# THREE RIVERS COMMUNITY SCHOOLS
## THREE RIVERS, MICHIGAN

## ANNUAL FINANCIAL REPORT

## YEAR ENDED JUNE 30, 2025

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Three Rivers Community Schools
Three Rivers, Michigan

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### *Emphasis of Matter – Implementation of New Accounting Standard*

As discussed in Note 14 to the financial statements, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. This change was made to conform with the requirements of the new standard. Our opinion is not modified with respect to this matter.

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 combining and individual nonmajor fund financial statements are 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 31, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 the School District's internal control over financial reporting and compliance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2025

# Management's Discussion and Analysis

**Three Rivers Community Schools**
**Management's Discussion and Analysis**
**June 30, 2025**

This section of Three Rivers Community Schools (the "School District"), St. Joseph County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2025. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2025.

## FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by $(4,603,739) (shown as a deficit *net position*). The School District had a deficit unrestricted net position of $(37,813,924).

- Revenues of $41,012,122 exceeded expenses of $29,684,395 leading to an increase in net position of $11,327,727 during the year.

- During the year, the School District's fund balances increased by $5,960,978 for an ending fund balance of $30,383,468 across all funds.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $5,659,269, or 18.7% of the general fund's total expenditures and transfers out. Fund balance of the general fund *increased* by $1,755,457 during the year.

### *Overview of the Financial Statements*

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements, the statement of net position and the statement of activities, are *government-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements. *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

### *Government-wide Financial Statements*

The government-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the government-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

### *Financial Analysis of the School District as a Whole*

On the following page is a comparative highlight of the current and prior year financial activities.

## Three Rivers Community Schools' Net Position

| ASSETS | 2025 | 2024 |
|---|---|---|
| *Current Assets* | | |
| Cash and investments | $ 31,442,222 | $ 27,774,249 |
| Due from governmental units | 5,208,378 | 6,834,085 |
| Inventory and prepaids | 182,523 | 169,759 |
| ***Total Current Assets*** | 36,833,123 | 34,778,093 |
| *Noncurrent Assets* | | |
| Capital assets, net | 71,923,713 | |
| Net OPEB asset | 5,338,221 | |
| ***Total Assets*** | 114,095,057 | |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred charges on debt refunding | 313,167 | |
| Pension related | 9,442,696 | |
| OPEB related | 1,428,829 | |
| ***Total Deferred Outflows of Resources*** | 11,184,692 | |
| **LIABILITIES** | | |
| *Current Liabilities* | | |
| Accounts payable | 2,353,580 | |
| Short-term note payable | - | |
| Accrued payroll | 2,448,296 | |
| Accrued interest | 424,921 | |
| Unearned revenue | 1,488,420 | |
| Current portion of long-term debt | 2,065,421 | |
| Due to other governmental units | 159,359 | |
| ***Total Current Liabilities*** | 8,939,997 | |
| Noncurrent Liabilities | | |
| Net pension liability | 32,298,814 | |
| Long-term debt | 66,305,288 | |
| ***Total Liabilities*** | 107,544,099 | |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related | 14,651,996 | |
| OPEB related | 7,687,393 | |
| ***Total Deferred Inflows of Resources*** | 22,339,389 | |
| **NET POSITION** | | |
| Net investment in capital assets | 24,094,955 | |
| Restricted | 9,115,230 | |
| Unrestricted | (37,813,924) | |
| ***Total Net Position*** | $ (4,603,739) | |

The following summarizes some of the significant changes in assets, liabilities, and deferred outflows/inflows:

- Cash and investments increased $3,667,973 from the previous year. The increase relates to the increases in governmental fund balance and cash remaining on hand from continued bond issuance draws.

- Amounts due from governmental units decreased by $2,067,007 due to timing differences in the receipt of earned grant funds. At year end, less total grant monies were owed to the school than in the previous year.

- Net capital assets increased by $11,496,352, driven by the expenditure of 2020 School Building and Site Bonds funds on capital improvements.

- The School's net OPEB (Other Post-Employment Benefits) asset increased by $4,544,672 to $5,338,221. This change was primarily due to strong investment returns of 15.45% on MPSERS OPEB plan assets during the most recent valuation.

- Similarly, the School's net pension liability decreased by $14,634,416 to $32,298,814. This reduction was largely driven by a 15.47% return on MPSERS pension plan assets during the most recent valuation.

- Pension and OPEB-related deferred outflows decreased by $6,011,319, while deferred inflows increased by $2,461,437. These changes reflect the amortization of prior year gains and losses and the higher-than-expected investment returns for the year ending September 30, 2024. The excess returns will be spread out over the next several years.

- Accounts payable decreased by $865,682 mostly due to changes in retainage for projects costs and other expense timing.

- No short-term borrowings were needed during the current year – causing a $2,090,333 reduction in the related note payable liabilities.

- Unearned ESSER monies were spent down during the year leading to a decrease of $896,061 in unearned revenues.

- Amounts due to other governments decreased in part due to unused grant funds being remitted back to the granting agencies.

- Bond issuance for capital projects was overwhelmingly the cause for the net increase of $13,030,014 in long-term debt.

The results of operations for the School District as a whole are reported in the Change in Net Position table below. This statement shows the changes in net position for the fiscal years ended June 30, 2025 and 2024.

### Three Rivers Community Schools' Changes in Net Position

| **Revenues** | **2025** |
|---|---|
| **Program Revenues** | |
| Charges for services | $ 659,686 |
| Operating grants and contributions | 12,947,826 |
| ***Total Program Revenues*** | 13,607,512 |
| **General Revenues** | |
| Property taxes | 11,024,456 |
| Unrestricted State aid | 15,510,728 |
| Interest income | 869,426 |
| ***Total General Revenues*** | 27,404,610 |
| ***Total Revenues*** | 41,012,122 |
| **Expenses** | |
| Instruction | 13,253,163 |
| Support services | 10,693,737 |
| Food service | 1,899,162 |
| Community services | 43,569 |
| Interdistrict payments | 29,843 |
| Interest on long-term debt | 2,012,012 |
| Other debt costs | 78,496 |
| Depreciation expense (unallocated) | 1,674,413 |
| ***Total Expenses*** | 29,684,395 |
| ***Change in Net Position*** | 11,327,727 |
| *Net Position at Beginning of Period* | (15,931,466) |
| ***Net Position at End of Period*** | $ (4,603,739) |

The following explains some of the significant changes in the School District's revenues and expenses for the year:

- Charges for services were $128,625 less than the previous year from notable decreases in student activities and insurance claims proceeds.

- Increases in food service funding drove a $149,402 increase in operating grants and contributions.

- Increases in taxable values drove a $562,516 increase in property tax revenues; this relates to the decrease in unrestricted state aid of $939,668, as well as a decrease in pupil count.

- Timing of cashflows, utilization of investment brokerages, and interest rates lead a decrease in interest income of $460,207.

- Total expenditures decreased by $5,526,950 mostly due to the favorable pension and OPEB results previously discussed.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes one kind of fund, each referred to as a governmental fund:

*Governmental funds*: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

### *Financial Analysis of the School District's Funds*

The School District uses funds to record and analyze financial information. The School District has three major funds, the general fund, the food service fund, and the 2020 school building and site bonds fund..

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was $5,659,269. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 18.7% of total general fund expenditures.

The ***food service fund*** is a special revenue fund utilized for providing meals to students. At the end of the current fiscal year, the fund balance of the food service fund was $439,200. The food service fund is a major fund in the current year vs. having been a nonmajor fund previously. The reason for this change is largely related to interfund balances. The fund balance for the food service fund increased by $43,666 during the year.

The ***2020 Building and Site Bonds*** is a major fund of the School District that accounts for capital bond issuance and related capital expenditures. At the end of the current fiscal year, the restricted fund balance of the fund was $19,783,414. The fund experienced an increase in fund balance of $2,537,523 during the year as interest amounts earned on balances, combined with bond issuance cash inflows were in excess of the amounts expended for capital purchases..

***General Fund Budgetary Highlights***

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2025, was adopted by the Board of Education in June 2024, with the final amendments made in June 2025. State revenues were amended significantly to account for increase in state, along with an increase in related expenditures to the additional funding.

*Original budget compared to final budget.* The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. Overall, total budgeted revenues and total budgeted expenditures did not change by significant amounts during the year.

*Final budget compared to actual results.* The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2025:

| | Final Budget | Actual Amount | Negative Variance |
|---|---|---|---|
| **General fund** | | | |
| Basic Programs | $ 13,473,434 | $ 13,616,748 | $ (143,314) |
| Adult/Continuing education | 88,513 | 90,007 | (1,494) |
| Athletics | 826,388 | 827,184 | (796) |
| Community Service | 26,440 | 43,569 | (17,129) |

***Capital Assets and Debt Administration***

**Capital Assets**

At June 30, 2025, the School District had $71,923,713 invested in capital assets. This was a net increase of $11,496,352 from the prior year, comprising of capital asset additions of $13,170,765 and depreciation expense of $1,674,413. Note 4 to the financial statements has schedules detailing these changes.

