



RIVER VALLEY SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2019

**RIVER VALLEY SCHOOL DISTRICT
THREE OAKS, MICHIGAN
June 30, 2019**

BOARD OF EDUCATION

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SUPERINTENDENT

William J. Kearney

BUSINESS MANAGER

Brian Brown

**RIVER VALLEY SCHOOL DISTRICT
THREE OAKS, MICHIGAN
June 30, 2019**

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Independent Auditor's Report

To the Board of Education of
River Valley School District
Three Oaks, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the River Valley School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the River Valley School District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, Concluded

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the River Valley School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of the River Valley 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 15, 2019

River Valley School District (the "District"), a K-12 School District located in Berrien County, Michigan follows the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34") with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2019 of the management of the District.

Generally accepted accounting principles in the United States of America ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Permanent Funds, Capital Projects Fund, and the School Service Fund.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

The District as Trustee — Reporting the District's Fiduciary Responsibilities

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

Summary of Net Position

The District has a deficit net position as of June 30, 2019, and is summarized in the table below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets		
Current and other assets	\$ 5,458,023	\$ 5,894,024
Net capital assets	<u>6,319,168</u>	<u>5,412,104</u>
Total Assets	<u>\$ 11,777,191</u>	<u>\$ 11,306,128</u>
 Deferred Outflows of Resources	 \$ 5,741,208	 \$ 3,148,686
 Liabilities		
Current liabilities	\$ 964,286	\$ 956,919
Noncurrent liabilities	936,000	1,069,000
Net pension liability	14,629,385	12,444,034
Net OPEB liability	<u>3,938,044</u>	<u>4,269,764</u>
Total Liabilities	<u>\$ 20,467,715</u>	<u>\$ 18,739,717</u>
 Deferred Inflows of Resources	 \$ 2,582,569	 \$ 1,381,323
 Net Position		
Net investment in capital assets	\$ 5,250,168	\$ 4,210,104
Restricted for:	860,611	984,423
Unrestricted	<u>(11,642,664)</u>	<u>(10,860,753)</u>
Total Net Position	<u>\$ (5,531,885)</u>	<u>\$ (5,666,226)</u>

Analysis of Financial Position

During fiscal year ended June 30, 2019, the District’s net position increased by \$134,341. A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The District’s revenues in the General Fund expenditures exceeded operations by \$540,370 for the fiscal year ended June 30, 2019. See the section entitled Results of Operations, on next page, for further discussion of General Fund operations.

B. Investment in Capital Assets

The District's net change in capital assets was an increase of \$907,064. The net activity for the year is summarized in the following table:

	Balance June 30, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital Assets	\$ 12,013,592	\$ 1,624,772	\$ (420,465)	\$ 13,217,899
Less: accumulated depreciation	6,601,488	374,594	(77,351)	6,898,731
Net investment capital assets	<u>\$ 5,412,104</u>	<u>\$ 1,250,178</u>	<u>\$ (343,114)</u>	<u>\$ 6,319,168</u>

This year, the District added construction for capital replacement and improvements of which \$361,646 was in progress at the end of the fiscal year; the other additions are primarily made up of \$926,248 for facility renovation, \$164,220 for parking lot paving, \$108,373 for a bus and other vehicles, and \$64,285 for office equipment. The \$77,351 of deletions was from removal of various out-of-service equipment. The District plans to maintain a comparable level of capital spending for the 2019-2020 fiscal year as the capital replacement and improvement projects from the sinking fund millage continue. The District does not own any infrastructure assets.

C. Debt Activities

In prior years, the District approved a general bond obligation of \$2,000,000 which was used to enhance and re-equip existing school facilities. The activity for the year is summarized as follows:

	Balance June 30, 2018	Principal Additions	Principal Payments	Balance June 30, 2019
2012 School Building Bond	\$ 1,202,000	\$ -	\$ (133,000)	\$ 1,069,000
Total	<u>\$ 1,202,000</u>	<u>\$ -</u>	<u>\$ (133,000)</u>	<u>\$ 1,069,000</u>

Results of Operations

The District-wide results of operations for the fiscal years ended June 30th, is summarized in the table below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 8,202,669	\$ 8,175,290
Property taxes levied for capital projects	390,815	381,215
Other general revenues	152,511	115,740
Total general revenues	<u>\$ 8,745,995</u>	<u>\$ 8,672,245</u>
Charges for Services:		
Food service	\$ 75,558	\$ 81,445
Other charges for services	22,269	33,351
Total charges for services	<u>\$ 97,827</u>	<u>\$ 114,796</u>
Operating Grants:		
Federal	\$ 408,014	\$ 433,605
State of Michigan	1,116,724	1,169,161
Other contributions	110,963	146,151
Total operating grants	<u>\$ 1,635,701</u>	<u>\$ 1,748,917</u>
Capital Grants/ Contributions:		
Federal interest subsidy	\$ 45,329	\$ 50,254
Total capital grants/contributions	<u>\$ 45,329</u>	<u>\$ 50,254</u>
Total revenues	<u>\$ 10,524,852</u>	<u>\$ 10,586,212</u>
Expenses:		
Instruction	\$ 4,863,744	\$ 4,541,537
Pupil services	606,604	539,278
Support services	3,832,181	3,233,248
Food service	350,685	321,902
Athletics	314,212	278,446
Interest on long-term debt	48,491	53,958
Depreciation (unallocated)	374,594	329,434
Total expenses	<u>\$ 10,390,511</u>	<u>\$ 9,297,803</u>
Change in Net Position	<u>\$ 134,341</u>	<u>\$ 1,288,409</u>
Beginning Net Position	<u>(5,666,226)</u>	<u>(6,954,635)</u>
Ending Net Position	<u>\$ (5,531,885)</u>	<u>\$ (5,666,226)</u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance,
- b. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and
- c. The District's non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The District's net foundation allowance was \$8,077 per student for 2018-2019 and \$7,860 for 2017-2018 fiscal school years. The District is out of formula with the State of Michigan and receives an amount higher than the allocated foundation allowance.

