
Three Rivers Community Schools

**Financial Report
with Supplemental Information
June 30, 2018**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19-37
Required Supplemental Information	38
Budgetary Comparison Schedule - General Fund	39
Schedule of the School District's Proportionate Share of the Net Pension Liability	40
Schedule of Pension Contributions	41
Schedule of the School District's Proportionate Share of the Net OPEB Liability	42
Schedule of OPEB Contributions	43
Notes to Required Supplemental Information	44
Other Supplemental Information	45
Nonmajor Governmental Funds:	
Combining Balance Sheet	46
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	47
Schedule of Bonded Indebtedness	48

Independent Auditor's Report

To the Board of Education
Three Rivers Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Three Rivers Community Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, as of July 1, 2017, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education
Three Rivers Community Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison schedule, and schedules of the School District's proportionate share of the net pension and OPEB liabilities and contributions, as defined in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Three Rivers Community Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of Three Rivers Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Community Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 29, 2018

This section of the Three Rivers Community Schools (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

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

Schedule of Pension Contributions

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

Schedule of OPEB Contributions

Notes to Required Supplemental Information

Other Supplemental Information

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

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

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

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

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

Reporting the School District's 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 (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

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

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services the proprietary fund provides to other funds. The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services represent compensated absences.

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

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 9.9	\$ 8.5
Capital assets	40.2	41.8
Total assets	50.1	50.3
Deferred Outflows of Resources	9.4	4.7
Liabilities		
Current liabilities	3.6	3.1
Noncurrent liabilities	25.4	28.5
Net pension liability	36.6	35.1
Net OPEB liability	12.6	-
Total liabilities	78.2	66.7
Deferred Inflows of Resources	4.0	0.3
Net Position		
Net investment in capital assets	16.0	14.3
Restricted	0.5	0.9
Unrestricted	(39.2)	(27.2)
Total net position	<u>\$ (22.7)</u>	<u>\$ (12.0)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(22.7) million at June 30, 2018. Net investment in capital assets totaling \$16.0 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position \$(39.2) million was unrestricted.

The \$(39.2) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The deficit in the School District's net position includes a \$36.6 million net pension liability and a \$12.6 million net OPEB obligation for the Michigan Public School Employees' Retirement System from the adoption of GASB Statements No. 68 and 75. The unrestricted net position balance, excluding the effects of these pronouncements, enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.4	\$ 0.7
Operating grants	5.6	5.9
General revenue:		
Taxes	8.1	7.9
State aid not restricted to specific purposes	15.8	15.0
Other	0.2	0.1
Total revenue	30.1	29.6
Expenses		
Instruction	15.6	15.2
Support services	8.4	8.2
Athletics	0.5	0.6
Food services	1.4	1.4
Debt service	0.5	1.0
Depreciation expense (unallocated)	1.7	1.9
Total expenses	28.1	28.3
Change in Net Position	2.0	1.3
Net Position - Beginning of year	(12.0)	(13.3)
Cumulative Effect of Change in Accounting	(12.7)	-
Net Position - Beginning of year	(24.7)	(13.3)
Net Position - End of year	<u><u>\$ (22.7)</u></u>	<u><u>\$ (12.0)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$28.1 million. Certain activities were partially funded from those who benefited from the programs (\$0.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.1 million in taxes, \$15.8 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 75. This standard required the inclusion of the School District's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the School District's financial statements effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by \$12.7 million and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

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

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

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 \$6.4 million, which is an increase of \$0.8 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$0.8 million to \$5.4 million. The change is mainly due to increased revenue source of state aid and the partnership program in combination with a decrease of staffing expense due to open, unfilled positions.

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

Combined, the fund balance of our debt service funds increased \$0.1 million. Millage rates were reduced in order to adjust the debt service funds fund balances. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved, since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. 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.

There were significant revisions made to the 2017-2018 General Fund original budget. Budgeted revenue was increased \$2.1 million due to an unexpected change in certain categorical revenue from the State and an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates.