More information on the School District’s investment in capital assets can be found in the notes on the financial statements.

**Long-term Debt**

At year-end, the School District had total long-term obligations of $68,370,709, which was an increase of $13,030,014 from the prior year. The State allows districts to issue general obligation debt up to 15% of the assessed value of all taxable property within the School District’s boundaries. The School District is under this limit.

More information on the School District’s long-term debt can be found in the notes to the financial statements.

### *Economic Factors and Next Year's Budget*

Our elected officials and administration consider many factors when setting the School District's 2025-2026 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 2025-2026 budget was adopted in June 2025 based on an estimate of students who will enroll in September 2025. A significant portion of the general fund's revenues are related to 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 2025-2026 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2025-2026 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

## REQUESTS FOR INFORMATION

If you have any questions about this report or need additional information, contact the business office at:

Three Rivers Community Schools
851 Sixth Avenue
Three Rivers, MI 49009

## Basic Financial Statements

# Three Rivers Community Schools
## Statement of Net Position
## June 30, 2025

| | | |
|---|---|---|
| **ASSETS** | | |
| *Current Assets* | | |
| Cash and investments | $ | 31,442,222 |
| Accounts receivable | | 3,176 |
| Due from governmental units | | 5,205,202 |
| Inventory | | 63,173 |
| Prepaid items | | 119,350 |
| ***Total Current Assets*** | | 36,833,123 |
| *Noncurrent Assets* | | |
| Capital assets not being depreciated | | 39,210,726 |
| Capital assets being depreciated, net | | 32,712,987 |
| Net OPEB asset | | 5,338,221 |
| ***Total Assets*** | | 114,095,057 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension | | 9,442,696 |
| OPEB | | 1,428,829 |
| Deferred charge on refunding | | 313,167 |
| ***Total Deferred Outflows of Resources*** | | 11,184,692 |
| **LIABILITIES** | | |
| *Current Liabilities* | | |
| Accounts payable | | 2,353,580 |
| Accrued payroll | | 2,448,296 |
| Accrued interest | | 424,921 |
| Unearned revenue | | 1,488,420 |
| Current portion of compensated absences | | 120,261 |
| Current portion of long-term debt | | 1,945,160 |
| Due to other governmental units | | 159,359 |
| ***Total Current Liabilities*** | | 8,939,997 |
| *Noncurrent Liabilities* | | |
| Net pension liability | | 32,298,814 |
| Compensated absences | | 325,149 |
| Long-term debt | | 65,980,139 |
| ***Total Liabilities*** | | 107,544,099 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension | | 12,996,559 |
| OPEB | | 7,687,393 |
| MSPERS 147c | | 1,655,437 |
| ***Total Deferred Inflows of Resources*** | | 22,339,389 |
| **NET POSITION** | | |
| Net investment in capital assets | | 24,094,955 |
| *Restricted for:* | | |
| Capital projects | | 366,389 |
| Debt service | | 1,833,704 |
| Food service | | 439,200 |
| Expendable trust | | 1,137,716 |
| Retirement benefits | | 5,338,221 |
| *Unrestricted* | | (37,813,924) |
| ***Total Net Position*** | $ | **(4,603,739)** |

The Notes to the Financial Statements are an integral part of these Financial Statements

# Three Rivers Community Schools
## Statement of Activities
## For the Year Ended June 30, 2025

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|---|
| Instruction | $ 13,253,163 | $ -- | $ 7,023,336 | $ -- | |
| Supporting services | 10,693,737 | 624,733 | 3,622,263 | -- | $ (6,229,827) |
| Community services | 43,569 | 4,574 | -- | -- | (6,446,741) |
| Food services | 1,899,162 | 30,379 | 2,302,227 | -- | (38,995) |
| Depreciation (unallocated) | 1,674,413 | -- | -- | -- | 433,444 |
| Debt issuance cost | 78,496 | -- | -- | -- | (1,674,413) |
| Interdistrict payments | 29,843 | -- | -- | -- | (78,496) |
| Interest on long-term debt | 2,012,012 | -- | -- | -- | (29,843) |
| ***Total*** | $ | | | | (2,012,012) |
| | 29,684,395 | $ 659,686 | $ 12,947,826 | $ -- | $ (16,076,883) |

| | |
|---|---|
| **General Purpose Revenues:** | |
| Interest income | 869,426 |
| Property taxes, levied for general operations | 6,594,730 |
| Property taxes, levied for debt service | 4,429,726 |
| Unrestricted state sources | 15,510,728 |
| ***Total General Revenues*** | 27,404,610 |
| ***Change in Net Position*** | **11,327,727** |
| *Net Position at 6/30/2024, as Previously Presented* | (15,497,310) |
| *Change in Accounting Principle - See Note 14* | (434,156) |
| *Net Position at 6/30/2024, as Restated* | (15,931,466) |
| ***Net Position at End of Period*** | **$ (4,603,739)** |

# Three Rivers Community Schools
## Balance Sheet
## Governmental Funds
## June 30, 2025

| | General | Special Revenue (Formerly a Nonmajor Fund) Food Service | Capital Projects 2020 School Building and Site Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments | $ 4,716,811 | $ 1,025,655 | $ 21,806,041 | $ 3,893,715 | $ 31,442,222 |
| Accounts receivable | -- | -- | -- | 3,176 | 3,176 |
| Due from governmental units | 4,871,311 | 333,891 | -- | -- | 5,205,202 |
| Inventory | 46,712 | 16,461 | -- | -- | 63,173 |
| Prepaid items | 108,537 | 10,813 | -- | -- | 119,350 |
| Due from other funds | 1,147,005 | 442 | -- | 13,990 | 1,161,437 |
| ***Total Assets*** | **$ 10,890,376** | **$ 1,387,262** | **$ 21,806,041** | **$ 3,910,881** | **$ 37,994,560** |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 312,200 | $ 25,160 | $ 2,016,220 | $ -- | $ 2,353,580 |
| Accrued payroll | 2,377,777 | 70,519 | -- | -- | 2,448,296 |
| Unearned revenue | 1,468,628 | 19,792 | -- | -- | 1,488,420 |
| Due to other governmental units | 159,359 | -- | -- | -- | 159,359 |
| Due to other funds | 16,486 | 832,591 | 6,407 | 305,953 | 1,161,437 |
| ***Total Liabilities*** | 4,334,450 | 948,062 | 2,022,627 | 305,953 | 7,611,092 |
| **FUND BALANCE** | | | | | |
| Nonspendable | 155,249 | 27,274 | -- | -- | 182,523 |
| Restricted | -- | 411,926 | 19,783,414 | 3,337,809 | 23,533,149 |
| Committed | 741,408 | -- | -- | 267,119 | 1,008,527 |
| Unassigned | 5,659,269 | -- | -- | -- | 5,659,269 |
| ***Total Fund Balance*** | 6,555,926 | 439,200 | 19,783,414 | 3,604,928 | 30,383,468 |
| ***Total Liabilities and Fund Balance*** | **$ 10,890,376** | **$ 1,387,262** | **$ 21,806,041** | **$ 3,910,881** | **$ 37,994,560** |

# Three Rivers Community Schools
## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
## June 30, 2025

| | | |
|---|---|---|
| Total Fund Balance - Governmental Funds | $ | 30,383,468 |
| Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds. | | (424,921) |
| General government capital assets of $113,565,910, net of accumulated depreciation of $41,642,197, are not financial resources and, accordingly, are not reported in the funds. | | 71,923,713 |
| Other post employment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds. | | (920,343) |
| Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position. | | 313,167 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This amount represents the sum of bonds payable (net of bond premiums and discounts). | | (68,370,709) |
| Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds. | | (37,508,114) |
| **Total Net Position - Governmental Activities** | $ | **(4,603,739)** |

