
Three Rivers Community Schools

**Financial Report
with Supplemental Information
June 30, 2020**

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Independent Auditor's Report

To the Board of Education
Three Rivers Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Three Rivers Community Schools' 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.

Auditor's 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 auditor's 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, the major funds, and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Three Rivers Community Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, 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, which 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 supplemental 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 Three Rivers Community Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. 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, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 on our consideration of Three Rivers Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Three Rivers Community Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 20, 2020

This section of the annual financial report for Three Rivers Community Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Three Rivers Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, Debt Service Fund, 2020 Building and Site Bond Fund, and Food Service Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Budgetary Comparison Schedule - Major Special Revenue Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Fiduciary Funds

The School District has certain fiduciary responsibility for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 20.5	\$ 10.1
Capital assets	38.3	39.2
Total assets	58.8	49.3
Deferred Outflows of Resources	18.5	16.6
Liabilities		
Current liabilities	4.5	4.9
Noncurrent liabilities	31.4	22.7
Net pension liability	48.2	42.6
Net OPEB liability	10.8	11.4
Total liabilities	94.9	81.6
Deferred Inflows of Resources	7.7	7.5
Net Position (Deficit)		
Net investment in capital assets	19.4	17.8
Restricted	0.8	0.6
Unrestricted	(45.5)	(41.6)
Total net position (deficit)	\$ (25.3)	\$ (23.2)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(25.3) million at June 30, 2020. Net investment in capital assets totaling \$19.4 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(45.5) million) was unrestricted.

The \$(45.5) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities, respectively, from the state-managed retirement system).

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.2	\$ 0.4
Operating grants and contributions	8.2	6.6
General revenue:		
Taxes	8.2	8.1
State aid not restricted to specific purposes	15.9	16.2
Other	0.2	0.4
Total revenue	32.7	31.7
Expenses		
Instruction	19.1	17.7
Support services	10.6	9.9
Athletics	0.6	0.6
Food services	1.4	1.4
Debt service	1.2	0.8
Depreciation expense (unallocated)	1.9	1.8
Total expenses	34.8	32.2
Change in Net Position	(2.1)	(0.5)
Net Position (Deficit) - Beginning of year	(23.2)	(22.7)
Net Position (Deficit) - End of year	<u><u>\$ (25.3)</u></u>	<u><u>\$ (23.2)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$34.8 million. Certain activities were partially funded from those who benefited from the programs (\$0.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.2 million). We paid for the remaining public benefit portion of our governmental activities with \$8.2 million in taxes, \$15.9 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$2.1 million. Key reasons for the change in net position were COVID-19 and lack of budget planning processes.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, 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.

As the School District completed this year, the governmental funds reported a combined fund balance of \$15.6 million, which is an increase of \$10.3 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$1.5 million to \$2.7 million. The change is mainly due to COVID-19, unavailable revenue, and lack of budget planning processes.

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

The fund balance of our special revenue funds decreased slightly to \$0.4 million as a result of consistent operations.

The fund balance of our debt service fund increased by \$0.3 million. Millage rates were maintained in order to adjust the debt service funds fund balances. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are restricted since they can only be used to pay debt service obligations.

The fund balance of our capital projects funds increased by \$11.5 million. This increase is primarily due to \$11.6 million in new voter-approved bonds during the current year. These bonds were issued in accordance with state law and will be used for district wide school improvements.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information to these financial statements.

There were significant revisions made to the 2019-2020 General Fund original budget. Budgeted revenue was increased by \$1.2 million due to an increase in students from original budgeting, an unexpected change in certain categorical revenue from the State, and an unanticipated increase in foundation allowance payments due to actual student enrollment being greater than original estimates.

Budgeted expenditures were also increased by \$1.2 million to provide for the needs of the School District, which is accounted for in the increase in salaries, staffing, equipment, and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

There were significant variances between the final budget and actual amounts for general administration, community services, and business services expenditures due to COVID-19.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$38.3 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, equipment, and outside site improvements. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$0.8 million from 2019 to 2020.

