

**THREE RIVERS COMMUNITY SCHOOLS**

**FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION**

**JUNE 30, 2014**

# **Three Rivers Community Schools**

## **Contents**

<b>Independent Auditor's Report</b>	1–3
<b>Administration's Discussion and Analysis</b>	4–10
<b>Basic Financial Statements</b>	
District-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	15
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Internal Service Fund:	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	17
Fiduciary Fund:	
Statement of Fiduciary Net Position	18
Notes to Financial Statements	19–33
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule - General Fund	34

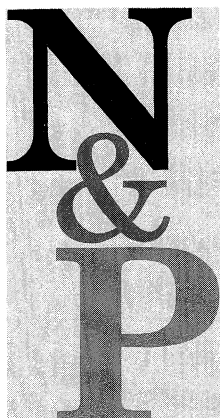
## **Three Rivers Community Schools**

### **Contents**

(Continued)

#### **Other Supplemental Information**

Combining Balance Sheet - Nonmajor Governmental Funds	35
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	36
Special Revenue Funds:	
Food Service Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	37
Trust and Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	38
Statement of Indebtedness	39–44
Schedule of Expenditures of Federal Awards	45–46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47–48
Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	49–50
Schedule of Findings and Questioned Costs	51



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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Three Rivers Community Schools, Michigan

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Three Rivers Community School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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.

Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA  
Dwight M. Blodgett, CPA

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Community Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 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 information is fairly stated, in all material respects, in relation to the 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 31, 2014, on our consideration of the Three Rivers Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Three Rivers Community School's internal control over financial reporting and compliance.

October 31, 2014

*Norman & Paulsen, P.C.*

## THREE RIVERS COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2014

This section of Three Rivers Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. 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 statements. These statements are organized so the reader can understand Three Rivers Community Schools financially as a whole. The *District-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 district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

#### **Basic Financial Statements**

*District-wide Financial Statement      Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

#### **Reporting the School District as a whole - District-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 and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## **THREE RIVERS COMMUNITY SCHOOLS**

### **ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2014**

These two statements report the School District's net position - the difference between assets and liabilities, 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 revenues 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 statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting 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 Most Significant Funds - 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 or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in 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 you 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.



## THREE RIVERS COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2014

#### The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. 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.

#### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2014 and 2013:

TABLE I	June 30,	
	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 8,701,330	\$ 8,624,492
Capital assets - Net of accumulated depreciation	<u>45,449,601</u>	<u>46,788,431</u>
Total assets	54,150,931	55,412,923
Deferred outflows of resources	1,052,578	1,128,812
Liabilities		
Current liabilities	5,695,620	5,615,044
Long-term liabilities	<u>33,864,080</u>	<u>35,993,606</u>
Total liabilities	39,559,700	41,608,650
Net Position		
Invested in property and equipment - net of related debt	10,084,694	9,498,039
Restricted for capital projects	200,374	-
Restricted for debt service	640,545	509,137
Restricted for food service	399,553	349,613
Restricted for scholarships	82,549	80,149
Unrestricted	<u>4,236,094</u>	<u>4,496,147</u>
Total net position	<u>\$15,643,809</u>	<u>\$14,933,085</u>

# THREE RIVERS COMMUNITY SCHOOLS

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2014

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$15,643,809 at June 30, 2014. Capital assets, net of related debt totaling \$10,084,694 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position \$4,236,094 was unrestricted.

The \$4,236,094 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years ended June 30, 2014 and 2013.

TABLE 2

	Year Ended June 30,	
	2014	2013
Revenue		
Program revenue:		
Charges for services	\$ 987,744	\$ 701,408
Grants and catagoricals	4,835,216	4,837,907
General revenue:		
Property taxes	7,669,919	7,496,547
State foundation allowance	14,916,639	15,831,666
Interest and other	<u>56,202</u>	<u>157,967</u>
Total revenue	28,465,720	29,025,495
<b>Function/Program Expenses</b>		
Instruction	14,481,356	14,393,228
Support services	8,296,695	8,841,372
Community services	30,075	30,280
Food services	1,243,790	1,180,539
Athletics	446,228	377,551
Endowment activities	3,700	2,070
Interest on long-term debt	1,520,644	1,835,428
Depreciation (unallocated)	<u>1,732,508</u>	<u>1,716,367</u>
Total expenses	<u>27,754,996</u>	<u>28,376,835</u>
Change in net position	<u>\$ 710,724</u>	<u>\$ 648,660</u>

## **THREE RIVERS COMMUNITY SCHOOLS**

### **ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2014**

As reported in the statement of activities, the cost of all governmental activities this year was \$27,754,996. Certain activities were partially funded from those who benefited from the programs \$987,744 or by other governments and organizations that subsidized certain programs with grants and categoricals \$4,835,216. We paid for the remaining "public benefit" portion of our governmental activities with \$7,669,919 in taxes, \$14,916,639 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of \$710,724. Key reasons for the change in net position were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The increase in net position differs from the change in fund balance and a reconciliation appears on page 16.

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 School 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 sources.

#### **The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$5,797,498, which is an increase of \$118,425 from last year. In the General Fund, our primary operating fund, the fund balance decreased \$65,323 to \$4,674,851, a change of 1.4 percent. The General Fund fund balance reflects nonspendable for prepaid expenditures - \$39,885; nonspendable for inventory - \$18,486; restricted for capital projects - \$200,374; committed for future projects - \$1,516,905; and unassigned - \$2,899,201.