Budgeted expenditures were also increased \$1.5 million to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$40.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.6 million, or 3.8 percent, from last year.

	Governmental Activities	
	2018	2017
Land	\$ 560,365	\$ 560,365
Buildings and improvements	61,830,356	61,830,356
Furniture and equipment	2,265,026	2,256,534
Buses and other vehicles	2,197,315	2,108,651
Outside site improvements	2,257,788	2,236,288
Total capital assets	69,110,850	68,992,194
Less - Accumulated depreciation	28,860,948	27,155,437
Total capital assets - Net of accumulated depreciation	\$ 40,249,902	\$ 41,836,757

Three Rivers Community Schools

Management's Discussion and Analysis (Continued)

This year's additions of \$0.1 million included buses. No major capital projects are planned for the 2018-2019 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$24.4 million in bonds and installment purchase obligations outstanding versus \$27.9 million in the previous year - a change of 12.3 percent. Those bonds consisted of the following:

	2018	2017
General obligation bonds	\$ 23,975,000	\$ 27,340,000
Installment purchase obligations	473,931	546,355
Total	\$ 24,448,931	\$ 27,886,355

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 bond debt of \$24.0 million is significantly below the statutorily imposed limit.

Other obligations include accrued sick leave and accrued interest. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 78.8 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2018-2019 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The state periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$240 per pupil. Due to increases in the state required contribution to the retirement system and increases in healthcare costs, the School District estimates that the net increase in per pupil funding to fund other operating costs will be \$230 per pupil.

During 2018, the School District settled a labor contract with the teachers' union.

Contacting the School District's Management

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

Three Rivers Community Schools

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 5,488,804
Receivables:	
Other receivables	6,724
Due from other governments	3,799,481
Inventory	30,718
Prepaid expenses and other assets	29,062
Restricted assets (Note 9)	428,993
Capital assets - Net (Note 6)	40,249,902
Total assets	50,033,684
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	1,067,794
Deferred pension costs (Note 11)	7,662,726
Deferred OPEB costs (Note 11)	691,299
Total deferred outflows of resources	9,421,819
Liabilities	
Accounts payable	280,908
Due to other governmental units	339,189
Accrued liabilities and other	2,570,120
Unearned revenue (Note 5)	358,324
Noncurrent liabilities:	
Due within one year (Note 8)	3,169,570
Due in more than one year (Note 8)	22,223,647
Net pension liability (Note 11)	36,614,626
Net OPEB liability (Note 11)	12,564,193
Total liabilities	78,120,577
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 11)	1,467,465
Deferred pension cost reductions (Note 11)	2,112,077
Deferred OPEB cost reductions (Note 11)	424,762
Total deferred inflows of resources	4,004,304
Net Position	
Net investment in capital assets	16,024,538
Restricted:	
Debt	393,343
Scholarships	84,402
Unrestricted	(39,171,661)
Total net position	\$ (22,669,378)

Three Rivers Community Schools

Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 15,549,403	\$ -	\$ 5,533,179	\$ (10,016,224)
Support services	8,367,859	32,470	-	(8,335,389)
Athletics	536,343	53,665	-	(482,678)
Food services	1,409,410	267,874	105,186	(1,036,350)
Community services	39,276	24,763	-	(14,513)
Interest	372,393	-	-	(372,393)
Other debt costs	110,734	-	-	(110,734)
Depreciation expense (unallocated)	1,705,511	-	-	(1,705,511)
Total primary government	\$ 28,090,929	\$ 378,772	\$ 5,638,365	(22,073,792)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				4,827,803
Property taxes, levied for debt service				3,303,734
State aid not restricted to specific purposes				15,794,259
Federal grants and contributions not restricted to specific purposes				12,688
Interest and investment earnings				2,939
Other				145,353
Total general revenue				24,086,776
Change in Net Position				2,012,984
Net Position - Beginning of year, as previously reported				(11,976,439)
Cumulative Effect of Change in Accounting (Note 2)				(12,705,923)
Net Position - Beginning of year				(24,682,362)
Net Position - End of year				\$ (22,669,378)