	2020	2019
Land	\$ 560,365	\$ 560,365
Buildings and improvements	35,145,076	36,391,039
Furniture and equipment	898,201	855,033
Buses and other vehicles	937,480	458,056
Outside site improvements	802,037	913,326
Total capital assets - Net of accumulated depreciation	<u>\$ 38,343,159</u>	<u>\$ 39,177,819</u>

This year's additions of \$1.0 million included technology, buses, grounds equipment, and building improvements. Several major capital projects are planned for the 2020-2021 fiscal year out of 2020 School Building and Site Bonds. We present more detailed information about our capital assets in the notes to the financial statements.

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$30.2 million in bonds outstanding versus \$21.3 million in the previous year.

The School District's general obligation bond rating continues to be equivalent to the State's credit rating. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding qualified general obligation debt of \$30.2 million is significantly below the statutorily imposed limit.

Other obligations include compensated absences, self-insurance, and installment purchase obligations. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2019-2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. Approximately 58.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2020-2021 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2020-2021 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 851 Sixth Avenue, Three Rivers, MI 49093.

Three Rivers Community Schools

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 3,751,662
Receivables:	
Other receivables	31,077
Due from other governments	4,027,184
Inventory	22,580
Prepaid expenses and other assets	61,826
Restricted assets (Notes 4 and 9)	12,554,436
Capital assets - Net (Note 6)	38,343,159
Total assets	58,791,924
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	764,218
Deferred pension costs (Note 11)	14,024,473
Deferred OPEB costs (Note 11)	3,722,425
Total deferred outflows of resources	18,511,116
Liabilities	
Accounts payable	220,586
Due to other governmental units	1,514,460
Accrued liabilities and other	2,725,657
Unearned revenue (Note 5)	50,488
Noncurrent liabilities:	
Due within one year (Note 8)	3,303,015
Due in more than one year (Note 8)	28,136,360
Net pension liability (Note 11)	48,170,637
Net OPEB liability (Note 11)	10,791,406
Total liabilities	94,912,609
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 11)	1,668,767
Deferred pension cost reductions (Note 11)	1,822,548
Deferred OPEB cost reductions (Note 11)	4,161,709
Total deferred inflows of resources	7,653,024
Net Position (Deficit)	
Net investment in capital assets	19,404,544
Restricted:	
Debt	695,655
Expendable trust	99,916
Capital projects	5,954
Unrestricted	(45,468,662)
Total net position (deficit)	\$ (25,262,593)

Three Rivers Community Schools

Statement of Activities

Year Ended June 30, 2020

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 19,098,761	\$ -	\$ 7,036,201	\$ (12,062,560)
Support services	10,590,352	16,628	-	(10,573,724)
Athletics	618,557	44,939	-	(573,618)
Food services	1,369,786	179,667	1,165,630	(24,489)
Community services	54,346	8,755	-	(45,591)
Interdistrict payments	35,497	-	-	(35,497)
Interest	820,739	-	-	(820,739)
Other debt costs	362,198	-	-	(362,198)
Depreciation expense (unallocated) (Note 6)	1,879,673	-	-	(1,879,673)
Total primary government	\$ 34,829,909	\$ 249,989	\$ 8,201,831	(26,378,089)
General revenue:				
Taxes:				
Property taxes levied for general purposes				5,008,430
Property taxes levied for debt service				3,174,871
State aid not restricted to specific purposes				15,906,289
Federal grants and contributions not restricted to specific purposes				47,356
Interest and investment earnings				67,528
Other				130,544
Total general revenue				24,335,018
Change in Net Position				(2,043,071)
Net Position (Deficit) - Beginning of year				(23,219,522)
Net Position (Deficit) - End of year				\$ (25,262,593)

