

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	<u>Governmental Activities</u>
<b>Liabilities</b>	
Accounts payable	\$ 191,728
State aid anticipation note payable	1,619,147
Due to other governmental units	149,264
Payroll deductions and withholdings	34,415
Accrued expenditures	424,069
Accrued salaries payable	794,381
Unearned revenue	99,894
Noncurrent liabilities	
Net pension liability	19,743,146
Debt due within one year	2,057,410
Debt due in more than one year	<u>20,046,331</u>
 Total liabilities	 <u>45,159,785</u>
 <b>Deferred inflows of resources</b>	
Deferred amount on the net pension liability	<u>1,249,070</u>
 Total liabilities and deferred inflows of resources	 <u>46,408,855</u>
 <b>Net Position</b>	
Net investment in capital assets	4,674,748
Restricted for	
Debt service	152,673
Unrestricted (deficit)	<u>(17,741,761)</u>
 Total net position	 <u><u>\$ (12,914,340)</u></u>

See Accompanying Notes to the Financial Statements

**Richmond Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

		<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>
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 8,944,909	\$ 2,951	\$ 2,349,522	\$ (6,592,436)
Supporting services	5,847,793	127,549	128,688	(5,591,556)
Food services	489,992	243,407	237,324	(9,261)
Community services	90,458	155,181	15,549	80,272
Interest and fiscal charges on long-term debt	<u>844,838</u>	<u>-</u>	<u>-</u>	<u>(844,838)</u>
Total governmental activities	<u>\$ 16,217,990</u>	<u>\$ 529,088</u>	<u>\$ 2,731,083</u>	<u>(12,957,819)</u>
General revenues				
Property taxes, levied for general purposes				2,629,921
Property taxes, levied for debt service				2,657,135
State aid - unrestricted				7,936,856
Interest and investment earnings				7,361
Proceeds from sale of capital assets				2,700
Other				<u>115,454</u>
Total general revenues				<u>13,349,427</u>
Change in net position				391,608
Net position - beginning				<u>(13,305,948)</u>
Net position - ending				<u><u>\$ (12,914,340)</u></u>

See Accompanying Notes to the Financial Statements

**Richmond Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General Fund	Debt Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,678,321	\$ 227,360	\$ 319,774	\$ 2,225,455
Accounts receivable	81,559	-	-	81,559
Due from other funds	214,247	-	70,224	284,471
Due from other governmental units	2,026,011	-	4,991	2,031,002
Due from agency fund activities	56,482	-	8,666	65,148
Prepaid items	33,115	-	-	33,115
	<u>4,089,735</u>	<u>227,360</u>	<u>403,655</u>	<u>4,720,750</u>
Total assets	<u>\$ 4,089,735</u>	<u>\$ 227,360</u>	<u>\$ 403,655</u>	<u>\$ 4,720,750</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 187,095	\$ -	\$ 4,633	\$ 191,728
State aid anticipation note payable	1,619,147	-	-	1,619,147
Due to other funds	11,141	6,616	266,714	284,471
Due to other governmental units	149,264	-	-	149,264
Payroll deductions and withholdings	34,415	-	-	34,415
Accrued expenditures	352,287	-	3,711	355,998
Accrued salaries payable	794,182	-	199	794,381
Unearned revenue	94,175	-	5,719	99,894
	<u>3,241,706</u>	<u>6,616</u>	<u>280,976</u>	<u>3,529,298</u>
Total liabilities	<u>3,241,706</u>	<u>6,616</u>	<u>280,976</u>	<u>3,529,298</u>
<b>Fund Balance</b>				
<b>Non-spendable</b>				
Prepaid items	33,115	-	-	33,115
<b>Restricted for</b>				
Food service	-	-	129,600	129,600
Debt service	-	220,744	-	220,744
<b>Assigned for</b>				
2017-18 budgeted use of fund balance	181,807	-	-	181,807
<b>Unassigned</b>	633,107	-	(6,921)	626,186
	<u>848,029</u>	<u>220,744</u>	<u>122,679</u>	<u>1,191,452</u>
Total fund balance	<u>848,029</u>	<u>220,744</u>	<u>122,679</u>	<u>1,191,452</u>
Total liabilities and fund balance	<u>\$ 4,089,735</u>	<u>\$ 227,360</u>	<u>\$ 403,655</u>	<u>\$ 4,720,750</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, 2017**

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<b>Total fund balances for governmental funds</b>	<b>\$ 1,191,452</b>
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	7,129
Capital assets - net of accumulated depreciation	26,030,010
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(68,071)
Special termination benefits	(102,230)
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.	347,128
Deferred inflows of resources resulting from the net pension liability	(1,249,070)
Deferred outflow of resources resulting from the net pension liability	2,673,969
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	(19,743,146)
Compensated absences	(291,992)
Bonds payable	<u>(21,709,519)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (12,914,340)</u></b>

**Richmond Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

	General Fund	Debt Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 3,004,623	\$ 2,666,483	\$ 221,608	\$ 5,892,714
State sources	9,578,696	-	26,759	9,605,455
Federal sources	851,919	-	210,565	1,062,484
Interdistrict sources	23,716	-	-	23,716
Total revenues	13,458,954	2,666,483	458,932	16,584,369
<b>Expenditures</b>				
Current				
Education				
Instruction	7,993,693	-	-	7,993,693
Supporting services	5,393,965	-	-	5,393,965
Food services	-	-	448,657	448,657
Community services	82,827	-	-	82,827
Capital outlay	9,861	-	704,503	714,364
Debt service				
Principal	145,000	1,775,000	-	1,920,000
Interest and other expenditures	12,790	840,146	-	852,936
Bond issuance costs	-	86,852	-	86,852
Payment to bond refunding escrow agent	-	85,000	-	85,000
Total expenditures	13,638,136	2,786,998	1,153,160	17,578,294
Deficiency of revenues over expenditures	(179,182)	(120,515)	(694,228)	(993,925)
<b>Other Financing Sources (Uses)</b>				
Proceeds from refinancing debt	-	4,303,657	-	4,303,657
Payment to bond refunding escrow agent	-	(4,216,805)	-	(4,216,805)
Insurance recoveries	-	22,529	-	22,529
Proceeds from sale of capital assets	2,700	-	-	2,700
Total other financing sources (uses)	2,700	109,381	-	112,081
Net change in fund balance	(176,482)	(11,134)	(694,228)	(881,844)
Fund balance - beginning	1,024,511	231,878	816,907	2,073,296
Fund balance - ending	\$ 848,029	\$ 220,744	\$ 122,679	\$ 1,191,452

