

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2017



SCHULZE EDWARDS & OSWALD PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707

WOLVERINE COMMUNITY SCHOOLS

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**WOLVERINE COMMUNITY SCHOOLS
ADMINISTRATION BOARD LIST
JUNE 30, 2017**

ADMINISTRATION

**SUPERINTENDENT
PRINCIPAL**

**Joe Hart
Steve Seelye**

BOARD OF EDUCATION

PRESIDENT

Troy Nelson

VICE PRESIDENT

Garth Stafford

SECRETARY

Linda Poznanski

TREASURER

Doug Witcomb

TRUSTEE

Dave Ashenfelter

TRUSTEE

Marty Levernier

TRUSTEE

Eric Brado



INDEPENDENT AUDITORS' REPORT

Board of Education
Wolverine Community Schools
Wolverine, Michigan 49799

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 Wolverine Community Schools as of and for the year ended June 30, 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 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 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 Wolverine Community Schools, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability and reporting units contributions as disclosed 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 Wolverine Community School's basic financial statements. The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of Wolverine Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wolverine Community School's internal control over financial reporting and compliance.



Schulze Edwards & Oswald PC
Alpena, Michigan
August 31, 2017

As management of the Wolverine Community Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$2,429,036) (*net position*). Of this amount, (\$4,458,767) is unrestricted net position, \$1,812,474 is invested in capital assets (*net of related debt*) and \$63,609 is restricted for debt service and \$153,648 is restricted for capital projects.
- The District's total net position decreased by \$62,743.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$296,576, a decrease of \$38,765 in comparison with the prior year. Approximately 0%, or (\$472,055) is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was (\$472,055) or (15%) percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children. The District has no business-type activities as of and for the year ended June 30, 2017.

The district-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-30 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Wolverine Community Schools, liabilities exceeded its' assets by (\$2,429,036) at the close of the most recent fiscal year.

A portion of the District's net position, \$1,812,474, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 1,179,539	\$ 1,119,030
Capital Assets, Net	2,142,474	2,264,971
Total Assets	<u>3,322,013</u>	<u>3,384,001</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	24,153	32,259
Related to pensions	540,943	485,404
Total Deferred Outflows of Resources	<u>565,096</u>	<u>517,663</u>
Liabilities		
Current Liabilities	994,248	894,974
Long-term Liabilities	5,163,343	5,320,491
Total Liabilities	<u>6,157,591</u>	<u>6,215,465</u>
Deferred Inflows of Resources		
Related to pensions	158,554	52,492
Net Position		
invested in Capital Assets, Net of Related Debt	1,812,474	1,826,827
Restricted	217,257	171,742
Unrestricted	<u>(4,458,767)</u>	<u>(4,364,862)</u>
Total Net Position	<u>\$ (2,429,036)</u>	<u>\$ (2,366,293)</u>

An additional portion of the District's net position \$217,257 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$4,458,767).

The District's net position decreased by \$62,743 during the current fiscal year. Most of this increase is attributable to an excess of revenue, which increased from the prior year, over expenses that remained primarily flat. The District's blended enrollment was approximately 284 students.

District's Changes in Net Position

Governmental Activities	<u>2017</u>	<u>2016</u>
Revenue		
Program Revenue		
Charges for Services	\$ 42,597	\$ 50,929
Operating Grants and Contributions	575,837	583,987
General Revenue:		
Property Taxes	1,127,903	1,129,682
State School Aid	1,472,951	1,496,612
Interest and investment earnings	2,468	2,468
Other	115,693	106,321
Total Revenue	<u>3,337,449</u>	<u>3,369,999</u>
Expenses		
Instruction	2,103,707	1,893,296
Support Services	942,152	847,919
Food Service	187,195	197,222
Deferred refunding charges	8,106	8,106
Depreciation - unallocated	138,346	131,358
Interest on Long Term Debt	20,686	20,686
Total Expenses	<u>3,400,192</u>	<u>3,098,587</u>
Increase (Decrease) in Net Position	(62,743)	271,412
Net Position, Beginning of Year	(2,366,293)	(2,637,705)
Net Position, End of Year	\$ <u><u>(2,429,036)</u></u>	\$ <u><u>(2,366,293)</u></u>

Governmental activities. Governmental activities decreased the District's net position by \$62,743.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$296,576, a decrease of \$38,765 in comparison with the prior year. Approximately 0% of this total amount (\$472,055) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure. Committed *fund balance* of \$53,975 is for a future purchase.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was (\$472,055). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately (15%) and 3% respectively of total general fund expenditures.