In the Debt Service Fund the fund balance increased \$131,408 to \$640,545. 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 fund balance is restricted since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance increased \$49,940 to \$399,553.

## THREE RIVERS COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (CONTINUED) YEAR ENDED JUNE 30, 2014

#### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. 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 of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$78,781, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$419,560 of final budgeted revenues or 1.8 percent.

Budgeted expenditures were increased \$355,200 during the year to better reflect operating costs. Actual expenditures ended the year under the final budget by \$951,765 or 3.8 percent.

There were no significant variances between the final budget and actual amounts.

#### **Capital Asset and Debt Administration**

##### Capital Assets

At June 30, 2014, the School District had \$68,052,297 invested in a broad range of capital assets, including land, buildings, buses, furniture and equipment, and outside site improvements. This amount represents a net decrease (including additions and disposals) of \$285,315, or 0.4 percent, from last year.

	<u>2014</u>	<u>2013</u>
Land	\$ 530,006	\$ 530,006
Buildings and improvements	61,212,310	61,201,433
Buses and other vehicles	2,319,413	2,830,490
Furniture and equipment	2,005,031	1,976,132
Outside site improvements	<u>1,985,537</u>	<u>1,799,551</u>
Total capital assets	68,052,297	68,337,612
Less accumulated depreciation	<u>22,602,696</u>	<u>21,549,181</u>
Net capital assets	<u>\$ 45,449,601</u>	<u>\$ 46,788,431</u>

## THREE RIVERS COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2014

#### Debt

At the end of this year, the School District had long-term debt obligations totaling \$36,544,961 outstanding versus \$38,559,666 in the previous year - a change of 5.2 percent. The debt obligations consisted of the following:

	<u>2014</u>	<u>2013</u>
General Obligation Bonds, net	\$ 35,523,791	\$ 37,860,533
Installment loans payable	893,694	558,671
Other	<u>127,476</u>	<u>140,462</u>
	<u>\$ 36,544,961</u>	<u>\$ 38,559,666</u>

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 unqualified general obligation debt is significantly below the statutorily imposed limit.

#### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following areas that could have a major impact on the 2014 fiscal year, and the near future.

The 2014-2015 foundation allowance is expected to increase \$30 per student from \$7,076 to \$7,106. The foundation allowance represents 64% of the total District revenue.

Student count is projected to increase slowly over the next five years. However, the uncertain economy in the State of Michigan could impact the number of enrolled students.

Continued projected increases in retirement funding costs and health insurance costs are a concern for the School District.

#### **Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 851 Sixth Avenue, Three Rivers, Michigan 49093.

# THREE RIVERS COMMUNITY SCHOOLS

## STATEMENT OF NET POSITION JUNE 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets:	
Cash and cash equivalents	\$ 5,044,079
Accounts receivable	20,344
Taxes receivable (net)	1,300
Due from other governmental units	3,560,701
Prepaid expenses	41,661
Inventories	<u>33,245</u>
Total current assets	8,701,330
Noncurrent Assets:	
Capital assets	68,052,297
Less: accumulated depreciation	<u>(22,602,696)</u>
Net capital assets	<u>45,449,601</u>
Total assets	54,150,931
Deferred Outflows of Resources –	
Deferred charges from bond refundings	<u>1,052,578</u>
Total assets and deferred outflows of resources	55,203,509
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	155,858
Accrued payroll	1,528,475
Accrued benefits	841,100
Accrued interest	238,383
Due to other governments	167,406
Unearned revenue	83,517
Notes payable, due within one year	201,220
Bonds payable, due within one year	2,468,548
Compensated absences	<u>11,113</u>
Total current liabilities	5,695,620
Noncurrent Liabilities:	
Compensated absences	116,363
Notes payable	692,474
Bonds payable – net	<u>33,055,243</u>
Total noncurrent liabilities	<u>33,864,080</u>
Total liabilities	39,559,700
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	10,084,694
Restricted for capital projects	200,374
Restricted for debt service	640,545
Restricted for food service	399,553
Restricted for scholarships	82,549
Unrestricted	<u>4,236,094</u>
Total net position	<u>\$ 15,643,809</u>

See accompanying notes to financial statements

# THREE RIVERS COMMUNITY SCHOOLS

## STATEMENT OF ACTIVITIES

JUNE 30, 2014

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants/</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Contributions</u>
Governmental activities:				
Instruction	\$ 14,481,356	\$ 570,609	\$ 3,569,254	\$ (10,341,493)
Support services	8,296,695	61,176	239,935	(7,995,584)
Food services	1,243,790	273,006	1,020,078	49,294
Athletics	446,228	59,510	-	(386,718)
Community services	30,075	23,443	-	(6,632)
Endowment activities	3,700	-	5,949	2,249
Interest on long-term debt	1,520,644	-	-	(1,520,644)
Depreciation (unallocated)	<u>1,732,508</u>	<u>-</u>	<u>-</u>	<u>(1,732,508)</u>
Total governmental activities	<u>\$ 27,754,996</u>	<u>\$ 987,744</u>	<u>\$ 4,835,216</u>	<u>(21,932,036)</u>
General revenues:				
Taxes				
Property taxes, levied for general operations				3,948,333
Property taxes, levied for debt service				3,721,586
State aid not restricted to specific purposes				14,916,639
Interest and investment earnings				12,459
Other				<u>43,743</u>
Total general revenues				<u>22,642,760</u>
Change in Net Position				710,724
Net Position - Beginning of year				<u>14,933,085</u>
Net Position - End of year				<u>\$ 15,643,809</u>

