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# Three Rivers Community Schools

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**Financial Report  
with Supplementary Information  
June 30, 2023**

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## **Independent Auditor's Report**

To the Board of Education  
Three Rivers Community Schools

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the School District as of June 30, 2023 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Education  
Three Rivers Community Schools

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedule, and schedules of the School District's proportionate share of the net pension and OPEB liabilities and contributions, as defined in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education  
Three Rivers Community Schools

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023 on our consideration of Three Rivers Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Three Rivers Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Community Schools' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

November 3, 2023

This section of the annual financial report for Three Rivers Community Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### ***Using This Annual Report***

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

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

##### **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplementary Information**

Budgetary Comparison Schedule - General Fund

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

Schedule of Pension Contributions

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

Schedule of OPEB Contributions

##### **Other Supplementary Information**

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

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

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

## Three Rivers Community Schools

### Management's Discussion and Analysis (Continued)

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

#### ***Reporting the School District's Fund Financial Statements***

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

#### **Governmental Funds**

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

#### ***The School District as a Whole***

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 45.9	\$ 11.0
Capital assets	45.8	43.9
Total assets	91.7	54.9
<b>Deferred Outflows of Resources</b>	22.8	11.6
<b>Liabilities</b>		
Current liabilities	8.5	4.4
Noncurrent liabilities	57.2	25.2
Net pension liability	56.3	34.2
Net OPEB liability	3.2	2.3
Total liabilities	125.2	66.1
<b>Deferred Inflows of Resources</b>	11.4	22.9
<b>Net Position (Deficit)</b>		
Net investment in capital assets	21.7	21.4
Restricted	0.8	0.8
Unrestricted	(44.6)	(44.7)
Total net position (deficit)	<u>\$ (22.1)</u>	<u>\$ (22.5)</u>

## Three Rivers Community Schools

### Management's Discussion and Analysis (Continued)

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(22.1) million at June 30, 2023. Net investment in capital assets totaling \$21.7 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(44.6) million) was unrestricted.

The \$(44.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact of GASB Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities, respectively, from the state-managed retirement system).

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.1	\$ 0.1
Operating grants and contributions	11.7	11.2
General revenue:		
Taxes	9.1	8.7
State aid not restricted to specific purposes	16.6	15.9
Other	0.9	0.7
Total revenue	38.4	36.6
<b>Expenses</b>		
Instruction	18.4	16.6
Support services	13.6	11.2
Athletics	0.7	0.5
Food services	1.9	1.6
Debt service	1.6	0.8
Depreciation expense (unallocated)	1.8	2.2
Total expenses	38.0	32.9
<b>Change in Net Position</b>	0.4	3.7
<b>Net Position (Deficit) - Beginning of year</b>	(22.5)	(26.2)
<b>Net Position (Deficit) - End of year</b>	<u><u>\$ (22.1)</u></u>	<u><u>\$ (22.5)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$38.0 million. Certain activities were partially funded from those who benefited from the programs (\$0.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.7 million). We paid for the remaining public benefit portion of our governmental activities with \$9.1 million in taxes, \$16.6 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$0.4 million. Key reasons for the change in net position are the GASB 68 and 75-related pension and OPEB adjustments, the investment in capital assets (offset with the current year depreciation), and increase revenue that the School District received via federal government and state government. Some of the revenue allowed for the School District to shift current year expenditures to be covered fully or partially by funds received.



## Three Rivers Community Schools

### Management's Discussion and Analysis (Continued)

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

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

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$37.9 million, which is an increase of \$31.6 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, fund balance increased by \$0.7 million to \$3.5 million. The change is mainly due to an increase in grant funding and being able to shift expenses from our General Fund to grant expenditures.

The fund balance of our Debt Service Fund increased by \$0.2 million. This increase was anticipated due to millage collection and amounts due for debt in the year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund fund balance is restricted since it can be used only to pay debt service obligations.

The fund balance of our capital projects fund increased by \$30.1 million. This increase is primarily due to the successful sale of \$35.2 million in the 2020 Building and Site Bonds Series II. These bonds were issued in accordance with state law and will be used for district-wide school improvements.

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

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2023. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information to these financial statements.

There were significant revisions made to the 2022-2023 General Fund original budget. Budgeted revenue was increased by \$5.4 million due to an increase in federal funding sources as a result of COVID-19 federal funding packages and increases in the per pupil state revenue.

Budgeted expenditures were also increased by \$5.5 million to provide for the needs of the School District, which is accounted for in the increase in salaries, staffing, equipment, and purchased professional services resulting from the School District's revised operating plan due to the changes in revenue.

There were variances between the final budget and actual amounts; see Note 3 to the financial statements for the variances between final budget and actual amount.

#### ***Capital Assets and Debt Administration***

##### **Capital Assets**

As of June 30, 2023, the School District had \$45.8 million invested in a broad range of capital assets, including land, construction in progress, buildings and improvements, vehicles, furniture, equipment, and outside site improvements. This represents a net increase (including additions, disposals, and depreciation) of approximately \$1.9 million from 2022 to 2023.