Student Enrollment

The District's student enrollment for the fall count of 2018-2019 was 563.33 students. The District's enrollment decreased from the prior year count by 11.21 students. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2018 - 2019	563.33	(11.21)
2017 - 2018	574.54	(0.38)
2016 - 2017	574.92	12.42
2015 - 2016	562.50	(36.82)
2014 - 2015	599.32	(8.65)

Subsequent to year ended June 30, 2019, preliminary student enrollments for 2019-2020 indicate that enrollments will primarily remain unchanged from 2018-2019.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The District levies approximately 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2018-2019 fiscal year was \$8,202,669. The non-homestead tax levy has increased by 0.3 percent over the prior year.

**Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes),
Concluded**

The increase in the District’s non-homestead levy over the past five years is due to the make-up of the housing market, and that an increasing number of homes are becoming second homes. This is primarily due to the amount of lakefront property located within the District.

The following summarizes the District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Change from Prior Year</u>
2018 - 2019	\$ 8,202,669	0.3%
2017 - 2018	8,175,290	8.9%
2016 - 2017	7,508,605	3.5%
2015 - 2016	7,253,617	2.9%
2014 - 2015	7,048,180	5.3%

Debt Fund Property

The District had no debt fund levy during the current fiscal year. The future payments for the 2012 School Building Bond will be paid by the General Fund.

Food Sales to Students & Adults (School Lunch Program)

Compared to the prior school year, the District's food and milk sales to students and adults decreased from \$81,445 to \$75,558.

The total expenditures from Food Service operations exceed total revenues including transfers for the year by \$18,960.

General Fund Expenditures Budget vs. Actual Five Year History

	<u>Expenditures Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Variance Audit vs. Prelim Budget</u>	<u>Variance Audit vs. Final Budget</u>
2018 - 2019	\$ 9,560,552	\$10,706,698	\$10,354,215	8.30%	-3.29%
2017 - 2018	9,256,801	10,067,697	9,764,068	5.48%	-3.02%
2016 - 2017	9,060,644	8,632,570	8,372,552	-7.59%	-3.01%
2015 - 2016	8,449,995	8,707,643	8,341,097	-1.29%	-4.21%
2014 - 2015	8,665,047	8,583,291	8,208,432	-5.27%	-4.37%
				<u>-0.07%</u>	<u>-3.58%</u>
				<u>-0.07%</u>	<u>-3.58%</u>

General Fund Revenues Budget vs. Actual Five Year History

	Revenues			Variance:	Variance:
	Preliminary	Revenues	Revenues	Audit vs.	Audit vs. Final
	Budget	Final Budget	Final Audit	Prelim. Budget	Budget
2018 - 2019	\$ 9,486,927	\$ 9,866,007	\$ 9,813,845	3.45%	-0.53%
2017 - 2018	9,094,181	9,754,793	9,785,283	7.60%	0.31%
2016 - 2017	8,774,287	8,961,172	8,915,264	1.61%	-0.51%
2015 - 2016	8,408,729	8,613,072	8,633,357	2.67%	0.24%
2014 - 2015	8,581,891	8,714,006	8,763,291	2.11%	0.57%
Five Year Average: Over (Under) Budget				3.49%	0.02%

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget during the school year. For fiscal year June 30, 2019, the budget was amended in October of 2018 and January, April and June of 2019. The June 2019 budget amendment was the final budget for the fiscal year.

Change from Original Budget:

General Fund Revenues:

Total Revenues Original Budget	\$ 9,486,927	100.00%
Total Revenues Final Amended Budget	<u>9,866,007</u>	<u>104.00%</u>
	<u>\$ 379,080</u>	<u>4.00%</u>

The District's original budget of general fund revenues differed from the final budget by \$379,080 a variance of approximately 4% from final budget. This was primarily due to the increase in more non-homestead denials than originally expected.

Change from Original Budget:

General Fund Expenditures:

Total Expenditures Original Budget	\$ 9,560,552	100.00%
Total Expenditures Final Amended Budget	<u>10,706,698</u>	<u>111.99%</u>
	<u>\$ (1,146,146)</u>	<u>-11.99%</u>

The final expenditures budget increased due to changes in expectations from what was originally budgeted, primarily for operating transfers, capital outlay, and minor changes in other expenditure functions.