See accompanying notes to financial statements

# THREE RIVERS COMMUNITY SCHOOLS

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 4,032,514	\$ 639,902
Accounts receivable	16,566	-
Taxes receivable	657	643
Due from other governmental units	3,560,701	-
Due from other funds	-	-
Prepaid expenditures	39,885	-
Inventories	<u>18,486</u>	<u>-</u>
Total assets	<u>\$ 7,668,809</u>	<u>\$ 640,545</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 150,229	\$ -
Accrued payroll	1,528,475	-
Accrued benefits	841,100	-
Due to other funds	223,231	-
Due to other governmental units	167,406	-
Unearned revenue	<u>83,517</u>	<u>-</u>
Total liabilities	2,993,958	-
Fund Balances:		
Nonspendable:		
Prepaid expenditures	39,885	-
Inventories	18,486	-
Restricted:		
Scholarships	-	-
Debt service	-	640,545
Food service	-	-
Capital Projects	200,374	-
Committed for future projects	1,516,905	-
Unassigned	<u>2,899,201</u>	<u>-</u>
Total fund balances	<u>4,674,851</u>	<u>640,545</u>
Total liabilities and fund balances	<u>\$ 7,668,809</u>	<u>\$ 640,545</u>

See accompanying notes to financial statements



Other Nonmajor Governmental Funds	Total
\$ 371,663	\$ 5,044,079
3,778	20,344
-	1,300
-	3,560,701
111,196	111,196
1,776	41,661
<u>14,759</u>	<u>33,245</u>
<u>\$ 503,172</u>	<u>\$ 8,812,526</u>

\$ 5,629	\$ 155,858
-	1,528,475
-	841,100
15,441	238,672
-	167,406
<u>-</u>	<u>83,517</u>
21,070	3,015,028

14,759	54,644
1,776	20,262
82,549	82,549
-	640,545
383,018	383,018
-	200,374
-	1,516,905
<u>-</u>	<u>2,899,201</u>
<u>482,102</u>	<u>5,797,498</u>
<u>\$ 503,172</u>	<u>\$ 8,812,526</u>

**THREE RIVERS COMMUNITY SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

Total Fund Balances - Governmental Funds	\$ 5,797,498
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred charges on bond refundings	1,052,578
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	68,052,297
Accumulated depreciation is	<u>(22,602,696)</u>
Total	45,449,601
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Notes payable	(893,694)
Bonds payable	(35,523,791)
Accrued interest payable on long-term liabilities is not included as a liability in governmental activities	<u>(238,383)</u>
Net position of governmental activities	<u>\$ 15,643,809</u>

See Notes to Financial Statements

**THREE RIVERS COMMUNITY SCHOOLS**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Debt Service</u>
Revenues:		
Local sources	\$ 4,153,720	\$ 3,725,395
State sources	17,547,334	-
Federal sources	993,925	-
Interdistrict	<u>745,516</u>	<u>-</u>
Total revenues	23,440,495	3,725,398
Expenditures:		
Instruction	14,481,356	-
Supporting services	8,336,471	-
Community services	30,075	-
Food services	-	-
Athletics	446,228	-
Endowment activities	-	-
Capital outlay	353,902	-
Debt service		
Principal payment	364,253	2,115,000
Interest and fiscal charges	<u>47,809</u>	<u>1,478,987</u>
Total expenditures	<u>24,060,094</u>	<u>3,593,987</u>
Excess (deficiency) of revenues over expenditures	(619,599)	131,408
Other financing sources (uses):		
Proceeds from installment loan	<u>554,276</u>	<u>-</u>
Net change in fund balances	(65,323)	131,408
Fund balances, July 1	<u>4,740,174</u>	<u>509,137</u>
Fund balances, June 30	<u>\$ 4,674,851</u>	<u>\$ 640,545</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 279,752	\$ 8,158,867
33,021	17,580,355
987,057	1,980,982
<u>-</u>	<u>745,516</u>
1,299,830	28,465,720
-	14,481,356
-	8,336,471
-	30,075
1,243,790	1,243,790
-	446,228
3,700	3,700
-	353,902
-	2,479,253
<u>-</u>	<u>1,526,796</u>
<u>1,247,490</u>	<u>28,901,571</u>
52,340	(435,851)
<u>-</u>	<u>554,276</u>
52,340	118,425
<u>429,762</u>	<u>5,679,073</u>
<u>\$ 482,102</u>	<u>\$ 5,797,498</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Net change in Fund Balances - Total Governmental Funds	\$ 118,425
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(1,732,508)
Capital outlays	393,678

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid:

Accrued interest payable beginning of the year	244,027
Accrued interest payable end of the year	(238,383)

Repayments of principal on long-term debt are expenditures in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Proceeds from installment loan	(554,276)
Repayment of principal on long-term debt	2,479,253
Amortization of bond issue premium	99,061
Amortization of bond issue discount	(22,319)
Amortization of deferred amount on bond refunding	<u>(76,234)</u>

Change in net position of Governmental Activities	<u>\$ 710,724</u>
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See Notes to Financial Statements

**THREE RIVERS COMMUNITY SCHOOLS**

**INTERNAL SERVICE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

**ASSETS**

Due from other funds	\$ 127,476
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**LIABILITIES**

Accrued compensated absences	<u>\$ 127,476</u>
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**NET POSITION**