## Three Rivers Community Schools

### Management's Discussion and Analysis (Continued)

	2023	2022
Land	\$ 560,365	\$ 560,365
Construction in progress	11,385,158	8,179,330
Buildings and improvements	31,515,392	32,586,199
Furniture and equipment	1,421,163	1,413,222
Buses and other vehicles	384,937	539,906
Outside site improvements	496,911	593,859
Total capital assets - Net of accumulated depreciation	<b>\$ 45,763,926</b>	<b>\$ 43,872,881</b>

This year's additions of \$3.7 million included technology, furnishings, equipment, grounds equipment, and construction in progress. Several capital projects are planned for the 2023-2024 fiscal year out of 2020 School Building and Site Bonds. We present more detailed information about our capital assets in the notes to the financial statements.

#### **Debt**

At the end of this year, the School District had \$56.1 million in bonds outstanding versus \$23.9 million in the previous year.

The School District's general obligation bond rating is A3. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding qualified general obligation debt of \$56.1 million is significantly below the statutorily imposed limit.

Other obligations include compensated absences and employee retirement obligation. We present more detailed information about our long-term liabilities in the notes to the financial statements.

#### ***Economic Factors and Next Year's Budgets and Rates***

Our elected officials and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 budget was adopted in June 2023 based on an estimate of students who will enroll in September 2023. Approximately 68.5 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023-2024 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023-2024 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 851 Sixth Avenue, Three Rivers, MI 49009.

## Three Rivers Community Schools

### Statement of Net Position

June 30, 2023

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 5,303,644
Receivables - Due from other governments	4,767,078
Inventory	55,596
Prepaid expenses and other assets	117,399
Restricted assets (Note 10)	35,675,834
Capital assets: (Note 6)	
Assets not subject to depreciation	11,945,523
Assets subject to depreciation - Net	33,818,403
Total assets	91,683,477
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 9)	390,067
Deferred pension costs (Note 12)	17,755,122
Deferred OPEB costs (Note 12)	4,638,814
Total deferred outflows of resources	22,784,003
<b>Liabilities</b>	
Accounts payable	2,014,679
Due to other governmental units	951,113
Accrued liabilities and other	2,690,627
State aid anticipation note (Note 8)	2,100,000
Unearned revenue (Note 5)	743,839
Noncurrent liabilities:	
Due within one year (Note 9)	1,816,391
Due in more than one year (Note 9)	55,359,698
Net pension liability (Note 12)	56,337,963
Net OPEB liability (Note 12)	3,197,529
Total liabilities	125,211,839
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the report date (Note 12)	4,113,325
Deferred pension cost reductions (Note 12)	337,765
Deferred OPEB cost reductions (Note 12)	6,919,220
Total deferred inflows of resources	11,370,310
<b>Net Position (Deficit)</b>	
Net investment in capital assets	21,746,746
Restricted:	
Debt	400,483
Expendable trust	100,568
Capital projects	319,027
Unrestricted	(44,681,493)
Total net position (deficit)	<u><u>\$ (22,114,669)</u></u>

## Three Rivers Community Schools

### Statement of Activities

Year Ended June 30, 2023

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 18,394,179	\$ -	\$ 9,746,304	\$ (8,647,875)
Support services	13,554,642	5,572	-	(13,549,070)
Athletics	692,333	66,585	-	(625,748)
Food services	1,911,196	31,420	1,919,591	39,815
Community services	8,500	-	-	(8,500)
Interdistrict payments	39,376	-	-	(39,376)
Interest	1,023,904	-	-	(1,023,904)
Other debt costs	529,929	-	-	(529,929)
Depreciation expense (unallocated) (Note 6)	1,818,035	-	-	(1,818,035)
Total primary government	<b>\$ 37,972,094</b>	<b>\$ 103,577</b>	<b>\$ 11,665,895</b>	(26,202,622)
General revenue:				
Taxes:				
Property taxes levied for general purposes				5,500,973
Property taxes levied for debt service				3,559,853
State aid not restricted to specific purposes				16,620,314
Federal grants and contributions not restricted to specific purposes				62,975
Interest and investment earnings				173,858
Other				679,385
Total general revenue				26,597,358
<b>Change in Net Position</b>				394,736
<b>Net Position (Deficit) - Beginning of year</b>				(22,509,405)
<b>Net Position (Deficit) - End of year</b>				<b>\$ (22,114,669)</b>

