

Richmond Community Schools

Financial Statements

June 30, 2022



Table of Contents

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

Section

Page

6

Other Supplementary Information

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

6 - 2

Schedule of Outstanding Bonded Indebtedness

6 - 3

Richmond Community Schools
Members of the Board of Education and Administration
June 30, 2022

Members of the Board of Education

Deborah Michon	President
Angela Pacitto	Vice President
Danielle Sutton	Treasurer
Sherri Zube	Secretary
James Surowiec	Trustee
Margaret Teltow	Trustee
Candess Cunningham	Trustee

Administration

Brian Walmsley, Ed.S.	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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Richmond Community Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Richmond Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Richmond Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United

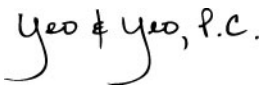
States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richmond Community Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose 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 basic financial statements. The other supplementary information, as identified in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of Richmond Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Richmond Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richmond Community Schools' internal control over financial reporting and compliance.



Flint, Michigan
October 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion & Analysis

Richmond Community Schools, a K-12 school district located in Macomb and St. Clair Counties, Michigan, is subject to the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34), and has fulfilled those provisions with the enclosed financial statements. This section of the annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022. 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 provide 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 2021-2022 fiscal year consist of the Food Service Fund, Student Activity Fund, Capital Project Funds, and Debt Fund.

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 \$5,179,611 to (\$13,755,518) from (\$18,935,129). The increase in net position is due to several factors – see page 4-8 of the accompanying financial statements for more information. The most significant factors are related to the decreasing payment obligations of Net Pension Liability (NPL) and Other Postemployment Benefits (OPEB). In addition, other primary factors include depreciation expense of about \$1.3 million and debt payments of just under \$2.4 million.

Summary of Net Position

	Fiscal Year Ended June 30	
	2022	2021
Current assets	\$ 13,088,188	\$ 30,585,703
Capital assets - net of depreciation	54,969,736	39,715,659
Total Assets	68,057,924	70,301,362
Deferred outflows of resources	7,636,728	9,708,423
Total Assets and Deferred Outflows	75,694,652	80,009,785
Current liabilities	4,597,954	8,695,779
Long-term liabilities	71,757,537	85,607,173
Total Liabilities	76,355,491	94,302,952
Deferred Inflows of resources	13,094,679	4,641,962
Total Liabilities and Deferred Inflows of Resources	89,450,170	98,944,914
Net investment in capital assets	10,096,681	8,168,035
Restricted for debt service	24,111	83,338
Unrestricted	(23,876,310)	(27,186,502)
Total Net Position	\$ (13,755,518)	\$ (18,935,129)

Results of District Operations:

Changes in Net Position: Restricted Net Position represents the net position restricted for debt service. As mentioned previously, the NPL and OPEB, along with change in capital assets, are the primary reasons for the change in the 2021-2022 fiscal year.

	2022	2021
Revenues		
Property taxes levied	\$ 7,053,935	\$ 6,770,358
State aid - unrestricted	9,998,274	9,327,962
Interest and earnings on investments	25,998	46,350
Other general revenues	262,308	177,047
Total general revenues	17,340,515	16,321,717
Charges for services	701,758	1,029,426
Operating grants and contributions	7,181,907	4,878,009
Total revenues	25,224,180	22,229,152
Expenses		
Instruction	10,478,478	10,802,042
Supporting services	7,396,603	7,810,174
Food services	783,744	814,059
Community services	94,020	123,387
Interest on long-term debt	1,291,724	1,554,087
Total expenses	20,044,569	21,103,749
Change in net assets	5,179,611	1,125,403
Net assets - July 1	(18,935,129)	(20,060,532)
Net assets - June 30	<u>\$ (13,755,518)</u>	<u>\$ (18,935,129)</u>

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.

At the end of the 2021-22 fiscal year, the combined governmental fund balance was \$8.3 million, a decrease of approximately \$13.5 million from the prior year. This decrease is the result of significant spending of the 2020 School Building and Site Bonds fund. The amount spent out of this fund was \$16.1 million, which was used to spend on projects specified by the bond.

The District's General Fund balance increased roughly \$496,000 and represents approximately \$1.7 million of the \$8.3 million in combined governmental fund balance. The largest part of the combined fund balance, just above \$3.7 million, is in the 2020 Capital Projects Fund which holds the bond proceeds and premium from the 2020 School Building and Site Bonds; these funds will be used over the next several years for the purposes set forth in the bonding proposal approved by the District's voters in November 2019. The fund balance in Debt Funds totals about \$295,000. The District's Nonmajor Governmental fund balance totals approximately \$2.6 million, which is held in the Special Revenue Funds (Food Service Fund and Student Activity Fund) and the Nonmajor Capital Project Funds. Greater detail about the performance of the District's funds is provided on the following pages.

Governmental Activities: The District's total revenues increased approximately \$3.2 million. Increases in General Fund revenues make up the largest part of the increase with increases in State sources, Federal sources, as well as increased Interdistrict sources resulting from the Macomb ISD Enhancement Millage approved by votes in March 2020.

The District's total expenditures increased nearly \$350,000. General Fund expenditures and Nonmajor Governmental fund expenditures increased about \$1.7 million and \$143,000, respectively. 2020 Capital Projects Fund expenditures and Debt Fund expenditures decreased about \$1.16 million and \$367,000, respectively.

General Fund Budgetary Highlights: The District amended its budget three times during the 2021-22 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, amended budgets were presented in August 2021 and in February 2022, 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 2021 and the final amended budget approved in June 2022 follows:

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Variance</u>
Total revenues	\$ 17,514,130	\$ 20,292,434	\$ 2,778,304
Total expenditures	<u>17,605,020</u>	<u>19,684,053</u>	<u>2,079,033</u>
Excess (deficiency) of revenues over expenditures	(90,890)	608,381	699,271
Total other financing sources (uses)	<u>111,000</u>	<u>(552,438)</u>	<u>(663,438)</u>
Net change in fund balance	20,110	55,943	35,833
Fund balance - beginning	<u>1,233,021</u>	<u>1,233,021</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,253,131</u>	<u>\$ 1,288,964</u>	<u>\$ 35,833</u>
Fund balance - ending - percent to Total revenues	<u>7.2%</u>	<u>6.4%</u>	

From June 2021 to June 2022, the fund balance in the General Fund was projected to improve slightly. Budgeted revenue increased from the original budget adopted in June 2021 to the final amended budget approved in June 2022 by about \$2.8 million. The largest increase was in State funding, about \$1.6 million, due to the per student foundation being higher than originally budgeted, increased student enrollment, and increased State categorical funding. Federal revenues increased nearly \$700,000, local revenues increased over \$240,000, and other revenues increased almost \$224,000. Budgeted expenditures increased during the year for added staffing, increased supplies, and other operational needs. In addition, the Board of Education established a non-bond Capital Projects Fund for the following future capital expenditures: replacement of buses (\$100,000), turf field (\$52,000), laptops (\$80,400), computers (\$40,000), copiers (\$130,000), bucket lift (\$10,000), pickup truck (\$30,000), marquees and scoreboards (\$170,000), signage and graphics (\$50,000), doors (\$50,000), servers (\$150,000), and ball field improvements (\$200,000).

The General Fund's final budget from June 2022 is also compared to the 2021-2022 actual financial results below.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total revenues	\$ 20,292,434	\$ 19,672,191	\$ (620,243)
Total expenses	<u>19,684,053</u>	<u>18,276,679</u>	<u>1,407,374</u>
Excess of revenues over expenditures	608,381	1,395,512	787,131
Total other financing uses	<u>(552,438)</u>	<u>(899,599)</u>	<u>(347,161)</u>
Net change in fund balance	55,943	495,913	439,970
Fund balance - beginning	<u>1,233,021</u>	<u>1,233,021</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,288,964</u>	<u>\$ 1,728,934</u>	<u>\$ 439,970</u>
Fund balance - ending - percent to Total revenues	<u>6.4%</u>	<u>8.8%</u>	

Revenues finished below budget projections while expenses ended the year better than expected. Local source revenues exceeded budgeted amounts; State grant funds and Federal grants budgeted in the 2021-2022 fiscal year were not fully expended at June 30, 2022, causing a decrease in both expenditures and State and Federal source revenues. In addition, Federal grant expenditures in the 2021-2022 fiscal year not fully reimbursed during the 2021-2022 revenue recognition period reduced Federal source revenues. These funds will be reimbursed and recognized as revenues in the 2022-2023 fiscal year.

Along with unexpended State and Federal grant funds, the continuing impact of the global coronavirus pandemic, staffing shortages, and supply-chain issues contributed to total expenditures being under budgeted amounts as follows: \$543,000 in salaries, \$286,000 in benefits, \$274,000 in purchased services, \$163,000 in supplies, \$62,000 in capital outlay, and \$80,000 in other expenditures/transactions. Transfers out of the General Fund to the non-bond Capital Projects Fund exceeded the budget by \$350,000 in order to set aside more funds for future capital expenditures.

Debt Retirement Fund Budgetary Highlights: The fund balance for the Debt Retirement Fund decreased \$78,553. The decrease is primarily due to bond payments made during the fiscal year.

At this point, the fund balance in the debt account represents 7% of the 2022/23 principal and interest payments. The District will continue to monitor taxable valuations as it looks to its 2023 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 the 2022-23 School Aid Act which increases the per pupil foundation allowance from \$8,700 to \$9,150, an increase of \$450 per pupil. The District remains at the minimum foundation allowance.
- For the 2022-23 school year, the Membership Blend continues to reflect the 90/10 formula, which is 90% of the October count and 10% of the PREVIOUS February count.
- Enrollment from the October 2022 count is expected to be higher than the estimated enrollment used for the 2022-23 budget. As a result, three teaching positions were added over the number budgeted. One is for an additional Fifth Grade classroom and two are additional High School FTEs, which is three more than the number in the 2021-22 school year.
- The voters of the Macomb Intermediate School District approved an Enhancement Millage on March 10, 2020. As a result, Richmond Community Schools received over \$652,000 from the millage in the form of Interdistrict revenues in the first year of the levy, 2020-21, and \$754,000 in 2021-22. The budgeted revenue in 2022-23 is \$794,000. The millage is for a term of 10 years.
- The District has applied for new grant funding available from the State of Michigan under Section 31aa – Student Mental Health (\$109 per pupil), Section 97 – Improving Student Safety (\$109 per pupil), Section 97c – Comprehensive Safety and Security Assessments (\$2,000 for each school building), and Section 97d – Critical Incident Mapping (\$3,500 for each school building).
- The District will continue work on projects funded by the bond proposal approved by District voters in the election on November 5, 2019. The projects include added classrooms and remodeled classrooms at Will L. Lee Elementary School and remodeled classrooms in the Middle School and High School to accommodate projected enrollment increases, replacement of roofing, sidewalks, and parking lots, and other needs, such as safety enhancements, athletic facility improvements, and auxiliary gym added to the High School. The District sold the first series of bonds in February 2020; the second and final series provided \$880,000 and was sold in 2022.
- The District has adjusted 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.
- 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 expansion of the Great Start Readiness Program to three full-day classroom programs in the 2021-22 year and to four full-day classroom programs in 2022-23.
- At the time of this report, the District has labor agreements in place for the following union groups: administrators (except for wage only opener for administrators for the 2023-24 year), teachers, secretaries, paraprofessionals, and food service workers. Early Learning Childcare Center employees voted in August 2022 to unionize; negotiations are in progress for the initial contract.

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, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,610,026
Accounts receivable	59,973
Due from other governmental units	3,514,500
Investments	4,895,253
Prepaid items	8,436
Capital assets not being depreciated	31,685,344
Capital assets - net of accumulated depreciation	<u>23,284,392</u>
 Total assets	 <u>68,057,924</u>
 Deferred outflows of resources	
Deferred amount on the net pension liability	5,313,194
Deferred amount on the net OPEB liability	2,050,266
Deferred amount on debt refunding	<u>273,268</u>
 Total deferred outflows of resources	 <u>7,636,728</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 1,984,566
Due to other governmental units	489,764
Payroll deductions and withholdings	32,371
Accrued expenditures	834,939
Accrued salaries payable	1,026,922
Unearned revenue	229,392
Long-term liabilities	
Debt due within one year	2,515,000
Debt due in more than one year	47,459,289
Net pension liability	20,452,010
Net OPEB liability	<u>1,331,238</u>
Total liabilities	<u>76,355,491</u>
Deferred inflows of resources	
Deferred amount on the net pension liability	8,103,620
Deferred amount on the net OPEB liability	<u>4,991,059</u>
Total deferred inflows of resources	<u>13,094,679</u>
Net Position	
Net investment in capital assets	10,096,681
Restricted for	
Debt service	24,111
Unrestricted (deficit)	<u>(23,876,310)</u>
Total net position	<u>\$ (13,755,518)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Activities
For the Year Ended June 30, 2022

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 10,478,478	\$ -	\$ 5,249,051	\$ (5,229,427)
Supporting services	7,396,603	345,803	929,000	(6,121,800)
Food services	783,744	115,242	979,685	311,183
Community services	94,020	240,713	24,171	170,864
Interest and fiscal charges on long-term debt	1,291,724	-	-	(1,291,724)
Total governmental activities	<u>\$ 20,044,569</u>	<u>\$ 701,758</u>	<u>\$ 7,181,907</u>	<u>(12,160,904)</u>
General revenues				
Property taxes, levied for general purposes				3,034,661
Property taxes, levied for debt service				4,019,274
State aid - unrestricted				9,998,274
Interest and investment earnings				25,998
Proceeds from sale of capital assets				1,106
Other				144,239
Insurance recoveries				<u>116,963</u>
Total general revenues				<u>17,340,515</u>
Change in net position				5,179,611
Net position - beginning				<u>(18,935,129)</u>
Net position - ending				<u>\$ (13,755,518)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Debt Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,849,962	\$ 202,714	\$ 95,572	\$ 2,461,778	\$ 4,610,026
Accounts receivable	55,979	-	-	3,994	59,973
Due from other funds	-	92,634	11,959	201,969	306,562
Due from other governmental units	3,506,684	-	-	7,816	3,514,500
Investments	-	-	4,895,253	-	4,895,253
Prepaid items	8,436	-	-	-	8,436
	<u>5,421,061</u>	<u>295,348</u>	<u>5,002,784</u>	<u>2,675,557</u>	<u>13,394,750</u>
Total assets	<u>\$ 5,421,061</u>	<u>\$ 295,348</u>	<u>\$ 5,002,784</u>	<u>\$ 2,675,557</u>	<u>\$ 13,394,750</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 637,149	\$ -	\$ 1,287,178	\$ 60,239	\$ 1,984,566
Due to other funds	306,562	-	-	-	306,562
Due to other governmental units	489,764	-	-	-	489,764
Payroll deductions and withholdings	32,371	-	-	-	32,371
Accrued expenditures	562,087	-	-	1,615	563,702
Accrued salaries payable	1,023,738	-	-	3,184	1,026,922
Unearned revenue	220,343	-	-	9,049	229,392
	<u>3,272,014</u>	<u>-</u>	<u>1,287,178</u>	<u>74,087</u>	<u>4,633,279</u>
Total liabilities	<u>3,272,014</u>	<u>-</u>	<u>1,287,178</u>	<u>74,087</u>	<u>4,633,279</u>
Deferred inflows of resources					
Unavailable revenue	420,113	-	-	-	420,113
	<u>420,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,113</u>
Fund Balances					
Non-spendable					
Prepaid items	8,436	-	-	-	8,436
Restricted for					
Food service	-	-	-	500,411	500,411
Debt service	-	295,348	-	-	295,348
Capital projects	-	-	3,715,606	850,763	4,566,369
Committed for					
Capital projects	-	-	-	1,062,400	1,062,400
Student activities	-	-	-	187,896	187,896
Unassigned	1,720,498	-	-	-	1,720,498
	<u>1,728,934</u>	<u>295,348</u>	<u>3,715,606</u>	<u>2,601,470</u>	<u>8,341,358</u>
Total fund balances	<u>1,728,934</u>	<u>295,348</u>	<u>3,715,606</u>	<u>2,601,470</u>	<u>8,341,358</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,421,061</u>	<u>\$ 295,348</u>	<u>\$ 5,002,784</u>	<u>\$ 2,675,557</u>	<u>\$ 13,394,750</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, 2022

Total fund balances for governmental funds	\$ 8,341,358
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	420,113
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	31,685,344
Capital assets - net of accumulated depreciation	23,284,392
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(271,237)
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.	273,268
Deferred inflows of resources resulting from the net pension liability	(8,103,620)
Deferred outflow of resources resulting from the net pension liability	5,313,194
Deferred inflows of resources resulting from the net OPEB liability	(4,991,059)
Deferred outflow of resources resulting from the net OPEB liability	2,050,266
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(20,452,010)
Net OPEB liability	(1,331,238)
Compensated absences	(261,597)
Bonds payable	<u>(49,712,692)</u>
Net position of governmental activities	<u>\$ (13,755,518)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Debt Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,491,257	\$ 4,031,694	\$ 19,840	\$ 340,793	\$ 7,883,584
State sources	13,088,437	-	-	47,329	13,135,766
Federal sources	2,295,861	-	-	932,356	3,228,217
Interdistrict sources	796,636	-	-	-	796,636
Total revenues	<u>19,672,191</u>	<u>4,031,694</u>	<u>19,840</u>	<u>1,320,478</u>	<u>25,044,203</u>
Expenditures					
Current					
Education					
Instruction	10,449,217	-	-	-	10,449,217
Supporting services	7,103,262	-	-	238,245	7,341,507
Food services	-	-	-	724,262	724,262
Community services	86,884	-	-	-	86,884
Facilities acquisition	-	-	16,144,497	-	16,144,497
Capital outlay	637,316	-	-	-	637,316
Debt service					
Principal	-	2,350,000	-	-	2,350,000
Interest and other expenditures	-	1,760,227	-	-	1,760,227
Bond issuance costs	-	-	-	29,266	29,266
Total expenditures	<u>18,276,679</u>	<u>4,110,227</u>	<u>16,144,497</u>	<u>991,773</u>	<u>39,523,176</u>
Excess (deficiency) of revenues over expenditures	<u>1,395,512</u>	<u>(78,533)</u>	<u>(16,124,657)</u>	<u>328,705</u>	<u>(14,478,973)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Debt Fund	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (uses)					
Proceeds from issuance of bonds	-	-	-	880,000	880,000
Insurance recoveries	116,963	-	-	-	116,963
Proceeds from sale of capital assets	1,106	-	-	-	1,106
Transfers in	44,732	-	-	1,062,400	1,107,132
Transfers out	(1,062,400)	-	-	(44,732)	(1,107,132)
Total other financing sources (uses)	(899,599)	-	-	1,897,668	998,069
Net change in fund balances	495,913	(78,533)	(16,124,657)	2,226,373	(13,480,904)
Fund balances - beginning	1,233,021	373,881	19,840,263	375,097	21,822,262
Fund balances - ending	<u>\$ 1,728,934</u>	<u>\$ 295,348</u>	<u>\$ 3,715,606</u>	<u>\$ 2,601,470</u>	<u>\$ 8,341,358</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - Total governmental funds	\$ (13,480,904)
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	61,908
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	(1,301,207)
Capital outlay	16,555,284
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	8,402,553
Net change in the deferral of resources related to the net pension liability	(8,374,776)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	3,233,391
Net change in the deferral of resources related to the net OPEB liability	(1,930,550)
Expenses are recorded when incurred in the statement of activities.	
Interest	19,306
Special termination benefits	49,157
Compensated absences	(3,014)
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	(880,000)
Repayments of long-term debt	2,350,000
Amortization of deferred amount on refunding	(219,086)
Amortization of premiums	697,549
Change in net position of governmental activities	\$ 5,179,611

Richmond Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	<u>Custodial Fund</u>
Assets	
Cash	\$ 249,240
Investments	<u>60,000</u>
 Total assets	 <u>309,240</u>
 Net Position	
Assets held for scholarships and loans	 <u>\$ 309,240</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, 2022

	<u>Custodial Fund</u>
Additions	
Interest and investment earnings	\$ 962
Deductions	
Scholarships	<u>5,031</u>
Change in net position	(4,069)
Net position - beginning	<u>313,309</u>
Net position - ending	<u><u>\$ 309,240</u></u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to

Richmond Community Schools

Notes to the Financial Statements

June 30, 2022

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.

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.

2020 Capital Projects Fund – The 2020 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically for projects associated with the 2020 bond issue. These funds are kept open until the purpose for which the funds were created have been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund and the Student Activity Fund.

Capital Projects Fund – The Capital Projects Fund was established by the board for future construction needs. Amounts will be used on areas of need within the district.

2022 Capital Projects Fund – The 2022 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically for projects associated with the 2022 bond issue. These funds are kept open until the purpose for which the funds were created have been accomplished.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private-Purpose Trust Funds are funds entrusted to the School District for scholarship awards and the principal and interest of the trust may be spent.

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, 2022, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.92440
Commercial personal property	6.00000
Debt Service Funds	6.95000

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

taxes uncollected as of March 1 are purchased by the applicable county and remitted to the School District by June 30.

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

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

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

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

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized

over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

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

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

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

fund types recognize bond premiums and discounts during the current period.

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

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

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

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

Fund Balance – 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.

Richmond Community Schools

Notes to the Financial Statements

June 30, 2022

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease

receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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

Note 2 - Stewardship, Compliance, And Accountability

Budgetary Information

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

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

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

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

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Transfers Out	\$ 712,400	\$ 1,062,400	\$ 350,000

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	\$ 4,610,026	\$ 249,240	\$ 4,859,266
Investments	4,895,253	60,000	4,955,253
	<u>\$ 9,505,279</u>	<u>\$ 309,240</u>	<u>\$ 9,814,519</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 4,919,129
Investments in securities, mutual funds, and similar vehicles	4,895,253
Petty cash and cash on hand	137
Total	<u>\$ 9,814,519</u>

Richmond Community Schools

Notes to the Financial Statements

June 30, 2022

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 13,726	< 60 days	AAAm	S&P's
MAX Class	4,881,527	< 60 days	AAAm	S&P's
	<u>\$ 4,895,253</u>			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2022, the net asset value of the School District's investment in MILAF + Portfolio was \$ 4,895,253. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

Interest rate risk – The School District minimizes interest rate risk by structuring investments only in money market mutual funds, the Michigan Liquid Asset fund, and cash investments.

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, \$ 4,786,165 of the School District's bank balance of \$ 5,286,165 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Note 4 - Capital Assets

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

	Beginning		Ending	
	Balance	Increases	Decreases	Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,129	\$ -	\$ -	\$ 7,129
Construction in progress	16,197,648	15,480,567	-	31,678,215
Total capital assets not being depreciated	16,204,777	15,480,567	-	31,685,344
Capital assets being depreciated				
Buildings and additions	35,502,428	-	1,998,377	33,504,051
Site improvements	4,332,215	-	-	4,332,215
Equipment and furniture	1,381,670	1,307,466	96,947	2,592,189
Buses and other vehicles	1,380,790	-	-	1,380,790
Total capital assets being depreciated	42,597,103	1,307,466	2,095,324	41,809,245
Less accumulated depreciation for				
Buildings and additions	15,393,039	803,856	1,765,628	14,431,267
Site improvements	2,491,928	106,123	-	2,598,051
Equipment and furniture	442,161	271,807	96,947	617,021
Buses and other vehicles	759,093	119,421	-	878,514
Total accumulated depreciation	19,086,221	1,301,207	1,862,575	18,524,853
Net capital assets being depreciated	23,510,882	6,259	232,749	23,284,392
Net capital assets	\$ 39,715,659	\$ 15,486,826	\$ 232,749	\$ 54,969,736

Depreciation expense for the fiscal year ended June 30, 2022 amounted to \$ 1,301,207. The School District allocated depreciation to the various governmental activities as follows:

Governmental activities

Instruction	\$ 730,926
Support services	513,541
Food services	50,662
Community services	6,078
Total governmental activities	<u>\$ 1,301,207</u>

Note 5 - Construction Contracts

As of year end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Commitment Remaining at Year End
Project			
Lee Bond Projects	\$ 8,924,683	\$ 8,844,133	\$ 80,550
Middle School Bond Project	10,106,403	9,352,189	754,214
High School Bond Project	13,892,759	12,746,607	1,146,152
Bus Garage Bond Project	451,263	147,112	304,151
High School Athletic Field Project	1,363,938	588,174	775,764
Total	<u>\$ 34,739,046</u>	<u>\$ 31,678,215</u>	<u>\$ 3,060,831</u>

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Note 6 - Interfund Receivables And Payables

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 201,969
2020 Capital Projects Fund	General Fund	11,959
Debt Fund	General Fund	92,634
		<u>\$ 306,562</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 in the current year.

Interfund transfers consist of the following:

Transfers in	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 44,732	\$ 44,732
Nonmajor Governmental Funds	<u>1,062,400</u>	<u>-</u>	<u>1,062,400</u>
	<u>\$ 1,062,400</u>	<u>\$ 44,732</u>	<u>\$ 1,107,132</u>

Transfers from the General Fund to Nonmajor Governmental Funds were to provide resources for capital project activities. Transfers from Nonmajor Governmental Funds to the General Fund were for indirect charges incurred.

Note 7 - 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, the components of unearned revenue are as follows:

Prepaid lunch fees	\$ 9,049
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>220,343</u>
Total	<u>\$ 229,392</u>

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and special termination benefits.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$45,270,000	\$ 880,000	\$ 2,350,000	\$43,800,000	\$ 2,495,000
Premium on bonds	6,610,241	-	697,549	5,912,692	-
Total bonds payable	<u>51,880,241</u>	<u>880,000</u>	<u>3,047,549</u>	<u>49,712,692</u>	<u>2,495,000</u>
Other Liabilities					
Compensated absences	258,583	21,604	18,590	261,597	20,000
Special termination benefits	49,157	-	49,157	-	-
Total other liabilities	<u>307,740</u>	<u>21,604</u>	<u>67,747</u>	<u>261,597</u>	<u>20,000</u>
Total	<u>\$52,187,981</u>	<u>\$ 901,604</u>	<u>\$ 3,115,296</u>	<u>\$49,974,289</u>	<u>\$ 2,515,000</u>

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

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

\$ 31,550,000 serial bonds due in annual installments of \$ 100,000 to \$ 2,665,000 through May 1, 2039, interest at 4.00% to 5.00%	\$ 31,450,000
\$ 4,145,000 serial bonds due in annual installments of \$ 265,000 to \$ 570,000 through May 1, 2027, interest at 3.00%	2,785,000
\$ 7,480,000 Bond refunding serial bond due in annual installments of \$ 110,000 to \$ 1,540,000 through May 1, 2028, interest at 1.00% to 2.00%	7,370,000
\$ 990,000 serial bonds due in annual installments of \$ 130,000 to \$310,000 through May 1, 2024, interest at 3.52%	260,000
\$ 8,125,000 serial bonds due in annual installments of \$ 1,055,00 to \$ 1,585,000 through May 1, 2023, interest at 3.25%	1,055,000
\$ 880,000 serial bonds due in annual installments of \$ 50,000 to \$ 190,000 through May 1, 2028, interest at 2.51% to 3.20%	<u>880,000</u>
Total general obligation bonded debt	<u><u>\$ 43,800,000</u></u>

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

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

	Principal	Interest	Total
Year Ending June 30,			
2023	\$ 2,495,000	\$ 1,686,451	\$ 4,181,451
2024	2,760,000	1,609,632	4,369,632
2025	2,920,000	1,543,146	4,463,146
2026	3,000,000	1,477,796	4,477,796
2027	3,075,000	1,394,461	4,469,461
2028-2032	11,715,000	5,558,750	17,273,750
2033-2037	12,505,000	2,746,250	15,251,250
2038-2039	5,330,000	319,800	5,649,800
Total	\$ 43,800,000	\$ 16,336,286	\$ 60,136,286

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 295,348 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for all debt obligations for the fiscal year in the Debt Service Funds were \$ 1,760,227.

Compensated Absences

Accrued compensated absences at year end, consist of \$ 261,597 in accrued sick time benefits. The amount anticipated to be paid out over the next year is included within the amounts listed as due with one year.

Deferred Amount on Refunding

Advance refunding's resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 327,526, \$ 29,323, and \$ 164,828 which are related to the 2021 refunding, 2009 refunding, and the 2017 refunding, respectively. The total amount of refunding's are \$ 273,268. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026.

Defeased Debt

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

The final payment date is May 1, 2023. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2013 Issue refunded	<u>\$ 7,070,000</u>
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Note 9 - Risk Management

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

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

Note 10 - Pension Plan

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

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

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$ 2,593,816 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$ 20,452,010 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was .0864 percent, which was an increase of .0024 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$ 2,647,128 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$ 2,957,579.

At June 30, 2022, 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	Total
Difference between expected and actual experience	\$ 316,810	\$ (120,438)	\$ 196,372
Changes of assumptions	1,289,222	-	1,289,222
Net difference between projected and actual earnings on pension plan investments	-	(6,575,255)	(6,575,255)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>889,969</u>	<u>(34,438)</u>	<u>855,531</u>
Total to be recognized in future	2,496,001	(6,730,131)	(4,234,130)
School District contributions subsequent to the measurement date	<u>2,817,193</u>	<u>(1,373,489)</u>	<u>1,443,704</u>
Total	<u>\$ 5,313,194</u>	<u>\$ (8,103,620)</u>	<u>\$ (2,790,426)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The District will offset the contribution expense in the year ended June 30, 2023 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources

Richmond Community Schools

Notes to the Financial Statements

June 30, 2022

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2022	\$ (276,567)
2023	(872,648)
2024	(1,377,313)
2025	(1,707,602)
	<u>\$ (4,234,130)</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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses

- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4367 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount

rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 29,240,827	\$ 20,452,010	\$ 13,165,504

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

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

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

Plan Description

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

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

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

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

Benefits Provided

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$ 647,440 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$ 1,331,238 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the School District's proportion was .0872 percent, which was an increase of .0020 from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of \$ (656,289) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$ 631,454.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (3,799,925)	\$ (3,799,925)
Changes of assumptions	1,112,849	(166,524)	946,325
Net difference between projected and actual earnings on OPEB plan investments	-	(1,003,378)	(1,003,378)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>357,498</u>	<u>(21,232)</u>	<u>336,266</u>
Total to be recognized in future	1,470,347	(4,991,059)	(3,520,712)
School District contributions subsequent to the measurement date	<u>579,919</u>	<u>-</u>	<u>579,919</u>
Total	<u>\$ 2,050,266</u>	<u>\$ (4,991,059)</u>	<u>\$ (2,940,793)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2022	\$ (915,656)
2023	(839,339)
2024	(773,930)
2025	(713,346)
2026	(246,144)
Thereafter	<u>(32,297)</u>
	<u><u>\$(3,520,712)</u></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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 3.5%

Richmond Community Schools

Notes to the Financial Statements

June 30, 2022

- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 6.1312 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 2,473,681</u>	<u>\$ 1,331,238</u>	<u>\$ 361,712</u>

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$ 324,013</u>	<u>\$ 1,331,238</u>	<u>\$ 2,464,488</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2022

Note 13 - Tax Abatements

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

For the fiscal year ended June 30, 2022, the School District's property tax revenues were not reduced under these programs. There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,233,110	\$ 3,473,933	\$ 3,491,257	\$ 17,324
State sources	11,452,933	13,124,289	13,088,437	(35,852)
Federal sources	2,228,987	2,920,167	2,295,861	(624,306)
Interdistrict sources	599,100	774,045	796,636	22,591
Total revenues	17,514,130	20,292,434	19,672,191	(620,243)
Expenditures				
Instruction				
Basic programs	8,406,959	8,877,164	8,775,893	(101,271)
Added needs	1,863,701	1,925,666	1,673,324	(252,342)
Supporting services				
Pupil	1,287,075	1,501,170	1,269,651	(231,519)
Instructional staff	836,827	875,673	714,462	(161,211)
General administration	483,842	432,614	406,387	(26,227)
School administration	1,235,003	1,264,761	1,210,497	(54,264)
Business	550,982	642,815	565,108	(77,707)
Operations and maintenance	1,487,899	1,602,485	1,458,901	(143,584)
Pupil transportation services	796,026	908,879	790,946	(117,933)
Central	537,077	229,491	204,140	(25,351)
Athletics	-	566,833	483,170	(83,663)
Community services	119,629	174,385	86,884	(87,501)
Capital outlay	-	682,117	637,316	(44,801)
Total expenditures	17,605,020	19,684,053	18,276,679	(1,407,374)
Excess (deficiency) of revenues over expenditures	(90,890)	608,381	1,395,512	787,131

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (uses)				
Insurance recoveries	110,000	116,962	116,963	1
Proceeds from sale of capital assets	1,000	1,000	1,106	106
Transfers in	-	42,000	44,732	2,732
Transfers out	-	(712,400)	(1,062,400)	350,000
	<u>111,000</u>	<u>(552,438)</u>	<u>(899,599)</u>	<u>347,268</u>
Total other financing sources (uses)				
Net change in fund balance	20,110	55,943	495,913	439,970
Fund balance - beginning	<u>1,233,021</u>	<u>1,233,021</u>	<u>1,233,021</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,253,131</u>	<u>\$ 1,288,964</u>	<u>\$ 1,728,934</u>	<u>\$ 439,970</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 of Each June Fiscal Year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
A. School district's proportion of net pension liability (%)	0.0864%	0.0840%	0.0820%	0.0820%	0.0810%	0.0791%	0.0823%	0.0811%		
B. School district's proportionate share of the net pension liability	\$ 20,452,010	\$ 28,854,563	\$ 27,166,075	\$ 24,639,681	\$ 20,977,770	\$ 19,743,146	\$ 20,113,560	\$ 17,856,186		
C. School district's covered payroll	\$ 7,868,179	\$ 7,558,139	\$ 7,159,574	\$ 6,991,264	\$ 6,902,035	\$ 6,557,064	\$ 7,015,729	\$ 7,136,201		
D. School district's proportionate share of the net pension liability as a percentage of its covered payroll	259.93%	381.77%	379.44%	352.44%	303.94%	301.10%	286.69%	250.22%		
E. Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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

	For the Years Ended June 30,									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
A. Statutorily required contributions	\$ 2,957,579	\$ 2,618,915	\$ 2,300,936	\$ 2,166,060	\$ 2,386,707	\$ 1,290,019	\$ 1,304,704	\$ 1,500,854		
B. Contributions in relation to statutorily required contributions	<u>2,957,579</u>	<u>2,618,915</u>	<u>2,300,936</u>	<u>2,166,060</u>	<u>2,386,707</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
D. School district's covered payroll	\$ 8,220,314	\$ 7,866,749	\$ 7,560,303	\$ 7,057,767	\$ 6,873,431	\$ 6,986,160	\$ 6,616,340	\$ 7,126,285		
E. Contributions as a percentage of covered payroll	35.98%	33.29%	30.43%	30.69%	34.72%	18.47%	19.72%	21.06%		

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
A. School district's proportion of net OPEB liability (%)	0.0872%	0.0852%	0.0820%	0.0822%	0.0807%					
B. School district's proportionate share of the net OPEB liability	\$ 1,331,238	\$ 4,564,629	\$ 5,882,345	\$ 6,533,345	\$ 7,146,481					
C. School district's covered payroll	\$ 7,868,179	\$ 7,558,139	\$ 7,159,574	\$ 6,991,264	\$ 6,902,035					
D. School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.92%	60.39%	82.16%	93.45%	103.54%					
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%					

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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

		For the Years Ended June 30									
		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
A.	Statutorily required contributions	\$ 631,454	\$ 645,550	\$ 607,802	\$ 555,588	\$ 564,432					
B.	Contributions in relation to statutorily required contributions	<u>631,454</u>	<u>645,550</u>	<u>607,802</u>	<u>555,588</u>	<u>564,432</u>					
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D.	School district's covered payroll	\$ 8,220,314	\$ 7,866,749	\$ 7,560,303	\$ 7,057,767	\$ 6,873,431					
E.	Contributions as a percentage of covered payroll	7.68%	8.21%	8.04%	7.87%	8.21%					

OTHER SUPPLEMENTARY INFORMATION

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service	Student Activity	Capital Projects Fund	2022 Capital Projects Fund	
Assets					
Cash	\$ 318,439	\$ 206,086	\$ 1,062,400	\$ 874,853	\$ 2,461,778
Accounts receivable	3,994	-	-	-	3,994
Due from other funds	201,969	-	-	-	201,969
Due from other governmental units	7,816	-	-	-	7,816
Total assets	\$ 532,218	\$ 206,086	\$ 1,062,400	\$ 874,853	\$ 2,675,557
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 17,959	\$ 18,190	\$ -	\$ 24,090	\$ 60,239
Accrued expenditures	1,615	-	-	-	1,615
Accrued salaries payable	3,184	-	-	-	3,184
Unearned revenue	9,049	-	-	-	9,049
Total liabilities	31,807	18,190	-	24,090	74,087
Fund Balances					
Restricted for					
Food service	500,411	-	-	-	500,411
Capital projects	-	-	-	850,763	850,763
Committed for					
Capital projects	-	-	1,062,400	-	1,062,400
Student activities	-	187,896	-	-	187,896
Total fund balances	500,411	187,896	1,062,400	850,763	2,601,470
Total liabilities and fund balances	\$ 532,218	\$ 206,086	\$ 1,062,400	\$ 874,853	\$ 2,675,557

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, 2022

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service	Student Activity	Capital Projects Fund	2022 Capital Projects Fund	
Revenues					
Local sources	\$ 112,491	\$ 228,273	\$ -	\$ 29	\$ 340,793
State sources	47,329	-	-	-	47,329
Federal sources	932,356	-	-	-	932,356
Total revenues	1,092,176	228,273	-	29	1,320,478
Expenditures					
Current					
Education					
Supporting services	-	238,245	-	-	238,245
Food services	724,262	-	-	-	724,262
Debt service					
Bond issuance costs	-	-	-	29,266	29,266
Total expenditures	724,262	238,245	-	29,266	991,773
Excess (deficiency) of revenues over expenditures	367,914	(9,972)	-	(29,237)	328,705
Other Financing Sources (Uses)					
Proceeds from issuance of bonds	-	-	-	880,000	880,000
Transfers in	-	-	1,062,400	-	1,062,400
Transfers out	(44,732)	-	-	-	(44,732)
Total other financing sources (uses)	(44,732)	-	1,062,400	880,000	1,897,668
Net change in fund balances	323,182	(9,972)	1,062,400	850,763	2,226,373
Fund balances - beginning	177,229	197,868	-	-	375,097
Fund balances - ending	\$ 500,411	\$ 187,896	\$ 1,062,400	\$ 850,763	\$ 2,601,470

Richmond Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

<u>Year Ending June 30,</u>	<u>2020 Series I</u>	<u>2021 Refunding</u>	<u>2022 Series II</u>	<u>2013 Series A</u>	<u>2017 Refunding</u>	<u>2018 Series C</u>	<u>Total</u>
2023	\$ 590,000	\$ 135,000	\$ 50,000	\$ 1,055,000	\$ 535,000	\$ 130,000	\$ 2,495,000
2024	720,000	1,205,000	150,000	-	555,000	130,000	2,760,000
2025	720,000	1,480,000	150,000	-	570,000	-	2,920,000
2026	775,000	1,470,000	190,000	-	565,000	-	3,000,000
2027	785,000	1,540,000	190,000	-	560,000	-	3,075,000
2028	1,335,000	1,540,000	150,000	-	-	-	3,025,000
2029	2,050,000	-	-	-	-	-	2,050,000
2030	2,135,000	-	-	-	-	-	2,135,000
2031	2,225,000	-	-	-	-	-	2,225,000
2032	2,280,000	-	-	-	-	-	2,280,000
2033	2,335,000	-	-	-	-	-	2,335,000
2034	2,415,000	-	-	-	-	-	2,415,000
2035	2,500,000	-	-	-	-	-	2,500,000
2036	2,600,000	-	-	-	-	-	2,600,000
2037	2,655,000	-	-	-	-	-	2,655,000
2038	2,665,000	-	-	-	-	-	2,665,000
2039	<u>2,665,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,665,000</u>
Total	<u>\$ 31,450,000</u>	<u>\$ 7,370,000</u>	<u>\$ 880,000</u>	<u>\$ 1,055,000</u>	<u>\$ 2,785,000</u>	<u>\$ 260,000</u>	<u>\$ 43,800,000</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	4.00% - 5.00%	1.00% - 2.00%	2.51% - 3.20%	3.25%	3.00%	3.52%	
Original issue	<u>\$ 31,550,000</u>	<u>\$ 7,480,000</u>	<u>\$ 880,000</u>	<u>\$ 8,125,000</u>	<u>\$ 4,145,000</u>	<u>\$ 990,000</u>	

Richmond Community Schools

Single Audit Report

June 30, 2022



Table of Contents

	<u>Page</u>
Single Audit Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	13



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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, 2022, 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 24, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richmond Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Richmond Community Schools' internal control.

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 24, 2022

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

Opinion on Each Major Federal Program

We have audited Richmond Community Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richmond Community Schools' major federal programs for the year ended June 30, 2022. Richmond Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Richmond Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Richmond Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Richmond Community Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Richmond Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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, 2022, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements. We issued our report thereon dated October 24, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 24, 2022

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through the Michigan Department of Education							
Child Nutrition Cluster							
Non-Cash Assistance (Commodities):							
National School Lunch Program - Entitlements	10.555	\$ 50,797	\$ -	\$ -	\$ 50,797	\$ 50,797	\$ -
National School Lunch Program - Bonus	10.555	4,965	-	-	4,965	4,965	-
Total Non-Cash Assistance		55,762	-	-	55,762	55,762	-
Cash Assistance							
Seamless Summer Option (SSO) - Breakfast							
COVID-19 - 211971	10.553	5,967	-	-	5,967	5,967	-
COVID-19 - 221971	10.553	134,309	-	-	134,309	134,309	-
Seamless Summer Option (SSO) - Lunch							
COVID-19 - 211961	10.555	46,521	-	-	46,521	46,521	-
COVID-19 - 220910	10.555	30,239	-	-	30,239	30,239	-
COVID-19 - 221961	10.555	571,926	-	-	571,926	571,926	-
Summer Food Service Program for Children							
COVID-19 - 210904	10.559	610,810	36,432	523,792	117,209	87,018	6,241
Total Cash Assistance		1,399,772	36,432	523,792	906,171	875,980	6,241
Total Child Nutrition Cluster		1,455,534	36,432	523,792	961,933	931,742	6,241
Passed Through the Michigan Department of Education							
COVID-19 Pandemic EBT Local Level Costs	10.649	614	-	-	614	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,456,148	36,432	523,792	962,547	932,356	6,241
U.S. DEPARTMENT OF TREASURY							
Passed Through the Macomb County Intermediate School District							
Great Start Readiness Grants							
COVID-19 - 222390-2122	21.027	135,024	-	-	-	104,716	104,716
TOTAL U.S. DEPARTMENT OF TREASURY		135,024	-	-	-	104,716	104,716

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed Through the Macomb County Intermediate School District							
Special Education - Grants to States							
210450-2021	84.027	\$ 486,156	\$ 223,123	\$ 486,156	\$ 223,123	-	-
220450-2122	84.027	507,309	-	-	363,041	507,309	144,268
COVID-19 221280-2122 ARP	84.027X	57,021	-	-	-	57,021	57,021
Total Special Education - Grants to States		1,050,486	223,123	486,156	586,164	564,330	201,289
Special Education - Preschool Grants							
210460-2021	84.173	11,657	5,442	11,657	5,442	-	-
220460-2122	84.173	15,646	-	-	11,339	15,646	4,307
COVID-19 221285-2122 ARP	84.173X	7,709	-	-	-	7,709	7,709
Total Special Education - Preschool Grants		35,012	5,442	11,657	16,781	23,355	12,016
Total Special Education Cluster		1,085,498	228,565	497,813	602,945	587,685	213,305
Passed Through the Michigan Department of Education							
Title I - Grants to Local Educational Agencies							
211530-2021	84.010	253,497	154,662	231,918	156,012	1,350	-
221530-2122	84.010	228,927	-	-	160,577	208,824	48,247
Total Title I - Grants to Local Educational Agencies		482,424	154,662	231,918	316,589	210,174	48,247
Passed Through the Macomb County Intermediate School District							
Career and Technical Education - Basic Grants to States							
213520-211216	84.048	18,000	10,039	18,000	10,039	-	-
223520-221216	84.048	17,000	-	-	8,943	17,000	8,057
Total Career and Technical Education - Basic Grants to States		35,000	10,039	18,000	18,982	17,000	8,057
Passed Through the Michigan Department of Education							
Title IIA - Supporting Effective Instruction State Grant							
210520-2021	84.367	101,586	70,763	78,434	71,322	559	-
220520-2122	84.367	60,425	-	-	23,613	27,823	4,210
Total Title IIA - Supporting Effective Instruction State Grant		162,011	70,763	78,434	94,935	28,382	4,210
Passed Through the Michigan Department of Education							
Title IVA, Part A - Student Support and Academic Enrichment							
210750-2021	84.424	20,573	11,431	11,431	11,431	-	-
220750-2122	84.424	27,581	-	-	19,268	23,781	4,513
Total Title IVA, Part A - Student Support and Academic Enrichment		48,154	11,431	11,431	30,699	23,781	4,513

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Listing Number	Award Grant Entitlement Program Amount	Accrued (Unearned) Revenue July 1, 2021	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
U.S. DEPARTMENT OF EDUCATION (CONTINUED)							
Passed Through the Michigan Department of Education							
Education Stabilization Funds							
COVID-19 211202-2122 GEER II Teacher & Support Staff Payments	84.425C	\$ 9,000	-	-	\$ 9,000	\$ 9,000	-
COVID-19 203710-1920 ESSER Formula Funds I	84.425D	188,848	73,151	178,117	73,193	10,731	10,689
COVID-19 213712-2021 ESSER Formula Funds II	84.425D	778,584	48,198	48,198	304,525	707,015	450,688
Total 84.425D		967,432	121,349	226,315	377,718	717,746	461,377
COVID-19 213713-2122 ESSER Formula Funds III	84.425U	1,749,833	-	-	288,302	479,080	190,778
Total Education Stabilization Funds		2,726,265	121,349	226,315	675,020	1,205,826	652,155
TOTAL U.S. DEPARTMENT OF EDUCATION		4,539,352	596,809	1,063,911	1,739,170	2,072,848	930,487
TOTAL FEDERAL PROGRAMS		\$ 6,130,524	\$ 633,241	\$ 1,587,703	\$ 2,701,717	\$ 3,109,920	\$ 1,041,444

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, 2022

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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Richmond Community Schools, it is not intended to and does not present the financial position or changes in financial position of Richmond Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the SEFA are reported on the modified 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

The federal revenues per the financial statements are in agreement with the SEFA except for the following:

Revenue per Financial Statements	\$ 3,228,217
Reconciling items:	
Current year deferred inflows	420,113
Prior year deferred inflows	(358,205)
Beneficiary payments for child care and special education proportionate share not reported on the SEFA	<u>(180,205)</u>
Revenue per the SEFA	<u><u>\$ 3,109,920</u></u>

Richmond Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

Note 4 - Funds Transferred to Subrecipients

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

Note 5 - Michigan Department of Education Disclosures

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

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

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

The federal amounts reported on the MISD Subrecipient Schedule are in agreement with the SEFA except for the following:

AL #	Project #	Cash received per SEFA		Plus : Amount Disbursed in 21-22 per the MISD Subrecipient Schedule but received in 22-23 by the District		Cash paid per June 30, 2022 MISD Subrecipient Schedule	
84.027X	221280-2122	\$	-	\$	42,302	\$	42,302
84.173X	200460-1920		-		5,912		5,912

Richmond Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____ Yes _____ X _____ No

Richmond Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Identification of major programs:

Assistance Listing Numbers
10.553 / 10.555 / 10.559
84.425C / 84.425D / 84.425U

Name of Federal Program
Child Nutrition Cluster
Education Stabilization Funds

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

\$ 750,000

Auditee qualified as low-risk auditee:

_____ X _____ Yes _____ No

Section II - Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

Richmond Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2022

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2021.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

October 24, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Richmond Community Schools (the School District) as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 24, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.
- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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

We have 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.

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

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard

Additional Information

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. 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. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization'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.

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization'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.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated 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 auditors' 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 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

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

Report on Other Supplementary Information

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

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, 2022, we considered the School District's 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 the following matter for management's consideration that is an opportunity for maintaining compliance. This letter does not affect our report dated October 24, 2022, on the financial statements of Richmond Community Schools.

Net Cash Resources

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. A proportional increase to expenditures did not occur, resulting in a growth in net cash resources in an amount that exceeded the three-month average expenditure requirement included in the federal regulations. The noncompliance has not been determined to be material to the federal program or the financial statements, as it has not resulted in questioned costs, or negatively impacted the program; as the District is actively working on using the funds to enhance the program. However, the District must continue to take action to return to compliance. The district may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend that District continues to look at possible enhancements to the program in order to maintain their spend down plan to return to compliance with this requirement.