Restricted	<u><u>\$ -</u></u>
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**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2014**

Operating Revenues:	
Charges to other funds	\$ 12,986

Operating Expenses:	
Compensated absences	<u>12,986</u>

Change in Net Position	-
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Net Position - Beginning of year	<u>-</u>
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Net Position - End of year	<u><u>\$ -</u></u>
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**INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities:

Received from charges to other funds	\$ -
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Cash - Beginning of year	<u>-</u>
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Cash - End of year	<u><u>\$ -</u></u>
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See Notes to Financial Statements

**THREE RIVERS COMMUNITY SCHOOLS**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

Student  
Activities  
Agency Fund

ASSETS

Cash and cash equivalents	\$ <u>145,092</u>
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LIABILITIES

Due to student groups	\$ <u>145,092</u>
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See accompanying notes to financial statements

# **THREE RIVERS COMMUNITY SCHOOLS**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Three Rivers Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. 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. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

#### **District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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



# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the 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. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

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

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

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

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

## **THREE RIVERS COMMUNITY SCHOOLS**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Debt Service Fund is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Food Services Fund.

The Internal Service Fund is used to account for operations that provide services to other departments or agencies of the government.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

#### **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents 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.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds 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 government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years
Outside site improvements	10-20 years

# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items to report as deferred inflows of resources.

## **THREE RIVERS COMMUNITY SCHOOLS**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Net Position Flow Assumption**

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

##### **Fund Balance Flow Assumptions**

Sometimes the District will 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 District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, 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 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 District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District 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.

## **THREE RIVERS COMMUNITY SCHOOLS**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 2 - 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 and special revenue funds. 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 district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School district did not have significant expenditure budget variances.

**THREE RIVERS COMMUNITY SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2014, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 5,044,079</u>	<u>\$ 145,092</u>	<u>\$ 5,189,171</u>

Deposits consist of checking, savings, and time certificates. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$5,457,534. Of that amount, \$527,499 was covered by federal depository insurance coverage or secured and \$4,930,035 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 bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Disposals and Adjustments	Balance June 30, 2014
Assets, not being depreciated - Land	\$ 530,006	\$ -	\$ -	\$ 530,006
Capital assets, being depreciated:				
Buildings and improvements	61,201,433	10,877	-	61,212,310
Buses and other vehicles	2,830,490	-	511,077	2,319,413
Furniture and equipment	1,976,132	28,899	-	2,005,031
Outside site improvements	<u>1,799,551</u>	<u>353,902</u>	<u>167,916</u>	<u>1,985,537</u>
Subtotal	67,807,606	393,678	678,993	67,522,291
Accumulated depreciation:				
Buildings and improvements	17,522,383	1,339,533	-	18,861,916
Buses and other vehicles	2,201,257	160,696	511,077	1,850,876
Furniture and equipment	937,281	109,752	-	1,047,033
Outside site improvements	<u>888,260</u>	<u>122,527</u>	<u>167,916</u>	<u>842,871</u>
Subtotal	<u>21,549,181</u>	1,732,508	678,993	<u>22,602,696</u>
Net capital assets being depreciated	<u>46,258,425</u>			<u>44,919,595</u>
Net capital assets	<u>\$ 46,788,431</u>			<u>\$ 45,449,601</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

### NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due To/From Other Funds:		
Other governmental funds	General Fund	<u>\$ 111,196</u>
Interfund Transfers:		
Transfer in:	Transfer Out:	
Other governmental funds	General Fund	
	<u>\$ -</u>	



# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 6 - 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 the end of the current fiscal year, the various components of unearned revenue include categorial aid payments received prior to meeting all eligibility requirements in the amount of \$83,517.

### NOTE 7 - LONG-TERM DEBT

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

Long-term obligation activity can be summarized as follows:

#### Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds	\$ 37,155,000	\$ -	\$ 2,260,000	\$ 34,895,000	\$ 2,385,000
Premiums	907,040	-	99,061	807,979	99,061
Discounts	(201,507)	-	(22,319)	(179,188)	(15,513)
Bonds, net	<u>\$ 37,860,533</u>	<u>\$ -</u>	<u>\$ 2,336,742</u>	<u>\$ 35,523,791</u>	<u>\$ 2,468,548</u>
Installment Loans	<u>\$ 558,671</u>	<u>\$ 554,276</u>	<u>\$ 219,253</u>	<u>\$ 893,694</u>	<u>\$ 201,220</u>
Other Oblig.	<u>\$ 140,462</u>	<u>\$ 5,893</u>	<u>\$ 18,879</u>	<u>\$ 127,476</u>	<u>\$ 11,113</u>
Deferred Outflows - Deferred charges from bond refundings	<u>\$ (1,128,812)</u>	<u>\$ -</u>	<u>\$ (76,234)</u>	<u>\$ (1,052,578)</u>	

# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 7 - LONG-TERM DEBT – (Continued)

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended June 30,	Principal	Interest	Total
2015	\$ 2,586,220	\$ 1,428,230	\$ 4,014,450
2016	2,620,500	1,315,028	3,935,528
2017	2,725,618	1,209,909	3,935,527
2018	2,813,356	1,102,816	3,916,172
2019	2,855,500	994,148	3,849,648
2020-2024	11,972,500	3,289,699	15,262,199
2025-2029	5,150,000	1,529,007	6,679,007
2030-2034	<u>5,065,000</u>	<u>516,934</u>	<u>5,581,934</u>
	<u>\$ 35,788,694</u>	<u>\$ 11,385,771</u>	<u>\$ 47,174,465</u>