# Three Rivers Community Schools
## Statement of Revenues, Expenditures, and Changes in Fund Balance
## Governmental Funds
## For the Year Ended June 30, 2025

| | General | Special Revenue (Formerly a Nonmajor Fund) Food Service | Capital Projects 2020 School Building and Site Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Local sources | $ 6,857,241 | $ 37,378 | $ 769,545 | $ 5,928,763 | $ 13,592,927 |
| State sources | 22,505,304 | 236,612 | -- | -- | 22,741,916 |
| Federal sources | 910,566 | 2,065,615 | -- | -- | 2,976,181 |
| Interdistrict | 1,701,098 | -- | -- | -- | 1,701,098 |
| ***Total Revenues*** | 31,974,209 | 2,339,605 | 769,545 | 5,928,763 | 41,012,122 |
| **Expenditures** | | | | | |
| Instruction | 17,360,590 | -- | -- | -- | 17,360,590 |
| Supporting services | 12,838,921 | -- | -- | 407,955 | 13,246,876 |
| Community services | 43,569 | -- | -- | -- | 43,569 |
| Interdistrict payments | 29,843 | -- | -- | -- | 29,843 |
| Food services | -- | 2,220,939 | -- | -- | 2,220,939 |
| Facilities acquisition, construction, and improvements | 20,829 | -- | 12,799,733 | 33,911 | 12,854,473 |
| Debt service - principal | -- | -- | -- | 1,840,000 | 1,840,000 |
| Debt service - interest and fiscal charges | -- | -- | -- | 2,022,565 | 2,022,565 |
| Debt service - issuance cost | -- | -- | 78,496 | -- | 78,496 |
| ***Total Expenditures*** | 30,293,752 | 2,220,939 | 12,878,229 | 4,304,431 | 49,697,351 |
| ***Excess of Revenues Over (Under) Expenditures*** | 1,680,457 | 118,666 | (12,108,684) | 1,624,332 | (8,685,229) |
| **Other Financing Sources (Uses)** | | | | | |
| Bonds issued | -- | -- | 13,575,000 | -- | 13,575,000 |
| Premium on bonds issued | -- | -- | 1,071,207 | -- | 1,071,207 |
| Transfers in | 75,000 | -- | -- | -- | 75,000 |
| Transfers out | -- | (75,000) | -- | -- | (75,000) |
| ***Net Other Financing Sources (Uses)*** | 75,000 | (75,000) | 14,646,207 | -- | 14,646,207 |
| ***Net Change in Fund Balance*** | **1,755,457** | **43,666** | **2,537,523** | **1,624,332** | **5,960,978** |
| *Fund Balance at 6/30/2024, as previously presented* | 4,800,469 | -- | 17,245,891 | 2,376,130 | 24,422,490 |
| *Change within Financial Reporting Entity (Nonmajor to Major Fund)* | -- | 395,534 | -- | (395,534) | -- |
| *Fund Balance at 6/30/2024, as Adjusted* | 4,800,469 | 395,534 | 17,245,891 | 1,980,596 | 24,422,490 |
| ***Fund Balance at End of Period*** | $ **6,555,926** | $ **439,200** | $ **19,783,414** | $ **3,604,928** | $ **30,383,468** |

## Three Rivers Community Schools
## Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
## For the Year Ended June 30, 2025

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds | $ | 5,960,978 |
| Issuance of long-term debt are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position. | | (14,646,207) |
| The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions. | | 4,344,477 |
| In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts. In addition, the amortization of the deferred charge on bond refundings is | | (126,752) |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This represents current year capital outlay expenditures of $13,170,765 less depreciation expense of $1,674,413. | | 11,496,352 |
| The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions. | | 2,248,530 |
| Repayments of principal on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. | | 2,050,349 |
| **Changes in Net Position - Governmental Activities** | **$** | **11,327,727** |

# Notes to the Financial Statements

## Note 1 - Summary of Significant Accounting Policies

### *Reporting Entity*

Three Rivers Community Schools (the "School District" or "Government") has followed the guidelines of the *Governmental Accounting Standards Board* and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the School District.

The School District is governed by seven Board of Education members which have the responsibility and control over all activities related to public school education within the district. The School District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The School District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America (GAAP). Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly operations, and the primary accountability for fiscal matters. The District's reporting entity does not contain any component units as defined by Governmental Accounting Standards Board (GASB) statements.

### *Government-wide and Fund Financial Statements*

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues.

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

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

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

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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 grantor or provider have been met.

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

Revenues susceptible to accrual are property taxes, state aid, federal and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

> The ***general fund*** is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.
>
> The ***2020 School Building and Site Bond Fund*** is a capital projects fund and is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment and for remodeling. This voter approved bond sale will occur in three different series, all of which will be accounted for in this fund. This fund operates until the purpose for which it was created is accomplished.
>
> The ***food service fund*** is the food service fund accounts for all state and federal monies received for operating the food service activity.

Additionally, the School District reports the following fund types:

> ***Capital project fund*** accounts for the accumulation and disbursement of resources for the construction of governmental fund capital projects**.**

***Debt service fund*** is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on bonded debt.

***Special revenue*** funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the expendable trust fund, the food service fund, and the student activities fund. Revenue sources for the expendable trust fund include contributions to scholarships. Revenue sources for the food service fund include sales to customers and dedicated grants from federal sources. Revenue sources for the student activities fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the general fund.

### *Program Revenues*

Amounts reported as *program revenues* include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All property taxes, unrestricted state aid, and interest earnings are reported as general revenues rather than as program revenues.

### *Property Taxes*

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.

## Assets, Deferred Outflows/Inflows, Liabilities, and Fund Equity

### *Cash and Investments*

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

### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

***Inventories***

Inventories are valued at the lower of cost (first-in/first-out) or market. Inventory in the food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance to indicate that they do not constitute “available spendable resources” even though they are a component of net position.

***Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

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

***Pension***

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

***Postemployment Benefits Other Than Pensions***

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

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reporting in the government-wide statement of net position. These amounts will be expensed in the plan year in which they apply.

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

***Accrued payroll liabilities***

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

***Compensated Absences***

The School District permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability as matured as a result of employee resignations or retirements. The liability includes salary and related benefits, where applicable. These costs are typically liquidated by the general fund.

***Unearned Revenues***

Governmental funds report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include advance grant payments received prior to meeting all eligibility requirements in the amount of $1,488,420.

***Long-term Obligations***

In the government-wide financial statements, long-term debt, subscription based information technology agreements ("SBITA"s), intangible right-to-use leases, and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond, lease, and SBITA issuance costs are recorded as a period expense. Bonds payable are reported net of the applicable bond premium or discount.

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

### *Net Position Flow Assumption*

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

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### *Fund Balance Flow Assumptions*

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

### *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. 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 government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can 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.

*Unassigned fund balance* is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

### *Use of Estimates*

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Note 2 - Stewardship, Compliance, and Accountability

### *Budgetary Information*

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

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

***Excess of expenditures over appropriations in budgeted funds*** – The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2025:

| | Final Budget | Actual Amount | Negative Variance |
|---|---|---|---|
| **General fund** | | | |
| Basic Programs | $ 13,473,434 | $ 13,616,748 | $ (143,314) |
| Adult/Continuing education | 88,513 | 90,007 | (1,494) |
| Athletics | 826,388 | 827,184 | (796) |
| Community Service | 26,440 | 43,569 | (17,129) |
| **Food Service** | | | |
| Food Service | 2,026,836 | 2,220,939 | (194,103) |

***Government-wide Deficits***

The School District had an unrestricted net position deficit and a total net position deficit for government-wide activities in the amount of $(37,813,924) and $(4,603,739), respectively, as of June 30, 2025. There are no governmental funds with a deficit.

**Capital Projects Fund – 2020, 2023 and 2025 Building and Site Bonds**

The 2020, 2023 and 2025 Building and Site Bonds were issued for a total of $60,355,000 to fund building construction, equipment, and renovations. As of the current fiscal year, the project is ongoing. To date, $42,333,842 has been expended, leaving $18,021,158 available for future project costs.

The School District is in compliance with Section 1351a of the Revised School Code, governing the allowable use of bond proceeds for school building and site purposes. These financial activities are reported in the capital projects fund within the annual audited financial statements.