## Three Rivers Community Schools

## Governmental Funds Balance Sheet

June 30, 2023

	General Fund	2020 School Building and Site Bonds	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 4)	\$ 4,650,150	\$ -	\$ 653,494	\$ 5,303,644
Receivables - Due from other governments	4,757,178	-	9,900	4,767,078
Due from other funds (Note 7)	111,331	-	25	111,356
Inventory	30,212	-	25,384	55,596
Prepaid expenses and other assets	116,366	-	1,033	117,399
Restricted assets (Note 10)	-	34,743,141	932,693	35,675,834
<b>Total assets</b>	<b>\$ 9,665,237</b>	<b>\$ 34,743,141</b>	<b>\$ 1,622,529</b>	<b>\$ 46,030,907</b>
<b>Liabilities</b>				
Accounts payable	\$ 174,688	\$ 1,818,542	\$ 21,449	\$ 2,014,679
Due to other governmental units	951,113	-	-	951,113
Due to other funds (Note 7)	25	31	111,300	111,356
Accrued liabilities and other	2,252,208	-	6,777	2,258,985
State aid anticipation note (Note 8)	2,100,000	-	-	2,100,000
Unearned revenue (Note 5)	721,851	-	21,988	743,839
<b>Total liabilities</b>	<b>6,199,885</b>	<b>1,818,573</b>	<b>161,514</b>	<b>8,179,972</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventory	30,212	-	25,384	55,596
Prepays	116,366	-	1,033	117,399
Restricted:				
Debt service	-	-	832,125	832,125
Capital projects	-	32,924,568	-	32,924,568
Food service	-	-	330,958	330,958
Expendable trust	-	-	100,568	100,568
Committed:				
Student activities	-	-	170,947	170,947
Future projects and emergency repairs	741,408	-	-	741,408
Unassigned	2,577,366	-	-	2,577,366
<b>Total fund balances</b>	<b>3,465,352</b>	<b>32,924,568</b>	<b>1,461,015</b>	<b>37,850,935</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,665,237</b>	<b>\$ 34,743,141</b>	<b>\$ 1,622,529</b>	<b>\$ 46,030,907</b>

## Three Rivers Community Schools

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

June 30, 2023

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 37,850,935</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	84,037,852
Accumulated depreciation	<u>(38,273,926)</u>
Net capital assets used in governmental activities	45,763,926
Deferred inflows and outflows related to bond refundings are not reported in the funds	390,067
Bonds payable, bond premium, bond discounts, and installment purchase obligations are not due and payable in the current period and are not reported in the funds	(57,012,788)
Accrued interest is not due and payable in the current period and is not reported in the funds	(431,642)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(103,301)
Early retirement obligations	(60,000)
Net pension liability and related deferred inflows and outflows	(38,920,606)
Net OPEB liability and related deferred inflows and outflows	(5,477,935)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(4,113,325)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u>\$ (22,114,669)</u></b>

## Three Rivers Community Schools

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

Year Ended June 30, 2023

	General Fund	2020 School Building and Site Bonds	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 6,011,189	\$ 121,182	\$ 3,970,104	\$ 10,102,475
State sources	23,750,443	-	431,969	24,182,412
Federal sources	3,581,475	-	1,835,377	5,416,852
Interdistrict sources	867,440	-	-	867,440
Total revenue	34,210,547	121,182	6,237,450	40,569,179
<b>Expenditures</b>				
Current:				
Instruction	19,454,427	-	-	19,454,427
Support services	13,240,359	171,756	349,890	13,762,005
Athletics	706,502	-	-	706,502
Food services	-	-	1,953,550	1,953,550
Community services	8,553	-	-	8,553
Debt service:				
Principal (Note 9)	55,500	-	2,985,000	3,040,500
Interest	2,073	-	728,060	730,133
Other debt costs	-	529,929	-	529,929
Capital outlay	127,399	3,898,620	13,340	4,039,359
Interdistrict payments	39,376	-	-	39,376
Total expenditures	33,634,189	4,600,305	6,029,840	44,264,334
<b>Other Financing Sources (Uses)</b>				
Face value of debt issued (Note 9)	-	35,160,000	-	35,160,000
Premium on debt issued (Note 9)	-	145,654	-	145,654
Transfers in (Note 7)	125,000	-	-	125,000
Transfers out (Note 7)	-	-	(125,000)	(125,000)
Total other financing sources (uses)	125,000	35,305,654	(125,000)	35,305,654
<b>Net Change in Fund Balances</b>	701,358	30,826,531	82,610	31,610,499
<b>Fund Balances - Beginning of year</b>	2,763,994	2,098,037	1,378,405	6,240,436
<b>Fund Balances - End of year</b>	<b>\$ 3,465,352</b>	<b>\$ 32,924,568</b>	<b>\$ 1,461,015</b>	<b>\$ 37,850,935</b>

## Three Rivers Community Schools

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

Year Ended June 30, 2023

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 31,610,499</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	3,709,080
Depreciation expense	(1,818,035)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(440,756)
Revenue in support of pension contributions made subsequent to the measurement date	(1,761,593)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(35,305,654)
Repayment of bond principal and installment purchase obligation, are an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows related to bond refundings are not expenses in the governmental funds	3,017,787
Interest expense is recognized in the government-wide statements as it accrues	(271,058)
Some employee costs (pension, OPEB, self-insurance, compensated absences, and early retirement obligation) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	1,654,466
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 394,736</b>



June 30, 2023

### Note 1 - Nature of Business

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

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

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

#### ***Reporting Entity***

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

#### ***Report Presentation***

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

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

**June 30, 2023****Note 2 - Significant Accounting Policies (Continued)*****Fund Accounting***

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

**Governmental Funds**

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2020 School Building and Site Bond Fund is a capital projects fund and is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment and for remodeling. This voter approved bond sale will occur in three different series, all of which will be accounted for in this fund. This fund operates until the purpose for which it was created is accomplished.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the Expendable Trust Fund, the Food Service Fund, and the Student Activities Fund. Revenue sources for the Expendable Trust Fund include contributions to scholarships. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal sources. Revenue sources for the Student Activities Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on bonded debt.