Governmental Activities:

General obligation bonds consist of:

\$8,285,000 2012 Refunding Bonds payable in annual installments of \$50,000 to \$1,015,000 through May 15, 2034; interest from 2.0% to 3.125%	\$ 8,235,000
\$24,505,000 2008 Refunding Bonds, payable in annual installments of \$1,155,000 to \$1,790,000 through May 1, 2023; interest from 5.00% to 5.00%	15,555,000
\$9,995,000 2007 Refunding School Building and Site Bonds payable in annual installments of \$40,000 to \$1,050,000 through May 1, 2032; interest from 4.00% to 4.125%	9,910,000
\$1,615,000 Energy Conservation Bonds, payable in annual installments of \$135,000 to \$190,000 through May 1, 2021; interest from 2.00% to 3.25%	<u>1,195,000</u>
Total bonds payable	<u>\$ 34,895,000</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 7 - LONG-TERM DEBT – (Continued)**

Notes payable consist of:

\$424,938 Michigan Municipal Bond Authority Installment Purchase Agreement, annual payments of \$54,904, including interest at 5.15%, final payment due July 30, 2014	\$ 26,762
\$262,857 Installment loan payable to bank, annual payments of \$52,500, plus interest at 1.39%, final payment due November 1, 2017	210,356
\$554,276 Installment loan payable to bank, annual payments of \$55,500, plus interest at 2.49%, final payment due July 30, 2023	554,276
\$249,681 Installment loan payable to bank, annual payments of \$50,000, plus interest at 2.75%, final payment due May 1, 2015	49,681
\$87,619 Installment loan payable to bank, annual payments of \$17,500, plus interest at 1.18%, final payment due November 1, 2016	<u>52,619</u>
Total notes payable	<u>\$ 893,694</u>

Other governmental activity long-term obligations include:

Employee - compensated absences	<u>\$ 127,476</u>
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# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), 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. 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 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 at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

\* First worked September 4, 2012 or later.

# THREE RIVERS COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)

For the period from October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Person Healthcare fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

\* First worked September 4, 2012 or later.

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were approximately \$2,116,200, \$1,862,400, and \$1,722,200, respectively.

## THREE RIVERS COMMUNITY SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

#### NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)

**Postemployment Benefits** - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. 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 on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.18 percent to 9.11 percent of covered payroll for the period from July 1, 2013 through September 30, 2013. For the period from October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 5.52percent to 6.45 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2014, 2013, and 2012 were approximately \$857,700, \$1,096,700, and \$983,700, respectively.

#### NOTE 9 - 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. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

## **REQUIRED SUPPLEMENTAL INFORMATION**

# THREE RIVERS COMMUNITY SCHOOLS

## REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues:				
Local sources	\$ 4,036,962	\$ 4,170,389	\$ 4,153,720	\$ (16,669)
State sources	17,993,370	17,581,153	17,547,334	(33,819)
Federal sources	963,261	1,367,731	993,925	(373,806)
Interdistrict	<u>787,681</u>	<u>740,782</u>	<u>745,516</u>	<u>4,734</u>
Total revenues	23,781,274	23,860,055	23,440,495	(419,560)
Expenditures:				
Instruction	14,513,032	14,915,523	14,481,356	(434,167)
Supporting services	8,640,565	8,686,010	8,336,471	(349,539)
Athletics	427,053	498,644	446,228	(52,416)
Community services	43,645	67,410	30,075	(37,335)
Debt service	478,088	490,370	412,062	(78,308)
Capital Outlay	<u>554,276</u>	<u>353,902</u>	<u>353,902</u>	<u>-</u>
Total expenditures	<u>24,656,659</u>	<u>25,011,859</u>	<u>24,060,094</u>	<u>(951,765)</u>
Excess (deficiency) of revenues over expenditures	(875,385)	(1,151,804)	(619,599)	532,205
Other financing sources:				
Proceeds from installment loan	<u>-</u>	<u>554,276</u>	<u>554,276</u>	<u>-</u>
Net change in fund balance	(875,385)	(597,528)	(65,323)	532,205
Fund balance – July 1	<u>4,740,174</u>	<u>4,740,174</u>	<u>4,740,174</u>	<u>-</u>
Fund balance – June 30	<u>\$ 3,864,789</u>	<u>\$ 4,142,646</u>	<u>\$ 4,674,851</u>	<u>\$ 532,205</u>