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, 2017**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (881,844)</b>
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	(1,282,384)
Capital outlay	382,598
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	370,414
Net change in the deferral of resources related to the net pension liability	(328,628)
Net change between the current year and prior year deferral of resources related to contributions made subsequent to the measurement date	65,244
Expenses are recorded when incurred in the statement of activities.	
Interest	9,455
Special termination benefits	47,410
Compensated absences	5,700
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing sources or expenditures in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(4,303,657)
Repayments of long-term debt	6,221,805
Amortization of deferred amount on refunding	(26,700)
Amortization of premiums	113,500
Amortization of bond discount	(1,305)
<b>Change in net position of governmental activities</b>	<b>\$ 391,608</b>

See Accompanying Notes to the Financial Statements

**Richmond Community Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

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	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 275,776	\$ 240,869
Investments	60,000	-
Due from other funds	<u>-</u>	<u>1,064</u>
 Total assets	 <u>335,776</u>	 <u>\$ 241,933</u>
<b>Liabilities</b>		
Accounts payable	2,000	\$ -
Due to other funds	9,000	57,212
Due to agency fund activities	<u>-</u>	<u>184,721</u>
 Total liabilities	 <u>11,000</u>	 <u>\$ 241,933</u>
<b>Net Position</b>		
Assets held for scholarships and loans	<u>\$ 324,776</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, 2017**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Interest and investment earnings	\$ 1,193
<b>Deductions</b>	
Scholarships	<u>2,000</u>
Change in net position	(807)
Net position - beginning	<u>325,583</u>
Net position - ending	<u><u>\$ 324,776</u></u>

See Accompanying Notes to the Financial Statements

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**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.). The School District does not allocated indirect costs. 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

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The School District reports the following major governmental funds:

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

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

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.

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

**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, 2017, the rates are as follows per \$1,000 of assessed value.

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

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. The tax roll of the School District lies within St. Clair and Macomb Counties.

# Richmond Community Schools

## Notes to the Financial Statements

### June 30, 2017

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

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

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

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

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between

what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Deferred amounts on bond refundings are included in the district-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

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

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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.

# Richmond Community Schools

## Notes to the Financial Statements

### June 30, 2017

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#### Use of Estimates

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

#### Eliminations and Reclassifications

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

#### Adoption of New Accounting Standards

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

#### Upcoming Accounting and Reporting Changes

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.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

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

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application,

# Richmond Community Schools

## Notes to the Financial Statements

### June 30, 2017

and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

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

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

#### Note 2 - Stewardship, Compliance, And Accountability

##### Budgetary Information

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

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

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

The School District's expenditure budget variances are as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
General administration	\$ 365,460	\$ 372,757	\$ 7,297
School administration	976,966	1,016,293	39,327
Business	461,676	464,101	2,425

##### Compliance Bond Proceeds

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

	2014 School Building and Site Bonds	
	Current Year	Total
Revenues	\$ 950	\$ 3,601,474
Expenditures	468,888	3,567,737

##### District-Wide Deficits

The School District has an unrestricted net position deficit for district-wide activities in the amount of \$ 17,741,761 as of June 30, 2017.

# Richmond Community Schools

## Notes to the Financial Statements

### June 30, 2017

#### Governmental Fund Deficits

The School District has an overall fund deficit in the 2013 Capital Projects Fund in the amount of \$ 40,658 as of June 30, 2017. On November 5, 2013 voters approved issuance of bonds of \$ 12.9 million in different series. The 2013 and 2014 Capital Project Funds are the first two series issued. The bond projects for which the third series were voted have started in advance of the related revenues coming to the District. This deficit will be covered by future bond proceeds when they are received.

#### Note 3 - Deposits And Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 2,225,455	\$ 516,645	\$ 2,742,100
Investments	-	60,000	60,000
	<u>\$ 2,225,455</u>	<u>\$ 576,645</u>	<u>\$ 2,802,100</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,801,350
Petty cash and cash on hand	750
Total	<u>\$ 2,802,100</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, \$ 2,554,340 of the School District's bank balance of \$ 3,054,340 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 7,129	\$ -	\$ -	\$ 7,129
Capital assets being depreciated				
Buildings and additions	33,524,483	302,350	-	33,826,833
Site improvements	4,173,368	-	-	4,173,368
Equipment and furniture	464,591	-	-	464,591
Buses and other vehicles	1,195,044	80,248	110,440	1,164,852
Total capital assets being depreciated	39,357,486	382,598	110,440	39,629,644
Less accumulated depreciation for				
Buildings and additions	9,656,458	1,038,241	-	10,694,699
Site improvements	1,721,318	141,597	-	1,862,915
Equipment and furniture	180,766	37,428	-	218,194
Buses and other vehicles	869,148	65,118	110,440	823,826
Total accumulated depreciation	12,427,690	1,282,384	110,440	13,599,634
Net capital assets being depreciated	26,929,796	(899,786)	-	26,030,010
Net capital assets	<u>\$ 26,936,925</u>	<u>\$ (899,786)</u>	<u>\$ -</u>	<u>\$ 26,037,139</u>

Depreciation expense for the fiscal year ended June 30, 2017 amounted to \$ 1,282,384. The School District allocated depreciation to the various governmental activities as follows:

<b>Governmental activities</b>	
Instruction	\$ 736,467
Support services	496,951
Food services	41,335
Community services	7,631
Total governmental activities	<u>\$ 1,282,384</u>

**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
Nonmajor Funds	General Fund	\$ 207,631
Debt Funds	General Fund	6,616
General Fund	Nonmajor Funds	11,141
Nonmajor Funds	Nonmajor Funds	59,083
	Total governmental funds	<u>\$ 284,471</u>

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.

There were no interfund transfers made during the year.

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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 \$ 93,475 in grant payments received prior to meeting all eligibility requirements, \$ 700 in advance collection for childcare dues, and \$ 5,719 of prepaid student lunch fees.