**Note 3 - Cash and Investments**

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

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

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

| **Cash and investments** | |
|---|---|
| Checking and savings accounts | 9,725,391 |
| Brokerage accounts | 21,716,831 |
| ***Total cash and investments*** | 31,442,222 |

***Interest Rate Risk***. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

| Investment | Maturity | Amount |
|---|---|---|
| Money market | n/a | $ 7,341,737 |
| U.S. Treasury notes | less than 1 year | 14,375,094 |
| ***Total*** | | $ 21,716,831 |

***Credit Risk***. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment credit risk.

The ratings for each investment are summarized as follows:

| Investment | Rating | Amount |
|---|---|---|
| Money market | n/a | $ 7,341,737 |
| U.S. Treasury notes | S&P AA+ | 14,375,094 |
| ***Total*** | | $ 21,716,831 |

***Custodial Credit Risk - Deposits***. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, $8,994,829 of the

School District’s bank balance of $9,244,829 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Custodial Credit Risk - Investments***. For an investment, 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. State law does not require, and the School District does not have a policy for investment custodial credit risk. Of the above investments, the School District's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

***Concentration of Credit Risk***. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

***Fair Value Measurement.*** The School District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District had the following recurring fair value measurements as of June 30, 2025:

| Investment | Fair Value Level | Fair Value |
|---|---|---|
| Money market | n/a | $ 7,341,737 |
| U.S. Treasury notes | Level I | 14,375,094 |
| ***Total*** | | $ 21,716,831 |

## Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Capital Assets not being Depreciated: | | | | |
| Land | $ 560,365 | $ - | $ - | $ 560,365 |
| Construction in progress | 27,678,629 | 10,971,732 | - | 38,650,361 |
| Subtotal | 28,238,994 | 10,971,732 | - | 39,210,726 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 62,094,204 | 765,441 | - | 62,859,645 |
| Furniture and equipment | 4,684,474 | 1,414,497 | - | 6,098,971 |
| Buses and other vehicles | 3,096,182 | 19,095 | - | 3,115,277 |
| Outside site improvements | 2,281,291 | - | - | 2,281,291 |
| **Subtotal** | 72,156,151 | 2,199,033 | - | 74,355,184 |
| Less accumulated depreciation/amortization: | | | | |
| Buildings and improvements | (31,635,075) | (1,119,819) | - | (32,754,894) |
| Furniture and equipment | (3,657,723) | (362,775) | - | (4,020,498) |
| Buses and other vehicles | (2,793,658) | (143,968) | - | (2,937,626) |
| Outside site improvements | (1,881,328) | (47,851) | - | (1,929,179) |
| **Subtotal** | (39,967,784) | (1,674,413) | - | (41,642,197) |
| Capital assets being depreciated, net | 32,188,367 | 524,620 | - | 32,712,987 |
| ***Capital assets, net*** | $ 60,427,361 | $ 11,496,352 | $ - | $ 71,923,713 |

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

## Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances as of June 30, 2025 consisted of fund receivables and payables listed below:

| Fund | Receivable | Payable |
|---|---|---|
| General | $ 1,147,005 | $ 16,486 |
| Food Service | 442 | 832,591 |
| Nonmajor | 13,990 | 305,953 |
| 2020 School Building and Site Bond | - | 6,407 |

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule summarizes the operating transfers during the year:

| Transfers In | Transfers Out | Amount |
|---|---|---|
| General | Food Service Fund | $ 75,000 |

The interfund transfer was an eligible reimbursement from the food service fund to the general fund for indirect costs incurred by the general fund on behalf of the food service fund.

## Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2025 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **General obligation bonds** | | | | | |
| 2017 Refunding Bonds | $ 7,570,000 | $ - | $ (1,050,000) | $ 6,520,000 | $ 1,030,000 |
| 2020 Building and Site Bonds | 9,700,000 | - | (125,000) | 9,575,000 | 125,000 |
| 2022 Refunding Bonds | 2,085,000 | - | - | 2,085,000 | - |
| 2023 Building and Site Bonds | 35,095,000 | - | (665,000) | 34,430,000 | 860,000 |
| 2025 Building and Site Bonds | - | 13,575,000 | - | 13,575,000 | 75,000 |
| Bond Discounts | (56,518) | - | 7,535 | (48,983) | - |
| Bond Premiums | 862,915 | 1,071,207 | (144,840) | 1,789,282 | (144,840) |
| ***Total governmental activities long-term debt*** | $ 55,256,397 | $ 14,646,207 | $ (1,977,305) | $ 67,925,299 | $ 1,945,160 |
| **Compensated absences** | | | | | |
| Compensated absences | $ 518,454 | $ - | $ (73,044) | $ 445,410 | $ 120,261 |
| Early Retirement Obligation | 30,907 | - | (30,907) | - | - |
| ***Total compensated absences*** | $ 549,361 | $ - | $ (103,951) | $ 445,410 | $ 120,261 |

The School District had deferred outflows of $313,167 related to deferred charges on bond refundings at June 30, 2025.

Compensated absences are generally liquidated by the general fund.

The School District has issued general obligation bonds and entered into a direct borrowing agreement to support the acquisition and construction of major capital facilities. These bonds are direct obligations, pledging the full faith and credit of the District. All of the District’s outstanding general obligation bonds are qualified under the State of Michigan’s credit enhancement program, meaning they are fully guaranteed by the state. The primary repayment source for these bonds is the School District’s property tax levy; however, the state may withhold the District’s state aid funding if necessary to recover amounts it has paid on behalf of the District.

As of June 30, 2025, the outstanding balances for the School District's debt are as follows:

The ***2017 Refunding Bonds***, initially issued for $9,630,000, mature in May 2032 with an interest rate of 3.00%. The balance as of June 30, 2025, is $6,520,000 after a reduction of $1,050,000 during the fiscal year.

The ***2020 Building and Site Bonds***, issued for $11,620,000, mature in May 2043 with interest rates ranging from 2.00% to 5.00%. The balance as of June 30, 2025, is $9,575,000 after a reduction of $125,000 during the fiscal year.

The ***2022 Refunding Bonds***, totaling $2,085,000, are scheduled to mature in May 2034, with interest rates between 1.50% and 4.00%. There were no reductions during the fiscal year, leaving the balance at $2,085,000.

The ***2023 Building and Site Bonds***, originally issued for $35,160,000, are set to mature in May 2052 with interest rates from 4.00% to 5.00%. As of June 30, 2025, the balance is $34,430,000 after a reduction of $665,000 during the fiscal year.

The ***2025 Building and Site Bonds***, originally issued for $13,575,000, are set to mature in November 2039 with interest rate of 5.00%. As of June 30, 2025, the balance is $13,575,000.

The total outstanding balance for the School District’s governmental activities as of June 30, 2025, amounts to $66,185,000. This structured debt financing allows the School District to fund its long-term capital investments responsibly, with repayment managed according to the terms and conditions of each debt instrument.

Annual debt service requirements to maturity for governmental activities long-term debts are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 2,090,000 | $ 2,587,244 | $ 4,677,244 |
| 2027 | 2,275,000 | 2,545,438 | 4,820,438 |
| 2028 | 2,375,000 | 2,443,863 | 4,818,863 |
| 2029 | 2,680,000 | 2,347,613 | 5,027,613 |
| 2030 | 2,300,000 | 2,234,863 | 4,534,863 |
| 2031-2035 | 12,970,000 | 9,578,413 | 22,548,413 |
| 2036-2040 | 14,315,000 | 6,865,831 | 21,180,831 |
| 2041-2045 | 10,510,000 | 4,780,231 | 15,290,231 |
| 2046-2050 | 11,955,000 | 2,527,081 | 14,482,081 |
| 2051-2054 | 4,715,000 | 300,263 | 5,015,263 |
| ***Totals:*** | $ 66,185,000 | $ 36,210,839 | $ 102,395,839 |

**Note 7 - Pension Plan**

***Plan Description***

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

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at ***Michigan.gov/ORSSchools***.

### *Benefits Provided*

Benefit provisions of the defined benefit pension 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 (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

### *Contributions*

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023, valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2024:

| Benefit Structure | Member | Non-Universities |
|---|---|---|
| Basic | 0.0 - 4.0% | 23.03% |
| Member investment plan | 3.0 - 7.0% | 23.03% |
| Pension plus | 3.0 - 6.4% | 19.17% |
| Pension plus 2 | 6.2% | 20.10% |
| Defined contribution | 0.0% | 13.90% |

Required contributions to the pension plan from the School were $5,515,746 for the year ended September 30, 2024.

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

At June 30, 2025, the School reported a liability of $32,298,814 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2023. The School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the School's proportion was 0.13193 percent, which was an increase of 0.001308 percent from its proportion measured as of September 30, 2023.

For the year ending June 30, 2025, the School recognized pension expense of $1,674,160. At June 30, 2025, the School 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 | |
|---|---|---|---|---|
| Differences between Actual and Expected Experience | $ | 876,290 | $ | 350,931 |
| Changes of Assumptions | | 3,367,343 | | 2,366,482 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | | - | | 6,163,983 |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions | | 487,914 | | 4,115,163 |
| Employer Contributions Subsequent to the Measurement Date | | 4,711,149 | | - |
| ***Totals*** | **$** | **9,442,696** | **$** | **12,996,559** |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Plan Year Ended September 30 | Amount | |
|---|---|---|
| 2025 | $ | (1,947,393) |
| 2026 | | (939,657) |
| 2027 | | (3,352,475) |
| 2028 | | (2,025,487) |

***Actuarial Assumptions***

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

| | |
|---|---|
| Valuation Date: | September 30, 2023 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | |
| - MIP and Basic Plans: | 6.00%, net of investment expenses |
| - Pension Plus Plan: | 6.00%, net of investment expenses |
| - Pension Plus 2 Plan: | 6.00%, net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members |
| Mortality: | |
| Retirees: | PubT-2010 Male and Female Healthy Annuitant Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Active Members: | PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. |

*Notes:*

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4612 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at *Michigan.gov/ORSSchools*.