**Interfund Activity**

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

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

**June 30, 2023****Note 2 - Significant Accounting Policies (Continued)*****Basis of Accounting***

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

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

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

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

***Specific Balances and Transactions*****Cash and Investments**

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

**Inventories and Prepaid Items**

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

**Restricted Assets**

The following types of assets are reported as restricted assets:

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

**Capital Assets**

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

## Note 2 - Significant Accounting Policies (Continued)

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

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

### **Long-term Obligations**

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

### **Deferred Outflows/Inflows of Resources**

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

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

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

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

### **Net Position**

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

### **Net Position Flow Assumption**

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

**June 30, 2023****Note 2 - Significant Accounting Policies (Continued)****Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

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

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

The fund balance policy prescribes the minimum fund balance as 15 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

**Property Tax Revenue**

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

**June 30, 2023****Note 2 - Significant Accounting Policies (Continued)****Grants and Contributions**

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

**Pension and Other Postemployment Benefit (OPEB) Plans**

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

**Compensated Absences (Sick Leave)**

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

**Use of Estimates**

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

**Upcoming Accounting Pronouncement**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

June 30, 2023

### Note 3 - Stewardship, Compliance, and Accountability

#### ***Budgetary Information***

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

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

#### ***Excess of Expenditures Over Appropriations in Budgeted Funds***

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

	Budget	Actual
Support services - General administration	\$ 873,232	\$ 964,071
Support services - School administration	1,765,478	1,887,232

#### ***Capital Projects Fund Compliance***

The 2020 School Building and Site Bond Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

### Note 4 - Deposits and Investments

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

The School District has designated three banks for the deposit of its funds.

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

#### ***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had bank deposits of \$6,429,956 (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.



June 30, 2023

## Note 4 - Deposits and Investments (Continued)

### ***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. At June 30, 2023, the School District does not have investments with custodial credit risk.

### ***Interest Rate Risk***

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

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

Investment	Carrying Value	Less Than 1 Year	1-5 Years
U.S. Treasury	\$ 10,825,910	\$ 1,998,343	\$ 8,827,567
U.S. agency bonds	6,776,695	3,979,181	2,797,514
Total	<u>\$ 17,602,605</u>	<u>\$ 5,977,524</u>	<u>\$ 11,625,081</u>

As of June 30, 2023, the weighted-average maturity of the investments are as follows:

Investment	Carrying Value	Weighted- average Maturity (Years)
U.S. Treasury	\$ 10,825,910	1.13
U.S. agency bonds	6,776,695	1.06
Total	<u>\$ 17,602,605</u>	

### ***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2023, the credit quality ratings of investments are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
U.S. agency bonds	\$ 6,776,695	AA+	S&P
Money market fund	16,946,870	N/A	N/A
MILAF - MAX Class	18	AAAm	S&P
MILAF - Cash Management	31	AAAm	S&P
Total	<u>\$ 23,723,614</u>		

The MILAF - MAX Class investment may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. In addition, redemption made prior to the 14-day period are subject to a penalty equal to 15 days' interest on the amount redeemed. The MILAF - Cash Management investment has no restrictions on participant withdrawals except for a 1-day minimum investment period.



June 30, 2023

**Note 4 - Deposits and Investments (Continued)*****Concentration of Credit Risk***

The School District places no limit on the amount it may invest in any one issuer. More than 5 percent of the School District's investments are in Federal Home Loan Bank; these investments are 20 percent of the School District's total investments.

***Foreign Currency Risk***

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

***Fair Value Measurements***

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

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

The School District has the following recurring fair value measurements as of June 30, 2023:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Debt securities:				
U.S. Treasury	\$ -	\$ 10,825,910	\$ -	\$ 10,825,910
U.S. agency bonds	-	6,776,695	-	6,776,695
Total debt securities	-	17,602,605	-	17,602,605
Money market funds	16,946,870	-	-	16,946,870
Total assets	\$ 16,946,870	\$ 17,602,605	\$ -	\$ 34,549,475

The fair value of U.S. treasury and U.S. government agency bonds at June 30, 2023 was determined primarily based on Level 2 inputs. The fair value of money market funds at June 30, 2023 was determined primarily based on Level 1 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

**Note 5 - Unavailable/Unearned Revenue**

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

June 30, 2023

### Note 5 - Unavailable/Unearned Revenue (Continued)

At June 30, 2023, the School District had no unavailable revenue and \$743,839 of unearned revenue, primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

### Note 6 - Capital Assets

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

#### Governmental Activities

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 560,365	\$ -	\$ -	\$ 560,365
Construction in progress	8,179,330	3,205,828	-	11,385,158
Subtotal	8,739,695	3,205,828	-	11,945,523
Capital assets being depreciated:				
Buildings and improvements	62,070,762	23,442	-	62,094,204
Furniture and equipment	4,204,664	479,810	-	4,684,474
Buses and other vehicles	3,032,360	-	-	3,032,360
Outside site improvements	2,281,291	-	-	2,281,291
Subtotal	71,589,077	503,252	-	72,092,329
Accumulated depreciation:				
Buildings and improvements	29,484,563	1,094,249	-	30,578,812
Furniture and equipment	2,791,442	471,869	-	3,263,311
Buses and other vehicles	2,492,454	154,969	-	2,647,423
Outside site improvements	1,687,432	96,948	-	1,784,380
Subtotal	36,455,891	1,818,035	-	38,273,926
Net capital assets being depreciated	35,133,186	(1,314,783)	-	33,818,403
Net governmental activities capital assets	\$ 43,872,881	\$ 1,891,045	\$ -	\$ 45,763,926

