

Richmond Community Schools

Financial Statements

June 30, 2020



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 - 7
Fiduciary Funds	
Statement of Fiduciary Net Position	4 - 8
Statement of Changes in Fiduciary Net Position	4 - 9
Notes to the Financial Statements	4 - 10
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, 2020

Members of the Board of Education

Margaret Teltow	President
Jessica Sexton	Vice President
Kyle Simmons	Treasurer
Kristine Furtaw	Secretary
Angela Pacitto	Trustee
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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Richmond Community Schools, as of June 30, 2020, 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.

Required Supplementary Information

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

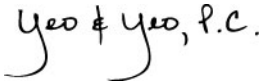
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020 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.

A handwritten signature in cursive script that reads "Yeo & Yeo, P.C.".

Flint, Michigan
October 29, 2020

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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

Overview of the Financial Statements

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

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

Fund financial statements comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant fund(s). The Richmond Community School's other funds for the 2019-2020 fiscal year consist of the Food Service Fund, Capital Projects Funds, and Debt Funds.

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

Financial Analysis of District-Wide Financial Statements

The District's combined net position decreased by \$1,144,420 to (\$20,256,844) from (\$19,112,424). The decrease in net position is due to several factors – see page 4-7 of the accompanying financial statements for more information. The most significant factors are issuance of bonded debt, premium on issuance of the bonds, and the resulting increase in fund balances in governmental funds. Together, the issuance of bonded debt and the premium on the bonds totaled nearly \$38.3 million. Fund balances of governmental funds increased nearly \$37.3 million. In addition, other primary factors include depreciation expense of about \$1.5 million and debt payments of just over \$2.2 million. Also impacting the net position in fiscal years 2020 and 2019 was the adoption of GASB 75, which added the liability and expense for postemployment benefits other than pensions (OPEB) to government activities.

Summary of Net Position

	June 30, 2020	June 30, 2019
Assets:		
Current Assets	\$ 42,359,560	\$ 4,427,311
Capital Assets	41,144,638	40,455,150
Less: Accumulated depreciation	<u>(17,775,439)</u>	<u>(16,407,371)</u>
Capital Assets, net book value	<u>23,369,199</u>	<u>24,047,779</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u>10,015,646</u>	<u>9,908,926</u>
Total Assets and Deferred Outflows	<u>\$ 75,744,405</u>	<u>\$ 38,384,016</u>
Liabilities:		
Current Liabilities	\$ 3,953,336	\$ 2,994,405
Long-Term Liabilities	<u>87,704,776</u>	<u>49,917,142</u>
Total Liabilities	<u>91,658,112</u>	<u>52,911,547</u>
Deferred Inflows of Resources:		
Deferred amount on net pension/OPEB liability	<u>\$ 4,343,137</u>	<u>\$ 4,584,893</u>
Total Liabilities and Deferred Inflows	<u>\$ 96,001,249</u>	<u>\$ 57,496,440</u>
Net Position:		
Net investment in capital assets	6,390,435	6,189,848
Restricted net position	444,647	257,475
Unrestricted net position	<u>(27,091,926)</u>	<u>(25,559,747)</u>
Total Net Position	<u>(20,256,844)</u>	<u>(19,112,424)</u>
Total Liabilities and Net Position	<u>\$ 75,744,405</u>	<u>\$ 38,384,016</u>

Results of District Operations:

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

	June 30, 2020	June 30, 2019
Revenues:		
Governmental:		
General:		
Property taxes for operations	\$ 2,801,788	\$ 2,780,156
Property taxes for debt service	2,954,673	2,851,262
Unrestricted state aid	8,508,812	8,218,145
Other general revenues	358,900	246,073
Total general	14,624,173	14,095,636
Operating Grants:		
Federal	1,234,410	1,175,676
State of Michigan & Other	2,226,937	2,117,468
<i>Total governmental revenues</i>	18,085,520	17,388,780
Charges for services		
Food service	226,791	243,475
Community services	187,236	199,369
Others	102,962	122,728
<i>Total charges for services</i>	516,989	565,572
Total Revenues	\$ 18,602,509	\$ 17,954,352
Expenses:		
Instruction and instructional support	\$ 9,693,182	\$ 9,607,906
Support services	7,478,831	6,844,510
Food service	661,199	594,545
Community services	125,056	126,627
Facilities acquisition	675,069	-
Interest on long-term debt	1,113,592	645,849
Total Expenses	\$ 19,746,929	\$ 17,819,437
Increase (Decrease) in Net Position	\$ (1,144,420)	\$ 134,915
Beginning Net Position, as restated	(19,112,424)	(19,247,339)
Ending Net Assets	\$ (20,256,844)	\$ (19,112,424)