***Long-term Expected Return on Plan Assets***

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Sept. 30, 2024, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Domestic equity pools | 25.0% | 5.3% |
| Private equity pools | 16.0 | 9.0 |
| International equity pools | 15.0 | 6.5 |
| Fixed income pools | 13.0 | 2.2 |
| Real estate and infrastructure pools | 10.0 | 7.1 |
| Absolute return pools | 9.0 | 5.2 |
| Real return/opportunistic pools | 10.0 | 6.9 |
| Short-term investment pools | 2.0 | 1.4 |
| ***Total*** | 100.0% | |

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

***Rate of Return***

For the fiscal year ended Sept. 30, 2024, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 15.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount Rate***

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate***

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

| 1% Decrease (5.0%) | Current Discount Rate (6.0%) | 1% Increase (7.0%) |
|---|---|---|
| $47,350,408 | $32,298,814 | $19,765,466 |

***Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS ACFR, available on the ORS website at ***Michigan.gov/ORSSchools***.

**Note 8 - Postemployment Benefits Other Than Pensions (OPEB)**

***Plan Description***

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at *Michigan.gov/ORSSchools*.

***Benefits Provided***

Benefit provisions of 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. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept 3, 2012 or were on an approved professional services or military leave of absence on Sept. 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after Feb. 1, 2013.

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

contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

***Contributions***

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023, valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2024:

| Benefit Structure | Member | Non-Universities |
|---|---|---|
| Premium subsidy | 3.00% | 8.31% |
| Personal healthcare fund (PHF) | 0.00% | 7.06% |

Required contributions to the OPEB plan from the School were $1,030,844 for the year ended September 30, 2024.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2025, the School reported a liability (asset) of $(5,338,221) for its proportionate share of the MPSERS net OPEB liability (asset). The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation rolled forward from September 2023. The School's proportion of the net OPEB liability (asset) was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At Sept. 30, 2024, the School's proportion was .10186 percent, which was an increase of .00286 percent from its proportion measured as of October 1, 2023.

For the year ending June 30, 2025, the School recognized OPEB expense of negative $(2,015,415).

At June 30, 2025 the School 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 |
|---|---|---|
| Differences between Actual and Expected Experience | $ - | $ 5,656,884 |
| Changes of Assumptions | 1,165,944 | 134,016 |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | - | 1,010,586 |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions | 261,300 | 885,907 |
| Employer Contributions Subsequent to the Measurement Date | 1,585 | - |
| ***Totals*** | **$ 1,428,829** | **$ 7,687,393** |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Plan Year Ended September 30 | Amount |
|---|---|
| 2025 | $ (1,997,889) |
| 2026 | (1,144,287) |
| 2027 | (1,219,117) |
| 2028 | (1,131,818) |
| 2029 | (646,125) |
| Thereafter | (120,913) |

### *Actuarial Assumptions*

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

| | |
|---|---|
| Valuation Date: | September 30, 2023 |
| Actuarial Cost Method: | Entry Age, Normal |
| Wage Inflation Rate: | 2.75% |
| Investment Rate of Return: | 6.00%, net of investment expenses |
| Projected Salary Increases: | 2.75 - 11.55%, including wage inflation at 2.75% |
| Healthcare Cost Trend Rate: | Pre-65: 7.25% Year 1 graded to 3.5% Year 15<br>Post-65: 6.5% Year 1 graded to 3.5% Year 15 |
| Mortality: | |
| Retirees: | PubT-2010 Male and Female Healthy Annuitant Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Active Members: | PubT-2010 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Other Assumptions: | |
| Opt-Out Assumption | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan. |
| Survivor Coverage | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death |
| Coverage Election at Retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents. |

*Notes:*

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2024, is based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2834 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2024 MPSERS Annual Comprehensive Financial Report found on the ORS website at **Michigan.gov/ORSSchools**.

***Long-term Expected Return on Plan Assets***

The long-term expected rate of return on 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2024, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---|---|---|
| Domestic equity pools | 25.0% | 5.3% |
| Private equity pools | 16.0 | 9.0 |
| International equity pools | 15.0 | 6.5 |
| Fixed income pools | 13.0 | 2.0 |
| Real estate and infrastructure pools | 10.0 | 7.1 |
| Absolute return pools | 9.0 | 5.2 |
| Real return/opportunistic pools | 10.0 | 6.9 |
| Short-term investment pools | 2.0 | 1.4 |
| ***Total*** | 100.0% | |

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

***Rate of Return***

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 15.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount Rate***

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the School's proportionate share of the net OPEB liability (asset) to changes in the discount rate***

The following presents the School's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

| 1% Decrease 5.00% | Current Discount Rate 6.00% | 1% Increase 7.00% |
|---|---|---|
| ($4,125,421) | ($5,338,221) | ($6,386,815) |

***Sensitivity of the School's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate***

The following presents the School's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| ($6,386,826) | ($5,338,221) | ($4,213,598) |

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2024 MPSERS ACFR, available on the ORS website at **Michigan.gov/ORSSchools**.

## Note 9 - State Aid Anticipation Note

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

During the fiscal year ended June 30, 2025, the School District fully repaid a state aid anticipation note (the "note") initially issued for $2,000,000, which had an interest rate of 5.42 percent and matured during August, 2024. With no need for funding in the current year.

In the event of default, this note is fully collateralized by the School District’s future state aid funding, and the lender retains the authority to intercept state aid payments at its discretion. This borrowing arrangement continues to assist the School District in managing its cash flows prior to receiving scheduled state aid disbursements.

## Note 10 - Risk Management

As of June 30, 2025, 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. To manage these risks, the School District has purchased commercial insurance covering property loss, torts, errors and omissions, and medical claims for certain employee groups. Additionally, the School District is partially self-insured for medical claims for specific employee groups.

For the past three fiscal years, settled claims related to the School District’s commercial insurance have not exceeded the amount of insurance coverage in any year. This effective risk management strategy has allowed the District to manage potential losses while keeping insurance-related costs within budgeted limits.

## Note 11 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 55.5% of the total revenues to the School District during the June 30, 2025 fiscal year.

## Note 12 - Fund Balance

The School District reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Detailed information on fund balances of governmental funds is as follows:

| | General | 2020 School Building and Site Bonds | Other Governmental Funds | Total |
|---|---|---|---|---|
| Nonspendable: | | | | |
| Prepaid items | $ 108,537 | $ - | $ 10,813 | $ 119,350 |
| Inventories | 46,712 | - | 16,461 | 63,173 |
| *Total nonspendable* | 155,249 | - | 27,274 | 182,523 |
| Restricted for: | | | | |
| Debt service | - | - | 1,833,704 | 1,833,704 |
| Capital projects | - | 19,783,414 | 366,389 | 20,149,803 |
| Expendable trust | - | - | 1,137,716 | 1,137,716 |
| Food service | - | - | 411,926 | 411,926 |
| *Total restricted* | - | 19,783,414 | 3,749,735 | 23,533,149 |
| Committed for: | | | | |
| Student activities | - | - | 267,119 | 267,119 |
| Future projects | 741,408 | - | - | 741,408 |
| *Total committed* | 741,408 | - | 267,119 | 1,008,527 |
| Unassigned | 5,659,269 | - | - | 5,659,269 |
| ***Total Fund Balances*** | $ 6,555,926 | $ 19,783,414 | $ 4,044,128 | $ 30,383,468 |

## Note 13 - Subsequent Events

Management has evaluated subsequent events through October 31, 2025, the date these financial statements were available to be issued, and is not aware of any events that could have a financial impact on the School District.

## Note 14 - GASB Statement No. 101, *Compensated Absences* – Restatement

This Statement establishes recognition and measurement criteria for liabilities related to compensated absences. Under this guidance, a liability is recognized when leave is (1) attributable to services already rendered, (2) accumulates or vests, and (3) is more-likely-than-not to be used for time off or otherwise paid to employees. The liability is measured based on the amount of leave expected to be used or paid (including salary-related payments) and the pay rates in effect at the end of the reporting period.

Implementation of GASB 101 resulted in the recognition of certain compensated absence liabilities that were not previously recorded under prior standards. These additions required a restatement of beginning net position, as the effect was material to the financial statements.

Net position for governmental activities, as previously presented at June 30, 2024 was $(15,497,310); application of GASB 101 resulted in a decrease to net position of $434,156; Net position at June 30, 2024 as restated is $(15,931,466).