Three Rivers Community Schools

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Debt Service	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 5,387,506	\$ -	\$ 101,298	\$ 5,488,804
Receivables:				
Due from other governments	3,786,810	-	12,671	3,799,481
Other receivables	6,679	-	45	6,724
Due from other funds (Note 7)	-	183,550	270,281	453,831
Inventory	10,983	-	19,735	30,718
Prepaid expenses and other assets	27,972	-	1,090	29,062
Restricted assets (Note 9)	-	360,883	68,110	428,993
Total assets	\$ 9,219,950	\$ 544,433	\$ 473,230	\$ 10,237,613
Liabilities				
Accounts payable	\$ 259,451	\$ 13,732	\$ 7,725	\$ 280,908
Due to other governmental units	339,189	-	-	339,189
Due to other funds (Note 7)	555,305	-	10,592	565,897
Accrued liabilities and other	2,318,591	-	2,105	2,320,696
Unearned revenue (Note 5)	358,324	-	-	358,324
Total liabilities	3,830,860	13,732	20,422	3,865,014
Fund Balances				
Nonspendable:				
Inventory	10,983	-	19,735	30,718
Prepays	27,972	-	1,090	29,062
Restricted:				
Debt service	-	530,701	-	530,701
Food service	-	-	347,581	347,581
Scholarship	-	-	84,402	84,402
Committed - Future projects and emergency repairs	741,408	-	-	741,408
Assigned - Budgeted use of fund balance in 2018-2019	628,296	-	-	628,296
Unassigned	3,980,431	-	-	3,980,431
Total fund balances	5,389,090	530,701	452,808	6,372,599
Total liabilities and fund balances	\$ 9,219,950	\$ 544,433	\$ 473,230	\$ 10,237,613

Three Rivers Community Schools

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

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 6,372,599
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	69,110,850
Accumulated depreciation	<u>(28,860,948)</u>
Net capital assets used in governmental activities	40,249,902
Deferred inflows and outflows related to bond refundings are not reported in the funds	1,067,794
Bonds payable, bond premium, and discounts and installment purchase obligations are not due and payable in the current period and are not reported in the funds	(25,293,158)
Accrued interest is not due and payable in the current period and is not reported in the funds	(137,358)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Self-insurance	(100,059)
Net pension liability and related deferred inflows and outflows	(31,063,977)
Net OPEB liability and related deferred inflows and outflows	(12,297,656)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(1,467,465)</u>
Net Position of Governmental Activities	<u>\$ (22,669,378)</u>

Three Rivers Community Schools

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

Year Ended June 30, 2018

	General Fund	Debt Service	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 5,066,567	\$ 3,305,581	\$ 286,453	\$ 8,658,601
State sources	19,585,200	312,854	41,575	19,939,629
Federal sources	875,757	-	1,070,393	1,946,150
Interdistrict sources	622,808	-	-	622,808
Total revenue	26,150,332	3,618,435	1,398,421	31,167,188
Expenditures				
Current:				
Instruction	15,880,408	-	-	15,880,408
Support services	8,403,138	-	5,736	8,408,874
Athletics	518,909	-	-	518,909
Food services	-	-	1,429,833	1,429,833
Community services	40,290	-	-	40,290
Debt service:				
Principal	331,088	2,555,000	-	2,886,088
Interest	34,534	852,725	-	887,259
Other debt costs	750	109,984	-	110,734
Capital outlay	243,016	-	164	243,180
Total expenditures	25,452,133	3,517,709	1,435,733	30,405,575
Excess of Revenue Over (Under) Expenditures	698,199	100,726	(37,312)	761,613
Other Financing Sources (Uses)				
Face value of debt issued (Note 8)	88,664	8,120,000	-	8,208,664
Premium on debt issued	-	805,570	-	805,570
Payment to bond refunding escrow agent (Note 8)	-	(8,946,046)	-	(8,946,046)
Total other financing sources (uses)	88,664	(20,476)	-	68,188
Net Change in Fund Balances	786,863	80,250	(37,312)	829,801
Fund Balances - Beginning of year	4,602,227	450,451	490,120	5,542,798
Fund Balances - End of year	<u>\$ 5,389,090</u>	<u>\$ 530,701</u>	<u>\$ 452,808</u>	<u>\$ 6,372,599</u>