Financial Analysis of the District's Funds

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

Due to the economic conditions of the State of Michigan and the uncertain State funding for public schools, along with legislation that impacts pupil accounting, the District is attempting to maintain a stable financial position within its governmental funds. At the end of the 2019-20 fiscal year, the combined governmental fund balance was \$38.8 million, an increase of approximately \$37.3 million from the prior year. This increase is the result of issuance of the 2020 School Building and Site Bonds, Series I, in the amount of \$31.5 million plus premium on the bonds of \$6.7 million offset by facilities acquisition of about \$675,000 from the 2020 Capital Projects Fund and capital outlay expenditures from the General Fund of almost \$153,000 and from the 2018 Capital Projects Fund, a Nonmajor Governmental Fund in the financial statements for the year ended June 30, 2020, of \$222,000.

The District's General Fund balance decreased about \$121,000 and represents approximately \$725,000 of the \$38.8 million in combined governmental fund balance. The largest part of the combined fund balance, just under \$37.1 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 \$853,000. The District's Nonmajor Governmental fund balance totals approximately \$135,000 all of which is in the Food Service Fund. All of the funds in the 2018 Capital Projects Fund have been expended, and the fund balance is zero. 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 \$538,000. Increases in General Fund revenues make up the largest part of the increase with increases in State sources and interdistrict sources and decreases in local and Federal sources.

The District's total expenditures increased nearly \$966,000 primarily as the result of increased expenditures in the General Fund of just over \$467,000 and in the 2020 Capital Projects Fund of about \$914,000 and decreased expenditures in the 2018 Capital Projects Funds, a Nonmajor Governmental Fund, of almost \$517,000. Debt Fund expenditures increased \$40,000 while expenditures in the other Nonmajor Governmental Fund, Food Service, increased about \$61,000.

General Fund Budgetary Highlights: The District amended its budget three times during the 2019-20 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 December 2019 and in February 2020, 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 2019 and the final amended budget approved in June 2020 follows:

	Final Budget June 2020	Original Budget June 2019	Variance
Total Revenues	\$ 15,447,394	\$ 14,564,318	\$ 883,076
Expenses:			
Salaries	7,728,449	7,092,356	636,093
Benefits	5,066,486	4,669,682	396,804
Purchased Services	1,840,605	1,903,323	(62,718)
Supplies	595,220	642,855	(47,635)
Capital Outlay and Others	308,641	256,102	52,539
Total Expenses	15,539,401	14,564,318	975,083
Change in Fund Balance	\$ (92,007)	\$ -	\$ (92,007)

From June 2019 to June 2020, the fund balance in the General Fund became unpredictable because of the global coronavirus pandemic, causing Michigan's Governor to order the closure of schools beginning March 16, 2020, and lasting through the end of the school year. Budgeted revenue increased from the original budget adopted in June 2019 to the final amended budget approved in June 2020 by \$883,076. The increase in funding was primarily due to changes in student enrollment and State funding. Budgeted expenditures increased during the year as enrollment, staffing costs, and operational needs changed as they usually do and as the District changed to providing remote learning for students and using mobile routes/pickup for food service during the pandemic closure.

The General Fund's final budget from June 2020 is also compared to the 2019-2020 actual financial results below.

	<u>Final Actual June 2020</u>	<u>Final Budget June 2020</u>	<u>Variance Fav/(Unfav)</u>
Total Revenues	\$ 14,893,860	\$ 15,447,394	\$ (553,534)
Expenses:			
Salaries	7,579,830	7,728,449	148,619
Benefits	4,865,632	5,066,486	200,854
Purchased Services	1,788,611	1,840,605	51,994
Supplies	529,196	595,220	66,024
Capital Outlay and Others	251,463	308,641	57,178
Total Expenses	<u>15,014,732</u>	<u>15,539,401</u>	<u>524,669</u>
Change in Fund Balance	<u>\$ (120,872)</u>	<u>\$ (92,007)</u>	<u>\$ (28,865)</u>

Revenues finished below budget projections while expenses ended the year better than expected. State revenue sources came in under budget primarily due to reduced revenue at the State level caused by the pandemic and necessitating a reduction of \$175 per pupil for all districts. The result was a reduction of over \$255,000 in the District's final 2019-2020 State Aid payment. With the Governor's order to close schools from March 16, 2020, through the end of the school year, the District was not able to expend its State and Federal grant funds as planned causing a decrease in both expenditures and State and Federal revenue sources.

Debt Retirement Fund Budgetary Highlights: The fund balance for the Debt Retirement Fund increased \$485,251. The increase is primarily due to \$391,000 of the proceeds from the 2020 School Building and Site Bonds going into the Debt Retirement Fund for payoff of bonded debt.