The fund balance of the District's general fund decreased by \$84,280 during the current fiscal year. Revenues decreased \$8,966 and expenditures decreased by \$17,193 compared to the prior year.

The food service fund has a total fund balance of \$941, which is no change from the prior year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with revenues and expenses decreasing by less than 1% in total from beginning to final. The excess of expenditures over revenues budgetary figure was more than the actual results by \$77,448 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$2,142,474 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$15,849 and no disposals during the current fiscal year.

District's Capital Assets
(net of depreciation)

	2017	2016
Land Improvement	\$ 4,601	\$ 5,013
Buildings	2,031,513	2,134,328
Vehicles	56,932	72,807
Equipment	49,428	52,823
Total	\$ 2,142,474	\$ 2,264,971

Additional information on the District's capital assets can be found in note 5 of this report.

Long-term debt. The district currently has two items of long term debt: the 2005 bond issue \$330,000, and compensated absences \$34,998. Additional information on the District's long term debt can be found in Note 7 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2017-2018 fiscal year:

- The district will continue to experience an increase in operating expense for the upcoming school year due to increased labor costs, increased utility costs and general inflationary increases.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Wolverine Community Schools
Superintendent's Office
P.O. Box 219
Wolverine, MI 49799

**WOLVERINE COMMUNITY SCHOOLS
BASIC FINANCIAL STATEMENTS**

WOLVERINE COMMUNITY SCHOOLS
DISTRICT WIDE - STATEMENT OF NET POSITION
JUNE 30, 2017

<u>Assets</u>	<u>Governmental Activities</u>
Cash and investments	\$ 330,157
Accounts receivable	1,252
Due from governmental units	344,541
Inventory	7,153
Prepaid expense	496,458
Capital assets - net	2,142,474
Total assets	3,322,035
 <u>Deferred outflow of resources</u>	
Deferred charges on refunding	24,153
Related to pensions	540,943
Total deferred outflows	565,096
 <u>Liabilities</u>	
Accounts payable	17,651
Salaries payable	257,414
State Aid note payable	575,000
Accrued interest	3,141
Unearned revenue	32,898
Long-term liabilities	
Due within one year	108,144
Due in more than one year	256,854
Net pension liability	4,906,489
Total liabilities	6,157,591
 <u>Deferred inflows of resources</u>	
Related to pensions	158,554
 <u>Net Position</u>	
Invested in capital assets, net of related debt	1,812,474
Restricted for capital projects	153,648
Restricted for debt service	63,609
Unrestricted	(4,458,767)
Total Net Position	\$ (2,429,036)

See accompanying notes which are an integral part of the financial statements.

**WOLVERINE COMMUNITY SCHOOLS
DISTRICT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

		Program Revenues		Governmental Activities
Functions/programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 2,103,707	\$ -	\$ 423,908	\$ (1,679,799)
Support services	942,152	22,899	2,757	(916,496)
Food services	187,195	19,698	149,172	(18,325)
Interest on long term debt	20,686	-	-	(20,686)
Deferred charges on refunding	8,106	-	-	(8,106)
Depreciation - unallocated	138,346	-	-	(138,346)
Total Governmental Activities	\$ 3,400,192	\$ 42,597	\$ 575,837	(2,781,758)
General Revenues				
Taxes				
Property taxes, levied for general operations				975,318
Property taxes, levied for debt service				95,369
Property taxes, levied for capital projects				57,216
State of Michigan aid, unrestricted				1,472,951
Interest and investment earnings				2,468
Other				115,693
Total General Revenues				2,719,015
Change in Net Position				(62,743)
Net position - beginning of year as previously stated				(2,366,293)
Net position - end of year				\$ (2,429,036)

See accompanying notes which are an integral part of the financial statements.