**Note 7 - State Aid Anticipation Note**

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 1,823,506</u>	<u>\$ 1,619,147</u>	<u>\$ 1,823,506</u>	<u>\$ 1,619,147</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 energy conservation improvement bonds, compensated absences, and special termination benefits.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 22,285,000	\$ 4,145,000	\$ 5,875,000	\$ 20,555,000	\$ 1,855,000
Unamortized bond discount	(2,700)	-	(1,305)	(1,395)	-
Energy conservation improvement bonds	300,000	-	145,000	155,000	155,000
Compensated absences	297,692	-	5,700	291,992	-
Premium on bonds	955,757	158,657	113,500	1,000,914	-
Special termination benefits	149,640	-	47,410	102,230	47,410
Total	<u>\$ 23,985,389</u>	<u>\$ 4,303,657</u>	<u>\$ 6,185,305</u>	<u>\$ 22,103,741</u>	<u>\$ 2,057,410</u>

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

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

\$ 12,300,000 Bond refunding serial bond due in annual installments of \$ 1,070,000 to \$ 1,175,000 through May 1, 2022, interest at 3.00% to 5.00%	\$ 5,810,000
\$ 4,145,000 serial bonds due in annual installments of \$ 265,000 to \$ 570,000 through May 1, 2027, interest at 3.00%	4,145,000
\$ 6,575,000 serial bonds due in annual installments of \$ 250,000 through May 1, 2018, interest at 3.75%	250,000
\$ 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>2,225,000</u>
Total general obligation bonded debt	<u>\$ 20,555,000</u>

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2018	\$ 1,855,000	\$ 810,651	\$ 2,665,651
2019	1,925,000	716,550	2,641,550
2020	1,905,000	630,450	2,535,450
2021	1,950,000	557,450	2,507,450
2022	2,010,000	481,400	2,491,400
2023-2027	9,325,000	1,410,274	10,735,274
2028	1,585,000	67,362	1,652,362
Total	<u>\$ 20,555,000</u>	<u>\$ 4,674,137</u>	<u>\$ 25,229,137</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 220,744 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
<b>Year Ending June 30,</b>			
2018	<u>\$ 155,000</u>	<u>\$ 6,200</u>	<u>\$ 161,200</u>

Interest expenditures for all debt obligations for the fiscal year in the General Fund and Debt Service Funds were \$ 12,000 and \$ 835,594, respectively.

**Compensated Absences**

Accrued compensated absences at year end, consist of \$ 1,688 of vacation time earned and vested and \$ 290,304 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Special Termination Benefits**

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

**Year Ending June 30,**

2018	\$ 47,410
2019	47,410
2020	<u>7,410</u>
Total	<u>\$ 102,230</u>

**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.

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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The final payment date is May 1, 2018. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2008 Issue refunded	<u>\$ 4,100,000</u>
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**Advance Refunding**

In May of 2017, the School District issued general obligation bonds of \$ 4,145,000 (par value) with an interest rate of 3.00% to partially refund serial bonds with an interest rate of 4.000% to 4.125% and a par value of \$ 4,100,000. The bonds mature on May 1, 2027. The general obligation bonds were issued at a premium and after paying issuance costs of \$ 86,852, the net proceeds were \$ 4,303,657. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide payment in the future on the call date. As a result of the refunding, the School District reduced its total debt service requirements by \$ 229,849, which resulted in an economic gain of \$ 203,419.

**Deferred Amount on Debt Refunding**

The advance refunding from the 2010 and 2017 Refunding Bonds 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 years 2022 and 2027, respectively.

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

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

**Note 10 - Pension Plans and Post-Employment Benefits**

**Plan Description**

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.

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefits Provided**

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

A DB 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.

**Contributions and Funding Status**

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

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

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$ 1,776,982 for the year ending September 30, 2016.

**Net Pension Liability**

June 30, 2017, the School District reported a liability of \$ 19,743,146 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. 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, 2016, the School District's proportionate share percent was .0791 percent, which was a decrease of .0032 percent since the prior measurement date.

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$ 1,786,787. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$ 1,290,000, \$ 1,305,000, and \$ 1,501,000, respectively.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 246,052	\$ (46,792)
Changes in assumptions	308,669	-
Net difference between projected and actual earnings on pension plan investments	328,131	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	202,763	(604,238)
Employer contributions subsequent to the measurement date	1,588,354	(598,040)
Total	<u>\$ 2,673,969</u>	<u>\$ (1,249,070)</u>

\$ 1,588,354 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$ 598,040 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended

June 30, 2018 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2017	\$ 60,495
2018	34,693
2019	362,162
2020	<u>(22,765)</u>
Total	<u>\$ 434,585</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- 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%

# Richmond Community Schools

## Notes to the Financial Statements

### June 30, 2017

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

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 total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

#### 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, 2016, are summarized in the following table:

Asset Class	Long Term	
	Target Allocation	Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

\*Long term rate of return does not include 2.1% inflation

#### 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

**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-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%
\$ 25,424,202	\$ 19,743,146	\$ 14,953,469

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

**Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

**Payables to the Pension Plan**

There were no significant payables to the pension plan that are not ordinary accruals to the district.

**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 (MPERS).

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, 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, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$ 450,000, \$ 381,000, and \$ 251,000, respectively.

**Unfunded Accrued Liability**

During the year ending June 30, 2017, the School District had contributions in the amount of \$ 820,582 to the MPERS. This



**Richmond Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

**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, 2017.

**Note 12 – Tax Abatements**

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

For the fiscal year ended June 30, 2017, the School District's property tax revenues were reduced by \$ 0 under these programs. There are no significant abatements made by the School District.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Richmond Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Local sources	\$ 3,109,418	\$ 3,044,971	\$ 3,004,623	\$ (40,348)
State sources	9,462,293	9,674,704	9,578,696	(96,008)
Federal sources	761,790	1,057,691	851,919	(205,772)
Interdistrict sources	-	23,671	23,716	45
	<u>13,333,501</u>	<u>13,801,037</u>	<u>13,458,954</u>	<u>(342,083)</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Instruction				
Basic programs	6,664,424	6,719,509	6,640,517	(78,992)
Added needs	1,357,656	1,534,071	1,353,176	(180,895)
Supporting services				
Pupil	1,041,779	1,016,523	989,161	(27,362)
Instructional staff	574,408	691,301	623,470	(67,831)
General administration	341,830	365,460	372,757	7,297
School administration	1,045,563	976,966	1,016,293	39,327
Business	433,390	461,676	464,101	2,425
Operations and maintenance	945,003	1,035,332	1,021,665	(13,667)
Pupil transportation services	482,913	582,261	572,405	(9,856)
Central	59,550	21,895	10,339	(11,556)
Athletics	312,331	342,742	323,774	(18,968)
Community services	68,956	115,388	82,827	(32,561)
Capital outlay	10,000	14,861	9,861	(5,000)
Debt service				
Principal	145,000	145,000	145,000	-
Interest and fiscal charges	12,750	12,790	12,790	-
	<u>13,495,553</u>	<u>14,035,775</u>	<u>13,638,136</u>	<u>(397,639)</u>
<b>Total expenditures</b>				