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

#### Construction Commitments

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment	Total
Three Rivers Middle School	\$ 620,433	\$ 11,747,887	\$ 12,368,320
Transportation Center	147,389	4,548,101	4,695,490
Total	\$ 767,822	\$ 16,295,988	\$ 17,063,810

June 30, 2023

## Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			
	General Fund	2020 School Building and Site Bond Fund	Nonmajor Funds	Total
General Fund	\$ -	\$ 31	\$ 111,300	\$ 111,331
Nonmajor funds	25	-	-	25
Total	\$ 25	\$ 31	\$ 111,300	\$ 111,356

Interfund balances represent routine deposits received by the General Fund that will be transferred to other funds and temporary cash flow assistance between funds.

Transfers into the General Fund from the Food Service Fund totaled \$125,000 for the year ended June 30, 2023 and represent overhead cost reimbursement.

## Note 8 - State Aid Anticipation Note

### *State Aid Anticipation Note*

The School District has direct borrowings from a lender to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District issued a state aid anticipation note (the "note") for \$2,100,000. The current note bears interest at 4.75 percent and is due in full on August 22, 2023.

In the event of default, the notes are fully collateralized by the School District's future state aid funding, and the lender has the authority to intercept state aid payments at its discretion.

In September 2023, the School District borrowed \$2,000,000 in state aid anticipation note with an interest rate of 5.42 percent. The note matures in August 2024 and has similar terms and provisions as the note outstanding at June 30, 2023.

June 30, 2023

## Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

### Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and notes payable:					
Direct borrowings and direct placements - Installment purchase obligation	\$ 111,000	\$ -	\$ (55,500)	\$ 55,500	\$ 55,500
Other debt - General obligation bonds	23,910,000	35,160,000	(2,985,000)	56,085,000	1,635,000
Unamortized bond premiums	910,277	145,654	(119,590)	936,341	73,426
Unamortized bond discounts	(71,588)	-	7,535	(64,053)	(7,535)
Total bonds and notes payable	24,859,689	35,305,654	(3,152,555)	57,012,788	1,756,391
Compensated absences	112,512	-	(9,211)	103,301	-
Self-insurance	89,245	684,491	(773,736)	-	-
Early retirement obligation	60,000	60,000	(60,000)	60,000	60,000
Total governmental activities long-term debt	<u>\$ 25,121,446</u>	<u>\$ 36,050,145</u>	<u>\$ (3,995,502)</u>	<u>\$ 57,176,089</u>	<u>\$ 1,816,391</u>

The School District had deferred outflows of \$390,067 related to deferred charges on bond refundings at June 30, 2023.

June 30, 2023

## Note 9 - Long-term Debt (Continued)

### General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. All of the School District's outstanding bonds are qualified. Direct borrowings and general obligations outstanding at June 30, 2023 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
<b>Governmental Activities</b>				
Direct borrowing -				
\$554,276 2014 Installment				
Purchase Obligation	\$55,000	2.49	July 2023	\$ 55,500
General obligation bonds:				
\$9,630,000 - 2017 Refunding	\$565,000 -			
Bonds	\$1,065,000	3.00	May 2023	8,635,000
\$11,620,000 - 2020 Building	\$105,000 -			
and Site Bonds	\$1,075,000	2.00 - 5.00	May 2043	10,205,000
\$2,085,000 - 2022 Refunding	\$280,000 -			
Bonds	\$915,000	1.50 - 4.00	May 2034	2,085,000
\$35,160,000 - 2023 Building	\$65,000 -			
and Site Bonds	\$2,400,000	4.00 - 5.00	May 2052	35,160,000
Total governmental activities				<u>\$ 56,140,500</u>

### Other Long-term Liabilities

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

June 30, 2023

## Note 9 - Long-term Debt (Continued)

### Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2024	\$ 55,500	\$ 691	\$ 1,635,000	\$ 2,125,986	\$ 3,817,177
2025	-	-	1,840,000	2,019,713	3,859,713
2026	-	-	2,015,000	1,949,963	3,964,963
2027	-	-	2,200,000	1,872,313	4,072,313
2028	-	-	1,340,000	1,785,113	3,125,113
2029-2033	-	-	7,360,000	8,206,963	15,566,963
2034-2038	-	-	8,690,000	6,821,469	15,511,469
2039-2043	-	-	9,905,000	5,453,494	15,358,494
2044-2048	-	-	11,585,000	3,507,331	15,092,331
2049-2052	-	-	9,515,000	1,007,038	10,522,038
Total	\$ 55,500	\$ 691	\$ 56,085,000	\$ 34,749,383	\$ 90,890,574

## Note 10 - Restricted Assets

At June 30, 2023, restricted assets are composed of the following cash balances:

Description	Governmental Activities
Unspent debt service funds	\$ 832,125
Expendable trust	100,568
Unspent 2020 School Building and Site Bond funds	34,743,141
Total	\$ 35,675,834

## Note 11 - Risk Management

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

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

	2023	2022
Estimated liability - Beginning of year	\$ 89,245	\$ 124,201
Estimated claims incurred, including changes in estimates	684,491	994,039
Claim payments	(773,736)	(1,028,995)
Estimated liability - End of year	\$ -	\$ 89,245

**June 30, 2023****Note 12 - Michigan Public School Employees' Retirement System*****Plan Description***

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

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

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

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

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

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

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

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

June 30, 2023

## Note 12 - Michigan Public School Employees' Retirement System (Continued)

### Contributions

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

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

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

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$6,877,352, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2023, the School District's required and actual pension contributions include an allocation of \$2,599,442 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate, as well as \$1,513,883 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2023 were \$1,185,499, which includes the School District's contributions required for those members with a defined contribution benefit.



June 30, 2023

**Note 12 - Michigan Public School Employees' Retirement System (Continued)*****Net Pension Liability***

At June 30, 2023, the School District reported a liability of \$56,337,963 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.149800 and 0.144643 percent, respectively, representing a change of 3.566 percent.

***Net OPEB Liability***

At June 30, 2023, the School District reported a liability of \$3,197,529 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.150965 and 0.150165 percent, representing a change of 0.533 percent.

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

For 2023, the School District recognized pension expense of \$7,359,411, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 563,576	\$ (125,966)
Changes in assumptions	9,680,881	-
Net difference between projected and actual earnings on pension plan investments	132,113	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	1,310,906	(211,799)
The School District's contributions to the plan subsequent to the measurement date	6,067,646	-
Total	<u>\$ 17,755,122</u>	<u>\$ (337,765)</u>

The \$4,113,325 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2024	\$ 3,319,733
2025	2,477,199
2026	2,191,068
2027	3,361,711
Total	<u>\$ 11,349,711</u>

June 30, 2023

## Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

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

For the year ended June 30, 2023, the School District recognized OPEB recovery of \$1,129,362.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (6,262,734)
Changes in assumptions	2,850,060	(232,068)
Net difference between projected and actual earnings on OPEB plan investments	249,912	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	711,619	(424,418)
Employer contributions to the plan subsequent to the measurement date	827,223	-
Total	<u>\$ 4,638,814</u>	<u>\$ (6,919,220)</u>

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

Years Ending	Amount
2024	\$ (1,095,625)
2025	(1,006,354)
2026	(986,765)
2027	25,528
2028	(44,955)
Thereafter	542
Total	<u>\$ (3,107,629)</u>

### ***Actuarial Assumptions***

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant
		Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

June 30, 2023

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2021, for the pension and OPEB plans include a decrease in the discount rate used in the September 30, 2022 actuarial valuation by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return used in the September 30, 2022 actuarial valuation decreased by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

**Discount Rate**

The discount rate used to measure the total pension and OPEB liability was 6.00 percent as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.20)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Real return/opportunistic pools	10.00	5.80
Short-term investment pools	2.00	(0.50)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

June 30, 2023

**Note 12 - Michigan Public School Employees' Retirement System (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 74,345,181	\$ 56,337,963	\$ 41,499,204

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

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

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the School District	\$ 5,363,547	\$ 3,197,529	\$ 1,373,473

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

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

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 1,338,972	\$ 3,197,529	\$ 5,283,796

***Pension Plan and OPEB Plan Fiduciary Net Position***

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

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2023, the School District reported a payable of \$988,633 and \$101,764 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

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## Required Supplementary Information

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## Three Rivers Community Schools

### Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 5,519,651	\$ 5,856,213	\$ 6,011,189	\$ 154,976
State sources	20,899,675	23,485,117	23,750,443	265,326
Federal sources	2,768,192	5,196,326	3,581,475	(1,614,851)
Interdistrict sources	732,351	751,133	867,440	116,307
Total revenue	29,919,869	35,288,789	34,210,547	(1,078,242)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	13,374,534	15,609,732	15,639,685	29,953
Added needs	3,823,631	4,322,965	3,728,471	(594,494)
Adult/Continuing education	96,089	84,401	86,271	1,870
Support services:				
Pupil	1,115,299	1,761,883	1,572,171	(189,712)
Instructional staff	1,696,336	2,384,791	2,065,056	(319,735)
General administration	714,878	873,232	964,071	90,839
School administration	1,653,065	1,765,478	1,887,232	121,754
Business	479,303	733,787	681,217	(52,570)
Operations and maintenance	3,270,221	4,185,640	3,595,877	(589,763)
Pupil transportation services	1,814,117	1,595,484	1,500,137	(95,347)
Central	1,112,228	1,108,250	1,030,677	(77,573)
Athletics	682,373	810,879	777,822	(33,057)
Community services	11,455	30,933	8,553	(22,380)
Debt service	43,224	58,264	57,573	(691)
Interdistrict payments	58,264	105,900	39,376	(66,524)
Total expenditures	29,945,017	35,431,619	33,634,189	(1,797,430)
<b>Excess of Revenue (Under) Over Expenditures</b>	(25,148)	(142,830)	576,358	719,188
<b>Other Financing Sources - Transfers in</b>	125,000	125,000	125,000	-
<b>Net Change in Fund Balance</b>	99,852	(17,830)	701,358	719,188
<b>Fund Balance - Beginning of year</b>	2,763,994	2,763,994	2,763,994	-
<b>Fund Balance - End of year</b>	<u>\$ 2,863,846</u>	<u>\$ 2,746,164</u>	<u>\$ 3,465,352</u>	<u>\$ 719,188</u>

## Three Rivers Community Schools

### Required Supplementary Information

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

#### Michigan Public School Employees' Retirement System

	<b>Last Nine Plan Years</b>								
	<b>Plan Years Ended September 30</b>								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.14980 %	0.14464 %	0.14449 %	0.14546 %	0.14160 %	0.14129 %	0.14054 %	0.14171 %	0.14027 %
School District's proportionate share of the net pension liability	\$ 56,337,963	\$ 34,244,730	\$ 49,633,409	\$ 48,170,637	\$ 42,566,605	\$ 36,614,626	\$ 35,063,543	\$ 34,613,016	\$ 30,896,320
School District's covered payroll	\$ 14,705,995	\$ 13,626,625	\$ 12,533,783	\$ 13,190,115	\$ 12,177,383	\$ 11,931,657	\$ 11,911,259	\$ 11,869,502	\$ 11,896,700
School District's proportionate share of the net pension liability as a percentage of its covered payroll	383.10 %	251.31 %	396.00 %	365.20 %	349.55 %	306.87 %	294.37 %	291.61 %	259.70 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.27 %	63.17 %	66.20 %

## Three Rivers Community Schools

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

	Last Nine Fiscal Years Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 6,916,398	\$ 5,037,993	\$ 4,414,455	\$ 4,097,632	\$ 3,932,707	\$ 3,637,237	\$ 3,697,396	\$ 3,726,173	\$ 3,779,116
Contributions in relation to the statutorily required contribution	6,916,398	5,037,993	4,414,455	4,097,632	3,932,707	3,637,237	3,697,396	3,726,173	3,779,116
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	\$ 14,041,552	\$ 13,527,455	\$ 13,205,058	\$ 12,818,516	\$ 13,056,101	\$ 12,021,613	\$ 12,343,542	\$ 11,892,025	\$ 11,888,580
<b>Contributions as a Percentage of Covered Payroll</b>	49.26 %	37.24 %	33.43 %	31.97 %	30.12 %	30.26 %	29.95 %	31.33 %	31.79 %



## Three Rivers Community Schools

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	2022	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.15096 %	0.15016 %	0.14123 %	0.15035 %	0.14279 %	0.14188 %
School District's proportionate share of the net OPEB liability	\$ 3,197,529	\$ 2,292,084	\$ 7,566,262	\$ 10,791,406	\$ 11,350,644	\$ 12,564,193
School District's covered payroll	\$ 14,705,995	\$ 13,626,625	\$ 12,533,783	\$ 13,190,115	\$ 12,177,383	\$ 11,931,657
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.74 %	16.82 %	60.37 %	81.81 %	93.21 %	105.30 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

## Three Rivers Community Schools

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

	Last Six Fiscal Years Years Ended June 30					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,130,233	\$ 1,102,379	\$ 1,098,892	\$ 1,030,045	\$ 1,025,560	\$ 868,288
Contributions in relation to the statutorily required contribution	1,130,233	1,102,379	1,098,892	1,030,045	1,025,560	868,288
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 14,041,552</b>	<b>\$ 13,527,455</b>	<b>\$ 13,205,058</b>	<b>\$ 12,818,516</b>	<b>\$ 13,056,101</b>	<b>\$ 12,021,613</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.05 %</b>	<b>8.15 %</b>	<b>8.32 %</b>	<b>8.04 %</b>	<b>7.86 %</b>	<b>7.22 %</b>

June 30, 2023

#### ***Pension Information***

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

The required contributions for the year ended June 30, 2023 include a one-time contribution of \$1,513,883, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

#### **Benefit Changes**

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

#### **Changes in Assumptions**

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

- 2022 - The discount rate and investment rate of return used in the September 30, 2022 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

#### ***OPEB Information***

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

#### **Benefit Changes**

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

#### **Changes in Assumptions**

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

- 2022 - The discount rate and investment rate of return used in the September 30, 2022 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to the actual per person health benefit cost being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.

## Three Rivers Community Schools

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### Notes to Required Supplementary Information (Continued)

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**June 30, 2023**

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

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

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## Other Supplementary Information

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## Three Rivers Community Schools

### Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds				Total
	Food Service Fund	Expendable Trust Fund	Student Activities Fund	Debt Service Fund	
<b>Assets</b>					
Cash and investments	\$ 479,997	\$ -	\$ 173,497	\$ -	\$ 653,494
Receivables - Due from other governments	9,900	-	-	-	9,900
Due from other funds	-	-	25	-	25
Inventory	25,384	-	-	-	25,384
Prepaid expenses and other assets	1,033	-	-	-	1,033
Restricted assets	-	100,568	-	832,125	932,693
Total assets	<u>\$ 516,314</u>	<u>\$ 100,568</u>	<u>\$ 173,522</u>	<u>\$ 832,125</u>	<u>\$ 1,622,529</u>
<b>Liabilities</b>					
Accounts payable	\$ 18,874	\$ -	\$ 2,575	\$ -	\$ 21,449
Due to other funds	111,300	-	-	-	111,300
Accrued liabilities and other	6,777	-	-	-	6,777
Unearned revenue	21,988	-	-	-	21,988
Total liabilities	158,939	-	2,575	-	161,514
<b>Fund Balances</b>					
Nonspendable:					
Inventory	25,384	-	-	-	25,384
Prepays	1,033	-	-	-	1,033
Restricted:					
Debt service	-	-	-	832,125	832,125
Food service	330,958	-	-	-	330,958
Expendable trust	-	100,568	-	-	100,568
Committed - Student activities	-	-	170,947	-	170,947
Total fund balances	<u>357,375</u>	<u>100,568</u>	<u>170,947</u>	<u>832,125</u>	<u>1,461,015</u>
Total liabilities and fund balances	<u>\$ 516,314</u>	<u>\$ 100,568</u>	<u>\$ 173,522</u>	<u>\$ 832,125</u>	<u>\$ 1,622,529</u>

## Three Rivers Community Schools

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

Year Ended June 30, 2023

	Special Revenue Funds				Total
	Food Service Fund	Expendable Trust Fund	Student Activities Fund	Debt Service Fund	
<b>Revenue</b>					
Local sources	\$ 37,971	\$ 6,645	\$ 355,390	\$ 3,570,098	\$ 3,970,104
State sources	87,349	-	-	344,620	431,969
Federal sources	1,835,377	-	-	-	1,835,377
Total revenue	1,960,697	6,645	355,390	3,914,718	6,237,450
<b>Expenditures</b>					
Current:					
Support services	-	3,000	346,789	101	349,890
Food services	1,953,550	-	-	-	1,953,550
Debt service	-	-	-	3,713,060	3,713,060
Capital outlay	13,340	-	-	-	13,340
Total expenditures	1,966,890	3,000	346,789	3,713,161	6,029,840
<b>Excess of Revenue (Under) Over Expenditures</b>	(6,193)	3,645	8,601	201,557	207,610
<b>Other Financing Uses - Transfers out</b>	(125,000)	-	-	-	(125,000)
<b>Net Change in Fund Balances</b>	(131,193)	3,645	8,601	201,557	82,610
<b>Fund Balances - Beginning of year</b>	488,568	96,923	162,346	630,568	1,378,405
<b>Fund Balances - End of year</b>	<u><u>\$ 357,375</u></u>	<u><u>\$ 100,568</u></u>	<u><u>\$ 170,947</u></u>	<u><u>\$ 832,125</u></u>	<u><u>\$ 1,461,015</u></u>

## Three Rivers Community Schools

### Other Supplementary Information Schedule of Bonded Indebtedness

June 30, 2023

Years Ending June 30	2017 Refunding Bonds Principal	2020 Building and Site Bonds Principal	2022 Refunding Bonds Principal	2023 Building and Site Bonds Principal	Total
2024	\$ 1,065,000	\$ 505,000	\$ -	\$ 65,000	\$ 1,635,000
2025	1,050,000	125,000	-	665,000	1,840,000
2026	1,030,000	125,000	-	860,000	2,015,000
2027	1,015,000	125,000	-	1,060,000	2,200,000
2028	1,000,000	125,000	-	215,000	1,340,000
2029	1,000,000	125,000	-	255,000	1,380,000
2030	965,000	160,000	-	295,000	1,420,000
2031	945,000	165,000	-	360,000	1,470,000
2032	565,000	125,000	280,000	550,000	1,520,000
2033	-	105,000	890,000	575,000	1,570,000
2034	-	115,000	915,000	605,000	1,635,000
2035	-	1,060,000	-	635,000	1,695,000
2036	-	1,070,000	-	670,000	1,740,000
2037	-	1,075,000	-	710,000	1,785,000
2038	-	1,000,000	-	835,000	1,835,000
2039	-	1,000,000	-	885,000	1,885,000
2040	-	1,000,000	-	940,000	1,940,000
2041	-	1,000,000	-	965,000	1,965,000
2042	-	1,000,000	-	1,025,000	2,025,000
2043	-	200,000	-	1,890,000	2,090,000
2044	-	-	-	2,170,000	2,170,000
2045	-	-	-	2,260,000	2,260,000
2046	-	-	-	2,355,000	2,355,000
2047	-	-	-	2,400,000	2,400,000
2048	-	-	-	2,400,000	2,400,000
2049	-	-	-	2,400,000	2,400,000
2050	-	-	-	2,400,000	2,400,000
2051	-	-	-	2,365,000	2,365,000
2052	-	-	-	2,350,000	2,350,000
Total remaining payments	<b>\$ 8,635,000</b>	<b>\$ 10,205,000</b>	<b>\$ 2,085,000</b>	<b>\$ 35,160,000</b>	<b>\$ 56,085,000</b>
Principal payments due	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	
Interest rate	3.00%	2.00% to 5.00%	1.50% to 4.00%	4.00% to 5.00%	
Original issue	<b>\$ 9,630,000</b>	<b>\$ 11,620,000</b>	<b>\$ 2,085,000</b>	<b>\$ 35,160,000</b>	