

Richmond Community Schools

Financial Statements

June 30, 2016

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Richmond Community Schools
Members of the Board of Education and Administration
June 30, 2016

Members of the Board of Education

Margaret Teltow	President
Dan Hill	Vice President
Jeffrey Theut	Treasurer
Kyle Simmons	Trustee
Sarah Gillies	Trustee
Traci Bartell	Trustee
Kristine Furtaw	Trustee

Administration

Brian Walmsley	Superintendent
Vicki Laseke	Business Manager

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, respectively. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

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

Other Information

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

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

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Richmond Community Schools' basic financial statements as of and for the year ended June 30, 2015, which are not presented with the accompanying basic financial statements. In our report dated October 23, 2015, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Richmond Community Schools' basic financial statements as a whole. The 2015 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of Richmond Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richmond Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
October 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion & Analysis

Richmond Community Schools, a K-12 school district located in Macomb and St. Clair Counties, Michigan, is subject to the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34), and has fulfilled those provisions with the enclosed financial statements. This section of the annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

Overview of the Financial Statements

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

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

Fund financial statements comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant fund(s). The Richmond Community School's other funds for the 2015-2016 fiscal year consist of is: Food Service Fund, Capital Projects and Debt Funds.

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

Financial Analysis of District-Wide Financial Statements

The District's combined net position decreased by \$765,593 to \$(13,305,948) from (\$12,540,255). The reason for the decrease in net position is primarily a result of a decrease in current assets due to the District's use of Capital Projects funds to implement the technology initiative, which is not capitalized according to District policy. Also impacting the net position in fiscal year 2016 and 2015 was the adoption of GASB 68 and 71, which added the pension liability to government activities.

Summary of Net Position

	June 30, 2016	June 30, 2015
Assets:		
Current Assets	\$ 5,947,244	\$ 8,181,131
Capital Assets	39,364,615	38,770,574
Less: Accumulated depreciation	<u>(12,427,690)</u>	<u>(11,718,154)</u>
Capital Assets, net book value	<u>26,936,925</u>	<u>27,052,420</u>
Deferred Outflows of Resources:		
Deferred outflows of resources	<u>2,446,629</u>	<u>2,048,330</u>
Total Assets and Deferred Outflows	<u>\$ 35,330,798</u>	<u>\$ 37,281,881</u>
Liabilities:		
Current Liabilities	\$ 3,951,474	\$ 4,195,377
Long-Term Liabilities	<u>44,098,949</u>	<u>43,652,669</u>
Total Liabilities	48,050,423	47,848,046
Deferred Inflows of Resources:		
Deferred amount on net pension liability	<u>\$ 586,323</u>	<u>\$ 1,974,000</u>
Total Liabilities and Deferred Inflows	<u>\$ 48,636,746</u>	<u>\$ 49,822,136</u>
Net Position:		
Net investment in capital assets	4,267,415	4,468,825
Restricted net position	154,352	218,111
Unrestricted net position	<u>(17,727,715)</u>	<u>(17,227,191)</u>
Total Net Position	<u>(13,305,948)</u>	<u>(12,540,255)</u>
Total Liabilities and Net Position	<u>\$ 35,330,798</u>	<u>\$ 37,281,881</u>

Results of District Operations:

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

	June 30, 2016	June 30, 2015
Revenues:		
Governmental:		
General:		
Property taxes for operations	\$ 2,728,286	\$ 2,318,190
Property taxes for debt service	2,681,805	2,633,639
Unrestricted state aid	7,951,612	8,654,674
Insurance recoveries	-	154,312
Other general revenues	112,015	92,527
Total general	<u>13,473,718</u>	<u>13,853,342</u>
Operating Grants:		
Federal	1,272,205	1,006,268
State of Michigan & Other	1,531,388	1,417,275
Total operating grants	<u>2,803,593</u>	<u>2,423,543</u>
<i>Total governmental revenues</i>	<u>16,277,311</u>	<u>16,276,885</u>
Charges for services		
Food service	238,031	212,251
Community services	134,785	155,416
Others	116,819	102,767
<i>Total charges for services</i>	<u>489,635</u>	<u>470,434</u>
Total Revenues	<u>\$ 16,766,946</u>	<u>\$ 16,747,319</u>
Expenses:		
Instruction and instructional support	\$ 10,542,843	\$ 8,323,226
Support services	5,542,987	5,540,206
Food service	427,924	481,003
Community services	104,115	59,671
Interest on long-term debt	914,770	1,114,412
Loss on sale of capital assets	-	47,868
Total Expenses	<u>\$ 17,532,639</u>	<u>\$ 15,566,386</u>
Increase (Decrease) in Net Position	\$ (765,693)	\$ 1,180,933
Beginning Net Position, as restated	(12,540,255)	(13,721,188)
Ending Net Assets	<u>\$ (13,305,948)</u>	<u>\$ (12,540,255)</u>

Adoption of New Accounting Standards

The District adopted several new accounting principles with GASB Statements No. 72, 76, 79, and 82. The most noteworthy of these is GASB 82, which amends GASB Statements No. 67, 68, and 73 and mainly affects the District's reporting of its proportionate share of the net pension liability and related deferred inflows and outflows of resources related to that amount. Please refer to the related notes to the financial statements for further detail.

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 2015-16 fiscal year, the combined governmental fund balances was \$ 2.1 million, a decrease of approximately \$2.0 million from the prior year, due to the capital project expenditures with bond funds from Series 1 and Series 2. Approximately \$1,024,511 of the \$ 2.1 million represents the District's General Fund balance. The District's Debt Retirement, Capital Projects and Non Major Governmental fund balances are approximately \$231,878, \$501,675 and \$315,232, respectively. Greater detail about the performance of the District funds is provided on the following page.

Governmental Activities: The District's total revenues increased approximately \$173,939, increases in General Fund revenue make up the majority of the increase due to small increases in all categories of revenue, local, state, federal, and inter district sources. The other revenue categories saw revenue increases/decrease that were also considered relatively minor.

The District's total expenditures decreased \$5.6 million this is mainly due to the completion of many of the Capital Projects funded by the 2013 & 2014 bond issues as the final funds were appropriated for the technology phase of the projects. Relatively minor increases/decreases in the non-major fund expenditure categories account for the remaining differences.

General Fund Budgetary Highlights: The District amended its budget twice during the 2015/2016 fiscal year. Over the course of the year, the School District revises its budget as it attempts to adjust with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The original budget was presented in June prior to the start of the fiscal year, an amended budget was presented in February 2016, and then a final amended budget was presented the following June just prior to the fiscal year ending.

A comparison of the District's original budget in June 2015 is compared to the District final amended budget in June 2016 for the general fund.

	Final Budget June 2016	Original Budget June 2015	Variance
Total Revenues	\$ 13,880,928	\$ 13,034,541	\$ 846,387
Expenses:			
Salaries	6,896,323	6,744,657	151,666
Benefits	4,354,511	4,225,871	128,640
Purchased Services	1,941,651	1,525,132	416,519
Supplies	669,145	595,414	73,731
Capital Outlay and Others	255,186	260,939	(5,753)
Total Expenses	14,116,816	13,352,013	764,803
Change in Fund Balance	\$ (235,888)	\$ (317,472)	\$ 81,584

From June 2015 to June 2016, the General Fund-fund balance was projected to improve. Budgeted revenue increased from the original budget approved in June 2015 to June 2016 by \$846,386, increases in funding due to more students attending than originally budgeted. Budgeted expenses fluctuated throughout the year as operational needs changed and more current information became available.

The final budget from June 2016 is also compared to the District's 2015-2016 actual financial results below.

	<u>Final Actual June 2016</u>	<u>Final Budget June 2015</u>	<u>Variance Fav/(Unfav)</u>
Total Revenues	\$ 13,619,955	\$ 13,880,928	\$ (260,973)
Expenses:			
Salaries	6,791,394	6,896,323	104,929
Benefits	4,288,818	4,354,511	65,693
Purchased Services	1,813,799	1,941,651	127,852
Supplies	520,742	669,145	148,403
Capital Outlay and Others	244,410	255,186	10,776
Total Expenses	<u>13,659,163</u>	<u>14,116,816</u>	<u>457,653</u>
Change in Fund Balance	<u><u>\$ (39,208)</u></u>	<u><u>\$ (235,888)</u></u>	<u><u>\$ 196,680</u></u>

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

Debt Retirement Fund Budgetary Highlights: The fund balance for the debt retirement fund decreased by \$12,642. At this point the fund balance in the debt account represents 12% of the 2016/17 principal and interest payments. The District will continue to monitor taxable valuations as it looks to its 2016 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 2016-17 School Aid Act which will provide a \$120 per pupil increase in the Foundation Grant for districts at the minimum Foundation Allowance of \$7,391 to \$7,511 in an effort to reduce the gap in funding between the districts receiving the minimum Foundation Allowance and those receiving the maximum Foundation Allowance for the 2016-17 fiscal year.
- The Membership Blend is 90% of the October count and 10% of the PREVIOUS February count, which is consistent with the 2015-16 blend formula.
- The District has made adjustments to employee medical care offerings as required by the Patient Protection and Affordable Care Act (PPACA). The District continually measures the eligibility of employees and monitors its impact on the budget.
- Legislation that has passed that may have long term impact the State's ability to provide adequate school funding includes the funding of roads and the resolution of the Detroit Public Schools financial situation, as well as the continued shifting of the State's School Aid Funds to higher education institutions.
- Early Warning Legislation had been implemented in the 2016-17 school year in which the Department of Treasury determines whether the potential exists in each district for fiscal stress, requiring additional oversight and reporting to the State. Richmond Community Schools does not anticipate being identified as such and the Board of Education is aware of the legislation and its implications.
- The District continues to support its Early Childhood Programs for three and four year olds, including Great Start Readiness Program with a full day and half day program.
- The District voters passed a \$12.9 million bond for capital projects in 2013. The beginning of the 2015-16 school year marked the implementation of the one to one technology initiative, providing students with individual laptops in grades 3-12 and interactive classroom technology for grades K-2. Technology improvement also included projectors, classroom sound systems, and audio and recording improvements in the music and band rooms. The bonds were issued in three series, \$8.1 million in 2013, \$3.4 million in 2014, and the final series will be issued in 2018 for \$1.4 million.
- At the time of this report, the District has labor agreements in negotiations with its teachers, their contract expired in August, 2016. All other labor agreements are in place for the administrators, paraprofessionals, bus drivers and food service workers. The District has dissolved agreements with third party vendors for bus drivers and food service workers and has hired them direct.

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, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 3,710,311
Accounts receivable	52,661
Due from other governmental units	2,107,630
Due from trust and agency funds	60,757
Prepaid items	15,885
Capital assets not being depreciated	7,129
Capital assets - net of accumulated depreciation	<u>26,929,796</u>
 Total assets	 <u>32,884,169</u>
Deferred outflows of resources	
Deferred amount on the net pension liability	2,274,606
Deferred amount on debt refunding	<u>172,023</u>
 Total deferred outflows of resources	 <u>2,446,629</u>
 Total assets and deferred outflows of resources	 <u>35,330,798</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities	
Accounts payable	\$ 516,179
State aid anticipation note payable	1,823,506
Due to other governmental units	143,635
Payroll deductions and withholdings	27,481
Accrued expenditures	390,860
Accrued salaries payable	956,936
Unearned revenue	92,877
Noncurrent liabilities	
Net pension liability	20,113,560
Debt due within one year	1,967,410
Debt due in more than one year	22,017,979
Total liabilities	48,050,423
Deferred inflows of resources	
Deferred amount on the net pension liability	586,323
Total liabilities and deferred inflows of resources	48,636,746
Net Position	
Net investment in capital assets	4,267,415
Restricted for	
Debt service	154,352
Unrestricted (deficit)	(17,727,715)
Total net position	\$ (13,305,948)

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues		Net (Expense)	
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 10,542,843	\$ 3,000	\$ 2,391,701	\$ (8,148,142)
Supporting services	5,542,987	113,819	108,873	(5,320,295)
Food services	427,924	238,031	233,657	43,764
Community services	104,115	134,785	69,362	100,032
Interest and fiscal charges on long-term debt	914,770	-	-	(914,770)
Total governmental activities	\$ 17,532,639	\$ 489,635	\$ 2,803,593	(14,239,411)
General revenues				
			2,728,286	
			2,681,805	
			7,951,612	
			5,978	
			106,037	
		Total general revenues	13,473,718	
		Change in net position	(765,693)	
		Net position - beginning	(12,540,255)	
		Net position - ending	\$ (13,305,948)	

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Debt Funds	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 2,461,542	\$ 238,494	\$ 688,805	\$ 321,470	\$ 3,710,311
Accounts receivable	49,082	-	1,375	2,204	52,661
Due from other funds	14,626	-	-	19,629	34,255
Due from other governmental units	2,102,536	-	-	5,094	2,107,630
Due from agency fund activities	52,610	-	-	8,147	60,757
Prepaid items	15,885	-	-	-	15,885
Total assets	<u>\$ 4,696,281</u>	<u>\$ 238,494</u>	<u>\$ 690,180</u>	<u>\$ 356,544</u>	<u>\$ 5,981,499</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 315,881	\$ -	\$ 178,908	\$ 21,390	\$ 516,179
State aid anticipation note payable	1,823,506	-	-	-	1,823,506
Due to other funds	10,032	6,616	9,597	8,010	34,255
Due to other governmental units	143,635	-	-	-	143,635
Payroll deductions and withholdings	27,481	-	-	-	27,481
Accrued expenditures	309,213	-	-	4,121	313,334
Accrued salaries payable	955,876	-	-	1,060	956,936
Unearned revenue	86,146	-	-	6,731	92,877
Total liabilities	<u>3,671,770</u>	<u>6,616</u>	<u>188,505</u>	<u>41,312</u>	<u>3,908,203</u>
Fund Balance					
Non-spendable					
Prepaid items	15,885	-	-	-	15,885
Restricted for					
Food service	-	-	-	120,383	120,383
Debt service	-	231,878	-	-	231,878
Capital projects	-	-	501,675	194,849	696,524
Assigned for					
2016-17 budgeted use of fund balance	162,052	-	-	-	162,052
Unassigned	<u>846,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>846,574</u>
Total fund balance	<u>1,024,511</u>	<u>231,878</u>	<u>501,675</u>	<u>315,232</u>	<u>2,073,296</u>
Total liabilities and fund balance	<u>\$ 4,696,281</u>	<u>\$ 238,494</u>	<u>\$ 690,180</u>	<u>\$ 356,544</u>	<u>\$ 5,981,499</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances for governmental funds	\$ 2,073,296
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	7,129
Capital assets - net of accumulated depreciation	26,929,796
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(77,526)
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.	
Deferred inflows of resources resulting from the net pension liability	172,023
Deferred outflow of resources resulting from the net pension liability	(586,323)
	2,274,606
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(20,113,560)
Compensated absences	(297,692)
Bonds payable	(23,538,057)
Other loans payable and liabilities	<u>(149,640)</u>
Net position of governmental activities	<u>\$ (13,305,948)</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, 2016

	General Fund	Debt Funds	2014 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,083,997	\$ 2,686,629	\$ 1,501	\$ 217,324	\$ 5,989,451
State sources	9,646,865	-	-	30,111	9,676,976
Federal sources	865,113	-	-	203,546	1,068,659
Interdistrict sources	23,980	-	-	7,880	31,860
	<u>13,619,955</u>	<u>2,686,629</u>	<u>1,501</u>	<u>458,861</u>	<u>16,766,946</u>
Expenditures					
Current					
Education					
Instruction	8,307,015	-	-	-	8,307,015
Supporting services	5,091,303	-	-	-	5,091,303
Food services	-	-	-	405,442	405,442
Community services	98,645	-	-	-	98,645
Capital outlay	9,050	-	1,566,707	442,513	2,018,270
Debt service					
Principal	135,000	1,705,000	-	-	1,840,000
Interest and other expenditures	18,150	994,271	-	-	1,012,421
	<u>13,659,163</u>	<u>2,699,271</u>	<u>1,566,707</u>	<u>847,955</u>	<u>18,773,096</u>
Deficiency of revenues over expenditures	<u>(39,208)</u>	<u>(12,642)</u>	<u>(1,565,206)</u>	<u>(389,094)</u>	<u>(2,006,150)</u>
Fund balance - beginning	<u>1,063,719</u>	<u>244,520</u>	<u>2,066,881</u>	<u>704,326</u>	<u>4,079,446</u>
Fund balance - ending	<u>\$ 1,024,511</u>	<u>\$ 231,878</u>	<u>\$ 501,675</u>	<u>\$ 315,232</u>	<u>\$ 2,073,296</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - Total governmental funds	\$ (2,006,150)
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(770,900)
Capital outlay	655,405
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	(2,257,374)
Net change in the deferral of resources related to the net pension liability	2,078,448
Net change between the current year and prior year deferral of resources related to contributions made subsequent to the measurement date	(266,782)
Expenses are recorded when incurred in the statement of activities.	
Interest	16,166
Special termination benefits	(143,908)
Compensated absences	7,917
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing sources or expenditures in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	1,840,000
Amortization of deferred amount on refunding	(25,600)
Amortization of premiums	108,300
Amortization of bond discount	(1,215)
Change in net position of governmental activities	\$ (765,693)

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 274,583	\$ 245,796
Investments	<u>60,000</u>	<u>-</u>
Total assets	<u>\$ 334,583</u>	<u>\$ 245,796</u>
Liabilities		
Due to other funds	\$ 9,000	\$ 51,757
Due to agency fund activities	<u>-</u>	<u>194,039</u>
Total liabilities	<u>9,000</u>	<u>\$ 245,796</u>
Net Position		
Assets held for scholarships and loans	<u>\$ 325,583</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, 2016

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment earnings	\$ <u>1,194</u>
Deductions	
Scholarships	<u>9,000</u>
Change in net position	(7,806)
Net position - beginning	<u>333,389</u>
Net position - ending	<u>\$ 325,583</u>

See Accompanying Notes to the Financial Statements

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocated indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

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

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

The School District reports the following major governmental funds:

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

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

2014 Capital Project Funds - Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. These funds are kept open until the purpose for which the funds were created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

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

Capital Projects Fund – The 2013 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs associated with the 2013 bond issue. This fund is kept open until the purpose for which the fund was created has been accomplished.

Assets, Liabilities and Equity

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, 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	 5.56000

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

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

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$ 5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset

lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

termination, some categories of employees are paid, on a pro-rated basis, for unused vacation earned during the year of termination.

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

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

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the

plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

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

reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value.

GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting

government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

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

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
School administration	\$ 880,197	\$ 963,815	\$ 83,618
Business	418,200	420,827	2,627

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

	2013 School Building and Site Bonds	
	Current Year	Total
Revenues	\$ 319	\$ 8,377,467
Expenditures	442,513	8,182,618

	2014 School Building and Site Bonds	
	Current Year	Total
Revenues	\$ 1,501	\$ 3,600,524
Expenditures	1,566,707	3,098,849

District-Wide Deficits

The School District has an unrestricted net position deficit for district-wide activities in the amount of \$ 17,727,715 as of June 30, 2016. There are no governmental funds with a deficit.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

Note 3 - Deposits And Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 3,710,311	\$ 520,379	\$ 4,230,690
Investments	-	60,000	60,000
	\$ 3,710,311	\$ 580,379	\$ 4,290,690

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 4,289,940
Petty cash and cash on hand	750
Total	\$ 4,290,690

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$ 3,846,582 of the School District's bank balance of \$ 4,346,582 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

Note 4 - Capital Assets

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

	Beginning		Decreases	Ending	
	Balance	Increases		Balance	Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 7,129	\$ -	\$ -	\$ 7,129	
Construction in progress	9,334,913	-	9,334,913	-	
Total capital assets not being depreciated	9,342,042	-	9,334,913	7,129	
Capital assets being depreciated					
Buildings and additions	23,575,916	9,948,567	-	33,524,483	
Site improvements	4,173,368	-	-	4,173,368	
Equipment and furniture	422,840	41,751	-	464,591	
Buses and other vehicles	1,256,408	-	61,364	1,195,044	
Total capital assets being depreciated	29,428,532	9,990,318	61,364	39,357,486	
Less accumulated depreciation for					
Buildings and additions	9,158,719	497,739	-	9,656,458	
Site improvements	1,579,720	141,598	-	1,721,318	
Equipment and furniture	143,315	37,451	-	180,766	
Buses and other vehicles	836,400	94,112	61,364	869,148	
Total accumulated depreciation	11,718,154	770,900	61,364	12,427,690	
Net capital assets being depreciated	17,710,378	9,219,418	-	26,929,796	
Net capital assets	\$ 27,052,420	\$ 9,219,418	\$ 9,334,913	\$ 26,936,925	

Depreciation expense for the fiscal year ended June 30, 2016 amounted to \$ 770,900. The School District allocated depreciation to the various governmental activities as follows:

Governmental activities	
Instruction	\$ 460,631
Support services	282,317
Food services	22,482
Community services	5,470
Total governmental activities	\$ 770,900

Note 5 - Interfund Receivable And Payable And Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
2014 Capital Projects	2013 Capital Projects	\$ 9,597
Debt Funds	General Fund	6,616
2013 Capital Projects	General Fund	8,010
General Fund	Food Service Fund	7,791
General Fund	2013 Capital Projects	2,241
	Total governmental funds	\$ 34,255

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

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

There were no interfund transfers made during the year.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue consisted of \$ 92,877 in grant payments received prior to meeting all eligibility requirements.

Note 7 - State Aid Anticipation Note

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 1,800,000	\$ 1,823,506	\$ 1,800,000	\$ 1,823,506

Note 8 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 23,990,000	\$ -	\$ 1,705,000	\$ 22,285,000	\$ 1,775,000
Unamortized bond discount	(3,915)	-	(1,215)	(2,700)	-
Energy conservation improvement bonds	435,000	-	135,000	300,000	145,000
Compensated absences	305,609	-	7,917	297,692	-
Premium on bonds	1,064,057	-	108,300	955,757	-
Special termination benefits	5,732	157,050	13,142	149,640	47,410
Total	<u>\$ 25,796,483</u>	<u>\$ 157,050</u>	<u>\$ 1,968,144</u>	<u>\$ 23,985,389</u>	<u>\$ 1,967,410</u>

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

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

\$ 12,300,000 Bond refunding serial bond due in annual installments of \$ 1,070,000 to \$ 1,175,000 through May 1, 2022, interest at 3.00% to 5.00%	\$ 6,880,000
\$ 6,575,000 serial bonds due in annual installments of \$ 250,000 to \$ 575,000 through May 1, 2027, interest at 3.50% to 4.125%	4,600,000
\$ 8,125,000 serial bonds due in annual installments of \$ 1,055,000 to \$ 1,585,000 from May 2023 through May 2028 with interest payable annually beginning 2015 at 3.25% to 4.25%	8,125,000
\$ 3,360,000 serial bonds due in annual installments of \$ 410,000 to \$ 485,000 from May 2016 through May 2022, interest at 3.00% to 4.00%	<u>2,680,000</u>
Total general obligation bonded debt	<u>\$ 22,285,000</u>

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,775,000	\$ 918,313	\$ 2,693,313
2018	1,855,000	842,413	2,697,413
2019	1,910,000	757,637	2,667,637
2020	1,885,000	669,488	2,554,488
2021	1,935,000	594,088	2,529,088
2022-2026	9,215,000	1,865,262	11,080,262
2027-2028	3,710,000	155,019	3,865,019
Total	<u>\$ 22,285,000</u>	<u>\$ 5,802,220</u>	<u>\$ 28,087,220</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 231,878 to pay this debt. Future debt and interest will be payable from future tax levies.

Energy Conservation Improvement Bonds

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

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 145,000	\$ 12,000	\$ 157,000
2018	155,000	6,200	161,200
Total	<u>\$ 300,000</u>	<u>\$ 18,200</u>	<u>\$ 318,200</u>

Interest expenditures for all debt obligations for the fiscal year in the General Fund and Debt Service Funds were \$ 17,400 and \$ 991,213, respectively.

Compensated Absences

Accrued compensated absences at year end, consist of \$ 14,971 of vacation time earned and vested and \$ 282,721 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Special Termination Benefits

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

Year Ending June 30,	
2017	\$ 47,410
2018	47,410
2019	47,410
2020	<u>7,410</u>
Total	<u>\$ 149,640</u>

Defeased Debt

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

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

2010 Issue refunded	<u>\$ 13,120,000</u>
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Deferred amount on debt refunding

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

Note 9 - Risk Management

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

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

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

Note 10 - Pension Plans and Post-Employment Benefits

Organization

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions and Funding Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the School District were \$ 1,588,603 for the year ending September 30, 2015.

Net Pension Liability

June 30, 2016, the School District reported a liability of \$ 20,113,560 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was .0823 percent, which was an increase of .0013 percent since the prior measurement date.

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$ 1,762,441. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$ 1,305,000, \$ 1,501,000, and \$ 1,225,000, respectively.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	(Deferred Inflows of Resources)
Difference between expected and actual experience	\$ -	\$ (66,622)
Changes in assumptions	495,238	-
Net difference between projected and actual earnings on pension plan investments	102,663	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	238,765	(6,831)
Employer contributions subsequent to the measurement date	<u>1,437,940</u>	<u>(512,870)</u>
	<u>\$ 2,274,606</u>	<u>\$ (586,323)</u>

\$ 1,437,940 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, 2017. \$ 512,870 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c

revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2016	\$ 118,855
2017	118,855
2018	92,005
2019	<u>433,498</u>
Total	<u>\$ 763,213</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, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

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

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

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

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

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
<u>\$ 25,931,515</u>	<u>\$ 20,113,560</u>	<u>\$ 15,208,769</u>

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

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

Post-Employment Benefits

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

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

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

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$ 381,000 \$ 251,000, and \$ 480,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$ 789,638 to the MPSERS. This

Richmond Community Schools
Notes to the Financial Statements
June 30, 2016

amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2016.

The School District is a defendant in a lawsuit. In the opinion of management and the School District's attorneys, both the outcome and possible exposure to the District are not presently determinable for all cases. A portion of any potential liability would be covered by insurance; however, the possibility of a liability to the School District does exist. As of the date the financial statements were available to be issued, the full amount of compensation one plaintiff is seeking is unknown. However, the potential liability to the School District could exceed \$ 100,000.