Three Rivers Community Schools

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 829,801
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	118,656
Depreciation expense	(1,705,511)
Revenue in support of pension contributions made subsequent to the measurement date	(1,467,465)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(9,014,234)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/ discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	12,322,152
Interest expense is recognized in the government-wide statements as it accrues	24,848
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	904,737
Change in Net Position of Governmental Activities	<u>\$ 2,012,984</u>

Three Rivers Community Schools

Proprietary Funds Statement of Net Position

June 30, 2018

	Internal Service Fund
Assets - Due from other funds (Note 7)	\$ 112,066
Liabilities - Accrued compensated absences	112,066
Net Position - Restricted	<u>\$ -</u>

Three Rivers Community Schools

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Internal Service Fund
Operating Revenue - Charges to other funds	\$ 6,189
Operating Expenses - Compensated absences	<u>6,189</u>
Change in Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

Three Rivers Community Schools

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	Internal Service Fund
Cash Flows from Operating Activities - Received from charges to other funds	\$ -
Cash and Cash Equivalents - Beginning of year	-
Cash and Cash Equivalents - End of year	<u><u>\$ -</u></u>

Three Rivers Community Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Student Activities Agency Fund
Assets - Cash and cash equivalents (Note 4)	\$ 207,454
Liabilities - Due to student groups	\$ 207,454

June 30, 2018

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's business-type activities and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)*****Fund Accounting***

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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

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

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the School District). The School District does not have any enterprise funds.

The School District's internal service fund is used to record the balance of compensated absences for sick days that are payable to employees of the School District.

Fiduciary Funds

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

Interfund Activity

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

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

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)*****Basis of Accounting***

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

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

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

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

Specific Balances and Transactions**Cash and Investments**

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

Inventories and Prepaid Items

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

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent property taxes levied held in the debt service funds required to be set aside for future bond principal and interest payments
- Unspent contributions held in expendable trust funds required to be set aside for scholarships provided to students

Capital Assets

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

Note 2 - Significant Accounting Policies (Continued)

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

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

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

Net Position

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

Net Position Flow Assumption

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

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)****Fund Balance Flow Assumptions**

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

Fund Balance Policies

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

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

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

Property Tax Revenue

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Note 2 - Significant Accounting Policies (Continued)**Compensated Absences (Sick Leave)**

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

Use of Estimates

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

Adoption of New Accounting Pronouncement

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$13,252,440, deferred outflows of financial resources for OPEB contributions of \$950,707 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from state aid in support of OPEB contributions of \$404,190 that was received subsequent to the measurement date as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

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

June 30, 2018

Note 2 - Significant Accounting Policies (Continued)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2019.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

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

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$5,605,768 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2018

Note 4 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. At June 30, 2018, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within two years of the date of purchase. In addition, the policy restricts investments in commercial paper, which can only be purchased with a maturity not more than 270 days after the date of purchase.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. At June 30, 2018, the School District does not have investments with custodial credit risk.