Three Rivers Community Schools

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Debt Service Fund	2020 School Building and Site Bond Fund	Food Service Fund	Nonmajor Fund	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 2,960,325	\$ -	\$ -	\$ 791,337	\$ -	\$ 3,751,662
Receivables:						
Due from other governments	3,990,686	-	-	36,498	-	4,027,184
Other receivables	18,050	-	-	4,476	-	22,526
Due from other funds (Note 7)	649,421	-	-	100,989	-	750,410
Inventory	7,780	-	-	14,800	-	22,580
Prepaid expenses	60,672	-	-	1,154	-	61,826
Restricted assets (Notes 4 and 9)	-	896,930	11,557,590	-	99,916	12,554,436
Total assets	\$ 7,686,934	\$ 896,930	\$11,557,590	\$ 949,254	\$ 99,916	\$ 21,190,624
Liabilities						
Accounts payable	\$ 217,659	\$ -	\$ -	\$ 2,927	\$ -	\$ 220,586
Due to other governmental units	1,514,460	-	-	-	-	1,514,460
Due to other funds (Note 7)	100,989	2,416	30,775	607,679	-	741,859
Accrued liabilities and other	2,526,798	-	-	-	-	2,526,798
Unearned revenue (Note 5)	50,488	-	-	-	-	50,488
Deferred Inflows of Resources -						
Unavailable revenue (Note 5)	565,206	-	-	-	-	565,206
Total liabilities and deferred inflows of resources	4,975,600	2,416	30,775	610,606	-	5,619,397
Fund Balances						
Nonspendable:						
Inventory	7,780	-	-	14,800	-	22,580
Prepays	60,672	-	-	1,154	-	61,826
Restricted:						
Debt service	-	894,514	-	-	-	894,514
Capital projects	-	-	11,526,815	-	-	11,526,815
Food service	-	-	-	322,694	-	322,694
Expendable trust	-	-	-	-	99,916	99,916
Committed - Future projects and emergency repairs	741,408	-	-	-	-	741,408
Assigned - Subsequent year's budget deficit	203,208	-	-	-	-	203,208
Unassigned	1,698,266	-	-	-	-	1,698,266
Total fund balances	2,711,334	894,514	11,526,815	338,648	99,916	15,571,227
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,686,934	\$ 896,930	\$11,557,590	\$ 949,254	\$ 99,916	\$ 21,190,624

Three Rivers Community Schools

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 15,571,227
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	70,722,445
Accumulated depreciation	<u>(32,379,286)</u>
Net capital assets used in governmental activities	38,343,159
Receivables that are not collected soon after year end are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds	565,206
Deferred inflows and outflows related to bond refundings are not reported in the funds	764,218
Bonds payable, bond premium, and discounts and installment purchase obligations are not due and payable in the current period and are not reported in the funds	(31,223,694)
Accrued interest is not due and payable in the current period and is not reported in the funds	(198,859)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Compensated absences	(130,047)
Self-insurance	(85,634)
Net pension liability and related deferred inflows and outflows	(35,968,712)
Net OPEB liability and related deferred inflows and outflows	(11,230,690)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(1,668,767)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (25,262,593)</u></u>

Three Rivers Community Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Debt Service Fund	2020 School Building and Site Bond Fund	Food Service Fund	Nonmajor Fund	Total Governmental Funds
Revenue						
Local sources	\$ 5,247,469	\$ 3,184,044	\$ 5,954	\$ 206,633	\$ 10,313	\$ 8,654,413
State sources	21,030,728	331,348	-	42,367	-	21,404,443
Federal sources	541,654	-	-	1,100,212	-	1,641,866
Interdistrict sources	609,422	-	-	-	-	609,422
Total revenue	27,429,273	3,515,392	5,954	1,349,212	10,313	32,310,144
Expenditures						
Current:						
Instruction	17,193,842	-	-	-	-	17,193,842
Support services	9,580,544	-	-	-	-	9,580,544
Athletics	543,270	-	-	-	-	543,270
Food services	-	-	-	1,268,734	-	1,268,734
Community services	51,094	-	-	-	-	51,094
Debt service:						
Principal (Note 8)	293,233	2,520,000	-	-	-	2,813,233
Interest	19,849	736,181	-	-	-	756,030
Other debt costs	-	1,401	360,797	-	-	362,198
Capital outlay	1,292,746	-	-	13,259	-	1,306,005
Interdistrict payments	35,497	-	-	-	-	35,497
Total expenditures	29,010,075	3,257,582	360,797	1,281,993	-	33,910,447
Other Financing Sources (Uses)						
Face value of debt issued (Note 8)	-	-	11,620,000	-	-	11,620,000
Premium on debt issued (Note 8)	-	-	261,658	-	-	261,658
Transfers in (Note 7)	86,744	-	-	-	-	86,744
Transfers out (Note 7)	-	-	-	(86,744)	-	(86,744)
Total other financing sources (uses)	86,744	-	11,881,658	(86,744)	-	11,881,658
Net Change in Fund Balances	(1,494,058)	257,810	11,526,815	(19,525)	10,313	10,281,355
Fund Balances - Beginning of year	4,205,392	636,704	-	358,173	89,603	5,289,872
Fund Balances - End of year	<u>\$ 2,711,334</u>	<u>\$ 894,514</u>	<u>\$11,526,815</u>	<u>\$ 338,648</u>	<u>\$ 99,916</u>	<u>\$ 15,571,227</u>