Factors Bearing on the District's Future

With a General Fund balance of \$2,822,116 as of June 30, 2019, the district had a solid financial foundation going into the 2019-20 school year.

In November of 2014, River Valley voters approved a five year 0.5 mill sinking fund. Through the generous revenue received for our Sinking Fund from our communities, we were able to mill and repave our Three Oaks Elementary parking lot, as well as replace the concrete sidewalk to provide a safer environment for our students, staff, and parents.

Further, we were able to use Sinking Fund revenues to renovate and improve two student bathrooms at Chikaming Elementary School and create three separate bathroom facilities in the Middle High School. The sinking fund continues to allow the District to update our buildings to give our students a better educational experience. We thank our District residents for supporting our District through the Sinking Fund.

Also during the 2017-2018 school year, our Board of Education established a Facility Improvement fund which allows the District to tackle larger construction projects that might not be available via the Sinking Fund. This new fund allocated money to renovate the boys' and girls' locker rooms (with new lockers, heating and shower fixtures) as well as remodeling an existing space to be the new fitness center. The flexibility of the fund allows the school district to better monitor capital projects for the District.

With the closure of a tax loophole allowing Non-Homestead residents to claim Homestead, the District received additional Non-Homestead income. This income helped supplement our students' education as well as provided necessary funding for some of our capital projects.

We were also very fortunate to partner with the Pokagon Fund to help improve our student/teacher experiences. The Pokagon Fund provided \$28,520 to help our educators improve literacy by providing the resources to help improve instruction. Further, the Pokagon Fund paid for \$8,000 worth of field trips to enhance the educational experiences of our students.

We would like to thank The Pokagon Fund for their generous contributions and being our "partners in education"!

During the school year, we were able to upgrade our transportation fleet with the purchase of a new bus, as well as a new van. Our building/maintenance has a new scissor lift to safely remove and replace lighting units with high ceilings and our technology department was able to purchase classroom sets of Chromebooks to facilitate student learning.

The Board of Education is committed to maintaining the fund balance at 20% or more to ensure that the district remains financially viable in the coming years.

With positive guidance received from our Board of Education as well as valuable input from our community, parents and staff, we look forward to building an even stronger District.

Contacting the District's Financial Management

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, please contact the Business Office at the District.

RIVER VALLEY SCHOOL DISTRICTSTATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2019

Assets	Governmental Activities	
Current assets		
Cash and cash equivalents	\$	5,090,337
Investments		72,853
Due from other governmental units		289,090
Prepaid expenses		1,215
Inventories		4,528
Total current assets	\$	5,458,023
Noncurrent assets		
Capital assets - non-depreciable	\$	400,412
Capital assets - depreciable, net		5,918,756
Total noncurrent assets	\$	6,319,168
Total Assets	\$	11,777,191
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	\$	4,947,810
Deferred outflows of resources related to OPEB		793,398
Total Deferred Outflows of Resources	\$	5,741,208
Liabilities		
Current liabilities		
Accounts payable	\$	39,263
Accrued payroll and other liabilities		784,700
Accrued interest		7,323
Bonds payable, due within one year		133,000
Total current liabilities	\$	964,286
Noncurrent liabilities		
Bonds payable, due in more than one year	\$	936,000
Net pension liability		14,629,385
Net OPEB liability		3,938,044
Total noncurrent liabilities	\$	19,503,429
Total Liabilities	\$	20,467,715
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	\$	1,697,060
Deferred inflows of resources related to OPEB		885,509
Total Deferred Inflows of Resources	\$	2,582,569
Net Position		
Net investment in capital assets	\$	5,250,168
Restricted for:		
Scholarships		594,595
Debt service		1,393
Sinking Fund		264,623
Unrestricted		(11,642,664)
Total Net Position	\$	(5,531,885)

The Notes to Financial Statements are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:					
Instruction	\$ 4,863,744	\$ -	\$ 1,404,534	\$ -	\$ (3,459,210)
Pupil services	606,604	-	-	-	(606,604)
Support services	3,832,181	-	-	-	(3,832,181)
Food services	350,685	75,558	231,167	-	(43,960)
Athletics	314,212	22,269	-	-	(291,943)
Interest on long-term debt	48,491	-	-	45,329	(3,162)
Depreciation (unallocated)	374,594	-	-	-	(374,594)
	<u>\$10,390,511</u>	<u>\$ 97,827</u>	<u>\$ 1,635,701</u>	<u>\$ 45,329</u>	<u>\$ (8,611,654)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				\$ 8,202,669	
Property taxes, levied for capital projects				390,815	
Interest and investment earnings				111,952	
Other				40,559	
				<u>\$ 8,745,995</u>	
Change in Net Position					\$ 134,341
Net Position - beginning of year					<u>(5,666,226)</u>
Net Position - end of year					<u>\$ (5,531,885)</u>