At this point, the fund balance in the debt account represents 11% of the 2020/21 principal and interest payments. The District will continue to monitor taxable valuations as it looks to its 2021 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 2020-21 School Aid Act which will return the per pupil foundation allowance to the fiscal year 2020 amount of \$8,111 by restoring the \$175 per pupil reduction from the end of the 2019-20 year. The District remains at the minimum foundation allowance.
- For the 2020-21 school year only, the Membership Blend is established as the new “super blend” which is 90% of the October count and 10% of the PREVIOUS February count for 2019-20 multiplied by .75 plus the 90/10 blend for 2020-21 multiplied by .25.
- Enrollment from the October 2020 count is expected to be higher than the estimated enrollment used for the 2020-21 budget. As a result, three classrooms were added over the number budgeted at the elementary level for Kindergarten, First Grade, and Third Grade, which is one classroom more than the number at the elementary level in the 2019-20 school year.
- The 2020-21 School Aid Act includes Section 11d, which provides approximately \$65 per pupil increase based on a 50/50 blend of the 2019-20 membership and 2020-21 membership as it would have been calculated in a traditional 90/10 methodology.
- A new Section 29a provides the opportunity for additional State funding to districts that would have had higher membership figures in the 2020-21 school year under the traditional 90/10 membership calculation.
- When the budget is amended, revenues are expected to increase because of the higher enrollment and Sections 11d and 29a.
- 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 adding classrooms and remodeling classrooms at Will L. Lee Elementary School and remodeling 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 adding an auxiliary gym to the High School. The District sold the first series of bonds in February 2020; the second and final series is expected to provide \$880,000 and will be sold in 2024.
- The District has made adjustments to employee medical care offerings as required by the Patient Protection and Affordable Care Act (PPACA). The District continually measures the eligibility of employees and monitors its impact on the budget.
- 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 two full-day classroom programs.
- The District voters passed a \$12.9 million bond for capital projects in 2013. The beginning of the 2015-16 school year marked the implementation of the one to one technology initiative, providing students with individual laptops in grades 3-12 and interactive classroom technology for grades K-2. Technology improvements also included projectors, classroom sound systems, and audio and recording improvements in the music and band rooms. The bonds were issued in three series, \$8.1 million in 2013, \$3.4 million in 2014, and the final series was issued in 2018 for \$990,000. The final expenditures of these bond proceeds occurred in the 2019-2020 school year.
- At the time of this report, the District has labor agreements in place for all of its union groups: administrators, teachers, secretaries, paraprofessionals, and food service workers.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Richmond Community Schools
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,781,246
Accounts receivable	39,508
Due from other governmental units	2,177,355
Investments	37,335,945
Prepaid items	25,506
Capital assets not being depreciated	676,868
Capital assets - net of accumulated depreciation	<u>22,692,331</u>
 Total assets	 <u>65,728,759</u>
 Deferred outflows of resources	
Deferred amount on the net pension liability	7,897,234
Deferred amount on the net OPEB liability	1,904,384
Deferred amount on debt refunding	<u>214,028</u>
 Total deferred outflows of resources	 <u>10,015,646</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Net Position
June 30, 2020

	Governmental Activities
Liabilities	
Accounts payable	\$ 517,860
State aid anticipation note payable	1,316,901
Due to other governmental units	219,511
Payroll deductions and withholdings	22,734
Accrued expenditures	729,066
Accrued salaries payable	938,655
Unearned revenue	208,609
Long-term liabilities	
Debt due within one year	2,392,157
Debt due in more than one year	52,264,199
Net pension liability	27,166,075
Net OPEB liability	5,882,345
	<u>91,658,112</u>
Deferred inflows of resources	
Deferred amount on the net pension liability	2,041,777
Deferred amount on the net OPEB liability	2,301,360
	<u>4,343,137</u>
Net Position	
Net investment in capital assets	6,390,435
Restricted for	
Debt service	444,647
Unrestricted (deficit)	<u>(27,091,926)</u>
	<u>\$ (20,256,844)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Activities
For the Year Ended June 30, 2020

		<u>Program Revenues</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 9,693,182	\$ 2,450	\$ 1,856,617	\$ (7,834,115)
Supporting services	7,478,831	100,512	1,162,405	(6,215,914)
Food services	661,199	226,791	419,934	(14,474)
Community services	125,056	187,236	22,391	84,571
Facilities acquisition	675,069	-	-	(675,069)
Interest and fiscal charges on long-term debt	<u>1,113,592</u>	<u>-</u>	<u>-</u>	<u>(1,113,592)</u>
Total governmental activities	<u>\$ 19,746,929</u>	<u>\$ 516,989</u>	<u>\$ 3,461,347</u>	<u>(15,768,593)</u>
General revenues				
Property taxes, levied for general purposes				2,801,788
Property taxes, levied for debt service				2,954,673
State aid - unrestricted				8,508,812
Interest and investment earnings				115,446
Proceeds from sale of capital assets				5,600
Other				183,504
Insurance recoveries				<u>54,350</u>
Total general revenues				<u>14,624,173</u>
Change in net position				(1,144,420)
Net position - beginning				<u>(19,112,424)</u>
Net position - ending				<u>\$ (20,256,844)</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Debt Funds	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,603,745	\$ 852,670	\$ 18,252	\$ 306,579	\$ 2,781,246
Accounts receivable	39,508	-	-	-	39,508
Due from other funds	198,978	-	-	-	198,978
Due from other governmental units	2,127,927	-	-	49,428	2,177,355
Investments	-	-	37,335,945	-	37,335,945
Prepaid items	25,506	-	-	-	25,506
Total assets	\$ 3,995,664	\$ 852,670	\$ 37,354,197	\$ 356,007	\$ 42,558,538
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 261,950	\$ -	\$ 254,307	\$ 1,603	\$ 517,860
State aid anticipation note payable	1,316,901	-	-	-	1,316,901
Due to other funds	-	-	99	198,879	198,978
Due to other governmental units	219,511	-	-	-	219,511
Payroll deductions and withholdings	22,734	-	-	-	22,734
Accrued expenditures	319,349	-	-	1,694	321,043
Accrued salaries payable	934,454	-	-	4,201	938,655
Unearned revenue	194,277	-	-	14,332	208,609
Total liabilities	3,269,176	-	254,406	220,709	3,744,291
Deferred inflows of resources					
Unavailable revenue	1,012	-	-	-	1,012
Fund Balance					
Non-spendable					
Prepaid items	25,506	-	-	-	25,506
Restricted for					
Food service	-	-	-	135,298	135,298
Debt service	-	852,670	-	-	852,670
Capital projects	-	-	37,099,791	-	37,099,791
Unassigned	699,970	-	-	-	699,970
Total fund balance	725,476	852,670	37,099,791	135,298	38,813,235
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,995,664	\$ 852,670	\$ 37,354,197	\$ 356,007	\$ 42,558,538

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, 2020

Total fund balances for governmental funds	\$ 38,813,235
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	1,012
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	676,868
Capital assets - net of accumulated depreciation	22,692,331
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(408,023)
Special termination benefits	(98,314)
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.	214,028
Deferred inflows of resources resulting from the net pension liability	(2,041,777)
Deferred outflow of resources resulting from the net pension liability	7,897,234
Deferred inflows of resources resulting from the net OPEB liability	(2,301,360)
Deferred outflow of resources resulting from the net OPEB liability	1,904,384
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	(27,166,075)
Net OPEB liability	(5,882,345)
Compensated absences	(265,459)
Bonds payable	<u>(54,292,583)</u>
Net position of governmental activities	<u>\$ (20,256,844)</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, 2020

	General Fund	Debt Funds	2020 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,265,180	\$ 2,971,167	\$ 105,288	\$ 212,632	\$ 6,554,267
State sources	10,715,857	-	-	20,264	10,736,121
Federal sources	834,740	-	-	399,670	1,234,410
Interdistrict sources	18,133	-	-	-	18,133
Total revenues	14,833,910	2,971,167	105,288	632,566	18,542,931
Expenditures					
Current					
Education					
Instruction	8,506,137	-	-	-	8,506,137
Supporting services	6,241,831	-	-	-	6,241,831
Food services	-	-	-	602,897	602,897
Community services	114,029	-	-	-	114,029
Facilities acquisition	-	-	675,069	-	675,069
Capital outlay	152,735	-	-	222,070	374,805
Debt service					
Principal	-	2,215,000	-	-	2,215,000
Interest and other expenditures	-	661,916	-	-	661,916
Bond issuance costs	-	-	238,697	-	238,697
Total expenditures	15,014,732	2,876,916	913,766	824,967	19,630,381
Excess (deficiency) of revenues over expenditures	(180,822)	94,251	(808,478)	(192,401)	(1,087,450)
Other Financing Sources					
Proceeds from issuance of bonds	-	391,000	31,159,000	-	31,550,000
Premium on issuance of bonds	-	-	6,749,269	-	6,749,269
Insurance recoveries	54,350	-	-	-	54,350
Proceeds from sale of capital assets	5,600	-	-	-	5,600
Total other financing sources	59,950	391,000	37,908,269	-	38,359,219
Net change in fund balance	(120,872)	485,251	37,099,791	(192,401)	37,271,769
Fund balance - beginning	846,348	367,419	-	327,699	1,541,466
Fund balance - ending	\$ 725,476	\$ 852,670	\$ 37,099,791	\$ 135,298	\$ 38,813,235