**Richmond Community Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	<u>(162,052)</u>	<u>(234,738)</u>	<u>(179,182)</u>	<u>55,556</u>
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	<u>-</u>	<u>2,700</u>	<u>2,700</u>	<u>-</u>
Net change in fund balance	<u>(162,052)</u>	<u>(232,038)</u>	<u>(176,482)</u>	<u>55,556</u>
Fund balance - beginning	<u>1,024,511</u>	<u>1,024,511</u>	<u>1,024,511</u>	<u>-</u>
Fund balance - ending	<u>\$ 862,459</u>	<u>\$ 792,473</u>	<u>\$ 848,029</u>	<u>\$ 55,556</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)**

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		June 30,									
		<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
A.	School district's proportion of net pension liability (%)	0.0791%	0.0823%	0.0811%							
B.	School district's proportionate share of the net pension liability	\$ 19,743,146	\$ 20,113,560	\$ 17,856,186							
C.	School district's covered-employee payroll	\$ 6,557,064	\$ 7,015,729	\$ 7,136,201							
D.	School district's proportionate share of the net pension liability as a percentage of its covered- employee payroll	301.10%	286.69%	250.22%							
E.	Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	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,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statutorily required contributions	\$ 1,290,019	\$ 1,304,704	\$ 1,500,854							
B.	Contributions in relation to statutorily required contributions	<u>1,290,019</u>	<u>1,304,704</u>	<u>1,500,854</u>							
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D.	School district's covered- employee payroll	\$ 6,986,160	\$ 6,616,340	\$ 7,126,285							
E.	Contributions as a percentage of covered-employee payroll	18.47%	19.72%	21.06%							

**Notes:**

Benefit changes - There were no changes of benefit terms in 2016-17.

Changes in assumptions - There were no changes of benefit assumptions in 2016-17.

## OTHER SUPPLEMENTARY INFORMATION

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**Richmond Community Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

	Special Revenue Fund	Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service	2013 Capital Projects Fund	2014 Capital Projects Fund	
<b>Assets</b>				
Cash	\$ 317,570	\$ -	\$ 2,204	\$ 319,774
Due from other funds	8,000	11,838	50,386	70,224
Due from other governmental units	4,991	-	-	4,991
Due from agency fund activities	3,666	5,000	-	8,666
Total assets	<u>\$ 334,227</u>	<u>\$ 16,838</u>	<u>\$ 52,590</u>	<u>\$ 403,655</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,773	\$ -	\$ 1,860	\$ 4,633
Due to other funds	192,225	57,496	16,993	266,714
Accrued expenditures	3,711	-	-	3,711
Accrued salaries payable	199	-	-	199
Unearned revenue	5,719	-	-	5,719
Total liabilities	<u>204,627</u>	<u>57,496</u>	<u>18,853</u>	<u>280,976</u>
<b>Fund Balance</b>				
Restricted for				
Food Service	129,600	-	-	129,600
Capital Projects	-	-	33,737	33,737
Unassigned	-	(40,658)	-	(40,658)
Total fund balance	<u>129,600</u>	<u>(40,658)</u>	<u>33,737</u>	<u>122,679</u>
Total liabilities and fund balance	<u>\$ 334,227</u>	<u>\$ 16,838</u>	<u>\$ 52,590</u>	<u>\$ 403,655</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, 2017**

	Special Revenue Fund	Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service	2013 Capital Projects Fund	2014 Capital Projects Fund	
<b>Revenues</b>				
Local sources	\$ 220,550	\$ 108	\$ 950	\$ 221,608
State sources	26,759	-	-	26,759
Federal sources	210,565	-	-	210,565
	<u>457,874</u>	<u>108</u>	<u>950</u>	<u>458,932</u>
<b>Expenditures</b>				
Current				
Education				
Food services	448,657	-	-	448,657
Capital outlay	<u>-</u>	<u>235,615</u>	<u>468,888</u>	<u>704,503</u>
	<u>448,657</u>	<u>235,615</u>	<u>468,888</u>	<u>1,153,160</u>
Net change in fund balance	9,217	(235,507)	(467,938)	(694,228)
Fund balance - beginning	<u>120,383</u>	<u>194,849</u>	<u>501,675</u>	<u>816,907</u>
Fund balance - ending	<u>\$ 129,600</u>	<u>\$ (40,658)</u>	<u>\$ 33,737</u>	<u>\$ 122,679</u>

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2017**

	2017	2016
<b>Assets</b>		
Cash	\$ 1,678,321	\$ 2,461,542
Accounts receivable	81,559	49,082
Due from other funds	214,247	14,626
Due from other governmental units	2,026,011	2,102,536
Due from agency fund activities	56,482	52,610
Prepaid items	33,115	15,885
Total assets	<u>\$ 4,089,735</u>	<u>\$ 4,696,281</u>
<b>Liabilities and Fund Balance</b>		
Liabilities		
Accounts payable	\$ 187,095	\$ 315,881
State aid anticipation note payable	1,619,147	1,823,506
Due to other funds	11,141	10,032
Due to other governmental units	149,264	143,635
Payroll deductions and withholdings	34,415	27,481
Accrued expenditures	352,287	309,213
Accrued salaries payable	794,182	955,876
Unearned revenue	94,175	86,146
Total liabilities	<u>3,241,706</u>	<u>3,671,770</u>
Fund Balance		
Non-spendable		
Prepaid items	33,115	15,885
Assigned for		
2017-18 budgeted use of fund balance	181,807	162,052
Unassigned	633,107	846,574
Total fund balance	<u>848,029</u>	<u>1,024,511</u>
Total liabilities and fund balance	<u>\$ 4,089,735</u>	<u>\$ 4,696,281</u>