## **OTHER SUPPLEMENTAL INFORMATION**

**THREE RIVERS COMMUNITY SCHOOLS**

**OTHER SUPPLEMENTAL INFORMATION**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Expendable Trust</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 289,114	\$ 82,549	\$ 371,663
Accounts receivable	3,778	-	3,778
Due from other funds	111,196	-	111,196
Inventory	14,759	-	14,759
Prepaid expenditures	<u>1,776</u>	<u>-</u>	<u>1,776</u>
Total assets	<u>\$ 420,623</u>	<u>\$ 82,549</u>	<u>\$ 503,172</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 5,629	\$ -	\$ 5,629
Due to other funds	<u>15,441</u>	<u>-</u>	<u>15,441</u>
Total liabilities	21,070	-	21,070
Fund balances:			
Nonspendable:			
Prepaid expenditures	14,759	-	14,759
Inventory	1,776	-	1,776
Restricted:			
Scholarships	-	82,549	82,549
Food Service	<u>383,018</u>	<u>-</u>	<u>383,018</u>
Total fund balances	<u>399,553</u>	<u>82,549</u>	<u>482,102</u>
Total liabilities and fund balances	<u>\$ 420,623</u>	<u>\$ 82,549</u>	<u>\$ 503,172</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**OTHER SUPPLEMENTAL INFORMATION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Expendable Trust</u>	<u>Total</u>
Revenues:			
Local sources	\$ 273,652	\$ 6,100	\$ 279,752
State sources	33,021	-	33,021
Federal sources	<u>987,057</u>	<u>-</u>	<u>987,057</u>
Total revenues	1,293,730	6,100	1,299,830
Expenditures:			
Food services	1,243,790	-	1,243,790
Scholarships	<u>-</u>	<u>3,700</u>	<u>3,700</u>
Total expenditures	<u>1,243,790</u>	<u>3,700</u>	<u>1,247,490</u>
Net change in fund balances	49,940	2,400	52,340
Fund balances – July 1	<u>349,613</u>	<u>80,149</u>	<u>429,762</u>
Fund balances – June 30	<u>\$ 399,553</u>	<u>\$ 82,549</u>	<u>\$ 482,102</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**OTHER SUPPLEMENTAL INFORMATION**

**FOOD SERVICE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues:			
Local sources	\$ 280,000	\$ 273,652	\$ (6,348)
State sources	35,000	33,021	(1,979)
Federal sources	<u>952,000</u>	<u>987,057</u>	<u>35,057</u>
Total revenues	1,267,000	1,293,730	26,730
Expenditures:			
Salaries	320,000	319,193	(807)
Employee benefits	141,000	145,029	4,029
Purchased services	75,000	87,700	12,700
Supplies, materials and other	697,000	658,082	(38,918)
Capital outlay	<u>33,800</u>	<u>33,786</u>	<u>(14)</u>
Total expenditures	<u>1,266,800</u>	<u>1,243,790</u>	<u>(23,010)</u>
Excess (deficiency) of revenues over expenditures	200	49,940	49,740
Fund balance – July 1	<u>349,613</u>	<u>349,613</u>	<u>-</u>
Fund balance – June 30	<u>\$ 349,813</u>	<u>\$ 399,553</u>	<u>\$ 49,740</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**OTHER SUPPLEMENTAL INFORMATION**

**STUDENT ACTIVITIES AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2014**

	<u>Balances</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2014</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>127,142</u>	\$ <u>290,980</u>	\$ <u>273,030</u>	\$ <u>145,092</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>127,142</u>	\$ <u>290,980</u>	\$ <u>273,030</u>	\$ <u>145,092</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**OTHER SUPPLEMENTAL INFORMATION**

**STATEMENT OF BONDED INDEBTEDNESS**

**YEAR ENDED JUNE 30, 2014**

2012 REFUNDING SCHOOL BUILDING AND SITE BONDS \$ 8,285,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	2.000	\$ 193,132	\$ 445,000	\$ 638,132
2016	2.000	184,232	585,000	769,232
2017	2.000	172,532	700,000	872,532
2018	2.000	158,532	810,000	968,532
2019	2.000	142,332	830,000	972,332
2020	2.125	125,731	830,000	955,731
2021	2.250	109,131	815,000	924,131
2022	2.250	91,813	805,000	896,813
2023	3.000	73,700	-	73,700
2024	3.000	73,700	-	73,700
2025	3.000	73,700	-	73,700
2026	3.000	73,700	-	73,700
2027	3.000	73,700	-	73,700
2028	3.000	73,700	-	73,700
2029	3.000	73,700	-	73,700
2030	3.000	73,700	-	73,700
2031	3.000	73,700	-	73,700
2032	3.000	73,700	400,000	473,700
2033	3.000	61,700	1,015,000	1,076,700
2034	3.125	<u>31,250</u>	<u>1,000,000</u>	<u>1,031,250</u>
Total		<u>\$ 2,007,385</u>	<u>\$ 8,235,000</u>	<u>\$ 10,242,385</u>

Interest on the bond of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

**THREE RIVERS COMMUNITY SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**STATEMENT OF BONDED INDEBTEDNESS**  
**YEAR ENDED JUNE 30, 2014**

2007 REFUNDING SCHOOL BUILDING AND SITE BONDS \$ 9,995,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	4.00	\$ 399,460	\$ -	\$ 399,460
2016	4.00	399,460	-	399,460
2017	4.00	399,460	-	399,460
2018	4.00	399,460	-	399,460
2019	4.00	399,460	50,000	449,460
2020	4.00	397,460	50,000	447,460
2021	4.00	395,460	50,000	445,460
2022	4.00	393,460	55,000	448,460
2023	4.00	391,260	855,000	1,246,260
2024	4.00	357,060	1,050,000	1,407,060
2025	4.00	315,060	1,045,000	1,360,060
2026	4.00	273,260	1,035,000	1,308,260
2027	4.00	231,860	1,030,000	1,261,860
2028	4.00	190,660	1,025,000	1,215,660
2029	4.00	149,660	1,015,000	1,164,660
2030	4.10	109,060	1,010,000	1,119,060
2031	4.125	67,650	1,005,000	1,072,650
2032	4.125	<u>26,194</u>	<u>635,000</u>	<u>661,194</u>
Total		<u>\$ 5,295,404</u>	<u>\$ 9,910,000</u>	<u>\$ 15,205,404</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