WOLVERINE COMMUNITY SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>GENERAL</u>	<u>CAPITAL PROJECTS FUND</u>	<u>2005 DEBT SERVICE</u>	<u>NONMAJOR GOVERNMENTAL FOOD SERVICE FUND</u>	<u>TOTALS</u>
ASSETS					
Cash and investments	\$ 109,525	\$ 153,635	\$ 63,587	\$ 3,410	\$ 330,157
Accounts receivable	468	-	-	784	1,252
Due from other governmental units	335,517	-	-	9,002	344,519
Due from other funds	15,483	13	22	-	15,518
Inventory	-	-	-	7,153	7,153
Prepaid expense	496,458	-	-	-	496,458
Total Assets	<u>\$ 957,451</u>	<u>\$ 153,648</u>	<u>\$ 63,609</u>	<u>\$ 20,349</u>	<u>\$ 1,195,057</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 16,714	\$ -	\$ -	\$ 937	\$ 17,651
Accrued salaries and withholdings	254,426	-	-	2,988	257,414
State Aid note payable	575,000	-	-	-	575,000
Due to other funds	35	-	-	15,483	15,518
Unearned revenue	32,898	-	-	-	32,898
Total Liabilities	<u>879,073</u>	<u>-</u>	<u>-</u>	<u>19,408</u>	<u>898,481</u>
FUND BALANCES:					
Nonspendable - inventory	-	-	-	7,153	7,153
Nonspendable - prepaid expenses	496,458	-	-	-	496,458
Restricted for capital projects	-	153,648	-	-	153,648
Restricted for debt retirement	-	-	63,609	-	63,609
Restricted for food service	-	-	-	(6,212)	(6,212)
Committed	53,975	-	-	-	53,975
Assigned for subsequent year budget	-	-	-	-	-
Unassigned	(472,055)	-	-	-	(472,055)
Total Fund Balances	<u>78,378</u>	<u>153,648</u>	<u>63,609</u>	<u>941</u>	<u>296,576</u>
Total Liabilities and Fund Balances	<u>\$ 957,451</u>	<u>\$ 153,648</u>	<u>\$ 63,609</u>	<u>\$ 20,349</u>	<u>\$ 1,195,057</u>

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

Total Governmental Fund Balances	\$ 296,576
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	
The cost of capital assets is	6,128,053
Accumulated depreciation is	(3,985,579)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the government funds:	
Deferred charges on refunding	24,153
Related to pensions	540,943
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(330,000)
Capitalized lease	-
Compensated absences	(34,998)
Net pension liability	(4,906,489)
Accrued interest is not included as a liability in governmental funds	
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:	(3,141)
Related to pensions	(158,554)
Net Position of Governmental Activities	<u>\$ (2,429,036)</u>

See accompanying notes which are an integral part of the financial statements.

WOLVERINE COMMUNITY SCHOOLS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	CAPITAL PROJECTS FUND	2005 DEBT SERVICE	NONMAJOR GOVERNMENTAL FOOD SERVICE FUND	TOTALS
REVENUES:					
Local sources	\$ 1,031,776	\$ 58,222	\$ 96,877	\$ 19,699	\$ 1,206,574
State sources	1,675,026	-	-	17,959	1,692,985
Federal sources	224,589	-	-	131,213	355,802
Interdistrict sources	82,088	-	-	-	82,088
Total Revenues	<u>3,013,479</u>	<u>58,222</u>	<u>96,877</u>	<u>168,871</u>	<u>3,337,449</u>
EXPENDITURES:					
Current:					
Instruction	2,056,741	-	-	-	2,056,741
Support services	951,299	48	-	187,195	1,138,542
Debt service	-	-	98,112	-	98,112
Capital outlay	29,529	11,424	-	-	40,953
Intergovernmental payments	41,866	-	-	-	41,866
Total Expenditures	<u>3,079,435</u>	<u>11,472</u>	<u>98,112</u>	<u>187,195</u>	<u>3,376,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65,956)</u>	<u>46,750</u>	<u>(1,235)</u>	<u>(18,324)</u>	<u>(38,765)</u>
OTHER FINANCING SOURCES (USES):					
Capitalized lease proceeds	-	-	-	-	-
Operating transfers in (out)	(18,324)	-	-	18,324	-
Total Other Financing Sources (Uses)	<u>(18,324)</u>	<u>-</u>	<u>-</u>	<u>18,324</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(84,280)</u>	<u>46,750</u>	<u>(1,235)</u>	<u>-</u>	<u>(38,765)</u>
FUND BALANCES - Beginning of year	<u>162,658</u>	<u>106,898</u>	<u>64,844</u>	<u>941</u>	<u>335,341</u>
FUND BALANCES - End of year	<u>\$ 78,378</u>	<u>\$ 153,648</u>	<u>\$ 63,609</u>	<u>\$ 941</u>	<u>\$ 296,576</u>

See accompanying notes which are an integral part of the financial statements.

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

Net Change in Fund Balances - Total Governmental Funds \$ (38,765)

Amounts reported for governmental activities are different because:

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

Depreciation expense	\$	(138,346)	
Capital Outlay		15,849	
			(122,497)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid			1,186
---	--	--	-------

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)			80,000
Repayment of capitalized lease principal			28,144

(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds			(2,487)
--	--	--	---------

Government funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities			
Amortization of deferred charges			(8,106)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds			
Pension related items			(218)

Change in Net Position of Governmental Activities \$ (62,743)

See accompanying notes which are an integral part of the financial statements.

WOLVERINE COMMUNITY SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	<u>2017</u>
<u>ASSETS</u>	
Cash	\$ 41,856
Investments	<u>-</u>
Total Assets	<u>\$ 41,856</u>
 <u>LIABILITIES & NET POSITION</u>	
Liabilities:	
Deposits held for others	\$ <u>41,856</u>
Net Position:	
Restricted for endowment	-
Restricted for scholarships	<u>-</u>
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 41,856</u>

See accompanying notes which are an integral part of the financial statements.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Wolverine Community Schools ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant 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 District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in 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 government-wide financial statements.

Fund Based Statements - Government 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 District 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 the payment is due.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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 the cash is received by the District.

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 Capital Projects Fund is used to record bond proceeds or other revenue and expenditures related to invoices specifically designated for constructing new facilities, renovating and improving existing facilities. The fund operates until the purpose for which it was created is accomplished.

The 2005 Debt Service Fund is used to record tax, interest and other revenue for the payment of principal, interest, and the payment of principal, interest, and other expenditures of the 2005 bond issue.

Additionally, the District reports the following fund types:

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

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund. The School Service Fund maintained by the District is the Food 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 government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

The District also maintains scholarship funds as non-expendable trust funds.

ASSETS, LIABILITIES 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." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2016 taxable value of the District was \$42,467,923 principal residence and \$53,463,176 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead, 1.0000 mills debt service purposes, and .6000 mills for capital projects purposes on all property for 2016.

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

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The District is an out of formula district and does not receive and revenue from the state foundation allowance.

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

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the General Fund and the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$2,000 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 extend the 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	8 years
Furniture and other equipment	5-20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - Governmental fund equity is classified as fund balance. Government fund report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

WOLVERINE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

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

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow 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 or expenditure) until then. The District has two items that qualify for reporting in this category. The first is deferred charges on refunding of bonds which represents the difference in the carrying value of the refunded debt and its reacquisition price with this amount deferred and amortized over the life of the refunded bonds. The second is the pension contributions reported in the government-wide statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

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

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditures in excess of the amended budget as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Basic programs	\$ 1,532,353	\$ 1,544,040	\$ (11,687)
School administration	215,605	217,573	(1,968)
Business	121,737	135,583	(13,846)
Transportation	153,109	187,997	(34,888)
Other	\$ 55,650	\$ 111,948	\$ (56,298)

WOLVERINE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Funds	District Total
Cash and investments	\$ 330,157	\$ 41,856	\$ 372,013
Total	\$ 330,157	\$ 41,856	\$ 372,013

The breakdown between deposits and investments for the District is as follows:

Deposits (checking, savings)	\$ 371,913
Investment Pool Michigan Liquid Asset Fund)	-
	\$ 371,913

The total of cash and investments on the Statement of Net Position includes petty cash of \$100.

As of June 30, 2017 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ -	31 days

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 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 (NRSROs). As of June 30, 2017 the District did not have any investments in commercial paper or corporate bonds.

Concentration of credit risk

The District will minimize the 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 portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2017 the District's investments were in a pooled investment fund.

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. At June 30, 2017, \$63,343 of the District's bank balance of \$382,275 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$371,613.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2017. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk

The District is not authorized to invest in investments which have this type of risk.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	2005 Debt Service Fund	Nonmajor and Other Funds	Total
Receivables:				
Accounts receivable	\$ 468	\$ -	\$ 784	\$ 1,252
Intergovernmental	335,517	22	9,002	344,541
 Total receivables	 \$ 335,985	 \$ 22	 \$ 9,786	 \$ 345,793

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	Unearned
Grants and categorical aid payment not considered available	\$ 32,898
Payments received prior to meeting all eligibility requirements:	
Other	-
Totals	\$ 32,898
 Total unearned revenue	 \$ 32,898

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets being depreciated:				
Land improvements	\$ 1,150,010	\$ -	\$ -	\$ 1,150,010
Buildings & improvements	4,293,683	11,424	-	4,305,107
Buses & vehicles	365,316	-	-	365,316
Furniture & equipment	303,195	4,425	-	307,620
Subtotal	<u>6,112,204</u>	<u>15,849</u>	<u>-</u>	<u>6,128,053</u>
<u>Accumulated Depreciation</u>				
Land improvements	1,144,997	412	-	1,145,409
Buildings & improvements	2,159,355	114,239	-	2,273,594
Buses & vehicles	292,509	15,875	-	308,384
Furniture & equipment	250,372	7,820	-	258,192
Subtotal	<u>3,847,233</u>	<u>138,346</u>	<u>-</u>	<u>3,985,579</u>
Net capital assets being depreciated	<u>2,264,971</u>	<u>(122,497)</u>	<u>-</u>	<u>2,142,474</u>
Governmental Activities				
Total Capital Assets net of Depreciation	\$ <u>2,264,971</u>	\$ <u>(122,497)</u>	\$ <u>-</u>	\$ <u>2,142,474</u>

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

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 15,483	Nonmajor Governmental	\$ 15,483
Total	<u>\$ 15,483</u>	Total	<u>\$ 15,483</u>

The above interfund balances are the result of routine interfund activity during the year. The balances are expected to be paid during the fiscal year ended June 30, 2017.

<u>Transfer In</u>		<u>Transfer Out</u>	
Nonmajor Governmental	<u>\$ 18,324</u>	General Fund	<u>\$ 18,324</u>

**WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT

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

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2005 Issue	\$ 410,000	\$ (80,000)	\$ 330,000	\$ 80,000
Capitalized lease	28,144	(28,144)	-	28,144
Compensated absences	32,511	2,487	34,998	-
Deferred charges-refunding	(32,259)	8,106	(24,153)	-
Total Governmental Activities	\$ 438,396	\$ (97,551)	\$ 340,845	\$ 108,144

Future payments on the capitalized lease which was for a bus purchase are as follows:

	<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Annual payments of \$28,829 including interest of 2.45%	2017	\$ 28,144	\$ 685	\$ 28,829
	Total	\$ 28,144	\$ 685	\$ 28,829

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 80,000	\$ 14,030	\$ 94,030
2019	80,000	10,670	90,670
2020	85,000	7,310	92,310
2021	85,000	3,655	88,655
Total	\$ 330,000	\$ 35,665	\$ 365,665

General Obligation Bonds payable at June 30, 2017 are comprised of the following issue:

General obligation bonds:

2005 serial bonds due in annual installments ranging from \$75,000 to \$170,000 through May 1, 2021; interest at rates ranging from 3.50% to 4.30%.

	\$ 330,000
Total bonds	\$ 330,000

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

NOTE 9 - SHORT-TERM DEBT

During the year, the District financed certain of its operations through the issuance of a State aid anticipation note. The note was issued with terms of less than one year, and accordingly are recorded as liabilities of the respective fund from which it was issued.

Changes in short-term state aid notes for the year ended June 30, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Aid Note	\$ 450,000	\$ 575,000	\$ (450,000)	\$ 575,000

On August 21, 2016 the District borrowed \$575,000 in the form of a State Aid anticipation notes which carry interest rates of 1.27% (\$400,000) and 1.49% (\$175,000) and are due August 21, 2017.

The State aid anticipation note is due August 22, 2018.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN

Plan Description

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

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

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

Benefits Provided

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

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

Contributions and Funded Status

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

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

**WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 10 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS)
PENSION PLAN (continued)**

<u>Benefit Structure</u>	<u>Pension Contribution Rates Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.95 - 22.60%
Member Investment Plan (MIP)	3.0 - 7.0%	18.95 - 22.60%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.00%	14.56 - 17.73%

Required contributions to the pension plan from Wolverine Community Schools were \$441,609 for the year ended September 30, 2016.