The Notes to Financial Statements are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Facility Improvement Fund	Scholarship Fund	Non-major Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 3,284,473	\$ 919,818	\$ 594,595	\$ 291,451	\$ 5,090,337
Investments	72,853	-	-	-	72,853
Due from other governmental units	277,060	-	-	4,707	281,767
Due from other governmental funds	-	-	-	319	319
Prepaid expenses	1,215	-	-	-	1,215
Inventories	-	-	-	4,528	4,528
Total Assets	\$ 3,635,601	\$ 919,818	\$ 594,595	\$ 301,005	\$ 5,451,019
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 37,629	\$ -	\$ -	\$ 1,634	\$ 39,263
Accrued salaries and withholdings	775,537	-	-	9,163	784,700
Due to other governmental funds	319	-	-	-	319
Total Liabilities	\$ 813,485	\$ -	\$ -	\$ 10,797	\$ 824,282
Fund Balances					
Non-spendable:					
Used for inventories	\$ -	\$ -	\$ -	\$ 4,528	\$ 4,528
Committed:					
Facility improvements	-	919,818	-	-	919,818
Restricted:					
Scholarships	-	-	594,595	-	594,595
Food service	-	-	-	19,664	19,664
Debt service	-	-	-	1,393	1,393
Sinking Fund	-	-	-	264,623	264,623
Assigned:					
2019/2020 budget deficit	123,023	-	-	-	123,023
Technology	64,189	-	-	-	64,189
Curriculum	115,241	-	-	-	115,241
Unassigned	2,519,663	-	-	-	2,519,663
Total Fund Balances	\$ 2,822,116	\$ 919,818	\$ 594,595	\$ 290,208	\$ 4,626,737
Total Liabilities and Fund Balances	\$ 3,635,601	\$ 919,818	\$ 594,595	\$ 301,005	\$ 5,451,019

The Notes to Financial Statements are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balances - Governmental Funds	\$ 4,626,737
Deferred outflows of resources related to:	
Pensions	4,947,810
OPEB	793,398
Accrual of federal receivable for interest payments related to the 2012 School Building Bonds	7,323
Amounts reported for governmental activities in the Statement of Net Position are different because, capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	13,217,899
Accumulated depreciation	(6,898,731)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(1,069,000)
Net pension liability	(14,629,385)
Net OPEB liability	(3,938,044)
Deferred inflows of resources related to differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions:	
Pensions	(1,149,603)
OPEB	(885,509)
Revenue in support of pension contributions made subsequent to the measurement date	(547,457)
Accrued interest payable is not included as a liability in the funds	(7,323)
Total Net Position (Deficit) - Governmental Activities	<u>\$ (5,531,885)</u>

The Notes to Financial Statements are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019

	General Fund	Facility Improvement Fund	Scholarship Fund	Non-major Governmental Funds	Total
Revenues					
Property taxes	\$ 8,202,669	\$ -	\$ -	\$ 390,815	\$ 8,593,484
Local sources	60,229	-	-	75,558	135,787
State sources	1,104,043	-	-	12,681	1,116,724
Federal sources	189,528	-	-	264,726	454,254
Athletic sources	22,269	-	-	-	22,269
Interdistrict sources	159,513	-	-	-	159,513
Earnings on investments	75,594	5,837	26,473	4,048	111,952
Total Revenues	\$ 9,813,845	\$ 5,837	\$ 26,473	\$ 747,828	\$ 10,593,983
Expenditures					
Instruction	\$ 4,652,129	\$ -	\$ -	\$ -	\$ 4,652,129
Pupil services	581,476	-	-	-	581,476
Supporting services	3,672,871	-	23,655	335,685	4,032,211
Athletics	301,239	-	-	-	301,239
Capital outlay	-	766,063	-	521,831	1,287,894
Debt service					
Principal	-	-	-	133,000	133,000
Interest	-	-	-	49,402	49,402
Total Expenditures	\$ 9,207,715	\$ 766,063	\$ 23,655	\$ 1,039,918	\$ 11,037,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 606,130	\$ (760,226)	\$ 2,818	\$ (292,090)	\$ (443,368)
Other Financing Sources (Uses)					
Operating transfers in	\$ -	\$ 1,000,000	\$ -	\$ 146,500	\$ 1,146,500
Operating transfers out	(1,146,500)	-	-	-	(1,146,500)
Total Other Financing	\$(1,146,500)	\$ 1,000,000	\$ -	\$ 146,500	\$ -
Net Change in Fund Balances	\$ (540,370)	\$ 239,774	\$ 2,818	\$ (145,590)	\$ (443,368)
Fund Balances - Beginning of year	3,362,486	680,044	591,777	435,798	5,070,105
Fund Balances - End of year	\$ 2,822,116	\$ 919,818	\$ 594,595	\$ 290,208	\$ 4,626,737

The Notes to Financial Statements are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (443,368)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance, these costs are allocated over their estimated useful lives as depreciation in the Statement of Activities

Depreciation expense	(374,594)
Capital outlay	1,624,772

Current year decrease in accrued federal receivable for interest payments related to the 2012 School Building Bonds that will be received after 60 days, but earned by June 30, 2019	(911)
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Change in accrued interest	911
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Revenue in support of pension contributions made subsequent to the measurement date	(390,098)
-------------------------------------------------------------------------------------	-----------

Change in benefit expense related to pension	(529,367)
----------------------------------------------	-----------

Change in benefit expense related to OPEB	113,996
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Repayment of bond principal is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	<u>133,000</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 134,341</u></u>
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RIVER VALLEY SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	<u>Agency Fund- Student Activities</u>
Assets:	
Cash and cash equivalents	<u>\$ 87,773</u>
Liabilities:	
Due to student groups	<u>\$ 87,773</u>

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the River Valley School District (the “District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the District:

Reporting Entity

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Districts’ reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District contains no component units.

District-Wide and Fund Financial Statements

The District-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, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District’s district-wide activities are considered governmental activities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

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

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

The **Facility Improvement Fund** is used to account for financial resources that are committed for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Scholarship Fund** is a permanent fund used to account for the District's non-expendable scholarship where only the earnings are used to issue scholarships.

Additionally, the government reports the following fund types:

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2019, the capital projects funds, other than the Facility Improvement Fund, maintained by the District is the Capital Projects Sinking Fund.

Special Revenue Funds are used to account for specific revenue sources that are restricted or committed expenditures for specific purposes other than debt service or capital projects. As of June 30, 2019, the special revenue maintained by the District is the Food Service Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds are used to account for and report financial resources that are restricted for principal and interest. As of June 30, 2019, the debt service fund maintained by the District is the 2012 Debt Service Fund.

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

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

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

Property Taxes - Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For District taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

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 District has two items that qualify for reporting in this category. These deferred outflows relate to the pension and OPEB plans.

Compensated Absences - the liability for compensated absences, if any, reported in the district-wide statements consists of unpaid, accumulated annual and vacation balances. The liability is calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. There was no liability for compensated absences at June 30, 2019.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year of issuance. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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 will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The District has two items that qualify for reporting in this category. These deferred inflows relate to the pension and OPEB plans.

Comparative Data - Comparative data is not included in the District's financial statements.

Fund Equity - The District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following are the District's fund balance break-outs:

Non-Spendable - This includes those 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 - This includes amounts that can be spent only for specific purposes stipulated by what the external resources provide (for example grant providers, constitutionally, or through enabling legislation.) These restrictions may be changed or lifted only with the consent of resource providers

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Assigned - This includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned - This represents the residual classification for the fund balance that has not met any of the previous classifications.

Fund Equity Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any 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.

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

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

Pension and Other Postemployment Benefit (OPEB) Plans - For the purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. 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.

Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - See the District's budgetary comparison schedule for the General Fund for budgeted variances. Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the District.

Fund Deficit - Under State Law, school districts are required to maintain positive fund balance in each fund. The District had no fund balances that were in deficit.

Net Position (Deficit) - As of June 30, 2019, the District-wide Statement of Net Position had a cumulative net position deficit of \$5,531,885.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2019, the District deposits and investments include the following:

	Balance Sheet Classification			Fiduciary Fund
	Cash and Cash Equivalents	Investments	Total	
Deposits	\$ 5,090,337	\$ -	\$ 5,090,337	\$ 87,773
Investments	-	72,853	72,853	-
	<u>\$ 5,090,337</u>	<u>\$ 72,853</u>	<u>\$ 5,163,190</u>	<u>\$ 87,773</u>

Bank Deposits: All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk—Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2019, approximately \$3.6 million of the District’s bank balance of \$4.8 million was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Investments: State law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker’s acceptance of the United States Bank, and 6) Certain mutual funds. The District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Investment Type	Fair Value	Current	Investment Maturities		
			1-5 years	6-10 years	More than 10
Investment Pools	\$ 72,853	\$ 72,853	\$ -	\$ -	\$ -

Interest Rate Risk: In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations (“NRSRO’s”). As of June 30, 2019, the District’s investment in the investment pool was rated AAAM by Standard’s & Poor’s.

Concentration of Credit Risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the District’s investments are in investment pools which represent 100% of the District’s total investments.

Custodial Credit Risk - Investments: For an Investment, this is the risk that in the event of bank failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investments in the investment pool of \$72,853, the District has a custodial credit risk exposure of \$72,853 because the related securities are uninsured, unregistered, and held by the District’s brokerage firm which is also the counterparty for these particular securities.

NOTE 4. FAIR VALUE MEASUREMENT

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. The District has the following recurring fair value measurements as of June 30, 2019:

	Acquisition Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Investment Pools	\$ -	\$ 72,853	\$ -	\$ 72,853