**THREE RIVERS COMMUNITY SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**STATEMENT OF BONDED INDEBTEDNESS**  
**YEAR ENDED JUNE 30, 2014**

2008 REFUNDING SCHOOL BUILDING AND SITE BONDS \$ 24,505,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	5.00	\$ 777,750	\$ 1,790,000	\$ 2,567,750
2016	5.00	688,250	1,750,000	2,438,250
2017	5.00	600,750	1,735,000	2,335,750
2018	5.00	514,000	1,725,000	2,239,000
2019	5.00	427,750	1,745,000	2,172,750
2020	5.00	340,500	1,740,000	2,080,500
2021	5.00	253,500	1,710,000	1,963,500
2022	5.00	168,000	1,685,000	1,853,000
2023	5.00	<u>83,750</u>	<u>1,675,000</u>	<u>1,758,750</u>
Total		<u>\$ 3,854,250</u>	<u>\$ 15,555,000</u>	<u>\$ 19,409,250</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.



**THREE RIVERS COMMUNITY SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**STATEMENT OF BONDED INDEBTEDNESS**  
**YEAR ENDED JUNE 30, 2014**

2010 ENERGY CONSERVATION BONDS \$ 1,615,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	2.00	\$ 32,200	\$ 150,000	\$ 182,200
2016	2.25	29,200	160,000	189,200
2017	2.50	25,600	165,000	190,600
2018	2.75	21,475	170,000	191,475
2019	2.90	16,800	175,000	191,800
2020	3.00	11,725	185,000	196,725
2021	3.25	<u>6,175</u>	<u>190,000</u>	<u>196,175</u>
Total		<u>\$ 143,175</u>	<u>\$ 1,195,000</u>	<u>\$ 1,338,175</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

**THREE RIVERS COMMUNITY SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**STATEMENT OF BONDED INDEBTEDNESS**  
**YEAR ENDED JUNE 30, 2014**

2004 INSTALLMENT PURCHASE PLAN \$ 424,938

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	5.15	<u>\$ 689</u>	<u>\$ 26,762</u>	<u>\$ 27,451</u>

2013 INSTALLMENT PURCHASE PLAN \$ 262,857

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	1.39	\$ 2,559	\$ 52,500	\$ 55,059
2016	1.39	1,829	52,500	54,329
2017	1.39	1,100	52,500	53,600
2018	1.39	<u>367</u>	<u>52,857</u>	<u>53,224</u>
Total		<u>\$ 5,855</u>	<u>\$ 210,357</u>	<u>\$ 216,212</u>

2010 INSTALLMENT PURCHASE PLAN \$ 249,681

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	2.75	<u>\$ 1,366</u>	<u>\$ 49,681</u>	<u>\$ 51,047</u>

# THREE RIVERS COMMUNITY SCHOOLS

## OTHER SUPPLEMENTAL INFORMATION STATEMENT OF BONDED INDEBTEDNESS YEAR ENDED JUNE 30, 2014

2012 INSTALLMENT PURCHASE PLAN \$ 87,619

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	1.18	\$ 518	\$ 17,500	\$ 18,018
2016	1.18	311	17,500	17,811
2017	1.18	<u>104</u>	<u>17,619</u>	<u>17,723</u>
	Total	<u>\$ 933</u>	<u>\$ 52,619</u>	<u>\$ 53,552</u>

2014 INSTALLMENT PURCHASE PLAN \$ 554,276

Balance payable as follows

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	2.49	\$ 20,557	\$ 54,776	\$ 75,333
2016	2.49	11,747	55,500	67,247
2017	2.49	10,365	55,500	65,865
2018	2.49	8,983	55,500	64,483
2019	2.49	7,601	55,500	63,101
2020	2.49	6,219	55,500	61,719
2021	2.49	4,837	55,500	60,337
2022	2.49	3,455	55,500	58,955
2023	2.49	2,072	55,500	57,572
2024	2.49	<u>690</u>	<u>55,500</u>	<u>56,190</u>
	Total	<u>\$ 76,526</u>	<u>\$ 554,276</u>	<u>\$ 630,802</u>

**THREE RIVERS COMMUNITY SCHOOLS**

**OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	1315301213 1415301314	\$ 1,032,079 844,405
Improving Teacher Quality	84.367	1305201213 1405201314	215,759 233,881
Title VI Part B	84.358	1306601213 1406601314	33,406 48,009
 Passed Through Intermediate School District:			
Adult Ed - State Admin. Improvement of Education	84.002A 84.215		
 TOTAL DEPARTMENT OF EDUCATION			
 <u>U.S. Department of Health and Human Services</u>			
Passed Through Intermediate School District:			
Medicaid outreach	93.778		4,120

(continued on next page)

<u>Accrued (Deferred) Revenue July 1, 2013</u>	<u>(Memo only) Prior Year Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Accrued (Deferred) Revenue June 30, 2014</u>
\$ 159,148	711,353	\$ 179,596	\$ 338,744	\$ -
-		602,289	356,468	245,821
<u>159,148</u>		<u>781,885</u>	<u>695,212</u>	<u>245,821</u>
30,527	132,048	36,454	66,981	-
-		91,795	67,666	24,129
<u>30,527</u>		<u>128,249</u>	<u>134,647</u>	<u>24,129</u>
15,174	17,574	-	15,174	-
-		11,083	5,001	6,082
<u>15,174</u>		<u>11,083</u>	<u>20,175</u>	<u>6,082</u>
204,849		921,217	850,034	276,032
90,241	90,241	67,788	90,241	67,788
<u>-</u>		<u>800</u>	<u>800</u>	<u>-</u>
295,090		989,805	941,075	343,820
-		4,120	4,120	-