The adoption of this standard had no impact on fund balance, as in the governmental funds, only matured compensated absences (those due and payable with current financial resources) are recognized. The full liability for compensated absences is reported in the government-wide financial statements.

# Required Supplementary Information

**Three Rivers Community Schools**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**
**General Fund**
**For the Year Ended June 30, 2025**

| | Budgeted Amounts | | | Variance Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| **Revenues** | | | | |
| Local sources | $ 6,915,716 | $ 7,289,822 | $ 6,857,241 | $ (432,581) |
| State sources | 23,256,815 | 23,996,730 | 22,505,304 | (1,491,426) |
| Federal sources | 986,964 | 2,028,577 | 910,566 | (1,118,011) |
| Interdistrict | 899,998 | 167,264 | 1,701,098 | 1,533,834 |
| ***Total Revenues*** | 32,059,493 | 33,482,393 | 31,974,209 | (1,508,184) |
| **Other Financing Sources** | | | | |
| Transfers from other funds | 75,000 | 75,000 | 75,000 | -- |
| ***Total Revenues and Other Financing Sources*** | 32,134,493 | 33,557,393 | 32,049,209 | (1,508,184) |
| **Expenditures** | | | | |
| **Instruction** | | | | |
| Basic programs | 15,052,059 | 13,473,434 | 13,616,748 | (143,314) |
| Added needs | 3,696,135 | 4,476,033 | 3,653,835 | 822,198 |
| Adult/Continuing education | 88,948 | 88,513 | 90,007 | (1,494) |
| ***Total instruction*** | 18,837,142 | 18,037,980 | 17,360,590 | 677,390 |
| **Supporting services** | | | | |
| Pupil support services | 1,415,809 | 2,032,077 | 1,520,281 | 511,796 |
| Instructional staff | 1,774,532 | 1,954,700 | 1,747,063 | 207,637 |
| General administration | 530,742 | 563,207 | 557,663 | 5,544 |
| School administration | 1,775,554 | 1,687,922 | 1,631,376 | 56,546 |
| Business | 855,088 | 822,992 | 681,523 | 141,469 |
| Operations and maintenance | 3,382,964 | 4,097,875 | 3,405,793 | 692,082 |
| Pupil transportation | 1,616,315 | 2,070,454 | 1,349,126 | 721,328 |
| Central Services | 1,055,099 | 1,175,677 | 1,118,912 | 56,765 |
| Athletics | 852,522 | 826,388 | 827,184 | (796) |
| ***Total supporting services*** | 13,258,625 | 15,231,292 | 12,838,921 | 2,392,371 |
| **Community services** | 14,892 | 26,440 | 43,569 | (17,129) |
| **Facilities acquisition, construction, and improvements** | -- | 23,312 | 20,829 | 2,483 |
| **Interdistrict payments** | -- | 70,494 | 29,843 | 40,651 |
| ***Total Expenditures*** | 32,110,659 | 33,389,518 | 30,293,752 | 3,095,766 |
| ***Excess of Revenues and Other Sources Over Expenditures*** | 23,834 | 167,875 | 1,755,457 | 1,587,582 |
| ***Net Change in Fund Balance*** | **23,834** | **167,875** | **1,755,457** | **1,587,582** |
| *Fund Balance at Beginning of Period* | 4,800,469 | 4,800,469 | 4,800,469 | -- |
| ***Fund Balance at End of Period*** | $ 4,824,303 | $ 4,968,344 | $ 6,555,926 | $ 1,587,582 |

## Three Rivers Community Schools
## Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
## Food Service
## For the Year Ended June 30, 2025

| | Budgeted Amounts | | | Variance Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| **Revenues** | | | | |
| Local sources | $ 29,300 | $ 35,600 | $ 37,378 | $ 1,778 |
| State sources | 309,853 | 309,853 | 236,612 | (73,241) |
| Federal sources | 1,641,500 | 1,822,050 | 2,065,615 | 243,565 |
| ***Total Revenues*** | 1,980,653 | 2,167,503 | 2,339,605 | 172,102 |
| **Expenditures** | | | | |
| Food service | 1,890,251 | 2,026,836 | 2,220,939 | (194,103) |
| ***Total Expenditures*** | 1,890,251 | 2,026,836 | 2,220,939 | (194,103) |
| **Other Financing Uses** | | | | |
| Transfers to other funds | 75,000 | 75,000 | 75,000 | -- |
| ***Total Expenditures and Other Financing Uses*** | 1,965,251 | 2,101,836 | 2,295,939 | (194,103) |
| ***Excess (Deficiency) of Revenues and Over Expenditures and Other Uses*** | 15,402 | 65,667 | 43,666 | (22,001) |
| ***Net Change in Fund Balance*** | **15,402** | **65,667** | **43,666** | **(22,001)** |
| *Fund Balance at Beginning of Period* | 395,534 | 395,534 | 395,534 | -- |
| ***Fund Balance at End of Period*** | **$ 410,936** | **$ 461,201** | **$ 439,200** | **$ (22,001)** |

**Three Rivers Community Schools**
**Schedule of School District's Proportionate Share of Net Pension Liability**
**Michigan Public School Employee Retirement Plan**
**Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| School District's Portion of Net Pension Liability (%) | 0.13193% | 0.14501% | 0.14980% | 0.14464% | 0.14490% | 0.14546% | 0.14160% | 0.14129% | 0.140540% | 0.14171% |
| School District's Proportionate Share of Net Pension Liability | $ 32,298,814 | $ 46,933,230 | $ 56,337,963 | $ 34,244,730 | $ 49,633,409 | $ 48,170,637 | $ 42,566,605 | $ 36,614,626 | $ 35,063,543 | $ 34,613,016 |
| School District's Covered Payroll | $ 12,977,089 | $ 14,024,825 | $ 14,705,995 | $ 13,626,625 | $ 12,533,783 | $ 13,190,115 | $ 12,177,383 | $ 11,931,657 | $ 11,911,259 | $ 11,869,502 |
| School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll | 248.89% | 334.64% | 383.10% | 251.31% | 396.00% | 365.20% | 349.55% | 306.87% | 294.37% | 291.61% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 74.44% | 65.91% | 60.77% | 72.32% | 59.72% | 60.31% | 62.36% | 63.27% | 63.01% | 62.92% |

**Three Rivers Community Schools**
**Schedule of School District's Pension Contributions**
**Michigan Public School Employee Retirement Plan**
**Last Ten School District Fiscal Years (Amounts determined as of June 30 of each year)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily Required Contributions | $ 5,515,746 | $ 5,226,233 | $ 6,916,398 | $ 5,037,993 | $ 4,414,455 | $ 4,097,632 | $ 3,932,707 | $ 3,637,237 | $ 3,697,396 | $ 3,726,173 |
| Contributions in Relation to Statutorily Required Contributions | 5,515,746 | 5,226,233 | 6,916,398 | 5,037,993 | 4,414,455 | 4,097,632 | 3,932,707 | 3,637,237 | 3,697,396 | 3,726,173 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| School District's Covered Payroll | $ 13,406,111 | $ 13,025,832 | $ 14,041,552 | $ 13,527,455 | $ 13,205,058 | $ 12,818,516 | $ 13,056,101 | $ 12,021,613 | $ 12,343,542 | $ 11,892,025 |
| Contributions as a Percentage of Covered Payroll | 41.14% | 40.12% | 49.26% | 37.24% | 33.43% | 31.97% | 30.12% | 30.26% | 29.95% | 31.33% |

**Three Rivers Community Schools**
**Schedule of School District's Proportionate Share of Net OPEB Liability**
**Michigan Public School Employee Retirement Plan**
**Last Eight Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| School District's Portion of Net OPEB Liability (%) | 0.12402% | 0.14028% | 0.15090% | 0.15016% | 0.14123% | 0.15035% | 0.14279% | 0.14188% |
| School District's Proportionate Share of Net OPEB Liability | $ (5,338,221) | $ (793,549) | $ 3,197,529 | $ 2,292,084 | $ 7,566,262 | $ 10,791,406 | $ 11,350,644 | $ 12,564,193 |
| School District's Covered Payroll | $ 12,977,089 | $ 14,024,825 | $ 14,705,995 | $ 13,626,625 | $ 12,533,783 | $ 13,190,115 | $ 12,177,383 | $ 11,931,657 |
| School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll | -41.14% | -5.66% | 21.74% | 16.82% | 60.37% | 81.81% | 93.21% | 105.30% |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 143.08% | 105.04% | 83.09% | 88.87% | 59.76% | 48.67% | 43.10% | 36.53% |