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue from local sources</b>				
Property tax levy	\$ 2,770,860	\$ 2,654,752	\$ 2,629,921	\$ (24,831)
Tuition	3,000	3,000	2,951	(49)
Transportation fees	15,000	15,000	15,145	145
Student activities	130,030	126,000	127,549	1,549
Community service activities	131,432	155,639	155,181	(458)
Other local revenues	59,096	90,580	73,876	(16,704)
Total revenues from local sources	3,109,418	3,044,971	3,004,623	(40,348)
<b>Revenues from state sources</b>				
Grants - unrestricted	7,765,887	7,934,966	7,936,856	1,890
Grants - restricted	1,696,406	1,739,738	1,641,840	(97,898)
Total revenues from state sources	9,462,293	9,674,704	9,578,696	(96,008)
<b>Revenues from federal sources</b>				
Grants	761,790	1,057,691	851,919	(205,772)
<b>Interdistrict sources</b>				
Other	-	23,671	23,716	45
<b>Other financing sources</b>				
Proceeds from sale of capital assets	-	2,700	2,700	-
Total revenue and other financing sources	\$ 13,333,501	\$ 13,803,737	\$ 13,461,654	\$ (342,083)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 1,239,969	\$ 1,270,375	\$ 1,266,552	\$ (3,823)
Employee benefits	773,636	767,243	766,871	(372)
Purchased services	30,700	36,473	40,240	3,767
Supplies and materials	25,000	24,009	18,960	(5,049)
Total elementary	2,069,305	2,098,100	2,092,623	(5,477)
<b>Basic program - middle school</b>				
Salaries	1,146,247	1,116,476	1,111,365	(5,111)
Employee benefits	789,174	704,126	696,130	(7,996)
Purchased services	37,400	21,644	21,508	(136)
Supplies and materials	14,500	14,500	11,498	(3,002)
Total middle school	1,987,321	1,856,746	1,840,501	(16,245)
<b>Basic program - high school</b>				
Salaries	1,245,609	1,325,796	1,322,978	(2,818)
Employee benefits	860,225	907,916	898,286	(9,630)
Purchased services	137,150	194,584	189,090	(5,494)
Supplies and materials	102,700	91,657	92,207	550
Other	62,808	-	-	-
Total high school	2,408,492	2,519,953	2,502,561	(17,392)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - pre-school</b>				
Salaries	115,712	129,681	122,392	(7,289)
Employee benefits	49,890	64,686	58,541	(6,145)
Purchased services	5,000	11,770	5,978	(5,792)
Supplies and materials	17,818	28,193	10,427	(17,766)
Total pre-school	188,420	234,330	197,338	(36,992)
<b>Basic program - summer school</b>				
Salaries	2,000	2,000	-	(2,000)
Employee benefits	886	892	6	(886)
Purchased services	8,000	7,488	7,488	-
Total summer school	10,886	10,380	7,494	(2,886)
<b>Added needs - special education</b>				
Salaries	500,236	491,152	494,005	2,853
Employee benefits	312,340	383,955	311,959	(71,996)
Purchased services	6,000	10,381	10,613	232
Supplies and materials	2,250	2,250	1,761	(489)
Total special education	820,826	887,738	818,338	(69,400)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Added needs - compensatory education</b>				
Salaries	139,982	172,975	162,570	(10,405)
Employee benefits	76,077	87,638	79,378	(8,260)
Purchased services	54,183	25,130	10,717	(14,413)
Supplies and materials	78,727	182,552	125,847	(56,705)
Other	10,000	11,988	1,074	(10,914)
Total compensatory education	358,969	480,283	379,586	(100,697)
<b>Added needs - career and technical education</b>				
Salaries	31,950	17,478	18,031	553
Employee benefits	16,811	12,824	10,385	(2,439)
Purchased services	109,100	109,210	98,343	(10,867)
Supplies and materials	20,000	26,538	28,493	1,955
Total career and technical education	177,861	166,050	155,252	(10,798)
<b>Pupil - guidance services</b>				
Salaries	206,270	215,348	195,170	(20,178)
Employee benefits	126,774	116,150	123,156	7,006
Purchased services	450	450	136	(314)
Total guidance services	333,494	331,948	318,462	(13,486)
<b>Pupil - psychological services</b>				
Purchased services	15,000	15,000	9,677	(5,323)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - speech services</b>				
Salaries	91,240	91,759	88,394	(3,365)
Employee benefits	62,258	62,507	59,530	(2,977)
Supplies and materials	1,000	1,000	1,000	-
Total speech services	154,498	155,266	148,924	(6,342)
<b>Pupil - social work services</b>				
Salaries	103,722	104,016	103,495	(521)
Employee benefits	69,562	69,001	68,066	(935)
Purchased services	13,700	14,570	14,604	34
Supplies and materials	-	79	79	-
Total social work services	186,984	187,666	186,244	(1,422)
<b>Pupil - teacher consultant</b>				
Salaries	161,920	133,206	135,026	1,820
Employee benefits	108,996	90,556	94,355	3,799
Purchased services	200	150	147	(3)
Total teacher consultant	271,116	223,912	229,528	5,616
<b>Pupil - other support services</b>				
Salaries	37,065	51,182	47,812	(3,370)
Employee benefits	16,472	22,749	20,977	(1,772)
Purchased services	27,150	26,900	26,373	(527)
Supplies and materials	-	1,900	1,164	(736)
Total other pupil support services	80,687	102,731	96,326	(6,405)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - improvement of education</b>				
Salaries	-	20,970	5,647	(15,323)
Employee benefits	-	9,204	3,761	(5,443)
Purchased services	33,700	71,220	39,412	(31,808)
Supplies and materials	8,600	35,961	14,598	(21,363)
Other	150	140	140	-
Total improvement of education	42,450	137,495	63,558	(73,937)
<b>Instructional staff - educational media services</b>				
Salaries	43,763	48,100	56,326	8,226
Employee benefits	19,383	21,464	25,390	3,926
Purchased services	2,670	3,568	3,548	(20)
Supplies and materials	3,300	118	118	-
Total educational media services	69,116	73,250	85,382	12,132
<b>Instructional staff - technology assisted instruction</b>				
Salaries	93,358	93,358	95,609	2,251
Employee benefits	41,348	45,010	45,905	895
Purchased services	43,250	46,590	46,594	4
Supplies and materials	12,000	9,693	578	(9,115)
Total technology assisted instruction	189,956	194,651	188,686	(5,965)