REQUIRED SUPPLEMENTARY INFORMATION

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 3,095,174	\$ 3,032,903	\$ 3,083,997	\$ 51,094
State sources	9,132,769	9,752,857	9,646,865	(105,992)
Federal sources	803,989	1,071,280	865,113	(206,167)
Interdistrict sources	-	21,279	23,980	2,701
	<u>13,031,932</u>	<u>13,878,319</u>	<u>13,619,955</u>	<u>(258,364)</u>
Expenditures				
Instruction				
Basic programs	6,860,154	7,238,507	7,067,314	(171,193)
Added needs	1,219,754	1,348,271	1,239,701	(108,570)
Supporting services				
Pupil	1,052,087	1,050,582	1,036,743	(13,839)
Instructional staff	591,376	661,096	562,615	(98,481)
General administration	354,083	361,391	360,864	(527)
School administration	915,442	880,197	963,815	83,618
Business	414,966	418,200	420,827	2,627
Operations and maintenance	901,500	972,718	961,681	(11,037)
Pupil transportation services	486,516	531,702	519,278	(12,424)
Central	56,494	33,902	22,412	(11,490)
Athletics	235,178	308,419	243,068	(65,351)
Community services	106,223	148,591	98,645	(49,946)
Capital outlay	5,090	10,090	9,050	(1,040)
Debt service				
Principal	135,000	135,000	135,000	-
Interest and fiscal charges	18,150	18,150	18,150	-
	<u>13,352,013</u>	<u>14,116,816</u>	<u>13,659,163</u>	<u>(457,653)</u>
Excess (deficiency) of revenues over expenditures	<u>(320,081)</u>	<u>(238,497)</u>	<u>(39,208)</u>	<u>199,289</u>

Richmond Community Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources				
Transfers in	2,609	2,609	-	(2,609)
Net change in fund balance	(317,472)	(235,888)	(39,208)	196,680
Fund balance - beginning	1,063,719	1,063,719	1,063,719	-
Fund balance - ending	<u>\$ 746,247</u>	<u>\$ 827,831</u>	<u>\$ 1,024,511</u>	<u>\$ 196,680</u>

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

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. School district's proportion of net pension liability (%)	0.08%	0.08%								
B. School district's proportionate share of the net pension liability	\$ 20,113,560	\$ 17,856,186								
C. School district's covered-employee payroll	\$ 7,015,729	\$ 7,136,201								
D. School district's proportionate share of the net pension liability as a percentage of its covered- employee payroll	286.69%	250.22%								
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

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

	For the Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Statutorily required contributions	\$ 1,304,704	\$ 1,500,854								
B. Contributions in relation to statutorily required contributions	<u>1,304,704</u>	<u>1,500,854</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. School district's covered- employee payroll	6,616,340	7,126,285								
E. Contributions as a percentage of covered-employee payroll	19.72%	21.06%								

Notes:

Benefit changes - There were no changes of benefit terms in 2015-16.

Changes in assumptions - There were no changes of benefit assumptions in 2015-16.

OTHER SUPPLEMENTARY INFORMATION

Richmond Community Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	2013 Capital Projects Fund	
Assets			
Cash	\$ 114,059	\$ 207,411	\$ 321,470
Accounts receivable	2,204	-	2,204
Due from other funds	7,791	11,838	19,629
Due from other governmental units	5,094	-	5,094
Due from agency fund activities	3,147	5,000	8,147
	<u>132,295</u>	<u>224,249</u>	<u>356,544</u>
Total assets	<u>\$ 132,295</u>	<u>\$ 224,249</u>	<u>\$ 356,544</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ 21,390	\$ 21,390
Due to other funds	-	8,010	8,010
Accrued expenditures	4,121	-	4,121
Accrued salaries payable	1,060	-	1,060
Unearned revenue	6,731	-	6,731
	<u>11,912</u>	<u>29,400</u>	<u>41,312</u>
Total liabilities	<u>11,912</u>	<u>29,400</u>	<u>41,312</u>
Fund Balance			
Restricted for			
Food Service	120,383	-	120,383
Capital Projects	-	194,849	194,849
	<u>120,383</u>	<u>194,849</u>	<u>315,232</u>
Total fund balance	<u>120,383</u>	<u>194,849</u>	<u>315,232</u>
Total liabilities and fund balance	<u>\$ 132,295</u>	<u>\$ 224,249</u>	<u>\$ 356,544</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, 2016

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>2013 Capital Projects Fund</u>	
Revenues			
Local sources	\$ 217,005	\$ 319	\$ 217,324
State sources	30,111	-	30,111
Federal sources	203,546	-	203,546
Interdistrict sources	<u>7,880</u>	<u>-</u>	<u>7,880</u>
Total revenues	<u>458,542</u>	<u>319</u>	<u>458,861</u>
Expenditures			
Current			
Education			
Food services	405,442	-	405,442
Capital outlay	<u>-</u>	<u>442,513</u>	<u>442,513</u>
Total expenditures	<u>405,442</u>	<u>442,513</u>	<u>847,955</u>
Excess (deficiency) of revenues over expenditures	53,100	(442,194)	(389,094)
Fund balance - beginning	<u>67,283</u>	<u>637,043</u>	<u>704,326</u>
Fund balance - ending	<u>\$ 120,383</u>	<u>\$ 194,849</u>	<u>\$ 315,232</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2016

	2016	2015
Assets		
Cash	\$ 2,461,542	\$ 2,082,671
Accounts receivable	49,082	12,799
Due from other funds	14,626	430,563
Due from other governmental units	2,102,536	2,132,818
Due from agency fund activities	52,610	22,319
Prepaid items	15,885	13,429
	<u> </u>	<u> </u>
Total assets	<u>\$ 4,696,281</u>	<u>\$ 4,694,599</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 315,881	\$ 390,481
State aid anticipation note payable	1,823,506	1,800,000
Due to other funds	10,032	2,241
Due to other governmental units	143,635	162,172
Payroll deductions and withholdings	27,481	87,088
Accrued expenditures	309,213	321,664
Accrued salaries payable	955,876	820,793
Unearned revenue	86,146	46,441
	<u> </u>	<u> </u>
Total liabilities	<u>3,671,770</u>	<u>3,630,880</u>
Fund Balance		
Non-spendable		
Prepaid items	15,885	13,429
Assigned for		
Budgeted use of fund balance in subsequent fiscal year	162,052	317,472
Unassigned	<u>846,574</u>	<u>732,818</u>
	<u> </u>	<u> </u>
Total fund balance	<u>1,024,511</u>	<u>1,063,719</u>
	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 4,696,281</u>	<u>\$ 4,694,599</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 2,788,647	\$ 2,717,923	\$ 2,729,621	\$ 11,698
Tuition	-	3,000	3,000	-
Transportation fees	15,000	18,620	18,968	348
Student activities	110,738	100,000	113,819	13,819
Community service activities	119,932	133,643	134,785	1,142
Other local revenues	60,857	59,717	83,804	24,087
	<u>3,095,174</u>	<u>3,032,903</u>	<u>3,083,997</u>	<u>51,094</u>
Total revenues from local sources				
Revenues from state sources				
Grants - unrestricted	7,579,592	7,968,744	7,951,612	(17,132)
Grants - restricted	1,553,177	1,784,113	1,695,253	(88,860)
	<u>9,132,769</u>	<u>9,752,857</u>	<u>9,646,865</u>	<u>(105,992)</u>
Total revenues from state sources				
Revenues from federal sources				
Grants	803,989	1,071,280	865,113	(206,167)
Interdistrict sources				
Other	-	21,279	23,980	2,701
Other financing sources				
Transfers in	2,609	2,609	-	(2,609)
	<u>13,034,541</u>	<u>13,880,928</u>	<u>13,619,955</u>	<u>(260,973)</u>
Total revenue and other financing sources				

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,317,893	\$ 1,360,469	\$ 1,347,108	\$ (13,361)
Employee benefits	856,272	900,836	877,397	(23,439)
Purchased services	29,931	66,901	60,495	(6,406)
Supplies and materials	28,835	24,000	22,655	(1,345)
Total elementary	<u>2,232,931</u>	<u>2,352,206</u>	<u>2,307,655</u>	<u>(44,551)</u>
Basic program - middle school				
Salaries	1,184,955	1,216,130	1,176,481	(39,649)
Employee benefits	787,249	831,295	793,213	(38,082)
Purchased services	21,750	47,609	48,334	725
Supplies and materials	22,425	12,000	10,168	(1,832)
Total middle school	<u>2,016,379</u>	<u>2,107,034</u>	<u>2,028,196</u>	<u>(78,838)</u>
Basic program - high school				
Salaries	1,356,390	1,403,781	1,393,718	(10,063)
Employee benefits	914,085	955,809	953,666	(2,143)
Purchased services	129,500	161,018	155,461	(5,557)
Supplies and materials	35,700	24,625	21,682	(2,943)
Other	7,800	2,500	2,500	-
Total high school	<u>2,443,475</u>	<u>2,547,733</u>	<u>2,527,027</u>	<u>(20,706)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school				
Salaries	89,495	107,284	108,565	1,281
Employee benefits	43,927	49,296	51,305	2,009
Purchased services	2,500	21,800	4,652	(17,148)
Supplies and materials	23,468	42,850	29,508	(13,342)
Other	100	-	100	100
	<u>159,490</u>	<u>221,230</u>	<u>194,130</u>	<u>(27,100)</u>
Basic program - summer school				
Salaries	2,000	2,000	2,000	-
Employee benefits	879	816	818	2
Purchased services	5,000	7,488	7,488	-
	<u>7,879</u>	<u>10,304</u>	<u>10,306</u>	<u>2</u>
Added needs - special education				
Salaries	476,227	462,065	454,036	(8,029)
Employee benefits	268,499	281,442	285,321	3,879
Purchased services	14,757	17,878	14,740	(3,138)
Supplies and materials	2,640	1,500	936	(564)
	<u>762,123</u>	<u>762,885</u>	<u>755,033</u>	<u>(7,852)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - compensatory education				
Salaries	158,090	190,542	175,803	(14,739)
Employee benefits	103,850	106,385	100,459	(5,926)
Purchased services	-	39,203	25,329	(13,874)
Supplies and materials	15,750	122,942	78,329	(44,613)
Other	20,000	9,994	-	(9,994)
Total compensatory education	<u>297,690</u>	<u>469,066</u>	<u>379,920</u>	<u>(89,146)</u>
Added needs - career and technical education				
Salaries	62,429	8,451	8,544	93
Employee benefits	30,604	4,240	4,019	(221)
Purchased services	48,514	76,766	80,551	3,785
Supplies and materials	18,394	26,863	11,634	(15,229)
Total career and technical education	<u>159,941</u>	<u>116,320</u>	<u>104,748</u>	<u>(11,572)</u>
Pupil - guidance services				
Salaries	252,397	223,767	211,679	(12,088)
Employee benefits	153,175	130,983	135,022	4,039
Purchased services	-	975	127	(848)
Total guidance services	<u>405,572</u>	<u>355,725</u>	<u>346,828</u>	<u>(8,897)</u>
Pupil - psychological services				
Purchased services	15,000	15,025	13,949	(1,076)

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - speech services				
Salaries	110,625	89,575	91,197	1,622
Employee benefits	78,892	61,014	60,639	(375)
Purchased services	500	-	-	-
Supplies and materials	1,000	-	-	-
Total speech services	<u>191,017</u>	<u>150,589</u>	<u>151,836</u>	<u>1,247</u>
Pupil - social work services				
Salaries	103,239	103,239	103,672	433
Employee benefits	67,074	67,710	67,558	(152)
Purchased services	13,000	13,425	13,372	(53)
Supplies and materials	1,500	1,500	775	(725)
Total social work services	<u>184,813</u>	<u>185,874</u>	<u>185,377</u>	<u>(497)</u>
Pupil - teacher consultant				
Salaries	96,927	161,598	161,257	(341)
Employee benefits	59,688	104,457	101,571	(2,886)
Purchased services	-	-	30	30
Total teacher consultant	<u>156,615</u>	<u>266,055</u>	<u>262,858</u>	<u>(3,197)</u>
Pupil - other support services				
Salaries	65,912	48,466	48,341	(125)
Employee benefits	26,408	21,173	21,122	(51)
Purchased services	6,750	7,675	6,432	(1,243)
Total other pupil support services	<u>99,070</u>	<u>77,314</u>	<u>75,895</u>	<u>(1,419)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Purchased services	24,244	71,920	20,938	(50,982)
Supplies and materials	3,696	30,176	4,622	(25,554)
Other	200	140	40	(100)
Total improvement of education	<u>28,140</u>	<u>102,236</u>	<u>25,600</u>	<u>(76,636)</u>
Instructional staff - educational media services				
Salaries	54,765	63,791	59,266	(4,525)
Employee benefits	38,453	33,482	27,024	(6,458)
Purchased services	4,100	7,450	7,435	(15)
Supplies and materials	1,300	325	325	-
Total educational media services	<u>98,618</u>	<u>105,048</u>	<u>94,050</u>	<u>(10,998)</u>
Instructional staff - technology assisted instruction				
Salaries	95,215	93,714	94,919	1,205
Employee benefits	41,956	41,167	41,649	482
Purchased services	34,200	48,796	45,238	(3,558)
Supplies and materials	16,500	9,567	8,574	(993)
Total technology assisted instruction	<u>187,871</u>	<u>193,244</u>	<u>190,380</u>	<u>(2,864)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - supervision and direction of instructional staff				
Salaries	178,067	152,688	156,743	4,055
Employee benefits	94,560	96,743	84,679	(12,064)
Purchased services	1,700	1,046	1,091	45
Supplies and materials	1,000	1,300	1,258	(42)
Other	1,420	1,865	1,865	-
Total supervision and direction of instructional staff	<u>276,747</u>	<u>253,642</u>	<u>245,636</u>	<u>(8,006)</u>
Instructional staff - academic student assessment				
Supplies and materials	-	6,926	6,949	23
General administration - board of education				
Purchased services	45,000	52,836	52,666	(170)
Other	4,653	8,200	8,310	110
Total board of education	<u>49,653</u>	<u>61,036</u>	<u>60,976</u>	<u>(60)</u>
General administration - executive administration				
Salaries	178,237	179,038	179,817	779
Employee benefits	112,193	111,817	112,110	293
Purchased services	1,500	3,300	2,615	(685)
Supplies and materials	5,000	3,200	3,055	(145)
Other	7,500	3,000	2,291	(709)
Total executive administration	<u>304,430</u>	<u>300,355</u>	<u>299,888</u>	<u>(467)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
School administration - office of the principal				
Salaries	563,076	556,828	594,589	37,761
Employee benefits	326,866	299,969	348,283	48,314
Purchased services	12,000	15,500	13,232	(2,268)
Supplies and materials	10,500	7,400	7,011	(389)
Other	3,000	500	700	200
Total office of the principal	<u>915,442</u>	<u>880,197</u>	<u>963,815</u>	<u>83,618</u>
Business - fiscal services				
Salaries	79,971	80,507	80,507	-
Employee benefits	73,849	63,641	64,267	626
Purchased services	110,280	113,750	115,045	1,295
Supplies and materials	5,000	3,500	3,449	(51)
Other	1,200	1,800	1,674	(126)
Total fiscal services	<u>270,300</u>	<u>263,198</u>	<u>264,942</u>	<u>1,744</u>
Business - other				
Salaries	13,000	13,143	13,143	-
Employee benefits	995	1,005	1,005	-
Purchased services	81,995	97,832	97,201	(631)
Other	48,676	43,022	44,536	1,514
Total other business	<u>144,666</u>	<u>155,002</u>	<u>155,885</u>	<u>883</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services				
Salaries	920	-	-	-
Employee benefits	307	-	1	1
Purchased services	588,923	702,158	708,527	6,369
Supplies and materials	294,500	253,760	238,341	(15,419)
Other	6,850	6,800	5,953	(847)
Total operating building services	<u>891,500</u>	<u>962,718</u>	<u>952,822</u>	<u>(9,896)</u>
Operations and maintenance - security services				
Purchased services	<u>10,000</u>	<u>10,000</u>	<u>8,859</u>	<u>(1,141)</u>
Pupil transportation services				
Salaries	176,898	185,985	180,824	(5,161)
Employee benefits	87,124	95,861	90,122	(5,739)
Purchased services	133,341	187,315	187,438	123
Supplies and materials	87,853	60,416	58,899	(1,517)
Other	1,300	2,125	1,995	(130)
Total transportation services	<u>486,516</u>	<u>531,702</u>	<u>519,278</u>	<u>(12,424)</u>
Central - communication services				
Purchased services	<u>1,950</u>	<u>4,000</u>	<u>3,589</u>	<u>(411)</u>
Central - staff/personnel services				
Purchased services	<u>24,144</u>	<u>11,702</u>	<u>9,726</u>	<u>(1,976)</u>
Central - support services technology				
Purchased services	<u>30,400</u>	<u>18,200</u>	<u>9,097</u>	<u>(9,103)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Athletic activities				
Salaries	68,092	123,876	92,876	(31,000)
Employee benefits	32,066	61,293	39,342	(21,951)
Purchased services	123,270	93,970	86,239	(7,731)
Supplies and materials	11,750	17,280	12,365	(4,915)
Other	-	12,000	12,246	246
Total athletic activities	<u>235,178</u>	<u>308,419</u>	<u>243,068</u>	<u>(65,351)</u>
Community services - community activities				
Salaries	-	2,156	-	(2,156)
Employee benefits	-	896	-	(896)
Purchased services	850	1,850	-	(1,850)
Supplies and materials	1,400	2,500	-	(2,500)
Total community activities	<u>2,250</u>	<u>7,402</u>	<u>-</u>	<u>(7,402)</u>
Community services - custody and care of children				
Salaries	40,735	37,000	37,114	114
Employee benefits	17,957	16,584	16,692	108
Purchased services	2,500	250	7	(243)
Supplies and materials	1,500	500	207	(293)
Total custody and care of children	<u>62,692</u>	<u>54,334</u>	<u>54,020</u>	<u>(314)</u>

Richmond Community Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Community services - non-public school pupils				
Salaries	19,102	30,230	19,195	(11,035)
Employee benefits	8,943	16,597	11,534	(5,063)
Purchased services	7,533	24,013	13,896	(10,117)
Supplies and materials	5,703	16,015	-	(16,015)
Total non-public school pupils	<u>41,281</u>	<u>86,855</u>	<u>44,625</u>	<u>(42,230)</u>
Capital outlay				
Basic program - pre-school	5,090	10,090	9,050	(1,040)
Debt service				
Principal	135,000	135,000	135,000	-
Interest and other expenditures	18,150	18,150	18,150	-
Total debt service	<u>153,150</u>	<u>153,150</u>	<u>153,150</u>	<u>-</u>
Total expenditures	<u>\$ 13,352,013</u>	<u>\$ 14,116,816</u>	<u>\$ 13,659,163</u>	<u>\$ (457,653)</u>

Richmond Community Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

Year Ending June 30,	Energy Bonds	2008 Issue	2010 Refunding	2013 Series A	2014 Series B	Total
2017	\$ 145,000	\$ 250,000	\$ 1,070,000	\$ -	\$ 455,000	\$ 1,920,000
2018	155,000	250,000	1,120,000	-	485,000	2,010,000
2019	-	250,000	1,175,000	-	485,000	1,910,000
2020	-	300,000	1,175,000	-	410,000	1,885,000
2021	-	350,000	1,170,000	-	415,000	1,935,000
2022	-	400,000	1,170,000	-	430,000	2,000,000
2023	-	525,000	-	1,055,000	-	1,580,000
2024	-	550,000	-	1,070,000	-	1,620,000
2025	-	575,000	-	1,395,000	-	1,970,000
2026	-	575,000	-	1,470,000	-	2,045,000
2027	-	575,000	-	1,550,000	-	2,125,000
2028	-	-	-	1,585,000	-	1,585,000
Total	<u>\$ 300,000</u>	<u>\$ 4,600,000</u>	<u>\$ 6,880,000</u>	<u>\$ 8,125,000</u>	<u>\$ 2,680,000</u>	<u>\$ 22,585,000</u>
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	3.60% - 4.00%	3.50% - 4.125%	3.00% - 5.00%	3.25% - 4.25%	3.00% - 4.00%	
Original issue	<u>\$ 1,325,000</u>	<u>\$ 6,575,000</u>	<u>\$ 12,300,000</u>	<u>\$ 8,125,000</u>	<u>\$ 3,360,000</u>	

Richmond Community Schools

Single Audit Report

June 30, 2016

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Flint, Michigan
October 21, 2016

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Richmond Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richmond Community Schools' major federal programs for the year ended June 30, 2016. Richmond Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Richmond Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Richmond Community Schools' basic financial statements. We issued our report thereon dated October 21, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 21, 2016

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2015	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2016
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through the Michigan Department of Education							
Child Nutrition Cluster							
Non-Cash Assistance (Commodities):							
National School Lunch Program-Entitlement	10.555	\$ 31,578	\$ -	\$ -	\$ 31,578	\$ 31,578	\$ -
Cash Assistance							
School Breakfast Program	10.553						
151970		32,463	-	30,479	1,984	1,984	-
161970		23,716	-	-	23,716	23,716	-
Total School Breakfast Program		56,179	-	30,479	25,700	25,700	
National School Lunch Program	10.555						
151960		141,327	-	128,051	13,276	13,276	-
161960		132,992	-	-	132,992	132,992	-
Total National School Lunch Program		274,319	-	128,051	146,268	146,268	-
Total Cash Assistance		330,498	-	158,530	171,968	171,968	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		362,076	-	158,530	203,546	203,546	-
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed Through the Macomb County Intermediate School District							
IDEA Flowthrough	84.027						
140450-1314		544,914	2,114	543,393	2,114	-	-
150450-1415		635,546	221,872	496,508	327,504	139,038	33,406
160450-1516		366,214	-	-	219,025	361,837	142,812
Total IDEA Flowthrough		1,546,674	223,986	1,039,901	548,643	500,875	176,218
Preschool Incentive	84.173						
160460-1516		9,530	-	-	7,693	9,530	1,837
Total Special Education Cluster		1,556,204	223,986	1,039,901	556,336	510,405	178,055

Richmond Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2015	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2016
Title I							
Passed Through the Michigan Department of Education							
Title I							
151530-1415	84.010	351,821	73,838	206,160	143,200	69,362	-
161530-1516		348,129	-	-	91,289	226,578	135,289
Total Title I		699,950	73,838	206,160	234,489	295,940	135,289
Passed Through the Macomb County Intermediate School District							
Career and Technical Education- Perkins							
163520-161216	84.048	18,000	-	-	-	18,000	18,000
Title IIA - Teacher/Principal Training & Recruiting							
150520-1415	84.367	123,173	(13,149)	48,892	2,812	15,961	-
160520-1516		118,282	-	-	17,176	24,807	7,631
Total Title IIA		241,455	(13,149)	48,892	19,988	40,768	7,631
TOTAL U.S. DEPARTMENT OF EDUCATION		2,515,609	284,675	1,294,953	810,813	865,113	338,975
TOTAL FEDERAL PROGRAMS		<u>\$ 2,877,685</u>	<u>\$ 284,675</u>	<u>\$ 1,453,483</u>	<u>\$ 1,014,359</u>	<u>\$ 1,068,659</u>	<u>\$ 338,975</u>

Richmond Community Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Richmond Community Schools under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Richmond Community Schools, it is not intended to and does not present the financial position or changes in fund balances of Richmond Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, or OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Note 4 - Other Reconciliations

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

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

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

Note 5 - Funds Transferred to Subrecipients

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

Richmond Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? _____ Yes _____ X _____ No

Richmond Community Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Identification of major programs:

CFDA Numbers
84.027/84.173

Name of Federal Program
Special Education Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee:

 X Yes

 No

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

Richmond Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2016

There were no audit findings in the year ended June 30, 2015.

October 21, 2016

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richmond Community Schools as of and for the year ended June 30, 2016, and have issued our report dated October 21, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Statement (GASB) No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79 *Certain External Investment Pools and Pool Participants*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. GASB No. 72, 76, and 79 are effective July 1, 2015, and GASB 82 is effective for years beginning July 1, 2016, however, early implementation is encouraged. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. Statement 76 identifies the hierarchy of generally accepted accounting principles. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Statement 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

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

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

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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

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

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

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

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

Regulatory and Other Updates

Audit and FID Submission Deadline

Beginning in the previous year, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years.

Uniform Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110,

A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Fiscal Year (FY) 2017 School Aid

- The Omnibus Education Bill (Senate Bill 801) for FY 2017 has been passed by the legislature. It has been presented to the Governor for signature. There is always the possibility of vetoes. Following are some highlights of the bill:
- The per pupil Foundation Grants for FY 2017 will increase by a range of \$60 to \$120 using the “2X formula.” The increase will be added to the FY 2016 foundation grant resulting in the lowest foundation for FY 2017 being \$7,511 and the maximum state guaranteed foundation being \$8,229.
- A new Section 20m would provide hold harmless districts with the difference in per pupil funding between \$60 and the increase in their foundation which is limited to the rate of inflation (.1% in this case).
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$389,685,500.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2015-16.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- An additional \$90 million is appropriated in Section 147c to reflect the actuarially estimated costs of the required state share of the MPSERS Unfunded Accrued Liability (UAL) and maintain the UAL cap at 20.96%.

Other School Aid “Boilerplate” Changes

- Section 18 has been amended to require that the FID data and audited financial statements must be consistent or school aid must be withheld.
- Section 51a(15) has been amended to state that there will be a 10% state school aid penalty for a district or ISD that does not comply with the language in Section 51a(14) that requires the pupil’s resident district and/or ISD to provide special education services and cover special education added costs for pupils educated in a Public School Academy who reside outside of the ISD in which the academy is located.
- The Section 101 Instructional Day requirement will go from a minimum of 175 days to a minimum of 180 days beginning with the 2016-17 school year.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2013-2014 or 2014-2015 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB No. 72, 76, 79, and 82, *Fair Value Measurement and Application, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Other Reports

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

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

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

Restriction on Use

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

Yeo & Yeo, P.C.
Flint, Michigan