Concentration of Credit Risk

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

Foreign Currency Risk

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

Note 5 - Unavailable/Unearned Revenue

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

At June 30, 2018, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds <hr/> Liability - Unearned <hr/>
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ 358,324

June 30, 2018

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 560,365	\$ -	\$ -	\$ 560,365
Capital assets being depreciated:				
Buildings and improvements	61,830,356	-	-	61,830,356
Furniture and equipment	2,256,534	8,492	-	2,265,026
Buses and other vehicles	2,108,651	88,664	-	2,197,315
Outside site improvements	2,236,288	21,500	-	2,257,788
Subtotal	68,431,829	118,656	-	68,550,485
Accumulated depreciation:				
Buildings and improvements	22,799,220	1,321,137	-	24,120,357
Furniture and equipment	1,364,744	192,166	-	1,556,910
Buses and other vehicles	1,846,642	80,363	-	1,927,005
Outside site improvements	1,144,831	111,845	-	1,256,676
Subtotal	27,155,437	1,705,511	-	28,860,948
Net capital assets being depreciated	41,276,392	(1,586,855)	-	39,689,537
Net governmental activities capital assets	\$ 41,836,757	\$ (1,586,855)	\$ -	\$ 40,249,902

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

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		
	General Fund	Nonmajor Funds	Total
Debt service funds	\$ 183,550	\$ -	\$ 183,550
Internal Service Fund	101,474	10,592	112,066
Nonmajor funds	270,281	-	270,281
Total	\$ 555,305	\$ 10,592	\$ 565,897

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from investment accounts.

June 30, 2018

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 27,340,000	\$ 8,120,000	\$ (11,485,000)	\$ 23,975,000	\$ 2,700,000
Unamortized bond premiums	845,072	805,570	(667,801)	982,841	273,158
Unamortized bond discounts	(196,245)	-	57,631	(138,614)	(11,880)
Total bonds payable	27,988,827	8,925,570	(12,095,170)	24,819,227	2,961,278
Installment purchase obligations	546,355	88,664	(161,088)	473,931	108,233
Self-insurance	-	100,059	-	100,059	100,059
Compensated absences	118,255	-	(6,189)	112,066	-
Total governmental activities long-term debt	<u>\$ 28,653,437</u>	<u>\$ 9,114,293</u>	<u>\$ (12,262,447)</u>	<u>\$ 25,505,283</u>	<u>\$ 3,169,570</u>

The School District had deferred outflows of \$1,067,794 related to deferred charges on bond refundings at June 30, 2018.

General Obligation Bonds and Installment Loans

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Installment purchase agreements are also general obligations of the School District. General obligations outstanding at June 30, 2018 are as follows:

Governmental Activities

June 30, 2018

Note 8 - Long-term Debt (Continued)

Purpose	Remaining Annual Installments	Interest Rates	Maturing	Outstanding
General obligation bonds:				
\$1,615,000 2010 Energy Conservation Improvement Bonds	\$175,000 - \$190,000 \$400,000 -	2.90 - 3.25	May 2021	\$ 550,000
\$8,285,000 2012 Refunding Bonds	\$1,015,000 \$20,000 -	2.00 - 3.125	May 2034	5,695,000
\$9,630,000 2017 Refunding Bonds	\$1,065,000 \$1,535,000 -	3.00	May 2032	9,610,000
\$8,120,000 2018 Refunding Bonds	\$1,675,000	5.00	May 2023	<u>8,120,000</u>
Total general obligation bonds				23,975,000
Installment purchase obligations:				
\$554,276 2014 Installment Loan Payable	\$55,500	2.49	July 2023	333,000
\$174,694 2015 Installment Loan Payable	\$35,000	2.19	May 2020	70,000
\$88,664 2018 Installment Loan Payable	\$17,733	2.14	May 2022	<u>70,931</u>
Total installment purchase obligations				<u>473,931</u>
Total governmental activities				<u>\$ 24,448,931</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the School District's Internal Service Fund. That fund will finance the payment of those claims by charging the other funds from which the individual employee's salaries are paid, generally the General Fund and the Food Service Fund.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 2,808,233	\$ 864,083	\$ 3,672,316
2020	2,813,233	755,530	3,568,763
2021	2,738,233	646,852	3,385,085
2022	2,513,232	539,097	3,052,329
2023	2,470,500	437,973	2,908,473
2024-2028	5,215,500	1,349,891	6,565,391
Thereafter	5,890,000	628,500	6,518,500
Total	<u>\$ 24,448,931</u>	<u>\$ 5,221,926</u>	<u>\$ 29,670,857</u>