# THREE RIVERS COMMUNITY SCHOOLS

## OTHER SUPPLEMENTAL INFORMATION SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster			
Passed Through State Department of Education			
Summer Food Service Program	10.559	13-14 12-13	1,663 27,247
National School Lunch Program	10.555	13-14 12-13	553,711 622,724
National School Lunch Special Milk Program	10.556	13-14 12-13	112 150
National School Lunch Breakfast	10.553	13-14 12-13	223,188 235,273
Direct Programs - non-cash assistance			
Entitlement Commodities	10.555	13-14	85,703
Bonus Commodities	10.555	13-14	-

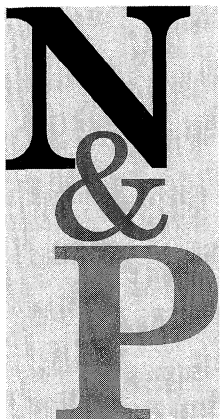
TOTAL DEPARTMENT OF AGRICULTURE

TOTAL FEDERAL FINANCIAL ASSISTANCE

### Notes:

- 1.\* Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.
5. This schedule has been prepared under the modified accrual basis of accounting.

Accrued (Deferred) Revenue July 1, 2013	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2014
-		1,663	-	1,663
<u>3,918</u>	3,918	<u>23,329</u>	<u>27,247</u>	<u>-</u>
3,918		* 24,992	27,247	1,663
-		553,711	553,711	-
<u>13,719</u>	549,731	<u>72,993</u>	<u>86,712</u>	<u>-</u>
13,719		* 626,704	640,423	-
-		112	112	-
<u>6</u>	140	<u>10</u>	<u>16</u>	<u>-</u>
6		* 122	128	-
-		223,188	223,188	-
<u>6,667</u>	208,925	<u>26,348</u>	<u>33,015</u>	<u>-</u>
6,667		* 249,536	256,203	-
-		85,703	85,703	-
<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
-		* 85,703	85,703	-
<u>24,310</u>		<u>987,057</u>	<u>1,009,704</u>	<u>1,663</u>
<u>\$ 319,400</u>		<u>\$ 1,980,982</u>	<u>\$ 1,954,899</u>	<u>\$ 345,483</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education  
Three Rivers Community Schools

**Norman & Paulsen, P.C.**  
*Certified Public Accountants*

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We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Three Rivers Community Schools' basic financial statements and have issued our report thereon dated October 31, 2014.

### **Internal Control Over Financial Reporting**

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

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

Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA  
Dwight M. Blodgett, CPA



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

### **Compliance and Other Matters**

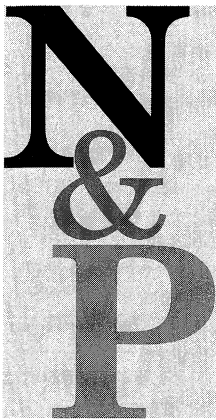
As part of obtaining reasonable assurance about whether Three Rivers Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

### **Purpose of the Report**

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

October 31, 2014

*Norman & Paulsen, P.C.*



**Norman & Paulsen, P.C.**  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Board of Education  
Three Rivers Community Schools, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Three Rivers Community Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Three Rivers Community Schools' major federal programs for the year ended June 30, 2014. Three Rivers Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Three Rivers Community Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Three Rivers Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA  
Dwight M. Blodgett, CPA

## Opinion on Each Major Federal Program

In our opinion, Three Rivers Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Three Rivers Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Three Rivers Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Three Rivers Community Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

October 31, 2014

*Norman E. Puckett, P.C.*

**THREE RIVERS COMMUNITY SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No material weakness or significant deficiency in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No material weakness or significant deficiency in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture:

10.553, 10.555, 10.556 & 10.559 Child Nutrition Cluster

- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Three Rivers Community Schools qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

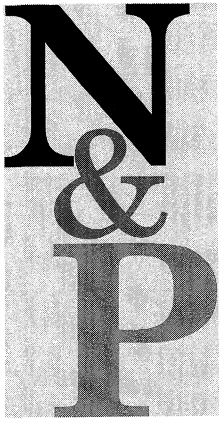
NONE

3. Findings and questioned costs for Federal awards:

NONE

4. Prior year findings:

NONE



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## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
Three Rivers Community Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") for the year ended June 30, 2014, and have issued our report thereon dated October 31, 2014. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 4, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the School District. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the School District's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 31, 2014 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA  
Dwight M. Blodgett, CPA

We are also obligated to communicate certain matters related to our audit to those responsibilities for the governance of the School District, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosure regarding these acts to applicable government agencies. No such disclosures were required.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 11, 2014.

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Three Rivers Community Schools are described in Note 1 to the financial statements. The application of existing policies was not changed during 2014. We noted no transactions entered into by Three Rivers Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

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

*Accumulated compensated absences liability*  
*Depreciation*

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

#### No Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### No Disagreements with Management

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

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2014.

### Management Consultations with Other Independent Accountants

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

### Other Audit Findings or Issues

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

As required by OMB Circular A-133, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 dated October 31, 2014.

This information is intended solely for the information and use of the Board of Education and management of Three Rivers Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

*Norman E. Paulsen, P.C.*

October 31, 2014