NOTE 5. CAPITAL ASSETS

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

	July 1, 2018	Additions	Disposals and Adjustments	June 30, 2019
Assets not being Depreciated				
Construction in progress	\$ 343,114	\$ 361,646	\$ (343,114)	\$ 361,646
Land	38,766	-	-	38,766
Subtotal	\$ 381,880	\$ 361,646	\$ (343,114)	\$ 400,412
Capital Assets being Depreciated				
Building and building improvements	\$ 8,817,107	\$ 926,248	\$ -	\$ 9,743,355
Land improvements	619,219	164,220	-	783,439
Buses and other vehicles	900,650	108,373	-	1,009,023
Furniture and equipment	1,294,736	64,285	(77,351)	1,281,670
Subtotal	\$ 11,631,712	\$ 1,263,126	\$ (77,351)	\$ 12,817,487
Accumulated depreciation				
Building and building improvements	\$ 4,793,318	\$ 187,321	\$ -	\$ 4,980,639
Land improvements	487,667	13,134	-	500,801
Buses and other vehicles	636,262	72,936	-	709,198
Furniture and equipment	684,241	101,203	(77,351)	708,093
Subtotal	\$ 6,601,488	\$ 374,594	\$ (77,351)	\$ 6,898,731
Net capital assets being depreciated	\$ 5,030,224	\$ 888,532	\$ -	\$ 5,918,756
Net capital assets	\$ 5,412,104			\$ 6,319,168

Depreciation expense of \$374,594 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable fund	Payable fund	Amount
General Fund	Food Service	\$ 319

The General Fund owes the Food Service Fund at-risk funding.

During the year, the following transfers were made between funds:

Interfund transfers:

Transfer In:	Transfer Out:	Amount
Non-major Fund - Food Service Fund	General Fund	\$ 10,000
Non-major Fund - 2012 Debt Service Fund	General Fund	136,500
Facility Improvement Fund	General Fund	1,000,000

The current year transfers consisted of a transfer from the General Fund to the Debt Service Fund for payment of the bond principal and a portion of interest payment, and a transfer from the General Fund to the Facility Improvement Fund for initial payment dedicated to facility improvements.

NOTE 7. LONG-TERM DEBT

The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$1,202,000	\$ -	\$ (133,000)	\$1,069,000	\$133,000
Total bonds payable	<u>\$1,202,000</u>	<u>\$ -</u>	<u>\$ (133,000)</u>	<u>\$1,069,000</u>	<u>\$133,000</u>

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

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2020	\$ 133,000	\$ 43,936	\$ 176,936
2021	133,000	38,469	171,469
2022	133,000	33,003	166,003
2023	134,000	27,537	161,537
2024	134,000	22,331	156,331
2025-2027	402,000	32,744	434,744
	<u>\$1,069,000</u>	<u>\$ 198,020</u>	<u>\$ 1,267,020</u>

NOTE 7. LONG-TERM DEBT, CONCLUDED

Interest expense of \$48,491 was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

Governmental Activities:

General obligation bonds consist of:

\$2,000,000 2012 School Building Bonds - Limited Tax; payable in annual installments of \$133,000 to \$134,000 beginning 5/1/13 through 5/1/2027; interest at 4.11%.

\$ 1,069,000

NOTE 8. RISK MANAGEMENT

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

The shared-risk pool is a program in which the District participates and operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 9. CAPITAL PROJECTS SINKING FUND

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 10. RELATED PARTY TRANSACTION

During the year, the District has monies on deposit with Honor Credit Union. The Business Manager is a member of the credit union's Board. As of June 30, 2019, the District has \$125,215 in multiple accounts with Honor Credit Union. All transactions were conducted at arms-length.

NOTE 11. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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

The System is administered by the Office of Retirement Services (ORS). The System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and other postemployment healthcare plans. That report is available on the ORS website at www.michigan.gov/orsschools.

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

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

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

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

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

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

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

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

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

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

The District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS. The range of rates is as follows for the plan year ending September 30, 2018:

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54%

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

The District's required and actual pension contributions to the plan for the year ended September 30, 2018 were \$1,325,141. The District's required and actual pension contributions include an allocation of \$547,457 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The District's required and actual OPEB contributions to the plan for the year ended September 30, 2018 were \$321,573.

Net Pension Liability - At June 30, 2019, the District reported a liability of \$14,629,385 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.04866 percent and 0.04802 percent, respectively.

Net OPEB Liability - At June 30, 2019, the District reported a liability of \$3,938,044 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.04954 percent and 0.04822 percent, respectively.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2019, the District recognized pension expense of \$1,907,360, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,883	\$ 106,309
Changes of assumptions	3,388,154	-
Net difference between projected and actual earnings on plan investments	-	1,000,278
Changes in proportion and differences between District contributions and proportionate share of contributions	309,154	43,016
District contributions subsequent to the measurement date	1,182,619	-
Revenues in support of contributions subsequent to the measurement date	-	547,457
Total	<u>\$ 4,947,810</u>	<u>\$ 1,697,060</u>

Deferred inflows of resources of \$547,457 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount:
2019	\$ 1,041,885
2020	810,515
2021	548,062
2022	215,126
	<u>\$ 2,615,588</u>

The contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the District recognized OPEB expense of \$213,833. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 732,971
Changes of assumptions	417,041	-
Net difference between projected and actual earnings on OPEB plan investments	-	151,348
Changes in proportion and differences between District contributions and proportionate share of contributions	100,370	1,190
District contributions subsequent to the measurement date	275,987	-
Total	<u>\$ 793,398</u>	<u>\$ 885,509</u>

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

Year Ending June 30	Amount:
2019	\$ (93,798)
2020	(93,798)
2021	(93,798)
2022	(63,014)
2023	(23,690)
	<u>\$ (368,098)</u>

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2018 is based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Summary of Actuarial Assumptions

Actuarial cost method	Entry Age, Normal
Wage inflation rate	2.75%
Investment rate of return - Pension	6.00 - 7.05%
Investment rate of return - OPEB	7.15%
Projected salary increases	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.5%, Year 1 graded to 3.0% Year 12
Cost-of-living pension adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the periods from 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short-Term Investment Pools	2.0%	0.0%
TOTAL	<u>100.0%</u>	

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

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Rate of Return - For the plan year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, and OPEB plan investment, net of OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was 6.00 - 7.05 percent as of September 30, 2018, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the District, calculated using the discount rate, depending on the plan option. The following also reflects what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.05% / 6.0% / 5.0% *	7.05% / 7.0% / 6.0% *	8.05% / 8.0% / 7.0% *
\$ 19,207,253	\$ 14,629,385	\$ 10,825,921

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

NOTE 12. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONCLUDED

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District, calculated using the current discount rate. It also reflects what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$ 4,727,542	\$ 3,938,044	\$ 3,273,980

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the District, calculated using the current healthcare cost trend rate. It also reflects what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.50%	Current Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
\$ 3,238,998	\$ 3,938,044	\$ 4,739,993

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2019, the District reported a payable of \$78,660 and \$34,179 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

NOTE 13. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Berrien County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. For the year ended June 30, 2019, the District's property tax revenues were reduced by \$5,462 under this program.

NOTE 14. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

NOTE 15. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 15, 2019, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

RIVER VALLEY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 8,112,614	\$ 8,152,071	\$ 8,202,669	\$ 50,598
Local sources	26,700	63,354	60,229	(3,125)
State sources	1,095,644	1,110,138	1,104,043	(6,095)
Federal sources	216,969	285,164	189,528	(95,636)
Athletic sources	20,000	22,268	22,269	1
Interdistrict sources	-	159,512	159,513	1
Earnings on investments	15,000	73,500	75,594	2,094
Total Revenues	<u>\$ 9,486,927</u>	<u>\$ 9,866,007</u>	<u>\$ 9,813,845</u>	<u>\$ (52,162)</u>
Expenditures				
Instruction:				
Elementary	\$ 1,979,258	\$ 1,917,820	\$ 1,886,215	\$ 31,605
High school	2,085,490	2,019,527	1,984,972	34,555
Preschool	104,660	95,794	94,431	1,363
Summer school	-	10,455	10,455	-
Special education	508,052	498,274	497,839	435
Compensatory education	217,827	250,734	178,217	72,517
Technical education	44,086	-	-	-
Pupil Services	593,541	603,111	581,476	21,635
Supporting services:				
Improvement of instruction	101,358	143,937	77,501	66,436
Media services/audiovisual	76,835	79,288	73,434	5,854
Technology assistance	58,946	-	4,349	(4,349)
Board of Education	90,900	92,431	84,524	7,907
Executive	295,466	289,130	286,629	2,501
Principal	688,478	737,523	731,499	6,024
Business	232,770	233,207	231,713	1,494
Operations	918,049	1,184,715	1,110,993	73,722
Pupil transportation	647,564	653,435	639,249	14,186
Personnel services	39,769	46,047	43,267	2,780
Information management services	399,168	381,471	371,095	10,376
Pupil accounting	20,577	19,480	18,618	862
Athletics	304,972	303,819	301,239	2,580
Total Expenditures	<u>\$ 9,407,766</u>	<u>\$ 9,560,198</u>	<u>\$ 9,207,715</u>	<u>\$ 352,483</u>
Excess of Revenues over Expenditures	<u>\$ 79,161</u>	<u>\$ 305,809</u>	<u>\$ 606,130</u>	<u>\$ 300,321</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(152,786)	(1,146,500)	(1,146,500)	-
Total Other Financing Sources (Uses)	<u>\$ (152,786)</u>	<u>\$ (1,146,500)</u>	<u>\$ (1,146,500)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (73,625)</u>	<u>\$ (840,691)</u>	<u>\$ (540,370)</u>	<u>\$ 300,321</u>
Fund Balances - Beginning of year	<u>3,362,486</u>	<u>3,362,486</u>	<u>3,362,486</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 3,288,861</u>	<u>\$ 2,521,795</u>	<u>\$ 2,822,116</u>	<u>\$ 300,321</u>

The Notes to Required Supplementary Information are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.04866%	0.04802%	0.04708%	0.04639%	0.04724%
District's proportionate share of net pension liability	\$ 14,629,385	\$ 12,444,034	\$ 11,745,953	\$ 11,329,644	\$ 10,404,697
District's covered-employee payroll	\$ 4,218,721	\$ 4,069,254	\$ 4,024,463	\$ 3,950,053	\$ 4,146,586
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	346.77%	305.81%	291.86%	286.82%	250.92%
Plan fiduciary net position as a percentage of total pension liability	62.12%	63.96%	63.01%	62.92%	66.20%

The Notes to Required Supplementary Information are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,325,141	\$ 1,254,227	\$ 1,057,195	\$ 1,074,217	\$ 846,986
Contributions in relation to statutorily required contributions	<u>1,325,141</u>	<u>1,254,227</u>	<u>1,057,195</u>	<u>1,074,217</u>	<u>846,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,364,198	\$ 4,173,906	\$ 4,067,242	\$ 4,005,495	\$ 3,974,293
Contributions as a percentage of covered-employee payroll	30.36%	30.05%	25.99%	26.82%	21.31%

The Notes to Required Supplementary Information are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH**

	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.04954%	0.04822%
District's proportionate share of net OPEB liability	\$ 3,938,044	\$ 4,269,764
District's covered-employee payroll	\$ 4,218,721	\$ 4,069,254
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.35%	104.93%
Plan fiduciary net position as a percentage of total OPEB liability	43.10%	36.53%

The Notes to Required Supplementary Information are an integral part of this statement.

RIVER VALLEY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 321,573	\$ 299,343
Contributions in relation to statutorily required contributions	<u>321,573</u>	<u>299,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,364,198	\$ 4,173,906
Contributions as a percentage of covered-employee payroll	7.37%	7.17%

The Notes to Required Supplementary Information are an integral part of this statement.

Change of pension benefit terms:

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

Change of pension assumptions:

The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.

The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

Change of OPEB benefit terms:

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

Change of OPEB assumptions:

The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

**OTHER SUPPLEMENTARY
INFORMATION**

RIVER VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Food Service Fund</u>	<u>2012 Debt Service Fund</u>	<u>Sinking Fund</u>	<u>Total Non-major Governmental Funds</u>
Assets				
Cash and investments	\$ 25,435	\$ 1,393	\$ 264,623	\$ 291,451
Due from other governmental units	4,707	-	-	4,707
Due from other governmental funds	319	-	-	319
Inventories	4,528	-	-	4,528
Total Assets	<u>\$ 34,989</u>	<u>\$ 1,393</u>	<u>\$ 264,623</u>	<u>\$ 301,005</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,634	\$ -	\$ -	\$ 1,634
Accrued payroll and withholdings	9,163	-	-	9,163
Total Liabilities	<u>\$ 10,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,797</u>
Fund Balances				
Non-spendable:				
Used for inventories	\$ 4,528	\$ -	\$ -	\$ 4,528
Restricted:				
Sinking Fund	-	-	264,623	264,623
Food service	19,664	-	-	19,664
Debt service	-	1,393	-	1,393
Total Fund Balances	<u>\$ 24,192</u>	<u>\$ 1,393</u>	<u>\$ 264,623</u>	<u>\$ 290,208</u>
Total Liabilities and Fund Balances	<u>\$ 34,989</u>	<u>\$ 1,393</u>	<u>\$ 264,623</u>	<u>\$ 301,005</u>

RIVER VALLEY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2019

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Food Service Fund</u>	<u>2012 Debt Service Fund</u>	<u>Sinking Fund</u>	<u>Total Non-major Governmental Funds</u>
Revenues				
Property taxes	\$ -	\$ -	\$ 390,815	\$ 390,815
Local sources	75,558	-	-	75,558
State sources	12,681	-	-	12,681
Federal sources	218,486	46,240	-	264,726
Earnings on investments	-	52	3,996	4,048
Total Revenues	<u>\$ 306,725</u>	<u>\$ 46,292</u>	<u>\$ 394,811</u>	<u>\$ 747,828</u>
Expenditures				
Supporting services	\$ 335,685	\$ -	\$ -	\$ 335,685
Capital outlay	-	-	521,831	521,831
Debt service				
Principal	-	133,000	-	133,000
Interest	-	49,402	-	49,402
Total Expenditures	<u>\$ 335,685</u>	<u>\$ 182,402</u>	<u>\$ 521,831</u>	<u>\$ 1,039,918</u>
Deficiency of Revenues under Expenditures	<u>\$ (28,960)</u>	<u>\$ (136,110)</u>	<u>\$ (127,020)</u>	<u>\$ (292,090)</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ 10,000	\$ 136,500	\$ -	\$ 146,500
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 10,000</u>	<u>\$ 136,500</u>	<u>\$ -</u>	<u>\$ 146,500</u>
Net Change in Fund Balances	<u>\$ (18,960)</u>	<u>\$ 390</u>	<u>\$ (127,020)</u>	<u>\$ (145,590)</u>
Fund Balances - Beginning of year	<u>43,152</u>	<u>1,003</u>	<u>391,643</u>	<u>435,798</u>
Fund Balances - End of year	<u>\$ 24,192</u>	<u>\$ 1,393</u>	<u>\$ 264,623</u>	<u>\$ 290,208</u>

**MANAGEMENT COMPLIANCE
LETTER**



**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 of
River Valley School District
Three Oaks, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of River Valley School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise River Valley School District's basic financial statements and have issued our report thereon dated October 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered River Valley School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Valley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of River Valley 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**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***

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.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

St. Joseph, Michigan
October 15, 2019

SECTION I - STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No findings for the fiscal year ending June 30, 2018.

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings for the fiscal year ending June 30, 2019.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The District has spent under the \$750,000 threshold for federal expenditures and is not required to have a Single Audit under the Uniform Guidance.