Three Rivers Community Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 10,281,355
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	1,045,013
Depreciation expense	(1,879,673)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	565,206
Revenue in support of pension contributions made subsequent to the measurement date	(88,512)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(11,881,658)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows related to bond refundings are not expenses in the governmental funds	2,827,695
Interest expense is recognized in the government-wide statements as it accrues	(79,171)
Some employee costs (pension, OPEB, self-insurance, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(2,833,326)
Change in Net Position of Governmental Activities	<u>\$ (2,043,071)</u>

Three Rivers Community Schools

Fiduciary Fund - Statement of Fiduciary Assets and Liabilities

June 30, 2020

	Student Activities Agency Fund
Assets - Cash and cash equivalents (Note 4)	\$ 171,449
Liabilities	
Accounts payable	\$ 2,132
Due to student activities	160,766
Due to other funds (Note 7)	8,551
Total liabilities	\$ 171,449

June 30, 2020

Note 1 - Nature of Business

Three Rivers Community Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

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

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)*****Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on bonded debt.
- The 2020 School Building and Site Bond Fund is a capital projects fund and is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. This fund operates until the purpose for which it was created is accomplished.
- The Food Service Fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (which include mainly federal and state program-specific revenue) that are restricted to expenditures for specific purposes. Any operating deficit of the fund is the responsibility of the General Fund.

Additionally, the School District reports the following nonmajor governmental fund type:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue fund is the Expendable Trust Fund. Any operating deficit in these funds is the responsibility of the General Fund.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held for the students.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)**

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions**Cash and Investments**

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital projects funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments
- Unspent contributions held in expendable trust funds required to be set aside for scholarships provided to students

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Capital Assets**

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20-50
Furniture and equipment	5-10
Buses and other vehicles	5-10
Outside site improvements	10-20

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and Debt Service Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB plan costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized, as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date, deferred pension and OPEB plan cost reductions and unavailable revenue.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Grants and Contributions**

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination. This is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. The School District has evaluated the impact this standard will have on the financial statements. As of July 1, 2020, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund.

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 3 - Stewardship, Compliance, and Accountability***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that capital outlay is budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function except for the Food Service Fund, for which the School District adopted the budgets at the object code level. Actual expenditures in this fund have been presented in the same format as the adopted budget. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budgeted appropriations are considered to be spent once the goods are delivered or services are rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Support services:		
General administration	\$ 520,867	\$ 607,359
Business	536,346	545,240
Community services	44,811	51,094

Note 4 - Deposits and Investments

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 offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

June 30, 2020

Note 4 - Deposits and Investments (Continued)

The School District has designated three banks for the deposit of its funds. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on the MILAF cash management funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk 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. At year end, the School District had \$3,430,063 of bank deposits (checking and savings accounts) that was uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. At June 30, 2020, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within two years of the date of purchase. In addition, the policy restricts investments in commercial paper, which can only be purchased with a maturity no more than 270 days after the date of purchase.

At year end, the School District had the following investments and maturities:

Investment	Carrying Value	Less Than 1 Year	1-5 Years
U.S. agency bonds	\$ 5,273,340	\$ 626,493	\$ 4,646,847
Certificates of deposit	3,332,693	2,018,436	1,314,257
Total	<u>\$ 8,606,033</u>	<u>\$ 2,644,929</u>	<u>\$ 5,961,104</u>

At year end, the School District had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Years)
U.S. agency bonds	\$ 5,273,340	1.35
Certificates of deposit	3,332,693	.88
Total	<u>\$ 8,606,033</u>	

June 30, 2020

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. As of June 30, 2020, the credit quality ratings of investments are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
U.S. agency bonds	\$ 4,627,705	AA+	S&P
U.S. agency bonds	645,635	NR	S&P
Certificates of deposit	3,332,693	NR	S&P
Money market fund	2,951,550	NR	S&P
MILAF - Cash management class	1,488,268	AAAm	S&P
Total	<u>\$ 13,045,851</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

At year end, the School District had a concentration of credit risk in the following issuers:

Federal Agriculture Mortgage	10.00 %
Federal Farm Credit Bank	12.00
Federal Home Loan Bank	16.00

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The School District has the following Level 2 recurring fair value measurements as of June 30, 2020:

- U.S. agency securities of \$5,273,340 - The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

June 30, 2020

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2020, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Grant receivables unavailable for use in the current period	\$ 565,206	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	50,488

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 560,365	\$ -	\$ -	\$ 560,365
Capital assets being depreciated:				
Buildings and improvements	61,830,356	76,837	-	61,907,193
Furniture and equipment	2,644,080	297,156	-	2,941,236
Buses and other vehicles	2,424,421	671,020	(63,081)	3,032,360
Outside site improvements	2,281,291	-	-	2,281,291
Subtotal	69,180,148	1,045,013	(63,081)	70,162,080
Accumulated depreciation:				
Buildings and improvements	25,439,317	1,322,800	-	26,762,117
Furniture and equipment	1,789,047	253,988	-	2,043,035
Buses and other vehicles	1,966,365	191,596	(63,081)	2,094,880
Outside site improvements	1,367,965	111,289	-	1,479,254
Subtotal	30,562,694	1,879,673	(63,081)	32,379,286
Net capital assets being depreciated	38,617,454	(834,660)	-	37,782,794
Net governmental activities capital assets	\$ 39,177,819	\$ (834,660)	\$ -	\$ 38,343,159

Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities and allocation is not practical.

June 30, 2020

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Primary Government					Total
	Fund Due From					
	General Fund	Debt Service Fund	2020 School Building and Site Bond Fund	Food Service Fund	Fiduciary Fund	
General Fund	\$ -	\$ 2,416	\$ 30,775	\$ 607,679	\$ 8,551	\$ 649,421
Food Service Fund	100,989	-	-	-	-	100,989
Total	\$ 100,989	\$ 2,416	\$ 30,775	\$ 607,679	\$ 8,551	\$ 750,410

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from the General Fund.

Transfers into the General Fund from the Food Service Fund totaled \$86,744 for the year ended June 30, 2020 and represent overhead cost reimbursement.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and notes payable:					
Direct borrowings and direct placements - Installment purchase obligations	\$ 365,698	\$ -	\$ (108,233)	\$ 257,465	\$ 73,233
Other debt - General obligation bonds	21,275,000	11,620,000	(2,705,000)	30,190,000	3,055,000
Unamortized bond premiums	807,555	261,658	(178,130)	891,083	186,662
Unamortized bond discounts	(126,734)	-	11,880	(114,854)	(11,880)
Total bonds and notes payable	22,321,519	11,881,658	(2,979,483)	31,223,694	3,303,015
Self-insurance (Note 10)	291,391	2,618,938	(2,824,695)	85,634	-
Compensated absences	131,423	-	(1,376)	130,047	-
Total governmental activities long-term debt	<u>\$ 22,744,333</u>	<u>\$ 14,500,596</u>	<u>\$ (5,805,554)</u>	<u>\$ 31,439,375</u>	<u>\$ 3,303,015</u>

The School District had deferred outflows of \$764,218 related to deferred charges on bond refundings at June 30, 2020.

June 30, 2020

Note 8 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. All of the School District's outstanding bonds are qualified. Direct borrowings and general obligation bonds outstanding at June 30, 2020 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
Governmental Activities				
Direct borrowings:				
\$554,276 2014 Installment Purchase Obligation	\$55,000	2.49	July 2023	\$ 222,000
\$88,664 2018 Installment Purchase Obligation	\$17,733	2.14	May 2022	<u>35,465</u>
Total direct borrowings				257,465
General obligation bonds:				
\$1,615,000 2010 Energy Conservation Improvement Bonds	\$190,000	2.90 - 3.25	May 2021	190,000
\$8,285,000 2012 Refunding Bonds	\$400,000 - \$1,015,000	2.00 - 3.125	May 2034	4,035,000
\$9,630,000 2017 Refunding Bonds	\$25,000 - \$1,065,000	3.00	May 2032	9,565,000
\$8,120,000 2018 Refunding Bonds	\$1,535,000 - \$1,635,000	5.00	May 2023	4,780,000
\$11,620,000 2020 Building and Site Bonds	\$105,000 - \$1,075,000	2.00 - 5.00	May 2043	<u>11,620,000</u>
Total other debt				<u>30,190,000</u>
Total governmental activities				<u>\$ 30,447,465</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The self-insurance liability will generally be liquidated through the School District's General Fund. The net pension liability and the net OPEB liability will be liquidated from the funds from which the individual employee's salaries are paid, generally the General Fund and the Food Service Fund.

June 30, 2020

Note 8 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 73,233	\$ 6,287	\$ 3,055,000	\$ 982,489	\$ 4,117,009
2022	73,232	4,525	2,895,000	831,556	3,804,313
2023	55,500	2,764	2,985,000	709,444	3,752,708
2024	55,500	1,382	1,570,000	577,794	2,204,676
2025	-	-	1,175,000	520,594	1,695,594
2026-2030	-	-	5,670,000	2,078,019	7,748,019
2031-2035	-	-	5,495,000	1,236,019	6,731,019
2036-2040	-	-	5,145,000	569,588	5,714,588
2041-2045	-	-	2,200,000	81,000	2,281,000
Total	\$ 257,465	\$ 14,958	\$ 30,190,000	\$ 7,586,503	\$ 38,048,926

Note 9 - Restricted Assets

At June 30, 2020, restricted assets are composed of the following cash balances:

Description	Governmental Activities
Unspent debt service funds	\$ 896,930
Expendable trust	99,916
Unspent 2020 School Building and Site Bond funds	11,557,590
Total	\$ 12,554,436

Note 10 - Risk Management

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

The School District estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past fiscal year were as follows:

	2020	2019
Estimated liability - Beginning of year	\$ 291,391	\$ 100,059
Estimated claims incurred, including changes in estimates	2,618,938	2,819,400
Claim payments	(2,824,695)	(2,628,068)
Estimated liability - End of year	\$ 85,634	\$ 291,391

June 30, 2020**Note 11 - Michigan Public School Employees' Retirement System*****Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$4,206,602, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$1,668,767 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$1,087,554, which include the School District's contributions required for those members with a defined contribution benefit.

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$48,170,637 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.15 and 0.14 percent, respectively, representing a change of 2.73 percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$10,791,406 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.15 and 0.14 percent, respectively, representing a change of 5.29 percent.

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

For 2020, the School District recognized pension expense of \$7,672,370, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 215,916	\$ (200,867)
Changes in assumptions	9,431,845	-
Net difference between projected and actual earnings on pension plan investments	-	(1,543,787)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	859,253	(77,894)
The School District's contributions to the plan subsequent to the measurement date	3,517,459	-
Total	<u>\$ 14,024,473</u>	<u>\$ (1,822,548)</u>

The \$1,668,767 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 3,360,651
2022	2,733,077
2023	1,835,733
2024	755,005
Total	<u>\$ 8,684,466</u>

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$405,449.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (3,959,672)
Changes in assumptions	2,338,279	-
Net difference between projected and actual earnings on OPEB plan investments	-	(187,668)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	607,882	(14,369)
Employer contributions to the plan subsequent to the measurement date	776,264	-
Total	<u>\$ 3,722,425</u>	<u>\$ (4,161,709)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2021	\$ (372,962)
2022	(372,962)
2023	(279,276)
2024	(139,540)
2025	(50,808)
Total	<u>\$ (1,215,548)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates; continued impact of the updated experience study, which resulted in a lower than projected per person health benefit cost for OPEB; and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 62,624,909	\$ 48,170,637	\$ 36,187,547

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 13,237,281	\$ 10,791,406	\$ 8,737,550

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 8,650,476	\$ 10,791,406	\$ 13,236,991

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the School District reported a payable of \$765,990 and \$130,484 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 12 - Subsequent Events

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$961,938 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can be used only for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Three Rivers Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 5,179,478	\$ 5,440,639	\$ 5,247,469	\$ (193,170)
State sources	20,847,914	21,445,699	21,030,728	(414,971)
Federal sources	1,167,347	1,262,919	541,654	(721,265)
Interdistrict sources	543,980	745,716	609,422	(136,294)
Total revenue	27,738,719	28,894,973	27,429,273	(1,465,700)
Expenditures				
Current:				
Instruction:				
Basic programs	14,159,883	14,017,611	13,817,122	(200,489)
Added needs	2,915,653	3,131,941	3,403,024	271,083
Adult/Continuing education	122,995	91,698	59,192	(32,506)
Support services:				
Pupil	1,135,517	1,275,578	1,202,197	(73,381)
Instructional staff	1,427,230	1,454,291	1,597,990	143,699
General administration	492,496	520,867	607,359	86,492
School administration	1,253,572	1,311,037	1,280,481	(30,556)
Business	499,772	536,346	545,240	8,894
Operations and maintenance	2,460,271	2,493,502	2,474,426	(19,076)
Pupil transportation services	1,146,071	1,796,283	1,830,062	33,779
Central	1,125,012	1,242,610	1,170,562	(72,048)
Athletics	541,083	570,371	622,747	52,376
Community services	37,588	44,811	51,094	6,283
Debt service	347,832	347,832	313,082	(34,750)
Interdistrict payments	-	75,692	35,497	(40,195)
Total expenditures	27,664,975	28,910,470	29,010,075	99,605
Excess of Revenue Over (Under)				
Expenditures	73,744	(15,497)	(1,580,802)	(1,565,305)
Other Financing Sources - Transfers in	50,000	100,000	86,744	(13,256)
Net Change in Fund Balance	123,744	84,503	(1,494,058)	(1,578,561)
Fund Balance - Beginning of year	4,205,392	4,205,392	4,205,392	-
Fund Balance - End of year	<u>\$ 4,329,136</u>	<u>\$ 4,289,895</u>	<u>\$ 2,711,334</u>	<u>\$ (1,578,561)</u>

Three Rivers Community Schools

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Food Service Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 275,000	\$ 275,000	\$ 206,633	\$ (68,367)
State sources	64,858	64,858	42,367	(22,491)
Federal sources	<u>1,110,000</u>	<u>1,110,000</u>	<u>1,100,212</u>	<u>(9,788)</u>
Total revenue	1,449,858	1,449,858	1,349,212	(100,646)
Expenditures				
Current:				
Salaries and wages	423,852	423,852	446,963	23,111
Employee benefits	244,955	244,955	153,959	(90,996)
Purchased services	23,909	23,909	9,925	(13,984)
Purchased services (contracted)	-	-	9,972	9,972
Supplies and materials	630,000	630,000	668,957	38,957
Capital outlay	7,500	7,500	13,259	5,759
Other expenditures	<u>12,000</u>	<u>12,000</u>	<u>(21,042)</u>	<u>(33,042)</u>
Total expenditures	<u>1,342,216</u>	<u>1,342,216</u>	<u>1,281,993</u>	<u>(60,223)</u>
Excess of Revenue Over Expenditures	107,642	107,642	67,219	(40,423)
Other Financing Uses - Transfer out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(86,744)</u>	<u>(51,744)</u>
Net Change in Fund Balance	72,642	72,642	(19,525)	(92,167)
Fund Balance - Beginning of year	<u>358,173</u>	<u>358,173</u>	<u>358,173</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 430,815</u></u>	<u><u>\$ 430,815</u></u>	<u><u>\$ 338,648</u></u>	<u><u>\$ (92,167)</u></u>

Three Rivers Community Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.14546 %	0.14160 %	0.14129 %	0.14054 %	0.14171 %	0.14027 %
School District's proportionate share of the net pension liability	\$48,170,637	\$42,566,605	\$36,614,626	\$35,063,543	\$34,613,016	\$30,896,320
School District's covered payroll	\$13,190,115	\$12,177,383	\$11,931,657	\$11,911,259	\$11,869,502	\$11,896,700
School District's proportionate share of the net pension liability as a percentage of its covered payroll	365.20 %	349.55 %	306.87 %	294.37 %	291.61 %	259.70 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.27 %	63.17 %	66.20 %

Three Rivers Community Schools

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Six Fiscal Years Years Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 4,097,632	\$ 3,932,707	\$ 3,637,237	\$ 3,697,396	\$ 3,726,173	\$ 3,779,116
Contributions in relation to the statutorily required contribution	4,097,632	3,932,707	3,637,237	3,697,396	3,726,173	3,779,116
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 12,818,516	\$ 13,056,101	\$ 12,021,613	\$ 12,343,542	\$ 11,892,025	\$ 11,888,580
Contributions as a Percentage of Covered Payroll	31.97 %	30.12 %	30.26 %	29.95 %	31.33 %	31.79 %

Three Rivers Community Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

Last Three Plan Years			
Plan Years Ended September 30			
	2019	2018	2017
School District's proportion of the net OPEB liability	0.15035 %	0.14279 %	0.14188 %
School District's proportionate share of the net OPEB liability	\$ 10,791,406	\$ 11,350,644	\$ 12,564,193
School District's covered payroll	\$ 13,190,115	\$ 12,177,383	\$ 11,931,657
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.81 %	93.21 %	105.30 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

Three Rivers Community Schools

Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last Three Fiscal Years		
	Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 1,030,045	\$ 1,025,560	\$ 868,288
Contributions in relation to the statutorily required contribution	1,030,045	1,025,560	868,288
Contribution Deficiency	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 12,818,516	\$ 13,056,101	\$ 12,021,613
Contributions as a Percentage of Covered Payroll	8.04 %	7.86 %	7.22 %

June 30, 2020

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant assumptions for each of the report plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Three Rivers Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Fund

June 30, 2020

Special Revenue
Funds -
Expendable
Trust

Assets - Restricted assets

\$ 99,916

Liabilities

\$ -

Fund Balances - Restricted - Expendable trust

99,916

Total liabilities and fund balances

\$ 99,916

Three Rivers Community Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Fund

Year Ended June 30, 2020

	Special Revenue Funds - Expendable Trust
Revenue - Local sources	\$ 10,313
Expenditures	-
Net Change in Fund Balances	10,313
Fund Balances - Beginning of year	89,603
Fund Balances - End of year	<u><u>\$ 99,916</u></u>

Three Rivers Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2010 Energy Conservation Bonds Principal	2012 Refunding Bonds Principal	2017 Refunding Bonds Principal	2018 Refunding Bonds Principal	2020 Building and Site Bonds Principal	Total
2021	\$ 190,000	\$ 815,000	\$ 25,000	\$ 1,635,000	\$ 390,000	\$ 3,055,000
2022	-	805,000	25,000	1,610,000	455,000	2,895,000
2023	-	-	880,000	1,535,000	570,000	2,985,000
2024	-	-	1,065,000	-	505,000	1,570,000
2025	-	-	1,050,000	-	125,000	1,175,000
2026	-	-	1,030,000	-	125,000	1,155,000
2027	-	-	1,015,000	-	125,000	1,140,000
2028	-	-	1,000,000	-	125,000	1,125,000
2029	-	-	1,000,000	-	125,000	1,125,000
2030	-	-	965,000	-	160,000	1,125,000
2031	-	-	945,000	-	165,000	1,110,000
2032	-	400,000	565,000	-	125,000	1,090,000
2033	-	1,015,000	-	-	105,000	1,120,000
2034	-	1,000,000	-	-	115,000	1,115,000
2035	-	-	-	-	1,060,000	1,060,000
2036	-	-	-	-	1,070,000	1,070,000
2037	-	-	-	-	1,075,000	1,075,000
2038	-	-	-	-	1,000,000	1,000,000
2039	-	-	-	-	1,000,000	1,000,000
2040	-	-	-	-	1,000,000	1,000,000
2041	-	-	-	-	1,000,000	1,000,000
2042	-	-	-	-	1,000,000	1,000,000
2043	-	-	-	-	200,000	200,000
Total remaining payments	\$ 190,000	\$ 4,035,000	\$ 9,565,000	\$ 4,780,000	\$ 11,620,000	\$ 30,190,000
Principal payments due	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	
Interest rate	2.900% to 3.250%	2.000% to 3.125%	3.000%	5.000%	2.000% to 5.000%	
Original issue	\$ 1,615,000	\$ 8,285,000	\$ 9,630,000	\$ 8,120,000	\$ 11,620,000	