**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - supervision and direction of instructional staff</b>				
Salaries	176,125	187,105	188,100	995
Employee benefits	93,061	85,793	84,364	(1,429)
Purchased services	2,500	1,400	1,773	373
Supplies and materials	-	38	38	-
Other	1,200	2,400	2,400	-
Total supervision and direction of instructional staff	272,886	276,736	276,675	(61)
<b>Instructional staff - academic student assessment</b>				
Supplies and materials	-	9,169	9,169	-
<b>General administration - board of education</b>				
Purchased services	51,500	49,972	48,178	(1,794)
Other	5,800	9,872	10,133	261
Total board of education	57,300	59,844	58,311	(1,533)
<b>General administration - executive administration</b>				
Salaries	160,965	176,752	184,905	8,153
Employee benefits	109,550	119,164	119,775	611
Purchased services	3,500	2,400	2,908	508
Supplies and materials	5,000	3,500	3,201	(299)
Other	5,515	3,800	3,657	(143)
Total executive administration	284,530	305,616	314,446	8,830

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>School administration - office of the principal</b>				
Salaries	591,574	593,328	626,373	33,045
Employee benefits	428,289	370,758	380,800	10,042
Purchased services	18,200	7,380	4,158	(3,222)
Supplies and materials	6,000	4,700	4,213	(487)
Other	1,500	800	749	(51)
Total office of the principal	1,045,563	976,966	1,016,293	39,327
<b>Business - fiscal services</b>				
Salaries	77,256	79,680	77,271	(2,409)
Employee benefits	55,696	64,864	64,130	(734)
Purchased services	85,300	86,600	95,982	9,382
Supplies and materials	2,000	3,200	3,118	(82)
Other	1,200	300	255	(45)
Total fiscal services	221,452	234,644	240,756	6,112
<b>Business - other</b>				
Salaries	37,643	47,410	47,410	-
Employee benefits	585	567	567	-
Purchased services	122,210	136,006	133,596	(2,410)
Other	51,500	43,049	41,772	(1,277)
Total other business	211,938	227,032	223,345	(3,687)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Operations and maintenance - operating building services</b>				
Salaries	410	-	-	-
Employee benefits	181	-	1	1
Purchased services	651,212	778,962	784,592	5,630
Supplies and materials	276,400	243,350	226,174	(17,176)
Other	6,800	3,020	2,935	(85)
Total operating building services	935,003	1,025,332	1,013,702	(11,630)
<b>Operations and maintenance - security services</b>				
Purchased services	10,000	10,000	7,963	(2,037)
<b>Pupil transportation services</b>				
Salaries	253,398	326,024	320,661	(5,363)
Employee benefits	130,040	162,728	161,046	(1,682)
Purchased services	19,675	25,681	23,538	(2,143)
Supplies and materials	78,200	65,883	65,245	(638)
Other	1,600	1,945	1,915	(30)
Total transportation services	482,913	582,261	572,405	(9,856)
<b>Central - planning, research development and evaluation</b>				
Purchased services	-	1,920	-	(1,920)
<b>Central - communication services</b>				
Purchased services	4,000	1,874	-	(1,874)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - staff/personnel services</b>				
Employee benefits	-	792	-	(792)
Purchased services	25,750	1,000	-	(1,000)
Supplies and materials	-	6,309	3,792	(2,517)
Total staff/personnel services	25,750	8,101	3,792	(4,309)
<b>Central - support services technology</b>				
Purchased services	29,800	10,000	6,547	(3,453)
<b>Athletic activities</b>				
Salaries	113,237	107,322	97,498	(9,824)
Employee benefits	61,864	55,709	50,068	(5,641)
Purchased services	110,450	141,135	137,540	(3,595)
Supplies and materials	16,780	27,406	26,347	(1,059)
Other	10,000	11,170	12,321	1,151
Total athletic activities	312,331	342,742	323,774	(18,968)
<b>Community services - community activities</b>				
Salaries	2,156	277	-	(277)
Employee benefits	896	122	-	(122)
Purchased services	1,850	3,850	-	(3,850)
Supplies and materials	2,500	2,500	-	(2,500)
Total community activities	7,402	6,749	-	(6,749)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Community services - custody and care of children</b>				
Salaries	31,450	40,000	38,119	(1,881)
Employee benefits	13,929	17,704	17,345	(359)
Purchased services	2,050	2,913	2,926	13
Supplies and materials	1,500	300	371	71
Total custody and care of children	48,929	60,917	58,761	(2,156)
<b>Community services - non-public school pupils</b>				
Salaries	8,750	16,843	10,201	(6,642)
Employee benefits	3,875	8,390	4,818	(3,572)
Purchased services	-	12,424	9,047	(3,377)
Supplies and materials	-	10,065	-	(10,065)
Total non-public school pupils	12,625	47,722	24,066	(23,656)
<b>Capital outlay</b>				
Basic program - pre-school	10,000	5,000	-	(5,000)
Operations and maintenance - operating building services	-	9,861	9,861	-
Total capital outlay	10,000	14,861	9,861	(5,000)

**Richmond Community Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

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	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Debt service</b>				
Principal	145,000	145,000	145,000	-
Interest and other expenditures	<u>12,750</u>	<u>12,790</u>	<u>12,790</u>	<u>-</u>
Total debt service	<u>157,750</u>	<u>157,790</u>	<u>157,790</u>	<u>-</u>
 Total expenditures	 <u>\$ 13,495,553</u>	 <u>\$ 14,035,775</u>	 <u>\$ 13,638,136</u>	 <u>\$ (397,639)</u>

**Richmond Community Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2017**

Year Ending June 30,	Energy Bonds	2008 Issue	2010 Refunding	2013 Series A	2014 Series B	2017 Refunding	Total
2018	\$ 155,000	\$ 250,000	\$ 1,120,000	\$ -	\$ 485,000	\$ -	\$ 2,010,000
2019	-	-	1,175,000	-	485,000	265,000	1,925,000
2020	-	-	1,175,000	-	410,000	320,000	1,905,000
2021	-	-	1,170,000	-	415,000	365,000	1,950,000
2022	-	-	1,170,000	-	430,000	410,000	2,010,000
2023	-	-	-	1,055,000	-	535,000	1,590,000
2024	-	-	-	1,070,000	-	555,000	1,625,000
2025	-	-	-	1,395,000	-	570,000	1,965,000
2026	-	-	-	1,470,000	-	565,000	2,035,000
2027	-	-	-	1,550,000	-	560,000	2,110,000
2028	-	-	-	1,585,000	-	-	1,585,000
Total	<u>\$ 155,000</u>	<u>\$ 250,000</u>	<u>\$ 5,810,000</u>	<u>\$ 8,125,000</u>	<u>\$ 2,225,000</u>	<u>\$ 4,145,000</u>	<u>\$ 20,710,000</u>
Principal payments due the first day of	May	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	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%	3.00%	
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>	<u>\$ 4,145,000</u>	