**Three Rivers Community Schools**
**Schedule of School District's OPEB Contributions**
**Michigan Public School Employee Retirement Plan**
**Last Eight School District Fiscal Years (Amounts determined as of June 30 of each year)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| Statutorily Required Contributions | 1,030,844 | 1,092,758 | 1,130,233 | $ 1,102,379 | $ 1,098,892 | $ 1,030,045 | $ 1,025,560 | $ 868,288 |
| Contributions in Relation to Statutorily Required Contributions | 1,030,844 | 1,092,758 | 1,130,233 | 1,102,379 | 1,098,892 | 1,030,045 | 1,025,560 | 868,288 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| School District's Covered Payroll | $ 13,406,111 | $ 13,025,832 | $ 14,041,552 | $ 13,527,455 | $ 13,205,058 | $ 12,818,516 | $ 13,056,101 | $ 12,021,613 |
| Contributions as a Percentage of Covered Payroll | 7.69% | 8.39% | 8.05% | 8.15% | 8.32% | 8.04% | 7.86% | 7.22% |

## Combining and Individual Fund Statements and Schedules

# Three Rivers Community Schools
# Combining Balance Sheet
# Nonmajor Governmental Funds
# June 30, 2025

| | Special Revenue | | Debt Service | Capital Projects | |
|---|---|---|---|---|---|
| | **Student Activities** | **rust** | **Debt Service** | **Capital Projects 2024** | **Total Nonmajor Governmental Funds** |
| **ASSETS** | $ 318,299 | $ 1,131,348 | $ 2,044,068 | $ 400,000 | $ 3,893,715 |
| Cash and investments | 3,176 | -- | -- | -- | 3,176 |
| Accounts receivable | 7,622 | 6,368 | -- | -- | 13,990 |
| Due from other funds | **$ 329,097** | **$ 1,137,716** | **$ 2,044,068** | **$ 400,000** | **$ 3,910,881** |
| ***Total Assets*** | | | | | |
| | $ 61,978 | $ -- | | | |
| **LIABILITIES** | 61,978 | -- | | | |
| Due to other funds | | | $ 210,364 | $ 33,611 | $ 305,953 |
| ***Total Liabilities*** | -- | 1,137,716 | 210,364 | 33,611 | 305,953 |
| **FUND BALANCE** | 267,119 | -- | | | |
| Restricted | 267,119 | 1,137,716 | 1,833,704 | 366,389 | 3,337,809 |
| Committed | **$ 329,097** | **$ 1,137,716** | -- | -- | 267,119 |
| ***Total Fund Balance*** | | | 1,833,704 | 366,389 | 3,604,928 |
| ***Total Liabilities and Fund Balance*** | | | **$ 2,044,068** | **$ 400,000** | **$ 3,910,881** |

# Three Rivers Community Schools
## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
## Nonmajor Governmental Funds
## For the Year Ended June 30, 2025

| | Special Revenue | | | Debt Service | Capital Projects | |
|---|---|---|---|---|---|---|
| | Student Activities | Expe | (Formerly a Nonmajor Fund) Food Service | Debt Service | Capital Projects 2024 | Total Nonmajor Governmental Funds |
| **Revenues** | | | | | | |
| Local sources | $ 438,682 | $ 1,036,149 | $ -- | $ 4,453,932 | $ -- | $ 5,928,763 |
| ***Total Revenues*** | 438,682 | | -- | 4,453,932 | -- | 5,928,763 |
| **Expenditures** | | | | | | |
| Supporting services | 405,455 | | -- | -- | -- | 407,955 |
| Facilities acquisition, construction, and improvements | -- | | -- | -- | 33,911 | 33,911 |
| Debt service - principal | -- | | -- | 1,840,000 | -- | 1,840,000 |
| Debt service - interest and fiscal charges | -- | | -- | 2,022,565 | -- | 2,022,565 |
| ***Total Expenditures*** | 405,455 | | -- | 3,862,565 | 33,911 | 4,304,431 |
| ***Excess of Revenues Over (Under) Expenditures*** | 33,227 | | -- | 591,367 | (33,911) | 1,624,332 |
| ***Net Change in Fund Balance*** | **33,227** | | -- | **591,367** | **(33,911)** | **1,624,332** |
| *Fund Balances at 6/30/2024, as Previously Reported* | 233,892 | | 395,534 | 1,242,337 | 400,300 | 2,376,130 |
| *Change within Financial Reporting Entity (Nonmajor to Major fund)* | -- | | (395,534) | -- | -- | (395,534) |
| *Fund Balances at 6/30/2024, as Adjusted* | 233,892 | | -- | 1,242,337 | 400,300 | 1,980,596 |
| ***Fund Balance at End of Period*** | **$ 267,119** | **$ 1,137,716** | **$ --** | **$ 1,833,704** | **$ 366,389** | **$ 3,604,928** |

# THREE RIVERS COMMUNITY SCHOOLS
# THREE RIVERS, MICHIGAN

## SINGLE AUDIT ACT COMPLIANCE

## YEAR ENDED JUNE 30, 2025

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Education
Three Rivers Community Schools
Three Rivers, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") as of, and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 31, 2025, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 31, 2025.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
December 22, 2025

# Three Rivers Community Schools
## Schedule of Expenditures of Federal Awards
### June 30, 2025

| *Federal Grantor / Pass-through Grantor / Program Title* | *Assistance Listing Number* | *Pass-through Grantor's Number* | *Approved Award Amount* | *Accrued (Unearned) Revenue July 1, 2024* | *Current Year Cash Transferred to Subrecipients* | *Prior Year Expenditures* | *Current Year Receipts* | *Current Year Expenditures* | *Accrued (Unearned) Revenue June 30, 2025* |
|---|---|---|---|---|---|---|---|---|---|
| **U.S. Department of Agriculture:** | | | | | | | | | |
| *Passed Through Michigan Department of Education:* | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | |
| School Breakfast Program | 10.553 | 241970 | $ 420,841 | $ - | $ - | $ 356,524 | $ 64,317 | $ 64,317 | $ - |
| School Breakfast Program | 10.553 | 251970 | 351,421 | - | - | - | 351,421 | 351,421 | - |
| National School Lunch Program | 10.555 | 241960 | 1,071,378 | - | - | 904,524 | 166,854 | 166,854 | - |
| National School Lunch Program | 10.555 | 251960 | 918,089 | - | - | - | 918,089 | 918,089 | - |
| National School Lunch Program | 10.555 | 251980 | 2,747 | - | - | - | 2,747 | 2,747 | - |
| SFSP Operating | 10.559 | 240900 | 403,054 | 80,286 | - | 141,039 | 342,301 | 262,015 | - |
| SFSP Operating | 10.559 | 250900 | 156,646 | - | - | - | - | 156,646 | 156,646 |
| National School Lunch Program - Entitlement Commodities | 10.555 | | 143,526 | - | - | - | 143,526 | 143,526 | - |
| *Total Child Nutrition Cluster* | | | 3,467,702 | 80,286 | - | 1,402,087 | 1,989,255 | 2,065,615 | 156,646 |
| FY 25 Food Equipment Assistance | 10.579 | 221991 | 100,000 | - | - | - | 100,000 | - | (100,000) |
| FY 24 School Breakfast Expansion | 10.579 | 221997 | 9,510 | 7,217 | - | - | 7,217 | - | - |
| ***Total U.S. Department of Agriculture*** | | | ***3,577,212*** | ***87,503*** | ***-*** | ***1,402,087*** | ***2,096,472*** | ***2,065,615*** | ***56,646*** |
| **U.S. Department of Education:** | | | | | | | | | |
| *Passed Through Michigan Department of Education:* | | | | | | | | | |
| Title I, Part A - Improving Basic Programs | 84.010 | 231530 2223 | - | (115,346) | - | - | - | - | (115,346) |
| Title I, Part A - Improving Basic Programs | 84.010 | 241530 2324 | 530,028 | 506,100 | - | 506,100 | 530,028 | 23,928 | - |
| Title I, Part A - Improving Basic Programs | 84.010 | 251530 2425 | 812,684 | - | - | - | 181,342 | 428,672 | 247,330 |
| Total Title I | | | 1,342,712 | 390,754 | - | 506,100 | 711,370 | 452,600 | 131,984 |
| Title II, Part A - Improving Teacher Quality State Grants | 84.367 | 230520 2223 | - | (7,152) | - | - | - | - | (7,152) |
| Title II, Part A - Improving Teacher Quality State Grants | 84.367 | 240520 2324 | 94,232 | 85,350 | - | 85,350 | 94,232 | 8,882 | - |
| Title II, Part A - Improving Teacher Quality State Grants | 84.367 | 250520 2425 | 111,704 | - | - | - | 38,439 | 92,645 | 54,206 |
| Total Title II | | | 205,936 | 78,198 | - | 85,350 | 132,671 | 101,527 | 47,054 |
| Title III, Part A, English Learners | 84.365 | 230580 2223 | 129,401 | (38,895) | - | - | - | - | (38,895) |
| Title III, Part A, English Learners | 84.365 | 240580 2324 | 38,206 | 31,534 | 14,277 | 31,534 | 38,206 | 6,672 | - |
| Title III, Part A, English Learners | 84.365 | 250570 2425 | 2,330 | - | - | - | - | 2,330 | 2,330 |
| Total Title III | | | 169,937 | (7,361) | 14,277 | 31,534 | 38,206 | 9,002 | (36,565) |
| Title IV, Part A - Student Support & Academic Enrichment Grant | 84.424 | 240750 2324 | 39,952 | 32,014 | - | 32,014 | 39,952 | 7,938 | - |
| Title IV, Part A - Student Support & Academic Enrichment Grant | 84.424 | 250750 2425 | 81,374 | - | - | - | - | 63,921 | 63,921 |
| Total Title IV | | | 121,326 | 32,014 | - | 32,014 | 39,952 | 71,859 | 63,921 |
| Education Stabilization Funds: | | | | | | | | | |
| COVID-19 ESSER III | 84.425U | 213713 2122 | 4,690,270 | 975,410 | - | 3,177,781 | 1,085,582 | 110,172 | - |
| American Rescue Plan Homeless II | 84.425W | 211012 | 25,256 | - | - | - | 25,256 | 25,256 | - |
| Total Education Stabilization | | | 4,715,526 | 975,410 | - | 3,177,781 | 1,110,838 | 135,428 | - |
| ***Total U.S. Department of Education*** | | | ***6,555,437*** | ***1,469,015*** | ***14,277*** | ***3,832,779*** | ***2,033,037*** | ***770,416*** | ***206,394*** |
| *Passed Through Livingston Educational Service Agency:* | | | | | | | | | |
| Medicaid Outreach 2024-25 (and Total Medicaid Cluster) | 93.778 | | 135,644 | - | - | - | 119,470 | 135,644 | 16,174 |
| Total Passed Through Livingston Educational Service Agency | | | 135,644 | - | - | - | 119,470 | 135,644 | 16,174 |
| ***Total U.S. Department of Health and Human Services*** | | | ***135,644*** | ***-*** | ***-*** | ***-*** | ***119,470*** | ***135,644*** | ***16,174*** |
| **Federal Communications Commission:** | | | | | | | | | |
| COVID-19 Emergency Connectivity Funds - 2021-22 | 32.009 | | 4,506 | - | - | - | 4,506 | 4,506 | - |
| ***Total Federal Communications Commission*** | | | ***4,506*** | ***-*** | ***-*** | ***-*** | ***4,506*** | ***4,506*** | ***-*** |
| **Total Federal Financial Assistance** | | | **$ 10,272,799** | **$ 1,556,518** | **$ 14,277** | **$ 5,234,866** | **$ 4,253,485** | **$ 2,976,181** | **$ 279,214** |

