

THREE RIVERS COMMUNITY SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2017

Three Rivers Community Schools

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INDEPENDENT AUDITOR'S REPORT

Board of Education

Three Rivers Community Schools, Michigan

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Three Rivers Community Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Three Rivers Community School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Board of Education

Three Rivers Community Schools

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Info

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Community Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

Board of Education

Three Rivers Community Schools

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2017, on our consideration of the Three Rivers Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Three Rivers Community School's internal control over financial reporting and compliance.

October 27, 2017

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

This section of Three Rivers Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

District-wide Financial Statement Fund Financial Statements

Notes to the Basic Financial Statement

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a whole - District-wide Financial Statements

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

See accompanying notes to financial statements

THREE RIVERS COMMUNITY SCHOOLS
ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2017

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

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

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

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

**THREE RIVERS COMMUNITY SCHOOLS
ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2017**

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

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2017 and 2016:

TABLE I	June 30,	
	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 8,454,489	\$ 8,578,633
Capital assets - Net of accumulated depreciation	<u>41,836,757</u>	<u>43,380,678</u>
Total assets	50,291,246	51,959,311
Deferred outflows of resources	4,729,123	4,060,240
Liabilities		
Current liabilities	5,929,105	6,123,082
Long-term liabilities	<u>60,743,517</u>	<u>63,070,627</u>
Total liabilities	66,672,622	69,193,709
Deferred inflows of resources	324,186	116,522
Net Position		
Invested in property and equipment - net of related debt	14,303,466	13,097,119
Restricted for debt service	450,451	501,442
Restricted for food service	405,718	408,192
Restricted for scholarships	84,402	81,513
Unrestricted (deficit)	<u>(27,220,476)</u>	<u>(27,378,946)</u>
Total net position (deficit)	<u>\$ (11,976,439)</u>	<u>\$ (13,290,680)</u>

**THREE RIVERS COMMUNITY SCHOOLS
ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2017**

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(11,976,439) at June 30, 2017. Capital assets, net of related debt totaling \$14,303,466 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position \$(27,220,476) (deficit) was unrestricted.

The \$(27,220,476) (deficit) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years ended June 30, 2017 and 2016.

TABLE 2

	Year Ended June 30,	
	2017	2016
Revenue		
Program revenue:		
Charges for services	\$ 689,502	\$ 637,572
Grants and catagoricals	5,908,119	5,880,981
General revenue:		
Property taxes	7,889,122	8,292,274
State foundation allowance	15,045,218	14,873,931
Interest and other	<u>71,198</u>	<u>109,628</u>
Total revenue	29,603,159	29,794,386
 Function/Program Expenses		
Instruction	15,239,716	15,323,902
Support services	8,251,529	8,243,438
Community services	30,553	42,358
Food services	1,376,760	1,400,192
Athletics	544,139	468,917
Endowment activities	3,500	8,000
Interest on long-term debt	1,088,965	1,302,053
Depreciation (unallocated)	<u>1,753,756</u>	<u>1,730,372</u>
Total expenses	<u>28,288,918</u>	<u>28,519,232</u>
Change in net position	<u>\$ 1,314,241</u>	<u>\$ 1,275,154</u>

**THREE RIVERS COMMUNITY SCHOOLS
ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2017**

As reported in the statement of activities, the cost of all governmental activities this year was \$28,288,918. Certain activities were partially funded from those who benefited from the programs \$689,502 or by other governments and organizations that subsidized certain programs with grants and categoricals \$5,908,119. We paid for the remaining "public benefit" portion of our governmental activities with \$7,889,122 in taxes, \$15,045,218 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of \$1,314,241. Key reasons for the change in net position were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The increase in net position differs from the change in fund balance and a reconciliation appears on page 16.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$5,542,798, which is an increase of \$164,555 from last year. In the General Fund, our primary operating fund, the fund balance increased \$236,328 to \$4,602,227, a change of 5.4 percent. The General Fund fund balance reflects nonspendable for prepaid expenditures - \$81,525; nonspendable for inventory - \$16,931; committed for future projects - \$741,408; and unassigned - \$3,762,363.

In the Debt Service Fund the fund balance decreased \$50,991 to \$450,451. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue - related debt service. Debt Service Fund fund balance is restricted since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance decreased \$23,671 to \$405,718.

**THREE RIVERS COMMUNITY SCHOOLS
ADMINISTRATION'S DISCUSSION AND ANALYSIS - (CONTINUED)
YEAR ENDED JUNE 30, 2017**

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were decreased \$251,027, to better reflect state per student foundation funding and adjustments to categorical funding and various state and federal grant programs. Actual revenues were within \$195,361 of final budgeted revenues or 0.8 percent.

Budgeted expenditures were decreased \$296,765 during the year to better reflect operating costs and various state and federal grant programs. Actual expenditures ended the year under the final budget by \$578,326 or 2.4 percent. A significant portion of this budget variance was for expenditure driven grant programs that did not materialize in the current fiscal year and are carry forward to the future.

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the School District had \$68,992,194 invested in a broad range of capital assets, including land, buildings, buses, furniture and equipment, and outside site improvements. This amount represents a net increase (including additions and disposals) of \$87,809, or 0.1 percent, from last year.

	<u>2017</u>	<u>2016</u>
Land	\$ 560,365	\$ 560,365
Buildings and improvements	61,830,356	61,717,485
Buses and other vehicles	2,108,651	2,221,774
Furniture and equipment	2,256,534	2,363,321
Outside site improvements	<u>2,236,288</u>	<u>2,217,058</u>
 Total capital assets	 68,992,194	 69,080,003
 Less accumulated depreciation	 <u>27,155,437</u>	 <u>25,699,325</u>
 Net capital assets	 <u>\$ 41,836,757</u>	 <u>\$ 43,380,678</u>

**THREE RIVERS COMMUNITY SCHOOLS
ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2017**

Debt

At the end of this year, the School District had long-term debt obligations totaling \$28,653,439 outstanding versus \$31,303,754 in the previous year - a change of 8.5 percent. The debt obligations consisted of the following:

	<u>2017</u>	<u>2016</u>
General Obligation Bonds, net	\$ 27,988,829	\$ 30,476,695
Installment loans payable	546,355	706,974
Other	<u>118,255</u>	<u>120,085</u>
	<u>\$ 28,653,439</u>	<u>\$ 31,303,754</u>

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

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

The 2017-2018 foundation allowance is expected to increase \$120 per student from \$7,511 to \$7,631. The foundation allowance represents 60% of the total District revenue.

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

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

Contacting the School District's Financial Management

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

THREE RIVERS COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets:	
Cash and cash equivalents	\$ 4,489,142
Accounts receivable	7,617
Taxes receivable (net)	1,350
Due from other governmental units	3,831,372
Prepaid expenses	84,210
Inventories	<u>40,798</u>
Total current assets	8,454,489
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>41,836,757</u>
Total assets	50,291,246
Deferred Outflows of Resources –	
Deferred charges from bond refundings	1,001,900
Deferred outflow for pension obligation	<u>3,727,223</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	221,371
Accrued payroll	1,322,268
Accrued benefits	752,386
Accrued interest	162,206
Due to other governments	283,425
Unearned revenue	213,987
Notes payable, due within one year	143,357
Bonds payable, due within one year	2,826,900
Compensated absences	<u>3,205</u>
Total current liabilities	5,929,105
Noncurrent Liabilities:	
Compensated absences	115,049
Notes payable	402,998
Bonds payable – net	25,161,927
Net pension liability	<u>35,063,543</u>
Total noncurrent liabilities	60,743,517
Total liabilities	66,672,622
Deferred inflow of resources for pension obligation	<u>324,186</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	14,303,466
Restricted for debt service	450,451
Restricted for food service	405,718
Restricted for scholarships	84,402

See accompanying notes to financial statements

THREE RIVERS COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

Unrestricted (deficit)	<u>(27,220,476)</u>
Total net position (deficit)	<u>\$ (11,976,439)</u>

See accompanying notes to financial statements

THREE RIVERS COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
JUNE 30, 2017

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>Grants/</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes in Net</u>
				<u>Contributions</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 15,239,716	\$ 255,555	\$ 4,205,384	\$ (10,778,777)
Support services	8,251,529	90,330	572,270	(7,588,929)
Food services	1,376,760	282,774	1,069,696	(24,290)
Athletics	544,139	47,147	42,907	(454,085)
Community services	30,553	13,696	11,642	(5,215)
Endowment activities	3,500	-	6,220	2,720
Interest on long-term debt	1,088,965	-	-	(1,088,965)
Depreciation (unallocated)	<u>1,753,756</u>	<u>-</u>	<u>-</u>	<u>(1,753,756)</u>
Total governmental activities	<u>\$ 28,288,918</u>	<u>\$ 689,502</u>	<u>\$ 5,908,119</u>	<u>(21,691,297)</u>
General revenues:				
Taxes				
Property taxes, levied for general operations				4,638,617
Property taxes, levied for debt service				3,250,505
State aid not restricted to specific purposes				15,045,218
Interest and investment earnings				1,582
Other				<u>69,616</u>
Total general revenues				<u>23,005,538</u>
Change in Net Position				1,314,241
Net Position - Beginning of year (deficit)				<u>(13,290,680)</u>
Net Position - End of year (deficit)				<u>\$ (11,976,439)</u>

See accompanying notes to financial statements

**THREE RIVERS COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS**

**BALANCE SHEET
JUNE 30, 2017**

<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 3,767,386	\$ 441,343
Accounts receivable	2,432	528
Taxes receivable	1,350	-
Due from other governmental units	3,828,126	-
Due from other funds	-	9,465
Prepaid expenditures	81,525	-
Inventories	<u>16,931</u>	<u>-</u>
 Total assets	 <u>\$ 7,697,750</u>	 <u>\$ 451,336</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 214,490	\$ 885
Accrued payroll	1,322,268	-
Accrued benefits	752,386	-
Due to other funds	308,967	-
Due to other governmental units	283,425	-
Unearned revenue	<u>213,987</u>	<u>-</u>
 Total liabilities	 3,095,523	 885
Fund Balances:		
Nonspendable:		
Prepaid expenditures	81,525	-
Inventories	16,931	-
Restricted:		
Scholarships	-	-
Debt service	-	450,451
Food service	-	-
Committed for future projects	741,408	-
Unassigned	<u>3,762,363</u>	<u>-</u>
 Total fund balances	 <u>4,602,227</u>	 <u>450,451</u>
 Total liabilities and fund balances	 <u>\$ 7,697,750</u>	 <u>\$ 451,336</u>

See accompanying notes to financial statements

Other Nonmajor Governmental Funds	Total
\$ 280,413	\$ 4,489,142
4,657	7,617
-	1,350
3,246	3,831,372
192,300	201,765
2,685	84,210
<u>23,867</u>	<u>40,798</u>
<u>\$ 507,168</u>	<u>\$ 8,656,254</u>
\$ 5,996	\$ 221,371
-	1,322,268
-	752,386
11,052	320,019
-	283,425
<u>-</u>	<u>213,987</u>
17,048	3,113,456
2,685	84,210
23,867	40,798
84,402	84,402
-	450,451
379,166	379,166
-	741,408
<u>-</u>	<u>3,762,363</u>
<u>490,120</u>	<u>5,542,798</u>
<u>\$ 507,168</u>	<u>\$ 8,656,254</u>

**THREE RIVERS COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balances - Governmental Funds	\$ 5,542,798
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred charges on bond refundings	1,001,900
Deferred outflow for pension obligation	3,727,223
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	68,992,194
Accumulated depreciation is	<u>(27,155,437)</u>
Total	41,836,757
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Notes payable	(546,355)
Bonds payable, net	(27,988,827)
Net pension liability	(35,063,543)
Accrued interest payable on long-term liabilities is not included as a liability in governmental activities	(162,206)
Deferred inflow for pension obligation	<u>(324,186)</u>
Net position of governmental activities	<u>\$ (11,976,439)</u>
See Notes to Financial Statements	

**THREE RIVERS COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

Revenues:	<u>General</u>	<u>Debt Service</u>
Local sources	\$ 4,839,218	\$ 3,250,628
State sources	18,599,744	283,490
Federal sources	798,263	-
Interdistrict	<u>472,338</u>	<u>-</u>
Total revenues	24,709,563	3,534,118
Expenditures:		
Instruction	15,171,393	-
Supporting services	8,150,712	-
Community services	30,553	-
Food services	-	-
Athletics	544,139	-
Endowment activities	-	-
Capital outlay	209,835	-
Debt service		
Principal payment	325,619	2,435,000
Interest and fiscal charges	40,984	1,045,676
Bond issuance costs	<u>-</u>	<u>78,042</u>
Total expenditures	<u>24,473,235</u>	<u>3,558,718</u>
Excess (deficiency) of revenues over expenditures	236,328	(24,600)
Other financing sources:		
Proceeds from bond issue	-	9,630,000
Bond issue premium	-	345,802
Bond issue discount	-	(113,030)
Payment to bond escrow agent	<u>-</u>	<u>(9,889,163)</u>
Total other financing sources (uses)	<u>-</u>	<u>(26,391)</u>
Net change in fund balances	236,328	(50,991)
Fund balances, July 1	<u>4,365,899</u>	<u>501,442</u>
Fund balances, June 30	<u>\$ 4,602,227</u>	<u>\$ 450,451</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 289,782	\$ 8,379,628
45,617	18,928,851
1,024,079	1,822,342
<u>-</u>	<u>472,338</u>
1,359,478	29,603,159
-	15,171,393
-	8,150,712
-	30,553
1,376,760	1,376,760
-	544,139
3,500	3,500
-	209,835
-	2,760,619
-	1,086,660
<u>-</u>	<u>78,042</u>
<u>1,380,260</u>	<u>29,412,213</u>
(20,782)	190,946
-	9,630,000
-	345,802
-	(113,030)
<u>-</u>	<u>(9,889,163)</u>
<u>-</u>	<u>(26,391)</u>
(20,782)	164,555
<u>510,902</u>	<u>5,378,243</u>
<u>\$ 490,120</u>	<u>\$ 5,542,798</u>

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

Net change in Fund Balances - Total Governmental Funds	\$ 164,555
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Amounts reported for governmental activities in the statement of activities are different because:

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

Net effect of disposals	-
Depreciation expense	(1,753,756)
Capital outlays	209,835

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

Accrued interest payable beginning of the year	196,634
Accrued interest payable end of the year	(162,206)

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

Payment to bond escrow agent	9,889,163
Bond issue premium	(345,802)
Bond issue discount	113,030
Proceeds from bond issue	(9,630,000)
Repayment of principal on long-term debt	2,760,619
Amortization of bond issue premium	110,587
Amortization of bond issue discount	(64,947)
Amortization of deferred amount on bond refunding	(82,373)

Change in deferred outflows of resources	567,093
Change in net pension obligation	(450,527)
Change in deferred inflows of resources	<u>(207,664)</u>

Change in net position of Governmental Activities	<u>\$ 1,314,241</u>
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See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

**INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Due from other funds	\$ 118,255
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LIABILITIES

Accrued compensated absences	<u>\$ 118,255</u>
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NET POSITION

Restricted	<u><u>\$ -</u></u>
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**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

Operating Revenues:	
Charges to other funds	\$ 1,830

Operating Expenses:	
Compensated absences	<u>1,830</u>

Change in Net Position	-
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Net Position - Beginning of year	<u>-</u>
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Net Position - End of year	<u><u>\$ -</u></u>
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**INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities:

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

THREE RIVERS COMMUNITY SCHOOLS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Student Activities <u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>184,407</u>
<u>LIABILITIES</u>	
Due to student groups	\$ <u>184,407</u>
See accompanying notes to financial statements	

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Three Rivers Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

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

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

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

**THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The school district reports the following major governmental funds:

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

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Additionally, the government reports the following fund types:

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

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

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

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

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

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

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Deferred Outflows/Inflows of Resources

Deferred Outflows - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension contributions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply. See Note 8 for details of deferred outflows related to the pension obligation.

Deferred Inflows - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. See Note 8 for details of deferred inflows related to the pension obligation.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pension Plan

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year, the budget was amended in a legally permissible manner.

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

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

**THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 - CASH AND CASH EQUIVALENTS

The School District's cash and cash equivalents at June 30, 2017, are composed of the following:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
\$ 4,489,142	\$ 184,407	\$ 4,673,549

Deposits

Deposits consist of checking, savings, and time certificates. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$4,936,830. Of that amount, \$520,751 was covered by federal depository insurance coverage or secured and \$4,416,079 was uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
Debt Service Fund	General Fund	\$ 9,465
Other governmental funds	General Fund	192,300
Internal service fund	General Fund	107,202
Internal service fund	Other governmental funds	<u>11,052</u>
Interfund Transfers:		<u>\$ 320,019</u>
	Transfer Out:	
	General Fund	
Transfer in:		
Other governmental funds	\$ -	

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2017</u>
Assets, not being depreciated - Land	\$ 560,365	\$ -	\$ -	\$ 560,365
Capital assets, being depreciated:				
Buildings and improvements	61,717,485	112,871	-	61,830,356
Buses and other vehicles	2,221,774	-	113,123	2,108,651
Furniture and equipment	2,363,321	93,824	200,611	2,256,534
Outside site improvements	<u>2,217,058</u>	<u>3,140</u>	<u>(16,090)</u>	<u>2,236,288</u>
Subtotal	68,519,638	209,835	297,644	68,431,829
Accumulated depreciation:				
Buildings and improvements	21,478,085	1,321,135	-	22,799,220
Buses and other vehicles	1,825,798	133,967	113,123	1,846,642
Furniture and equipment	1,362,199	187,871	185,326	1,364,744
Outside site improvements	<u>1,033,243</u>	<u>110,783</u>	<u>(805)</u>	<u>1,144,831</u>
Subtotal	<u>25,699,325</u>	1,753,756	297,644	<u>27,155,437</u>
Net capital assets being depreciated	<u>42,820,313</u>			<u>41,276,392</u>
Net capital assets	<u>\$ 43,380,678</u>			<u>\$ 41,836,757</u>

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

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include categorial aid payments received prior to meeting all eligibility requirements in the amount of \$213,987.

NOTE 7 - LONG-TERM DEBT

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

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds	\$ 30,015,000	\$ 9,630,000	\$ 12,305,000	\$ 27,340,000	\$ 2,725,000
Premiums	609,857	345,802	110,587	845,072	122,114
Discounts	<u>(148,162)</u>	<u>(113,030)</u>	<u>(64,947)</u>	<u>(196,245)</u>	<u>(20,214)</u>
Bonds, net	<u>\$ 30,476,695</u>	<u>\$ 9,862,772</u>	<u>\$ 12,350,640</u>	<u>\$ 27,988,827</u>	<u>\$ 2,826,900</u>
Installment					
Loans	<u>\$ 706,974</u>	<u>\$ -</u>	<u>\$ 160,619</u>	<u>\$ 546,355</u>	<u>\$ 143,357</u>
Other					
Oblig.	<u>\$ 120,085</u>	<u>\$ 1,692</u>	<u>\$ 3,522</u>	<u>\$ 118,255</u>	<u>\$ 3,206</u>
Deferred Outflows -					
Deferred charges					
from bond					
refundings	<u>\$ (900,110)</u>	<u>\$ (184,163)</u>	<u>\$ (82,373)</u>	<u>\$ (1,001,900)</u>	

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT – (Continued)

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

Year ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,868,355	\$ 1,002,756	\$ 3,871,111
2019	2,910,500	892,515	3,803,015
2020	2,920,500	778,842	3,699,342
2021	2,845,500	664,793	3,510,293
2022	2,625,500	551,667	3,177,167
2023-2027	6,826,000	1,586,914	8,412,914
2028-2032	4,875,000	743,500	5,618,500
2033-2035	<u>2,015,000</u>	<u>92,950</u>	<u>2,107,950</u>
	<u>\$ 27,886,355</u>	<u>\$ 6,313,937</u>	<u>\$ 34,200,292</u>

Governmental Activities:

General obligation bonds consist of:

\$9,630,000 2017 Refunding Building and Site Bonds payable in annual installments of \$20,000 to \$1,065,000 through May 2032; interest at 3.00%	\$ 9,630,000
\$8,285,000 2012 Refunding Bonds payable in annual installments of \$50,000 to \$1,015,000 through May 15, 2034; interest from 2.0% to 3.125%	6,505,000
\$24,505,000 2008 Refunding Bonds, payable in annual installments of \$1,155,000 to \$1,790,000 through May 1, 2023; interest from 5.00% to 5.00%	10,280,000
\$9,995,000 2007 Refunding School Building and Site Bonds payable in annual installments of \$40,000 to \$1,050,000 through May 1, 2022; interest at 4.00%	205,000
\$1,615,000 Energy Conservation Bonds, payable in annual installments of \$135,000 to \$190,000 through May 1, 2021; interest from 2.00% to 3.25%	<u>720,000</u>
Total bonds payable	<u>\$ 27,340,000</u>

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT – (Continued)

Notes payable consist of:

\$262,857 Installment loan payable to bank, annual payments of \$52,500, plus interest at 1.39%, final payment due November 1, 2017	\$ 52,855
\$554,276 Installment loan payable to bank, annual payments of \$55,500, plus interest at 2.49%, final payment due July 30, 2023	388,500
\$174,694 Installment loan payable to bank, annual payments of \$35,000, plus interest at 2.19%, final payment due May 1, 2020	<u>105,000</u>
Total notes payable	<u>\$ 546,355</u>

Other governmental activity long-term obligations include:

Employee - compensated absences	<u>\$ 118,255</u>
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Advance and Current Refundings - During the year, the School District issued \$9,630,000 in general obligation bonds with an average interest rate of 4.00 percent. The proceeds of these bonds were used to advance refund \$9,705,000 of outstanding 2007 bonds with interest rates of 4.06 percent. The net proceeds of \$9,889,163 (after payment of \$78,042 in issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$1,220,294, which represents an economic gain of \$1,004,719.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

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

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

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

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by the State statute, which may be amended. Public act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Regular Retirement - The retirement benefit for DB and Pension Plus members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period.

There is no mandatory retirement age.

Funding Policy

Defined Contribution Plan - Employer contributions to the Plan are dependent on the plan elected by the participant.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Contributions and Funded Status

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

Employer contributions to the system are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of the cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2016 will be amortized over a 20 year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2016:

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	18.95 %
Member Investment Plan	3.0 - 7.0	18.95
Pension Plus	3.0 - 6.4	17.73
Defined Contribution	0.0	14.56

The School District's contributions to the MPSERS Defined Benefit Plan for the year ended September 30, 2016 was \$3,155,895.

The School District's contributions to the MPSERS Defined Contribution Plan were \$45,122 for the year ended June 30, 2017, which is equal to the pension expense recognized by the School District for the year.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Post-Employment Benefits - Under MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS Plan discussed above.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relates to Pensions

Pension Liabilities - At June 30, 2017, the School District reported a liability of \$35,063,543 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2016, the School District's proportion was 0.14054%, which was a decrease of 0.00117% from its proportion measured as of September 30, 2015.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2017, the School District recognized pension expense of \$2,207,020. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 436,984	\$ 83,101
Changes of assumptions	548,191	-
Net difference between projected and actual earnings on pension plan investments	582,756	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	197,152	241,085
Reporting Unit contributions subsequent to the measurement date	<u>1,962,140</u>	<u>-</u>
Total	<u>\$ 3,727,223</u>	<u>\$ 324,186</u>

From the above table, \$1,962,140 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 281,968
2019	236,242
2020	829,230
2021	93,457

**THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Actuarial Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actual valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	8.0%
Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5-12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273 for non-university employers
- Recognition period for assets is 5 years
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Long-Term Expected Rate of Return on Investments - The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.9%
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Real Return, Opportunistic and Absolute Pools	15.5	6.0
Short-Term Investment Pools	<u>2.0</u>	0.0
	<u>100.0%</u>	

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

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

	1% Decrease (Non-Hybrid/Hybrid) (7.0% / 6.0%)	Current Single Discount Rate Assumptions (Non-Hybrid/Hybrid) (8.0% / 7.0%)	1% Increase (Non-Hybrid/Hybrid) (9.0% / 8.0%)
School District's proportionate share of net pension liability \$	45,153,017	\$ 35,063,543	\$ 26,557,146

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report, available here: www.michigan.gov/mpsers-cafr.

Payables to the Pension Plan - At year end the School District is current on all required pension plan payments. Amount accrued at year end for accounting purposes represent accruals for retirement on payroll earned by June 30, 2017 and paid during the summer months and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Three Rivers and the Township of Park. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, the School District's operating property tax revenues were reduced by \$273,570 and the Debt Service property tax revenues were reduced by \$40,655 under these programs. Operating revenues not paid to the district because of tax abatement agreements are reimbursed to the district by the State of Michigan through the per-pupil foundation allowance.

There are no significant abatements made by the School District.

REQUIRED SUPPLEMENTAL INFORMATION

THREE RIVERS COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues:				
Local sources	\$ 4,650,575	\$ 4,643,173	\$ 4,839,218	\$ 196,045
State sources	19,048,432	18,632,627	18,599,744	(32,883)
Federal sources	1,142,575	1,232,318	798,263	(434,055)
Interdistrict	<u>314,369</u>	<u>396,806</u>	<u>472,338</u>	<u>75,532</u>
Total revenues	25,155,951	24,904,924	24,709,563	(195,361)
Expenditures:				
Instruction	15,459,324	15,054,476	15,171,393	116,917
Supporting services	8,507,306	8,806,239	8,150,712	(655,527)
Athletics	554,931	565,383	544,139	(21,244)
Community services	49,061	54,854	30,553	(24,301)
Debt service	367,604	367,604	366,603	(1,001)
Capital Outlay	<u>410,100</u>	<u>203,005</u>	<u>209,835</u>	<u>6,830</u>
Total expenditures	<u>25,348,326</u>	<u>25,051,561</u>	<u>24,473,235</u>	<u>(578,326)</u>
Net change in fund balance	(192,375)	(146,637)	236,328	382,965
Fund balance – July 1	<u>4,365,899</u>	<u>4,365,899</u>	<u>4,365,899</u>	<u>-</u>
Fund balance – June 30	<u>\$ 4,173,524</u>	<u>\$ 4,219,262</u>	<u>\$ 4,602,227</u>	<u>\$ 382,965</u>

THREE RIVERS COMMUNITY SCHOOLS

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Michigan Public School Employees Retirement Plan

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
School District's proportion of collective net pension liability	0.14054%	0.14171%	0.14027%
School District's proportionate share of net pension liability	\$ 35,063,543	\$ 34,613,016	\$ 30,896,320
School District's covered-employee payroll	\$ 11,911,259	\$ 11,869,502	\$ 11,896,700
School District's proportionate share of net pension liability as a percentage of covered-employee payroll	294.373%	291.613%	259.705%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

SCHEDULE OF SCHOOL DISTRICT'S PENSION CONTRIBUTIONS

Michigan Public School Employees Retirement Plan

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required employer contributions	\$ 2,207,020	\$ 2,360,035	\$ 2,756,660
School District contributions made to the Plan	<u>2,207,020</u>	<u>2,360,035</u>	<u>2,756,660</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 12,343,542	\$ 11,892,025	\$ 11,888,580
Contributions as a percentage of covered-employee payroll	17.88%	19.85%	23.19%

Change of benefit terms: There were no changes of benefit terms in 2016.

Change of assumptions: There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTAL INFORMATION

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Expendable Trust</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 196,011	\$ 84,402	\$ 280,413
Accounts receivable	4,657	-	4,657
Due from other governmental units	3,246	-	3,246
Due from other funds	192,300	-	192,300
Inventory	23,867	-	23,867
Prepaid expenditures	<u>2,685</u>	<u>-</u>	<u>2,685</u>
Total assets	<u>\$ 422,766</u>	<u>\$ 84,402</u>	<u>\$ 507,168</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 5,996	\$ -	\$ 5,996
Due to other funds	<u>11,052</u>	<u>-</u>	<u>11,052</u>
Total liabilities	17,048	-	17,048
Fund balances:			
Nonspendable:			
Prepaid expenditures	2,685	-	2,685
Inventory	23,867	-	23,867
Restricted:			
Scholarships	-	84,402	84,402
Food Service	<u>379,166</u>	<u>-</u>	<u>379,166</u>
Total fund balances	<u>405,718</u>	<u>84,402</u>	<u>490,120</u>
Total liabilities and fund balances	<u>\$ 422,766</u>	<u>\$ 84,402</u>	<u>\$ 507,168</u>

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Expendable Trust</u>	<u>Total</u>
Revenues:			
Local sources	\$ 283,393	\$ 6,389	\$ 289,782
State sources	45,617	-	45,617
Federal sources	<u>1,024,079</u>	<u>-</u>	<u>1,024,079</u>
Total revenues	1,353,089	6,389	1,359,478
Expenditures:			
Food services	1,376,760	-	1,376,760
Scholarships	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total expenditures	<u>1,376,760</u>	<u>3,500</u>	<u>1,380,260</u>
Net change in fund balances	(23,671)	2,889	(20,782)
Fund balances – July 1	<u>429,389</u>	<u>81,513</u>	<u>510,902</u>
Fund balances – June 30	<u>\$ 405,718</u>	<u>\$ 84,402</u>	<u>\$ 490,120</u>

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION**

**FOOD SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 277,085	\$ 283,393	\$ 6,308
State sources	45,300	45,617	317
Federal sources	<u>973,505</u>	<u>1,024,079</u>	<u>50,574</u>
Total revenues	1,295,890	1,353,089	57,199
Expenditures:			
Salaries	381,400	385,406	4,006
Employee benefits	208,800	211,007	2,207
Purchased services	43,885	45,783	1,898
Supplies, materials and other	770,390	729,754	(40,636)
Capital outlay	<u>5,000</u>	<u>4,810</u>	<u>(190)</u>
Total expenditures	<u>1,409,475</u>	<u>1,376,760</u>	<u>(32,715)</u>
Excess (deficiency) of revenues over expenditures	(113,585)	(23,671)	89,914
Fund balance – July 1	<u>429,389</u>	<u>429,389</u>	<u>-</u>
Fund balance – June 30	<u>\$ 315,804</u>	<u>\$ 405,718</u>	<u>\$ 89,914</u>

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION**

**STUDENT ACTIVITIES AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2017**

	Balances <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2017</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>180,043</u>	\$ <u>350,387</u>	\$ <u>346,023</u>	\$ <u>184,407</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>180,043</u>	\$ <u>350,387</u>	\$ <u>346,023</u>	\$ <u>184,407</u>

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2017**

2017 REFUNDING SCHOOL BUILDING AND SITE BONDS

\$9,630,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	3.00%	\$ 288,900	\$ 20,000	\$ 308,900
2019	3.00%	288,300	20,000	308,300
2020	3.00%	287,700	25,000	312,700
2021	3.00%	286,950	25,000	311,950
2022	3.00%	286,200	25,000	311,200
2023	3.00%	285,450	880,000	1,165,450
2024	3.00%	259,050	1,065,000	1,324,050
2025	3.00%	227,100	1,050,000	1,277,100
2026	3.00%	195,600	1,030,000	1,225,600
2027	3.00%	164,700	1,015,000	1,179,700
2028	3.00%	134,250	1,000,000	1,134,250
2029	3.00%	104,250	1,000,000	1,104,250
2030	3.00%	74,250	965,000	1,039,250
2031	3.00%	45,300	945,000	990,300
2032	3.00%	<u>16,950</u>	<u>565,000</u>	<u>581,950</u>
Total		<u>\$ 2,944,950</u>	<u>\$ 9,630,000</u>	<u>\$ 12,574,950</u>

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

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2017**

2012 REFUNDING SCHOOL BUILDING AND SITE BONDS

\$8,285,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	2.000	\$ 158,532	\$ 810,000	\$ 968,532
2019	2.000	142,332	830,000	972,332
2020	2.125	125,731	830,000	955,731
2021	2.250	109,131	815,000	924,131
2022	2.250	91,813	805,000	896,813
2023	3.000	73,700	-	73,700
2024	3.000	73,700	-	73,700
2025	3.000	73,700	-	73,700
2026	3.000	73,700	-	73,700
2027	3.000	73,700	-	73,700
2028	3.000	73,700	-	73,700
2029	3.000	73,700	-	73,700
2030	3.000	73,700	-	73,700
2031	3.000	73,700	-	73,700
2032	3.000	73,700	400,000	473,700
2033	3.000	61,700	1,015,000	1,076,700
2034	3.125	<u>31,250</u>	<u>1,000,000</u>	<u>1,031,250</u>
Total		<u>\$ 1,457,489</u>	<u>\$ 6,505,000</u>	<u>\$ 7,962,489</u>

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

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2017**

2007 REFUNDING SCHOOL BUILDING AND SITE BONDS

\$9,995,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	4.00	\$ 8,200	\$ -	\$ 8,200
2019	4.00	8,200	50,000	58,200
2020	4.00	6,200	50,000	56,200
2021	4.00	4,200	50,000	54,200
2022	4.00	<u>2,200</u>	<u>55,000</u>	<u>57,200</u>
Total		<u>\$ 29,000</u>	<u>\$ 205,000</u>	<u>\$ 234,000</u>

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

2008 REFUNDING SCHOOL BUILDING AND SITE BONDS

\$ 24,505,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	5.00	\$ 514,000	\$ 1,725,000	\$ 2,239,000
2019	5.00	427,750	1,745,000	2,172,750
2020	5.00	340,500	1,740,000	2,080,500
2021	5.00	253,500	1,710,000	1,963,500
2022	5.00	168,000	1,685,000	1,853,000
2023	5.00	<u>83,750</u>	<u>1,675,000</u>	<u>1,758,750</u>
Total		<u>\$ 1,787,500</u>	<u>\$ 10,280,000</u>	<u>\$ 12,067,500</u>

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

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2017**

2010 ENERGY CONSERVATION BONDS

\$1,615,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	2.75	\$ 21,475	\$ 170,000	\$ 191,475
2019	2.90	16,800	175,000	191,800
2020	3.00	11,725	185,000	196,725
2021	3.25	<u>6,175</u>	<u>190,000</u>	<u>196,175</u>
Total		<u>\$ 56,175</u>	<u>\$ 720,000</u>	<u>\$ 776,175</u>

2013 INSTALLMENT PURCHASE PLAN

\$ 262,857

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	1.39	<u>\$ 367</u>	<u>\$ 52,857</u>	<u>\$ 53,224</u>

2014 INSTALLMENT PURCHASE PLAN

\$ 554,276

Balance payable as follows

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	2.49	\$ 8,983	\$ 55,500	\$ 64,483
2019	2.49	7,601	55,500	63,101
2020	2.49	6,219	55,500	61,719
2021	2.49	4,837	55,500	60,337
2022	2.49	3,455	55,500	58,955
2023	2.49	2,072	55,500	57,572
2024	2.49	<u>690</u>	<u>55,500</u>	<u>56,190</u>
Total		<u>\$ 33,857</u>	<u>\$ 388,500</u>	<u>\$ 422,357</u>

2015 INSTALLMENT PURCHASE PLAN

\$ 174,694

Balance payable as follows

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	2.19	\$ 2,300	\$ 35,000	\$ 37,300
2019	2.19	1,533	35,000	36,533
2020	2.19	<u>766</u>	<u>35,000</u>	<u>35,766</u>
Total		<u>\$ 4,599</u>	<u>\$ 105,000</u>	<u>\$ 109,599</u>

**THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	1715301617 1615301516	\$ 712,980 637,596
Improving Teacher Quality	84.367	1505201415 1605201516 1705201617	276,285 273,257 314,597
Title VI Part B	84.358	1706601617 1606601516	105,528 95,808
Passed Through Intermediate School District:			
Adult Ed - State Admin.	84.002A		60,000
Title III Part A	84.031A		2,980
TOTAL DEPARTMENT OF EDUCATION			
<u>U.S. Department of Health and Human Services</u>			
Passed Through Intermediate School District:			
Medicaid outreach	93.778		3,475

(continued on next page)

Accrued (Deferred) Revenue <u>July 1, 2016</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued (Deferred) Revenue <u>June 30, 2017</u>
\$ -		\$ 507,513	\$ 410,813	\$ 96,700
<u>76,100</u>	546,199	<u>25,540</u>	<u>101,640</u>	<u>-</u>
76,100		533,053	512,453	96,700
(6,293)	24,401	(966)	(7,259)	-
33,954	148,935	(551)	33,403	-
<u>-</u>		<u>123,977</u>	<u>47,881</u>	<u>76,096</u>
27,661		122,460	74,025	76,096
-		65,518	64,872	646
<u>132</u>	19,954	<u>10,777</u>	<u>10,909</u>	<u>-</u>
<u>132</u>		<u>76,295</u>	<u>75,781</u>	<u>646</u>
103,893		731,808	662,259	173,442
74,092	74,092	60,000	74,092	60,000
<u>-</u>	5,656	<u>2,980</u>	<u>-</u>	<u>2,980</u>
177,985		794,788	736,351	236,422
-		3,475	3,475	-

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster			
Passed Through State Department of Education			
Summer Food Service Program	10.559	15-16 16-17	23,853 28,746
National School Lunch Program	10.555	15-16 16-17	650,184 641,023
National School Lunch Special Milk Program	10.556	15-16 16-17	165 173
National School Lunch Breakfast	10.553	15-16 16-17	282,791 272,595
Direct Programs - non-cash assistance Entitlement Commodities	10.555	16-17	87,263
TOTAL DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL FINANCIAL ASSISTANCE			

Notes:

- 1.* Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$750,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.
5. This schedule has been prepared under the modified accrual basis of accounting.

Accrued (Deferred) Revenue <u>July 1, 2016</u>	(Memo only) Prior Year Expenditures	<u>Expenditures</u>	<u>Receipts</u>	Accrued (Deferred) Revenue <u>June 30, 2017</u>
5,003	5,003	18,850	23,853	-
-		<u>3,246</u>	-	<u>3,246</u>
<u>5,003</u>		* 22,096	23,853	<u>3,246</u>
-	584,711	65,473	65,473	-
-		<u>575,957</u>	<u>575,957</u>	-
-		* 641,430	641,430	-
-	161	4	4	-
-		<u>169</u>	<u>169</u>	-
-		* 173	173	-
-	255,401	27,390	27,390	-
-		<u>245,727</u>	<u>245,727</u>	-
-		* 273,117	273,117	-
-		* 87,263	87,263	-
<u>5,003</u>		<u>1,024,079</u>	<u>1,025,836</u>	<u>3,246</u>
<u>\$ 182,988</u>		<u>\$ 1,822,342</u>	<u>\$ 1,765,662</u>	<u>\$ 239,668</u>



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

To the Board of Education
Three Rivers Community Schools

Norman & Paulsen, P.C.
Certified Public Accountants

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Three Rivers Community Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Three Rivers Community Schools' basic financial statements and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Three Rivers Community Schools' Response to Findings

Three Rivers Community Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Three Rivers Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

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



October 27, 2017





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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Three Rivers Community Schools, Michigan

Report on Compliance for Each Major Federal Program

We have audited Three Rivers Community Schools' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Three Rivers Community Schools' major federal programs for the year ended June 30, 2017. Three Rivers Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Bruce A. Gosling, CPA, CVA
Michael R. Wilson, CPA
Ricky L. Strawser, CPA

Opinion on Each Major Federal Program

In our opinion, Three Rivers Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

October 27, 2017

THREE RIVERS COMMUNITY SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

1. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified:	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

	<u> </u> Yes	<u> X </u> No
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Federal Awards

Internal control over major programs:

Material weakness (es) identified:	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified:	<u> </u> Yes	<u> X </u> None reported

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

Any audit findings disclosed that are required to be reported with 2 CFR 200.516(a)?

	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

U.S. Department of Agriculture: 10.553, 10.555, 10.556 & 10.559 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

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

NONE

3. Federal Award Findings and Question Costs:

NONE

THREE RIVERS COMMUNITY SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2017**

4. Status of Prior Year Comments

Finding 2016-001

Status: The School has addressed and cleared this finding

Finding 2016-002

Status: The School has addressed and cleared this finding

Finding 2016-003

Status: The School has addressed and cleared this finding

Finding 2016-004

Status: The School has addressed and cleared this finding