# **Richmond Community Schools**

## **Single Audit Report**

**June 30, 2017**





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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2017, 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 19, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

### **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*.

### **Richmond Community Schools' Response to Findings and Corrective Action Plan**

Richmond Community Schools' response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Richmond Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 19, 2017



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

### **Independent Auditors' Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited Richmond Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richmond Community Schools' major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, Richmond Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements. We issued our report thereon dated October 19, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Flint, Michigan  
October 19, 2017

**Richmond Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2016	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2017
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through the Michigan Department of Education							
Child Nutrition Cluster							
Non-Cash Assistance (Commodities):	10.555						
National School Lunch Program - Entitlements		\$ 35,536	\$ -	\$ -	\$ 35,536	\$ 35,536	\$ -
Cash Assistance							
School Breakfast Program	10.553						
161970		25,892	-	23,716	2,176	2,176	-
171970		24,483	-	-	24,483	24,483	-
Total School Breakfast Program		50,375	-	23,716	26,659	26,659	-
National School Lunch Program	10.555						
161960		149,266	-	132,992	16,274	16,274	-
171960		132,096	-	-	132,096	132,096	-
Total National School Lunch Program		281,362	-	132,992	148,370	148,370	-
Total Cash Assistance		331,737	-	156,708	175,029	175,029	-
Total Child Nutrition Cluster		367,273	-	156,708	210,565	210,565	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		367,273	-	156,708	210,565	210,565	-

**Richmond Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2016	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2017
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Special Education Cluster							
Passed Through the Macomb County Intermediate School District							
Special Education - Grants to States	84.027						
150450-1415		635,546	33,406	635,546	33,406	-	-
160450-1516		366,214	142,812	361,837	147,189	4,377	-
170450-1617		458,701	-	-	310,388	454,562	144,174
Total Special Education - Grants to States		1,460,461	176,218	997,383	490,983	458,939	144,174
Special Education - Preschool Grants	84.173						
160460-1516		9,530	1,837	9,530	1,837	-	-
170460-1617		9,198	-	-	7,928	9,198	1,270
Total Special Education - Preschool Grants		18,728	1,837	9,530	9,765	9,198	1,270
Total Special Education Cluster		1,479,189	178,055	1,006,913	500,748	468,137	145,444
<b>Title I</b>							
Passed Through the Michigan Department of Education							
Title I Grants to Local Educational Agencies	84.010						
161530-1516		348,129	135,289	226,578	212,151	76,862	-
171530-1617		370,738	-	-	128,734	222,621	93,887
Total Title I Grants to Local Educational Agencies		718,867	135,289	226,578	340,885	299,483	93,887
Passed Through the Macomb County Intermediate School District							
Career and Technical Education - Basic Grants to States	84.048						
163520-161216		18,000	18,000	18,000	18,000	-	-
173520-171216		20,000	-	-	7,543	20,000	12,457
Total Career and Technical Education - Basic Grants to States		38,000	18,000	18,000	25,543	20,000	12,457
Title IIA - Supporting Effective Instruction State Grant	84.367						
160520-1516		118,282	7,631	24,807	7,631	-	-
170520-1617		117,815	-	-	45,242	64,299	19,057
Total Title IIA - Supporting Effective Instruction State Grant		236,097	7,631	24,807	52,873	64,299	19,057
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		2,472,153	338,975	1,276,298	920,049	851,919	270,845
<b>TOTAL FEDERAL PROGRAMS</b>		<u>\$ 2,839,426</u>	<u>\$ 338,975</u>	<u>\$ 1,433,006</u>	<u>\$ 1,130,614</u>	<u>\$ 1,062,484</u>	<u>\$ 270,845</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



**Richmond Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Richmond Community Schools under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Richmond Community Schools, it is not intended to and does not present the financial position or changes in fund balances of Richmond Community Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

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

**Indirect Cost Rate**

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

**Note 3 - Reconciliation to the Financial Statements**

Federal revenues reported on the financial statements equal the expenditures reported on the SEFA.

**Note 4 - Michigan Department of Education Disclosures**

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

The federal amounts reported on the CMS Grant Auditor Report (GAR) are in agreement with the SEFA.

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

**Note 5 - Funds Transferred to Subrecipients**

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

**Richmond Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- |   |                                 |   |
|---|---------------------------------|---|
| • Material weakness(es) identified?   | <u>                    </u> Yes | <u>      X      </u> No                   |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>      X      </u> Yes        | <u>                    </u> None reported |
| Noncompliance material to financial statements noted?                                       | <u>                    </u> Yes | <u>      X      </u> No                   |

*Federal Awards*

Internal control over major programs:

- |   |                                 |                                    |
|---|---------------------------------|------------------------------------|
| • Material weakness(es) identified?   | <u>                    </u> Yes | <u>      X      </u> No            |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u>                    </u> Yes | <u>      X      </u> None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

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

                     Yes       X       No

**Richmond Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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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:

\$ 750,000

Auditee qualified as low-risk auditee:

    X     Yes

           No

**Richmond Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

**Finding 2017-001**

**Finding Type:** Significant Deficiency

**Criteria:** As required by Michigan law, the School District is required to undergo an annual audit.

**Condition:** The School District did not fully prepared for the audit before fieldwork, which took place in October 2017. As a result, several adjustments were made during and after fieldwork, which were both identified by the School District and proposed by the auditor.

**Cause/Effect:** The previous Business Manager secured new employment near year end, and a new Business Manager was hired to begin work shortly after. This situation did not create ideal circumstances for preparing the School District for an audit, since the new Business Manager had not previously worked in the School District. In addition, the person handling accounts payable for the District was hired in February, which means two of the three business office staff had only been on the job for a few months at the time of the audit. As a result, the School District was not fully prepared for the audit.

**Recommendation:** Although we recognize that the above-mentioned staff have only worked in the District for a great deal of time, we believe there was adequate time to prepare for the audit. We recommend that in the future, the District does whatever is reasonably necessary to ensure all necessary adjustments are made and the accounting records are complete prior to the audit taking place, which may include entering into an arrangement for contracted services.