See Notes to the Schedule of Expenditures of Federal Awards

## Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Three Rivers Community Schools (the “School District”) under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

## Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The School District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

## Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2025 that is not included on the schedule of expenditures of federal awards.

## Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The federal revenues reported in the fund financial statements as federal sources of $2,976,181 reconciles to the federal expenditures of $2,976,181 reported in the Schedule.

## Note 5 - Federal Awards Provided to Subrecipients

The expenditures related to federal awards provided to subrecipients for the year ended June 30, 2025 are as follows:

| Title III | ALN | Current Year Transferred to Subrecipient |
|---|---|---|
| Bronson Community Schools | 84.365 | $ 10,477 |
| Constantine Public Schools | 84.365 | 3,800 |
| ***Total*** | | $ 14,277 |

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

To the Board of Education
Three Rivers Community Schools
Three Rivers, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community School's (the "School District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 31, 2025.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.

### *Report on Compliance and Other Matters*

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

### *The School District's Response to Findings*

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### *Purpose of This Report*

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2025

GABRIDGE & CO.

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

To the Board of Education
Three Rivers Community Schools
Three Rivers, Michigan

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Three Rivers Community School's (the "School District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2025. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
December 22, 2025

**Three Rivers Community Schools**
**Schedule of Findings and Questioned Costs**
**For the Year Ended June 30, 2025**

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal controls over financial reporting | |
| Material weaknesses identified? | Yes |
| Significant deficiencies identified not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---|
| Internal control over major programs | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |

Identification of Major Programs

| Name of Federal Program or Cluster | Assistance Listing Number |
|---|---|
| Child Nutrition Cluster | 10.553, 10.555, and 10.559 |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and B programs? | $750,000 |
| Auditee qualified as a low-risk auditee? | No |

## SECTION II - FINANCIAL STATEMENT FINDINGS

See 2025-001 on the following page.

## SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs reported.

## SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

See 2024-002 and 2024-003 on the following pages, the matters were considered resolved in the current year.

**- Material Audit Adjustments and Preparation of Governmental Financial Statements / Schedule of Expenditures of Federal Awards (repeat finding)**

Finding Type: Material weakness in internal controls over financial reporting.

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the School District’s general ledger to the appropriate balances. The accounts affected were due from other governments, unearned revenues, and revenues.

Cause: This condition was the result of management oversight.

Effect: As a result of this condition, the School District’s accounting records and Schedule of Expenditures of Federal Awards were initially misstated by amounts that were material to the financial statements.

Recommendation: We recommend that the Business Manager continues to seek continuing education opportunities to develop her skills and knowledge and monitor the financial statements closely, specifically at year end to minimize auditor adjustments in the future.

View of Responsible Officials: The District is committed to maintaining the highest professional standards within our Business office and will continue to work to minimize adjustments in the future.

***Finding 2024-002 – Allowable Costs/Cost Principles (Title I, Part A)***

The School District implemented corrective actions to address the prior-year material weakness related to internal control over compliance for allowable costs/cost principles, including enhancements to time and effort documentation, review, and reconciliation procedures. These corrective actions were fully implemented and operating effectively during the year ended June 30, 2025. This finding is considered resolved.

***Finding 2024-003 – Allowable Costs/Cost Principles (Title I, Part A)***

The School District implemented corrective actions to strengthen budgetary controls over Title I expenditures, including improved monitoring of expenditures against the approved budget and procedures for obtaining required prior approvals for budget modifications. These corrective actions were fully implemented and operating effectively during the year ended June 30, 2025. This finding is considered resolved.

# Three Rivers Community Schools

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October 31, 2025

**CORRECTIVE ACTION PLAN**

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings, as noted in the Three Rivers Community Schools (the "School District") Single Audit report for the year ended June 30, 2025, and corrective actions to be completed.

**Finding 2025-001: Material Audit Adjustments and Preparation of Governmental Financial Statements / Schedule of Expenditures of Federal Awards (Repeat)**

**Condition and Effect:**

During our audit, we identified and proposed several material adjustments to the School District's general ledger, which were subsequently approved and posted by management. These adjustments were necessary to align the School District's records with the appropriate balances and affected accounts, including due from other governments, unearned revenues, and revenues. Due to management oversight, the accounting records and Schedule of Expenditures of Federal Awards were initially misstated by amounts material to the financial statements.

**Auditor's Recommendation:**

We recommend that the Business Manager continue to pursue continuing education opportunities to enhance their skills and knowledge. Additionally, management should closely monitor the financial statements, particularly at year-end, to minimize the need for auditor adjustments in future periods.

**Corrective Action:**

Three Rivers Community Schools is committed to enhancing the accuracy of its financial reporting process and has established the following corrective actions:

- The Business Manager will participate in additional continuing education and training sessions focused on governmental accounting and financial reporting to strengthen their expertise.
- Management will implement an enhanced year-end review process to identify and correct potential misstatements before the audit. This will involve reconciling key accounts, such as due from other governments, unearned revenues, and revenues, to ensure all entries are accurate and complete.
- A checklist will be developed for the Business Manager and finance staff to follow during the year-end closing process, covering common areas where adjustments have been necessary in the past.
- Audit will be scheduled in a timely manner to allow for adequate time to provide quality testing samples

These actions aim to reduce the need for material audit adjustments and ensure accurate and timely financial statement preparation in accordance with generally accepted accounting principles (GAAP).

Responsible person: Mandi Zaborowski, Business Manager; Auditor will provide a check list to the Business Manager and Finance Staff

Anticipated completion date: June 30, 2026

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October 31, 2025

To the Board of Education
Three Rivers Community Schools
Three Rivers, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2025. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. During fiscal year ended June 30, 2025, new policies for accounting for compensated absences were adopted, to be in conformance with GASB Statement No. 101 - *Compensated Absences.* We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Matters*

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual and combining fund, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

***Restriction on Use***

This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI