
Three Rivers Community Schools

**Financial Report
with Supplemental Information
June 30, 2019**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Fiduciary Fund - Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	16-33
Required Supplemental Information	34
Budgetary Comparison Schedule - General Fund	35
Schedule of the School District's Proportionate Share of the Net Pension Liability	36
Schedule of Pension Contributions	37
Schedule of the School District's Proportionate Share of the Net OPEB Liability	38
Schedule of OPEB Contributions	39
Notes to Required Supplemental Information	40
Other Supplemental Information	41
Nonmajor Governmental Funds:	
Combining Balance Sheet	42
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	43
Schedule of Bonded Indebtedness	44
Federal Awards Supplemental Information	Issued Under Separate Cover

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, 2019 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, 2019 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 an opinion 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 October 28, 2019 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

October 28, 2019

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, 2019. 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, as well as 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 and Debt 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

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, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Assets		
Current and other assets	\$ 10.1	\$ 9.9
Capital assets	39.2	40.2
Total assets	49.3	50.1
Deferred Outflows of Resources	16.6	9.4
Liabilities		
Current liabilities	4.9	3.6
Noncurrent liabilities	22.7	25.4
Net pension liability	42.6	36.6
Net OPEB liability	11.4	12.6
Total liabilities	81.6	78.2
Deferred Inflows of Resources	7.5	4.0
Net Position		
Net investment in capital assets	17.8	16.0
Restricted	0.6	0.5
Unrestricted	(41.6)	(39.2)
Total net position	<u>\$ (23.2)</u>	<u>\$ (22.7)</u>

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 \$(23.2) million at June 30, 2019. Net investment in capital assets totaling \$17.8 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 (\$(41.6) million) was unrestricted.

The \$(41.6) 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). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension and OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year.

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, 2019 and 2018:

	Governmental Activities	
	2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.4	\$ 0.4
Operating grants and contributions	6.6	5.6
General revenue:		
Taxes	8.1	8.1
State aid not restricted to specific purposes	16.2	15.8
Other	0.4	0.2
Total revenue	31.7	30.1
Expenses		
Instruction	17.7	15.6
Support services	9.9	8.4
Athletics	0.6	0.5
Food services	1.4	1.4
Debt service	0.8	0.5
Depreciation expense (unallocated)	1.8	1.7
Total expenses	32.2	28.1
Change in Net Position	(0.5)	2.0
Net Position - Beginning of year	(22.7)	(24.7)
Net Position - End of year	<u><u>\$ (23.2)</u></u>	<u><u>\$ (22.7)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$32.2 million. Certain activities were partially funded from those who benefited from the programs (\$0.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.1 million in taxes, \$16.2 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$0.5 million. Key reasons for the change in net position were increased staffing, increased wages for staffing, and depreciation on capital purchases, such as vehicles, buses, furniture, flooring, and equipment.

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.

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$5.3 million, which is a decrease of \$1.1 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$1.2 million to \$4.2 million. The change is mainly due to increased staffing, increased wages for staffing, and capital purchases, such as vehicles, buses, furniture, flooring, and equipment.

The fund balance of our special revenue funds was unchanged at \$0.4 million as a result of consistent operations.

The fund balance of our debt service fund increased by \$0.1 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.

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 2019. 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 2018-2019 General Fund original budget. Budgeted revenue was increased by \$1.3 million due to an unexpected change in certain categorical revenue from the State and an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates.

Budgeted expenditures were also increased by \$1.1 million to account for 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 was a significant variance between the final budget and actual amounts for revenue due to a property tax reporting issue by the county.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$39.2 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 \$1.1 million from 2018 to 2019.

	2019	2018
Land	\$ 560,365	\$ 560,365
Buildings and improvements	36,391,039	37,709,999
Furniture and equipment	855,033	708,116
Buses and other vehicles	458,056	270,310
Outside site improvements	913,326	1,001,112
Total capital assets - Net of accumulated depreciation	\$ 39,177,819	\$ 40,249,902

This year's additions of \$0.7 million included vehicles, cafeteria equipment, technology, building renovations, new school construction, buses, outside site improvements, and furniture. No major capital projects are planned for the 2019-2020 fiscal year out of the General Fund. We anticipate capital additions will be less than this year. 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 \$21.3 million in bonds outstanding versus \$24.0 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 \$21.3 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 2019-2020 budget was adopted in June 2019 based on an estimate of students who will enroll in September 2019. Approximately 75.0 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 2019-2020 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2019-2020 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.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$240 per pupil. Due to increases in the state required contribution to the retirement system and increases in healthcare costs, the School District estimates that the net increase in per pupil funding to fund other operating costs will be \$200 per pupil.

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, 2019

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 5,330,190
Receivables:	
Other receivables	9,678
Due from other governments	4,524,687
Inventory	17,181
Prepaid expenses and other assets	42,386
Restricted assets (Notes 4 and 9)	218,781
Capital assets - Net (Note 6)	39,177,819
Total assets	49,320,722
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	916,006
Deferred pension costs (Note 11)	13,618,652
Deferred OPEB costs (Note 11)	2,046,540
Total deferred outflows of resources	16,581,198
Liabilities	
Accounts payable	172,732
Due to other governmental units	1,807,574
Accrued liabilities and other	2,569,672
Unearned revenue (Note 5)	422,741
Noncurrent liabilities:	
Due within one year (Note 8)	2,976,639
Due in more than one year (Note 8)	19,767,694
Net pension liability (Note 11)	42,566,605
Net OPEB liability (Note 11)	11,350,644
Total liabilities	81,634,301
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 11)	1,580,255
Deferred pension cost reductions (Note 11)	3,355,159
Deferred OPEB cost reductions (Note 11)	2,551,727
Total deferred inflows of resources	7,487,141
Net Position	
Net investment in capital assets	17,772,306
Restricted:	
Debt	517,016
Expendable trust	89,603
Unrestricted	(41,598,447)
Total net position	\$ (23,219,522)

Three Rivers Community Schools

Statement of Activities

Year Ended June 30, 2019

	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	\$ 17,750,932	\$ -	\$ 5,540,673	\$ (12,210,259)
Support services	9,880,886	33,850	-	(9,847,036)
Athletics	570,862	47,064	-	(523,798)
Food services	1,416,521	256,658	1,103,448	(56,415)
Community services	37,302	26,855	-	(10,447)
Interdistrict payments	11,000	-	-	(11,000)
Interest	834,795	-	-	(834,795)
Other debt costs	2,900	-	-	(2,900)
Depreciation expense (unallocated) (Note 6)	1,781,054	-	-	(1,781,054)
Total primary government	\$ 32,286,252	\$ 364,427	\$ 6,644,121	(25,277,704)
General revenue:				
Taxes:				
Property taxes levied for general purposes				4,916,787
Property taxes levied for debt service				3,139,957
State aid not restricted to specific purposes				16,236,323
Federal grants and contributions not restricted to specific purposes				50,930
Interest and investment earnings				36,995
Penalties, interest, and other taxes				13,534
Insurance proceeds				215,830
Other				117,204
Total general revenue				24,727,560
Change in Net Position				(550,144)
Net Position - Beginning of year				(22,669,378)
Net Position - End of year				\$ (23,219,522)

Three Rivers Community Schools

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 4,870,954	\$ -	\$ 459,236	\$ 5,330,190
Receivables:				
Due from other governments	4,511,817	-	12,870	4,524,687
Other receivables	3,605	-	-	3,605
Due from other funds (Note 7)	132,056	508,410	-	640,466
Inventory	2,774	-	14,407	17,181
Prepaid expenses	42,386	-	-	42,386
Restricted assets (Notes 4 and 9)	-	129,178	89,603	218,781
Total assets	\$ 9,563,592	\$ 637,588	\$ 576,116	\$ 10,777,296
Liabilities				
Accounts payable	\$ 169,491	\$ 884	\$ 2,357	\$ 172,732
Due to other governmental units	1,807,574	-	-	1,807,574
Due to other funds (Note 7)	508,410	-	125,983	634,393
Accrued liabilities and other	2,449,984	-	-	2,449,984
Unearned revenue (Note 5)	422,741	-	-	422,741
Total liabilities	5,358,200	884	128,340	5,487,424
Fund Balances				
Nonspendable:				
Inventory	2,774	-	14,407	17,181
Prepays	42,386	-	-	42,386
Restricted:				
Debt service	-	636,704	-	636,704
Food service	-	-	343,766	343,766
Expendable trust	-	-	89,603	89,603
Committed - Future projects and emergency repairs	741,408	-	-	741,408
Unassigned	3,418,824	-	-	3,418,824
Total fund balances	4,205,392	636,704	447,776	5,289,872
Total liabilities and fund balances	\$ 9,563,592	\$ 637,588	\$ 576,116	\$ 10,777,296

Three Rivers Community Schools

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

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 5,289,872
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	69,740,513
Accumulated depreciation	<u>(30,562,694)</u>
Net capital assets used in governmental activities	39,177,819
Deferred inflows and outflows related to bond refundings are not reported in the funds	916,006
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	(22,321,519)
Accrued interest is not due and payable in the current period and is not reported in the funds	(119,688)
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:	
Self-insurance	(291,391)
Compensated absences	(131,423)
Net pension liability and related deferred inflows and outflows	(32,303,112)
Net OPEB liability and related deferred inflows and outflows	(11,855,831)
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>(1,580,255)</u>
Net Position of Governmental Activities	<u>\$ (23,219,522)</u>

Three Rivers Community Schools

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

Year Ended June 30, 2019

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 5,334,667	\$ 3,162,305	\$ 307,762	\$ 8,804,734
State sources	19,980,605	308,229	64,858	20,353,692
Federal sources	1,035,211	-	1,103,448	2,138,659
Interdistrict sources	551,813	-	-	551,813
Total revenue	26,902,296	3,470,534	1,476,068	31,848,898
Expenditures				
Current:				
Instruction	16,965,772	-	-	16,965,772
Support services	9,394,165	-	5,904	9,400,069
Athletics	529,750	-	-	529,750
Food services	-	-	1,363,283	1,363,283
Community services	36,494	-	-	36,494
Debt service:				
Principal (Note 8)	283,233	2,525,000	-	2,808,233
Interest	27,452	836,631	-	864,083
Other debt costs	-	2,900	-	2,900
Capital outlay	838,128	-	111,913	950,041
Interdistrict payments	11,000	-	-	11,000
Total expenditures	28,085,994	3,364,531	1,481,100	32,931,625
Net Change in Fund Balances	(1,183,698)	106,003	(5,032)	(1,082,727)
Fund Balances - Beginning of year	5,389,090	530,701	452,808	6,372,599
Fund Balances - End of year	<u>\$ 4,205,392</u>	<u>\$ 636,704</u>	<u>\$ 447,776</u>	<u>\$ 5,289,872</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, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (1,082,727)
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	708,971
Depreciation expense	(1,781,054)
Revenue in support of pension contributions made subsequent to the measurement date	(112,790)
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	2,819,851
Interest expense is recognized in the government-wide statements as it accrues	17,670
Some employee costs (pension, OPEB, self-insurance, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,120,065)
Change in Net Position of Governmental Activities	\$ (550,144)

Three Rivers Community Schools

Fiduciary Fund - Statement of Fiduciary Assets and Liabilities

June 30, 2019

	Student Activities Agency Fund
Assets - Cash and cash equivalents (Note 4)	\$ 201,020
Liabilities	
Due to student activities	\$ 194,947
Due to other funds (Note 7)	6,073
Total liabilities	\$ 201,020

June 30, 2019

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) 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, 2019**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 three broad 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 project 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.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's special revenue funds are the Food Service Fund and 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.

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.

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)**

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 healthcare-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 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

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 years
Furniture and equipment	5-10 years
Buses and other vehicles	5-10 years
Outside site improvements	10-20 years

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)****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 an "other financing source" 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 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 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 and deferred pension and OPEB plan cost reductions.

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.

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.

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)****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 to either 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.

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 for 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.

June 30, 2019**Note 2 - Significant Accounting Policies (Continued)****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 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. Previously, the School District reported the compensated absences within a proprietary fund.

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.

Tax Abatements

The School District evaluated tax abatements and considered the total property tax abatements to be insignificant.

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 has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund.

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 were previously 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 are effective for the School District's financial statements for the year ending June 30, 2021.

June 30, 2019

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. 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. The School District increased budgeted amounts during the year in response to an unexpected change in certain categorical revenue from the State and increase in salaries, staffing, equipment, and purchased professional services.

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
General administration	\$ 534,978	\$ 597,635
Support services - Business	527,107	603,166

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 not 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.

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 \$2,011,532 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.

June 30, 2019

Note 4 - Deposits and Investments (Continued)

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, 2019, 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 not more than 270 days after the date of purchase.

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, 2019, the credit quality ratings of investments are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
MILAF - Cash management class	\$ 2,260,203	AAAm	S&P
MILAF - TERM Series	1,000,000	AAAkf	Kroll
Total	<u>\$ 3,260,203</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District does not have any investments subject to concentration of credit risk.

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; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby 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.

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series, for which the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

June 30, 2019

Note 4 - Deposits and Investments (Continued)

At the year ended June 30, 2019, the net asset value of the School District's investment in the MILAF Term Series was \$1,000,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted; however, an early redemption fee would apply.

The investment pool includes investments that the School District does not control. The investment pool invests primarily in high quality money market instruments, including certificate of deposits, commercial paper, and U.S. government and agency obligations, to protect the investment and provide liquidity.

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, 2019, the School District had no unavailable revenue and \$422,741 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 560,365	\$ -	\$ -	\$ 560,365
Capital assets being depreciated:				
Buildings and improvements	61,830,356	-	-	61,830,356
Furniture and equipment	2,265,026	379,054	-	2,644,080
Buses and other vehicles	2,197,315	306,414	(79,308)	2,424,421
Outside site improvements	2,257,788	23,503	-	2,281,291
Subtotal	68,550,485	708,971	(79,308)	69,180,148
Accumulated depreciation:				
Buildings and improvements	24,120,357	1,318,960	-	25,439,317
Furniture and equipment	1,556,910	232,137	-	1,789,047
Buses and other vehicles	1,927,005	118,668	(79,308)	1,966,365
Outside site improvements	1,256,676	111,289	-	1,367,965
Subtotal	28,860,948	1,781,054	(79,308)	30,562,694
Net capital assets being depreciated	39,689,537	(1,072,083)	-	38,617,454
Net governmental activities capital assets	\$ 40,249,902	\$ (1,072,083)	\$ -	\$ 39,177,819

Depreciation expense was not charged to activities, as the School District considers its assets to benefit multiple activities and allocation to be impractical.

June 30, 2019

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Primary Government			
	Fund Due From			Total
	General Fund	Nonmajor Funds	Fiduciary Fund	
General Fund	\$ -	\$ 125,983	\$ 6,073	\$ 132,056
Debt Service Fund	508,410	-	-	508,410
Total	\$ 508,410	\$ 125,983	\$ 6,073	\$ 640,466

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

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 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	\$ 473,931	\$ -	\$ (108,233)	\$ 365,698	\$ 108,233
Other debt - General obligation	23,975,000	-	(2,700,000)	21,275,000	2,705,000
Unamortized bond premiums	982,841	-	(175,286)	807,555	175,286
Unamortized bond discounts	(138,614)	-	11,880	(126,734)	(11,880)
Total bonds and notes payable	25,293,158	-	(2,971,639)	22,321,519	2,976,639
Self-insurance	100,059	2,819,400	(2,628,068)	291,391	-
Compensated absences	-	131,423	-	131,423	-
Total governmental activities long-term debt	\$ 25,393,217	\$ 2,950,823	\$ (5,599,707)	\$ 22,744,333	\$ 2,976,639

The School District had deferred outflows of \$916,006 related to deferred charges on bond refundings at June 30, 2019.

June 30, 2019

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. General obligations outstanding at June 30, 2019 consist of \$21,275,000 of qualified bonds due in annual installments of \$25,000 to \$1,665,000 on May 1, bearing interest between 2.00 and 5.00 percent. Installment purchase obligations are also general obligations of the School District. General obligations outstanding at June 30, 2019 are as follows:

Purpose	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
Governmental Activities				
Direct borrowings and direct placements:				
\$554,276 2014 Installment Purchase Obligation	\$55,500	2.49	July 2023	\$ 277,500
\$174,694 2015 Installment Purchase Obligation	\$35,000	2.19	May 2020	35,000
\$88,664 2018 Installment Purchase Obligation	\$17,733	2.14	May 2022	53,198
Total direct borrowings and direct placements				365,698
Other debt:				
\$1,615,000 2010 Energy Conservation Improvement Bonds	\$185,000 - \$190,000	2.90 - 3.25	May 2021	375,000
\$8,285,000 2012 Refunding Bonds	\$400,000 - \$1,015,000	2.00 - 3.125	May 2034	4,865,000
\$9,630,000 2017 Refunding Bonds	\$25,000 - \$1,065,000	3.00	May 2032	9,590,000
\$8,120,000 2018 Refunding Bonds	\$1,535,000 - \$1,665,000	5.00	May 2023	6,445,000
Total other debt				21,275,000
Total governmental activities				\$ 21,640,698

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The claims and judgments 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, 2019

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 and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 108,233	\$ 8,124	\$ 2,705,000	\$ 747,406	\$ 3,568,763
2021	73,233	5,596	2,665,000	641,256	3,385,085
2022	73,232	3,834	2,440,000	535,263	3,052,329
2023	55,500	2,073	2,415,000	435,900	2,908,473
2024	55,500	691	1,065,000	332,750	1,453,941
2025-2029	-	-	5,095,000	1,194,400	6,289,400
Thereafter	-	-	4,890,000	462,550	5,352,550
Total	<u>\$ 365,698</u>	<u>\$ 20,318</u>	<u>\$ 21,275,000</u>	<u>\$ 4,349,525</u>	<u>\$ 26,010,541</u>

Note 9 - Restricted Assets

At June 30, 2019, restricted assets are composed of the following:

Description	Governmental Activities
Unspent debt service funds	\$ 129,178
Expendable trust	89,603
Total	<u>\$ 218,781</u>

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. 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:

	2019	2018
Estimated liability - Beginning of year	\$ 100,059	\$ -
Estimated claims incurred, including changes in estimates	2,819,400	2,691,838
Claim payments	(2,628,068)	(2,591,779)
Estimated liability - End of year	<u>\$ 291,391</u>	<u>\$ 100,059</u>

June 30, 2019**Note 11 - Michigan Public School Employees' Retirement System*****Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or 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 healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare 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 healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) 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 healthcare 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 healthcare 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 healthcare 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, 2019

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 healthcare 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 the 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 healthcare 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 range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

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, 2019 were \$4,068,895, 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 \$1,580,255 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, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$1,102,571, which include the School District's contributions required for those members with a defined contribution benefit.

June 30, 2019

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Net Pension Liability***

At June 30, 2019, the School District reported a liability of \$42,566,605 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the School District's proportion was 0.142 and 0.141 percent, respectively, representing a change of 0.216 percent.

Net OPEB Liability

At June 30, 2019, the School District reported a liability of \$11,350,644 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. 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, 2018 and 2017, the School District's proportion was 0.143 and 0.142 percent, respectively, representing a change of 0.644 percent.

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

For 2019, the School District recognized pension expense of \$5,375,975, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, 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	\$ 197,517	\$ (309,324)
Changes in assumptions	9,858,391	-
Net difference between projected and actual earnings on pension plan investments	-	(2,910,474)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	209,712	(135,361)
The School District's contributions to the plan subsequent to the measurement date	3,353,032	-
Total	<u>\$ 13,618,652</u>	<u>\$ (3,355,159)</u>

June 30, 2019

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

The \$1,580,255 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, 2020. 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
2020	\$ 2,807,133
2021	2,066,030
2022	1,455,734
2023	581,564
Total	<u>\$ 6,910,461</u>

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, 2019, the School District recognized OPEB expense of \$568,481.

At June 30, 2019, 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	\$ -	\$ (2,112,646)
Changes in assumptions	1,202,039	-
Net difference between projected and actual earnings on OPEB plan investments	-	(436,232)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	69,047	(2,849)
Employer contributions to the plan subsequent to the measurement date	775,454	-
Total	<u>\$ 2,046,540</u>	<u>\$ (2,551,727)</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
2020	\$ (318,205)
2021	(318,205)
2022	(318,205)
2023	(229,227)
2024	(96,799)
Total	<u>\$ (1,280,641)</u>

June 30, 2019

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

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 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% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75 percent for 2019 and 3.50 percent for 2018
Healthcare cost trend rate - OPEB	7.50%	(Year 1 graded to 3.0 percent year 12
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. 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 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

June 30, 2019

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

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 Percent Decrease (5.00 - 6.05%)	Current Rate (6.00 - 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the School District	\$ 55,886,665	\$ 42,566,605	\$ 31,499,801

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 Percent Decrease (6.15%)	Current Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the School District	\$ 13,626,217	\$ 11,350,644	\$ 9,436,609

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

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

	1 Percent Decrease (6.50%)	Current Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 9,335,779	\$ 11,350,644	\$ 13,662,104

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, 2019, the School District reported a payable of \$648,378 and \$95,114 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Required Supplemental Information

Three Rivers Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 4,976,263	\$ 5,239,734	\$ 5,334,667	\$ 94,933
State sources	20,338,509	21,505,774	19,980,605	(1,525,169)
Federal sources	1,167,347	1,058,019	1,035,211	(22,808)
Interdistrict sources	543,980	554,574	551,813	(2,761)
Total revenue	27,026,099	28,358,101	26,902,296	(1,455,805)
Expenditures				
Current:				
Instruction:				
Basic programs	13,940,160	14,318,996	14,056,188	(262,808)
Added needs	2,911,466	2,851,399	2,854,904	3,505
Adult/Continuing education	122,761	130,935	113,527	(17,408)
Support services:				
Pupil	920,272	1,144,110	1,025,944	(118,166)
Instructional staff	1,574,815	1,444,851	1,258,182	(186,669)
General administration	416,207	534,978	597,635	62,657
School administration	1,300,921	1,279,510	1,207,097	(72,413)
Business	488,567	527,107	603,166	76,059
Operations and maintenance	2,668,509	2,995,624	2,875,948	(119,676)
Pupil transportation services	1,350,852	1,686,860	1,566,369	(120,491)
Central	1,129,340	1,010,717	945,634	(65,083)
Athletics	604,912	585,430	623,221	37,791
Community services	37,321	33,825	36,494	2,669
Debt service	348,935	310,685	310,685	-
Interdistrict payments	-	10,000	11,000	1,000
Total expenditures	27,815,038	28,865,027	28,085,994	(779,033)
Excess of Expenditures Over Revenue	(788,939)	(506,926)	(1,183,698)	(676,772)
Other Financing Sources - Transfers in	160,643	147,066	-	(147,066)
Net Change in Fund Balances	(628,296)	(359,860)	(1,183,698)	(823,838)
Fund Balances - Beginning of year	4,799,989	5,389,090	5,389,090	-
Fund Balances - End of year	<u>\$ 4,171,693</u>	<u>\$ 5,029,230</u>	<u>\$ 4,205,392</u>	<u>\$ (823,838)</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 Five Plan Years				
	Plan Years Ended September 30				
	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.14160 %	0.14129 %	0.14054 %	0.14171 %	0.14027 %
School District's proportionate share of the net pension liability	\$ 42,566,605	\$ 36,614,626	\$ 35,063,543	\$ 34,613,016	\$ 30,896,320
School District's covered payroll	\$ 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	349.55 %	306.87 %	294.37 %	291.61 %	259.70 %
Plan fiduciary net position as a percentage of total pension liability	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 Five Fiscal Years Years Ended June 30				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,932,707	\$ 3,637,237	\$ 3,697,396	\$ 3,726,173	\$ 3,779,116
Contributions in relation to the statutorily required contribution	3,932,707	3,637,237	3,697,396	3,726,173	3,779,116
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 13,056,101	\$ 12,021,613	\$ 12,343,542	\$ 11,892,025	\$ 11,888,580
Contributions as a Percentage of Covered Payroll	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 Two Plan Years	
	Plan Years Ended September 30	
	2018	2017
School District's proportion of the net OPEB liability	0.14279 %	0.14188 %
School District's proportionate share of the net OPEB liability	\$ 11,350,644	\$ 12,564,193
School District's covered payroll	\$ 12,177,383	\$ 11,931,657
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.21 %	105.30 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Three Rivers Community Schools

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

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

June 30, 2019

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:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

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:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

Other Supplemental Information

Three Rivers Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds		Total
	Food Service Fund	Expendable Trust	
Assets			
Cash and investments	\$ 459,236	\$ -	\$ 459,236
Receivables - Due from other governments	12,870	-	12,870
Inventory	14,407	-	14,407
Restricted assets	-	89,603	89,603
Total assets	<u><u>\$ 486,513</u></u>	<u><u>\$ 89,603</u></u>	<u><u>\$ 576,116</u></u>
Liabilities			
Accounts payable	\$ 2,357	\$ -	\$ 2,357
Due to other funds	125,983	-	125,983
Total liabilities	128,340	-	128,340
Fund Balances			
Nonspendable - Inventory	14,407	-	14,407
Restricted:			
Food service	343,766	-	343,766
Expendable trust	-	89,603	89,603
Total fund balances	<u>358,173</u>	<u>89,603</u>	<u>447,776</u>
Total liabilities and fund balances	<u><u>\$ 486,513</u></u>	<u><u>\$ 89,603</u></u>	<u><u>\$ 576,116</u></u>

Three Rivers Community Schools

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

Year Ended June 30, 2019

	Special Revenue Funds		
	Food Service Fund	Expendable Trust	Total
Revenue			
Local sources	\$ 301,561	\$ 6,201	\$ 307,762
State sources	64,858	-	64,858
Federal sources	1,103,448	-	1,103,448
Total revenue	1,469,867	6,201	1,476,068
Expenditures			
Current:			
Support services	4,904	1,000	5,904
Food services	1,363,283	-	1,363,283
Capital outlay	111,913	-	111,913
Total expenditures	1,480,100	1,000	1,481,100
Net Change in Fund Balances	(10,233)	5,201	(5,032)
Fund Balances - Beginning of year	368,406	84,402	452,808
Fund Balances - End of year	<u>\$ 358,173</u>	<u>\$ 89,603</u>	<u>\$ 447,776</u>

Three Rivers Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2019

Years Ending June 30	2010 Energy Conservation Bonds	2012 Refunding Bonds	2017 Refunding Bonds	2018 Refunding Bonds	Total
	Principal	Principal	Principal	Principal	
2020	\$ 185,000	\$ 830,000	\$ 25,000	\$ 1,665,000	\$ 2,705,000
2021	190,000	815,000	25,000	1,635,000	2,665,000
2022	-	805,000	25,000	1,610,000	2,440,000
2023	-	-	880,000	1,535,000	2,415,000
2024	-	-	1,065,000	-	1,065,000
2025	-	-	1,050,000	-	1,050,000
2026	-	-	1,030,000	-	1,030,000
2027	-	-	1,015,000	-	1,015,000
2028	-	-	1,000,000	-	1,000,000
2029	-	-	1,000,000	-	1,000,000
2030	-	-	965,000	-	965,000
2031	-	-	945,000	-	945,000
2032	-	400,000	565,000	-	965,000
2033	-	1,015,000	-	-	1,015,000
2034	-	1,000,000	-	-	1,000,000
Total remaining payments	\$ 375,000	\$ 4,865,000	\$ 9,590,000	\$ 6,445,000	\$ 21,275,000
Principal payments due	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	
Interest rate	2.900% to 3.250%	2.000% to 3.125%	3.000%	5.000%	
Original issue	\$ 1,615,000	\$ 8,285,000	\$ 9,630,000	\$ 8,120,000	