**Views of responsible officials:** Management is in agreement with the finding. See page 13 for corrective action plan.

**Section III - Federal Award Findings and Questioned Costs**

No matters were noted.

**Richmond Community Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2017**

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There were no audit findings in the year ended June 30, 2016.

# Richmond Community Schools

35276 Division \* Richmond, Michigan 48062 \* (586) 727-3565 \* [www.richmond.k12.mi.us](http://www.richmond.k12.mi.us)

Margaret Teltow, President  
Kristine Furtaw, Vice President  
Sarah Gillies, Secretary  
Kyle Simmons, Treasurer  
Traci Bartell, Trustee  
Ryan Edberg, Trustee  
David Wirth, Trustee

Brian J. Walmsley, Ed.S.  
Superintendent

**Richmond Early Childhood Learning Center  
& Will L. Lee Elementary School**  
68399 Forest  
Richmond, Michigan 48062  
David Kochan, Principal

**Richmond Middle School**  
35250 Division  
Richmond, Michigan 48062  
Keith Bartels, Principal

**Richmond High School**  
35320 Division  
Richmond, Michigan 48062  
Deborah Michon, Principal

October 19, 2017

Richmond Community Schools submits the following corrective action plan concerning finding 2017-001 on the schedule of findings and questioned costs:

## **2017-001 – Significant Deficiency**

### **Corrective Action**

Additional training on the financial software will be obtained by the end of the calendar year and in May, 2018, from Macomb ISD, the District's software provider, for the Business Manager and person responsible for accounts payable. In addition, if monthly reconciliations are not completed timely, Macomb ISD will be contacted for assistance. This will reduce the reconciliation work at the end of the fiscal year and allow for timely adjustments and closure of the accounting records for the fiscal year ending June 30, 2018.

Sincerely,

*Tammie Schadd*

Tammie Schadd  
Director of Business and Management Services

*Guaranteed Learning for All Students!*

October 19, 2017

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 aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2017, and have issued our report dated October 19, 2017. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

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

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

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and have already met with management during fieldwork. We will meet with you on November 13, 2017, to discuss these matters.

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

*Yeo & Yeo, P.C.*  
Flint, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 15, 2017. 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 Statement (GASB) No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. The Statement requires disclosures of tax abatement information. 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 statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

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

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

##### *Accounting Standards and Regulatory Updates*

###### Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

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



Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

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

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

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

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

### Regulatory and Other Updates

#### Cybersecurity Posture

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

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

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

#### Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1<sup>st</sup>. This will continue to be the deadline for future fiscal years as it is now State Law.

#### 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. School districts implemented 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 is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB [http://www.whitehouse.gov/omb/grants\\_docs](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>
- MDE [http://www.michigan.gov/mde/0,4615,7-140-5236\\_76204---,00.html](http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html)

#### Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your School District did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200 you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

#### Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2018 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being \$7,631 and the maximum state guaranteed foundation being \$8,289.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is increased by \$120,011,800 to \$499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant,

homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately \$777 per pupil and newly eligible districts would receive approximately \$233 per pupil.

- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately \$22.0 million to reflect higher rates of return on investments.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

#### Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district's or public school academy's budget assumption data.

#### Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the School District shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

#### Sinking Fund

Effective March 29, 2017, Public Act 319 amended Section 1212 of the School Code (MCL § 380.1212) to allow additional uses for sinking fund proceeds. This amendment applies only to sinking fund millage authorized after this effective date. The new amendment expanded the definition of permissible expenditures that previously did not allow for the purchase of equipment and furnishings. Under the new authorization, such items may be purchased with sinking fund resources, if they are for the following purposes: 1. School security improvements (including any capital improvement or purchase that is designed to act as a deterrent to unauthorized entry of persons or items onto school premises or to otherwise promote security, including, but not limited to, metal detectors, locks, doors, lighting, cameras, and enhancements to entryways) 2. Acquisition and upgrading of technology (including hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes;

the initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices under subdivision; and the costs of design and installation of the hardware, communication devices, and initial operating system software or customized application software).

#### Unclaimed Property

Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31<sup>st</sup> of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1<sup>st</sup> is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at <http://www.michigan.gov/treasury/>. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

#### *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.

The following misstatements were identified during the audit and corrected by management:

	<u>Increase</u>	<u>Decrease</u>	<u>Fund Balance</u> <u>Increase</u> <u>(Decrease)</u>
Retirement expenditures	49,787		
Accrued liabilities	49,787		(49,787)
Food cost expenditures		13,240	
Purchased service expenditures	13,240		-
Federal revenues		6,030	
Local food sales	6,030		-
Accounts payable		17,796	
Capital outlay expenditures		17,796	17,796

### *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.

## *Other Reports*

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

### *Report on Required Supplementary Information*

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

### *Report on Other Supplementary Information*

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

## Appendix II

### Matters for Management's Consideration

In planning and performing our audit of the financial statements of Richmond Community Schools as of and for the year ended June 30, 2017, we considered Richmond Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls and ensuring compliance with state and federal regulations. This letter does not affect our report dated October 19, 2017, on the financial statements of Richmond Community Schools. Our comment and recommendation regarding these matters are:

#### **Unclaimed Property**

During the audit, we noted outstanding checks from several years ago. Per the Michigan unclaimed property regulations, the District should identify and report unclaimed property to the State and remit those funds each year. We recommend the District follow up on all unclaimed property or remit it to the State of Michigan as soon as possible.

#### **Backdating of Checks**

During the audit, it was discovered that certain checks issued after year end had been backdated as if they had been disbursed in the fiscal year under audit. Per discussion with Administration, this was a mistake based on a misunderstanding of how certain transactions were to be recorded. It was determined that additional training was necessary for the employee who recorded the transactions. We recommend this training is given as soon as possible, which will help minimize mistakes in the future.

#### **Fund Balance Usage**

The School District has had 4 consecutive years of sustaining a net loss in the General Fund, and has budgeted to have a decline in fund balance again in the 2017-18 fiscal year. While the District is not yet in Early Warning status, if this trend continues, this status will be reached soon. We recommend the District analyzes both anticipated revenues and expenditures and make appropriate adjustments in order to either sustain a balanced budget or increase fund balance for the near future. For more information on the Early Warning legislation, please also refer to page 5 of this letter.