June 30, 2018

Note 8 - Long-term Debt (Continued)

Bond Refunding

During the year, the School District issued \$8,120,000 in general obligation bonds with an average interest rate of 5.00 percent. The proceeds of these bonds were used to advance refund \$8,760,000 of outstanding 2007 refunding bonds with an average interest rate of 4.00 percent and the 2008 refunding bonds with an average interest rate of 5.00 percent. The net proceeds of \$8,946,046 (after payment of \$108,749 in underwriting fees, insurance, and other issuance costs), plus an additional \$4,775 of the School Districts monies, were used to purchase U.S. government securities. Those securities 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 general long-term debt. The advance refunding reduced total debt service payments by approximately \$720,000, which represents an economic gain of approximately \$680,000.

Note 9 - Restricted Assets

At June 30, 2018, restricted assets are composed of the following:

Description	Governmental Activities
Unspent debt service funds	\$ 360,883
Scholarship funds	68,110

Note 10 - Risk Management

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

The School District estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The portion of these liabilities considered due is recorded in the General Fund. The remaining estimated liabilities are recorded as accrued liabilities in the district-wide financial statements. Management believes such reserves are reasonable estimates of ultimate liabilities. However, these estimates may be more or less than the amounts actually paid when the claims are resolved. Changes in the estimated liability for the past fiscal year were as follows:

	Medical Claims
Estimated liability - Beginning of year	\$ -
Estimated claims incurred, including changes in estimates	2,691,838
Claim payments	(2,591,779)
Estimated liability - End of year	\$ 100,059

June 30, 2018**Note 11 - Michigan Public School Employees' Retirement System*****Plan Description***

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

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

Benefits Provided

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

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

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

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

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

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

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

June 30, 2018

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

Contributions

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

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

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

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2018 were \$3,995,314, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$1,467,465 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the School District received under Section 147c(2) of the State Aid Act, which the School District then remitted as a contribution to the plan.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$918,231, which include the School District's contributions required for those members with a defined contribution benefit.

June 30, 2018

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

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$36,614,626 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.141291 and 0.140540 percent, respectively.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$12,564,193 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the School District's proportion was 0.141881 percent.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$3,823,321, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 318,206	\$ (179,660)
Changes in assumptions	4,011,423	-
Net difference between projected and actual earnings on pension plan investments	-	(1,750,420)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	264,398	(181,997)
The School District's contributions to the plan subsequent to the measurement date	3,068,699	-
Total	<u>\$ 7,662,726</u>	<u>\$ (2,112,077)</u>

June 30, 2018

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

The \$1,467,465 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	\$ 695,301
2020	1,291,568
2021	552,005
2022	(56,924)
2023	-
Thereafter	-
Total	<u>\$ 2,481,950</u>

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

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$840,485.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (133,772)
Net difference between projected and actual earnings on OPEB plan investments	-	(290,990)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	432	-
Employer contributions to the plan subsequent to the measurement date	690,867	-
Total	<u>\$ 691,299</u>	<u>\$ (424,762)</u>

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

Years Ending	Amount
2019	\$ (102,548)
2020	(102,548)
2021	(102,548)
2022	(102,548)
2023	(14,138)
Total	<u>\$ (424,330)</u>

June 30, 2018

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

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50%
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017 depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

June 30, 2018

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

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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

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

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 47,696,680	\$ 36,614,626	\$ 27,284,243

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 14,716,301	\$ 12,564,193	\$ 10,737,727

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

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

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 10,640,182	\$ 12,564,193	\$ 14,748,773

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the School District reported a payable of \$501,117 and \$101,041 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