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, 2020

Net change in fund balances - Total governmental funds	\$ 37,271,769
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	(372)
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	(1,495,512)
Capital outlay	816,932
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	(2,526,394)
Net change in the deferral of resources related to the net pension liability	606,536
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	651,000
Net change in the deferral of resources related to the net OPEB liability	(210,860)
Expenses are recorded when incurred in the statement of activities.	
Interest	(298,079)
Special termination benefits	56,567
Compensated absences	(16,838)
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	(38,299,269)
Repayments of long-term debt	2,215,000
Amortization of deferred amount on refunding	(47,200)
Amortization of premiums	132,300
Change in net position of governmental activities	\$ (1,144,420)

Richmond Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 257,317	\$ 196,312
Investments	<u>60,000</u>	<u>-</u>
 Total assets	 <u><u>\$ 317,317</u></u>	 <u><u>\$ 196,312</u></u>
 Liabilities		
Due to agency fund activities	<u>-</u>	<u><u>\$ 196,312</u></u>
 Net Position		
Assets held for scholarships and loans	<u><u>\$ 317,317</u></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, 2020

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment earnings	\$ 1,176
Deductions	
Scholarships	<u>5,001</u>
Change in net position	(3,825)
Net position - beginning	<u>321,142</u>
Net position - ending	<u>\$ 317,317</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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

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

The School District reports the following major governmental funds:

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

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

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

Capital Projects Fund – The 2018 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically for projects associated with the 2018 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 Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2020, the rates are as follows per \$1,000 of assessed value.

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

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

Richmond Community Schools

Notes to the Financial Statements

June 30, 2020

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

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

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

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

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

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net

carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions 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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions 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.

Richmond Community Schools

Notes to the Financial Statements

June 30, 2020

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. Management has determined to implement the requirements of this Statement for the

fiscal year ending June 30, 2020, in accordance with the original implementation date of the statement.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction

period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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

Note 2 - Stewardship, Compliance, And Accountability

Budgetary Information

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

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

reasonable procedures are in use by the School District to detect violations.

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil transportation services	\$ 715,008	\$ 733,739	\$ 18,731
Athletic activities	453,096	453,569	473

Compliance Bond Proceeds

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

	2018 School Building and Site Bonds	
	Current Year	Total
Revenues	\$ 615	\$ 1,000,174
Expenditures	222,070	1,000,174

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Note 3 - Deposits And Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 2,781,246	\$ 453,629	\$ 3,234,875
Investments	37,335,945	60,000	37,395,945
	<u>\$ 40,117,191</u>	<u>\$ 513,629</u>	<u>\$ 40,630,820</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 3,294,275
Investments in securities, mutual funds, and similar vehicles	37,335,945
Petty cash and cash on hand	600
Total	<u>\$ 40,630,820</u>

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	<u>\$ 37,335,945</u>	< 60 days	AAAm	Standard & Poor's

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, \$ 3,056,608 of the School District's bank balance of \$ 3,556,608 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.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

The School District has the following recurring fair value measurements as of June 30, 2020:

- Amounts invested in MILAF + Portfolio of \$ 37,335,945. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,129	\$ -	\$ -	\$ 7,129
Construction in progress	-	669,739	-	669,739
Total capital assets not being depreciated	7,129	669,739	-	676,868
Capital assets being depreciated				
Buildings and additions	34,189,331	31,373	-	34,220,704
Site improvements	4,173,368	-	-	4,173,368
Equipment and furniture	823,847	24,465	-	848,312
Buses and other vehicles	1,261,475	91,355	127,444	1,225,386
Total capital assets being depreciated	40,448,021	147,193	127,444	40,467,770
Less accumulated depreciation for				
Buildings and additions	13,083,176	1,197,218	-	14,280,394
Site improvements	2,182,387	159,736	-	2,342,123
Equipment and furniture	302,525	56,296	-	358,821
Buses and other vehicles	839,283	82,262	127,444	794,101
Total accumulated depreciation	16,407,371	1,495,512	127,444	17,775,439
Net capital assets being depreciated	24,040,650	(1,348,319)	-	22,692,331
Net capital assets	\$ 24,047,779	\$ (678,580)	\$ -	\$ 23,369,199

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Depreciation expense for the fiscal year ended June 30, 2020 amounted to \$ 1,495,512. The School District allocated depreciation to the various governmental activities as follows:

Governmental activities	
Instruction	\$ 822,575
Support services	603,608
Food services	58,302
Community services	<u>11,027</u>
Total governmental activities	<u><u>\$ 1,495,512</u></u>

Note 6 - Construction Contracts

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

Project	Total Contract	Remaining	Contract
		Construction	Payable at Year
		Commitment at	End
		Year End	
Lee Bond Project	\$ 7,121,356	\$ 428,236	\$ 6,693,120
Middle School Bond Project	406,000	58,520	347,480
High School Bond Project	598,521	141,867	456,654
Buss Garage Bond Project	238,500	4,875	233,625
High School Athletic Field Bond Project	<u>1,480,769</u>	<u>36,241</u>	<u>1,444,528</u>
Total	<u><u>\$ 9,845,146</u></u>	<u><u>\$ 669,739</u></u>	<u><u>\$ 9,175,407</u></u>

Note 7 - Interfund Receivables And Payables

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Funds	\$ 198,879
General Fund	2020 Capital Projects Fund	<u>99</u>
		<u><u>\$ 198,978</u></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.

Note 8 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue consisted of \$ 193,502 in grant payments received prior to meeting all eligibility requirements, \$ 775 in advance collection for childcare dues, and \$ 14,332 of prepaid student lunch fees.

Note 9 - State Aid Anticipation Note

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 1,025,001</u>	<u>\$ 1,316,900</u>	<u>\$ 1,025,000</u>	<u>\$ 1,316,901</u>

The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Note 10 - 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.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable					
General obligation bonds	\$ 17,605,000	\$ 31,550,000	\$ 2,215,000	\$ 46,940,000	\$ 2,080,000
Premium on bonds	<u>735,614</u>	<u>6,749,269</u>	<u>132,300</u>	<u>7,352,583</u>	<u>-</u>
Total bonds payable	<u>18,340,614</u>	<u>38,299,269</u>	<u>2,347,300</u>	<u>54,292,583</u>	<u>2,080,000</u>
Other Liabilities					
Compensated absences	248,621	271,217	254,379	265,459	263,000
Special termination benefits	<u>154,881</u>	<u>-</u>	<u>56,567</u>	<u>98,314</u>	<u>49,157</u>
Total other liabilities	<u>403,502</u>	<u>271,217</u>	<u>310,946</u>	<u>363,773</u>	<u>312,157</u>
Total	<u>\$ 18,744,116</u>	<u>\$ 38,570,486</u>	<u>\$ 2,658,246</u>	<u>\$ 54,656,356</u>	<u>\$ 2,392,157</u>

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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%	\$ 31,550,000
\$ 12,300,000 Bond refunding serial bond due in annual installments of \$ 1,170,000 to \$ 1,175,000 through May 1, 2022, interest at 3.00% to 5.00%	2,340,000
\$ 4,145,000 serial bonds due in annual installments of \$ 265,000 to \$ 570,000 through May 1, 2027, interest at 3.00%	3,560,000
\$ 990,000 serial bonds due in annual installments of \$ 130,000 to \$ 310,000 through May 1, 2024, interest at 3.52%	520,000
\$ 8,125,000 serial bonds due in annual installments of \$ 1,055,000 to \$ 1,585,000 from May 2023 through May 2028 with interest payable annually beginning 2015 at 3.25% to 4.25%	8,125,000
\$ 3,360,000 serial bonds due in annual installments of \$ 410,000 to \$ 485,000 from May 2016 through May 2022, interest at 3.00% to 4.00%	<u>845,000</u>
Total general obligation bonded debt	<u><u>\$ 46,940,000</u></u>

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

	Principal	Interest	Total
Year Ending June 30,			
2021	\$ 2,080,000	\$ 2,249,847	\$ 4,329,847
2022	2,240,000	1,916,528	4,156,528
2023	2,310,000	1,824,252	4,134,252
2024	2,475,000	1,745,738	4,220,738
2025	2,685,000	1,658,262	4,343,262
2026-2030	12,810,000	6,692,812	19,502,812
2031-2035	11,755,000	3,914,500	15,669,500
2036-2039	<u>10,585,000</u>	<u>1,062,600</u>	<u>11,647,600</u>
Total	<u><u>\$ 46,940,000</u></u>	<u><u>\$ 21,064,539</u></u>	<u><u>\$ 68,004,539</u></u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 852,670 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 \$ 661,916.