June 30, 2018

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2018, the School District's property tax revenue was reduced by \$114,808 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$52,394 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the debt service millages. There are no 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, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 4,685,130	\$ 4,988,052	\$ 5,066,567	\$ 78,515
State sources	18,728,161	19,906,035	19,585,200	(320,835)
Federal sources	810,609	1,287,042	875,757	(411,285)
Interdistrict sources	387,814	543,980	622,808	78,828
Total revenue	24,611,714	26,725,109	26,150,332	(574,777)
Expenditures				
Current:				
Instruction:				
Basic programs	12,442,312	13,363,160	13,051,943	(311,217)
Added needs	2,696,840	2,832,097	2,722,597	(109,500)
Adult/Continuing education	145,063	131,810	126,382	(5,428)
Support services:				
Pupil	952,833	935,115	868,276	(66,839)
Instructional staff	1,111,719	1,547,904	1,192,058	(355,846)
General administration	441,790	408,243	423,022	14,779
School administration	1,254,066	1,272,401	1,221,016	(51,385)
Business	446,457	470,565	499,104	28,539
Operations and maintenance	2,587,624	2,485,594	2,392,887	(92,707)
Pupil transportation services	1,244,241	1,260,738	1,231,891	(28,847)
Central	866,034	923,554	737,087	(186,467)
Athletics	568,559	578,557	579,208	651
Community services	42,676	38,900	40,290	1,390
Debt service	367,041	367,373	366,372	(1,001)
Total expenditures	25,167,255	26,616,011	25,452,133	(1,163,878)
Excess of Revenue (Under) Over Expenditures	(555,541)	109,098	698,199	589,101
Other Financing Sources (Uses)				
Transfer in	88,664	88,664	88,664	-
Transfers out	(17,244)	-	-	-
Total financing sources	71,420	88,664	88,664	-
Net Change in Fund Balance	(484,121)	197,762	786,863	589,101
Fund Balance - Beginning of year	4,602,227	4,602,227	4,602,227	-
Fund Balance - End of year	<u>\$ 4,118,106</u>	<u>\$ 4,799,989</u>	<u>\$ 5,389,090</u>	<u>\$ 589,101</u>

Three Rivers Community Schools

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

	Last Four Plan Years			
	Plan Years Ended September 30			
	2017	2016	2015	2014
School District's proportion of the net pension liability	0.14129 %	0.14054 %	0.14171 %	0.14027 %
School District's proportionate share of the net pension liability	\$ 36,614,626	\$ 35,063,543	\$ 34,613,016	\$ 30,896,320
School District's covered employee payroll	\$ 11,931,657	\$ 11,911,259	\$ 11,869,502	\$ 11,896,700
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	306.87 %	294.37 %	291.61 %	259.70 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.27 %	63.17 %	66.20 %

Three Rivers Community Schools

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

	Last Four Fiscal Years Years Ended June 30			
	2018	2017	2016	2015
Statutorily required contribution	\$ 3,637,237	\$ 3,697,396	\$ 3,726,173	\$ 3,779,116
Contributions in relation to the statutorily required contribution	3,637,237	3,697,396	3,726,173	3,779,116
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -
School District's Covered Employee Payroll	\$ 12,021,613	\$ 12,343,542	\$ 11,892,025	\$ 11,888,580
Contributions as a Percentage of Covered Employee Payroll	30.26 %	29.95 %	31.33 %	31.79 %

Three Rivers Community Schools

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

Last One Plan Year Plan Year Ended September 30

	2017
School District's proportion of the net OPEB liability	0.14188 %
School District's proportionate share of the net OPEB liability	\$ 12,564,193
School District's covered employee payroll	\$ 11,931,657
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	105.30 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Three Rivers Community Schools

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

Last One Fiscal Year Year Ended June 30

	2018
Statutorily required contribution	\$ 868,288
Contributions in relation to the statutorily required contribution	868,288
Contribution Deficiency	\$ -
School District's Covered Employee Payroll	\$ 12,021,613
Contributions as a Percentage of Covered Employee Payroll	7.22 %

June 30, 2018

Pension Information

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

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent to 7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB No. 82, *Pension Issues - An amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

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

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB No. 82, *Pension Issues - An amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based, and by GASB No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

Three Rivers Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds		
	Food Service Fund	Expendable Trust	Total
Assets			
Cash and investments	\$ 85,006	\$ 16,292	\$ 101,298
Receivables:			
Due from other governments	12,671	-	12,671
Other receivables	45	-	45
Due from other funds	270,281	-	270,281
Inventory	19,735	-	19,735
Prepaid expenses and other assets	1,090	-	1,090
Restricted assets	-	68,110	68,110
Total assets	<u><u>\$ 388,828</u></u>	<u><u>\$ 84,402</u></u>	<u><u>\$ 473,230</u></u>
Liabilities			
Accounts payable	\$ 7,725	\$ -	\$ 7,725
Due to other funds	10,592	-	10,592
Accrued liabilities and other	2,105	-	2,105
Total liabilities	20,422	-	20,422
Fund Balances			
Nonspendable:			
Inventory	19,735	-	19,735
Prepays	1,090	-	1,090
Restricted:			
Food service	347,581	-	347,581
Scholarship	-	84,402	84,402
Total fund balances	368,406	84,402	452,808
Total liabilities and fund balances	<u><u>\$ 388,828</u></u>	<u><u>\$ 84,402</u></u>	<u><u>\$ 473,230</u></u>

Three Rivers Community Schools

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

Year Ended June 30, 2018

	Special Revenue Funds		
	Food Service Fund	Expendable Trust	Total
Revenue			
Local sources	\$ 286,453	\$ -	\$ 286,453
State sources	41,575	-	41,575
Federal sources	1,070,393	-	1,070,393
Total revenue	1,398,421	-	1,398,421
Expenditures			
Current:			
Support services	5,736	-	5,736
Food services	1,429,833	-	1,429,833
Capital outlay	164	-	164
Total expenditures	1,435,733	-	1,435,733
Net Change in Fund Balances	(37,312)	-	(37,312)
Fund Balances - Beginning of year	405,718	84,402	490,120
Fund Balances - End of year	<u><u>\$ 368,406</u></u>	<u><u>\$ 84,402</u></u>	<u><u>\$ 452,808</u></u>

Three Rivers Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2018

Years Ending June 30	2010 Energy Conservation Bonds Principal	2012 Refunding Bonds Principal	2017 Refunding Bonds Principal	2018 Refunding Bonds Principal	Total
2019	\$ 175,000	\$ 830,000	\$ 20,000	\$ 1,675,000	\$ 2,700,000
2020	185,000	830,000	25,000	1,665,000	2,705,000
2021	190,000	815,000	25,000	1,635,000	2,665,000
2022	-	805,000	25,000	1,610,000	2,440,000
2023	-	-	880,000	1,535,000	2,415,000
2024	-	-	1,065,000	-	1,065,000
2025	-	-	1,050,000	-	1,050,000
2026	-	-	1,030,000	-	1,030,000
2027	-	-	1,015,000	-	1,015,000
2028	-	-	1,000,000	-	1,000,000
2029	-	-	1,000,000	-	1,000,000
2030	-	-	965,000	-	965,000
2031	-	-	945,000	-	945,000
2032	-	400,000	565,000	-	965,000
2033	-	1,015,000	-	-	1,015,000
2034	-	1,000,000	-	-	1,000,000
Total remaining payments	\$ 550,000	\$ 5,695,000	\$ 9,610,000	\$ 8,120,000	\$ 23,975,000
Principal payments due	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1	
Interest rate	2.000% to 3.250%	2.00% to 3.125%	3.000%	5.000%	
Original issue	\$ 1,615,000	\$ 8,285,000	\$ 9,630,000	\$ 8,120,000	