Compensated Absences

Accrued compensated absences at year end, consist of \$ 265,459 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.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Special Termination Benefits

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

Year Ending June 30,	
2021	\$ 49,157
2022	<u>49,157</u>
Total	<u>\$ 98,314</u>

Note 11 - Risk Management

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

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

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

Note 12 - 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.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$ 2,179,199 for the year ending September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$ 27,166,075 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the School District's proportion was .0820 percent, which was an increase of .0001 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized pension expense of \$ 4,210,839 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total pension contribution expense of \$ 2,300,936.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

At June 30, 2020, 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	\$ 121,767	\$ (113,280)	\$ 8,487
Changes of assumptions	5,319,137	-	5,319,137
Net difference between projected and actual earnings on pension plan investments	-	(870,627)	(870,627)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	301,241	(155,516)	145,725
Total to be recognized in future	5,742,145	(1,139,423)	4,602,722
School District contributions subsequent to the measurement date	2,155,089	(902,354)	1,252,735
Total	<u>\$ 7,897,234</u>	<u>\$ (2,041,777)</u>	<u>\$ 5,855,457</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, 2021. The District will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources

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)	
2020	\$ 1,808,610
2021	1,493,967
2022	933,611
2023	<u>366,534</u>
	<u>\$ 4,602,722</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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80%
 - Pension Plus Plan: 6.80%
 - Pension Plus 2 Plan: 6.00%

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

- 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 Members: 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, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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 4.4977 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. 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 6.80% 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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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%
\$ 35,317,635	\$ 27,166,075	\$ 20,408,150

**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 CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

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

Note 13 - Post-employment Benefits Other Than Pensions (OPEB)

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 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.

Richmond Community Schools

Notes to the Financial Statements

June 30, 2020

Benefits Provided

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

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Required contributions to the OPEB plan from the School District were \$ 562,692 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$ 5,882,345 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the School District's proportion was .0820 percent, which was a decrease of .0002 from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized OPEB expense of \$ 165,537 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total OPEB contribution expense of \$ 607,802.

At June 30, 2020, 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	\$ -	\$(2,158,399)	\$(2,158,399)
Changes of assumptions	1,274,585	-	1,274,585
Net difference between projected and actual earnings on OPEB plan investments	-	(102,297)	(102,297)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>88,801</u>	<u>(40,664)</u>	<u>48,137</u>
Total to be recognized in future	1,363,386	(2,301,360)	(937,974)
School District contributions subsequent to the measurement date	<u>540,998</u>	<u>-</u>	<u>540,998</u>
Total	<u>\$ 1,904,384</u>	<u>\$(2,301,360)</u>	<u>\$ (396,976)</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, 2021.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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)	
2020	\$ (258,771)
2021	(258,771)
2022	(207,904)
2023	(136,681)
2024	(75,847)
	<u>\$ (937,974)</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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- 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 Members: 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 Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

on the results of an actuarial valuation date of September 30, 2018, 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 5.7101 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	100.0%	

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

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

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>\$ 7,215,580</u>	<u>\$ 5,882,345</u>	<u>\$ 4,762,798</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>\$ 4,715,334</u>	<u>\$ 5,882,345</u>	<u>\$ 7,215,421</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 14 - 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, 2020.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2020

Note 15 - 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, 2020, the School District's property tax revenues were not reduced under these programs. There are no significant abatements made by the School District.

Note 16 - Subsequent Event

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the

2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

REQUIRED SUPPLEMENTARY INFORMATION

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,306,916	\$ 3,279,325	\$ 3,265,180	\$ (14,145)
State sources	10,176,339	11,119,541	10,715,857	(403,684)
Federal sources	1,073,457	975,323	834,740	(140,583)
Interdistrict sources	5,606	16,255	18,133	1,878
Total revenues	14,562,318	15,390,444	14,833,910	(556,534)
Expenditures				
Instruction				
Basic programs	6,406,248	7,050,111	6,930,098	(120,013)
Added needs	1,712,735	1,780,511	1,576,039	(204,472)
Supporting services				
Pupil	1,071,512	1,107,467	1,099,511	(7,956)
Instructional staff	613,322	684,703	588,307	(96,396)
General administration	432,966	471,234	466,085	(5,149)
School administration	1,151,363	1,221,221	1,200,911	(20,310)
Business	560,383	541,573	528,708	(12,865)
Operations and maintenance	1,184,815	1,161,246	1,121,800	(39,446)
Pupil transportation services	727,500	715,008	733,739	18,731
Central	42,998	54,650	49,201	(5,449)
Athletics	452,839	453,096	453,569	473
Community services	140,137	130,041	114,029	(16,012)
Capital outlay	67,500	168,540	152,735	(15,805)
Total expenditures	14,564,318	15,539,401	15,014,732	(524,669)
Deficiency of revenues over expenditures	(2,000)	(148,957)	(180,822)	(31,865)

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources				
Insurance recoveries	-	54,350	54,350	-
Proceeds from sale of capital assets	<u>2,000</u>	<u>2,600</u>	<u>5,600</u>	<u>3,000</u>
Total other financing sources	<u>2,000</u>	<u>56,950</u>	<u>59,950</u>	<u>-</u>
Net change in fund balance	-	(92,007)	(120,872)	(28,865)
Fund balance - beginning	<u>846,348</u>	<u>846,348</u>	<u>846,348</u>	<u>-</u>
Fund balance - ending	<u>\$ 846,348</u>	<u>\$ 754,341</u>	<u>\$ 725,476</u>	<u>\$ (28,865)</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
A. School district's proportion of net pension liability (%)	0.0820%	0.0820%	0.0810%	0.0791%	0.0823%	0.0811%				
B. School district's proportionate share of the net pension liability	\$27,166,075	\$24,639,681	\$20,977,770	\$19,743,146	\$20,113,560	\$17,856,186				
C. School district's covered payroll	\$ 7,159,574	\$ 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	379.44%	352.44%	303.94%	301.10%	286.69%	250.22%				
E. Plan fiduciary net position as a percentage of total pension liability	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 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
A. Statutorily required contributions	\$ 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>2,300,936</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>				
D. School district's covered payroll	\$ 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	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
A. School district's proportion of net OPEB liability (%)	0.0820%	0.0822%	0.0807%							
B. School district's proportionate share of the net OPEB liability	\$ 5,882,345	\$ 6,533,345	\$ 7,146,481							
C. School district's covered payroll	\$ 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	82.16%	93.45%	103.54%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

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,									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A.	Statutorily required contributions	\$ 607,802	\$ 555,588	\$ 564,432							
B.	Contributions in relation to statutorily required contributions	<u>607,802</u>	<u>555,588</u>	<u>564,432</u>							
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D.	School district's covered payroll	\$ 7,560,303	\$ 7,057,767	\$ 6,873,431							
E.	Contributions as a percentage of covered payroll	8.04%	7.87%	8.21%							

OTHER SUPPLEMENTARY INFORMATION

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	2018 Capital Projects Fund	
Assets			
Cash	\$ 306,579	\$ -	\$ 306,579
Due from other governmental units	49,428	-	49,428
	<u>356,007</u>	<u>-</u>	<u>356,007</u>
Total assets	<u>\$ 356,007</u>	<u>\$ -</u>	<u>\$ 356,007</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 1,603	\$ -	\$ 1,603
Due to other funds	198,879	-	198,879
Accrued expenditures	1,694	-	1,694
Accrued salaries payable	4,201	-	4,201
Unearned revenue	14,332	-	14,332
	<u>220,709</u>	<u>-</u>	<u>220,709</u>
Total liabilities	<u>220,709</u>	<u>-</u>	<u>220,709</u>
Fund Balance			
Restricted for			
Food Service	135,298	-	135,298
	<u>135,298</u>	<u>-</u>	<u>135,298</u>
Total liabilities and fund balance	<u>\$ 356,007</u>	<u>\$ -</u>	<u>\$ 356,007</u>

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	2018 Capital Projects Fund	
Revenues			
Local sources	\$ 212,017	\$ 615	\$ 212,632
State sources	20,264	-	20,264
Federal sources	399,670	-	399,670
Total revenues	631,951	615	632,566
Expenditures			
Current			
Education			
Food services	602,897	-	602,897
Capital outlay	-	222,070	222,070
Total expenditures	602,897	222,070	824,967
Net change in fund balance	29,054	(221,455)	(192,401)
Fund balance - beginning	106,244	221,455	327,699
Fund balance - ending	\$ 135,298	\$ -	\$ 135,298

Richmond Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2020

Year Ending June 30,	2020 Series I	2010 Refunding	2013 Series A	2014 Series B	2017 Refunding	2018 Series C	Total
2021	\$ -	\$ 1,170,000	\$ -	\$ 415,000	\$ 365,000	\$ 130,000	\$ 2,080,000
2022	100,000	1,170,000	-	430,000	410,000	130,000	2,240,000
2023	590,000	-	1,055,000	-	535,000	130,000	2,310,000
2024	720,000	-	1,070,000	-	555,000	130,000	2,475,000
2025	720,000	-	1,395,000	-	570,000	-	2,685,000
2026	775,000	-	1,470,000	-	565,000	-	2,810,000
2027	785,000	-	1,550,000	-	560,000	-	2,895,000
2028	1,335,000	-	1,585,000	-	-	-	2,920,000
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	2,665,000	-	-	-	-	-	2,665,000
Total	<u>\$ 31,550,000</u>	<u>\$ 2,340,000</u>	<u>\$ 8,125,000</u>	<u>\$ 845,000</u>	<u>\$ 3,560,000</u>	<u>\$ 520,000</u>	<u>\$ 46,940,000</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%	3.00% - 5.00%	3.25% - 4.25%	3.00% - 4.00%	3.00%	3.52%	
Original issue	<u>\$ 31,550,000</u>	<u>\$ 12,300,000</u>	<u>\$ 8,125,000</u>	<u>\$ 3,360,000</u>	<u>\$ 4,145,000</u>	<u>\$ 990,000</u>	