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

At June 30, 2017, Wolverine Community Schools reported a liability of \$4,906,489 for its proportionate share of MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. Wolverine Community Schools' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, Wolverine Community Schools' proportion was .01967% an increase of .0006 percent from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, Wolverine Community Schools recognized pension expense of \$425,805. At June 30, 2017, Wolverine Community Schools reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,148	\$ 11,629
Changes of assumptions	76,709	-
Net difference between projected and actual earnings on pension plan investments	81,546	-
Changes in proportion and differences between Districts and proportionate share of contributions	2,973	146,925
District's contributions subsequent to the measurement date*	<u>318,567</u>	<u>-</u>
Total	<u>\$ 540,943</u>	<u>\$ 158,554</u>

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 10 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS)
PENSION PLAN (continued)**

\$540,943 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future Pension Expenses)

<u>Year Ending September 30</u>	<u>Amount</u>
2017	\$ (3,206)
2018	(9,619)
2019	78,614
2020	\$ (1,967)

Actuarial Assumptions

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

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPERS) PENSION PLAN (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate of Return:	3.5%
- MIP and Basis Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

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

Notes: Assumption changes as a result of an experience study for periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is as follows:

University employers: 1.2456

Non-university employers: 4.6273

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2016 MPERS CAFR (www.michigan.gov/mpers-cafr)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimated of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
Total	100.0%	

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

**WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - GENERAL INFORMATION ABOUT THE MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION PLAN (continued)

Discount Rate

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

Sensitivity of Wolverine Community Schools' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents Wolverine Community Schools' proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what Boyne Falls Public Schools' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase 9.0%
District's proportionate share of the net pension liability	\$6,318,322	\$4,906,489	\$3,716,177

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

Detailed information about the pension plan's fiduciary net position is available in the separately issues MPSERS CAFR. See the 2016 MPSERS CAFR.

(http://www.michigan.gov/documents/orsschools/MPSERS_CAFR_2016_FINAL_550678_7.pdf)

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code.

By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven university are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven university on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan comprehensive Annual Financial Report.

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

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS (continued)

The following chart depicts the possible combinations under the revised system for all members:

Status	E'ee	Type	Plan Combination:		Employee Contributions:				Employer Contributions:		
			Pension	Health	DB Pension	PHF	HCC	DC Pension	DB Pension	PHF	DC Pension
Closed	Basic	DB	Basic	Subsidy	0.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	Basic	DB	Basic	PHF	0.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	Basic	DB	Basic 4%	Subsidy	4.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	Basic	DB	Basic 4%	PHF	4.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	Basic	DC	DC Conv	Subsidy	N/A	N/A	3.0%	0.00%	21.47%	N/A	4.00%
Closed	Basic	DC	DC Conv	PHF	N/A	2.00%	N/A	0.00%	20.96%	2.00%	4.00%
Closed	MIP	DB	Fixed	Subsidy	3.90%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	Fixed	PHF	3.90%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Graded	Subsidy	3-4.30%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	Graded	PHF	3-4.30%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	Plus	Subsidy	3-6.40%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	Plus	PHF	3-6.40%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DB	MIP 7%	Subsidy	7.00%	N/A	3.0%	N/A	25.78%	N/A	N/A
Closed	MIP	DB	MIP 7%	PHF	7.00%	2.00%	N/A	N/A	25.27%	2.00%	N/A
Closed	MIP	DC	DC Conv	Subsidy	N/A	N/A	3.0%	0.00%	21.47%	N/A	4.00%
Closed	MIP	DC	DC Conv	PHF	N/A	2.00%	N/A	0.00%	20.96%	2.00%	4.00%
Closed	Pnsn + Hybrid		Pnsn +	Subsidy	3-6.40%	N/A	3.0%	2.00%	24.70%	N/A	1.00%
Closed	Pnsn + Hybrid		Pnsn +	PHF	3-6.40%	2.00%	N/A	2.00%	24.19%	2.00%	1.00%
Closed	DC	DC	DC	PHF	N/A	2.00%	N/A	6.00%	20.96%	2.00%	3.00%

NOTE 12 - CONTINGENCIES

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

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

NOTE 13 - CAPITAL PROJECTS FUND

The Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the Wolverine Community Schools has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

REQUIRED SUPPLEMENTAL INFORMATION

WOLVERINE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2017 Original	2017 Final		
REVENUES				
Local sources	\$ 1,030,517	\$ 1,030,517	\$ 1,031,776	\$ 1,259
State sources	1,779,832	1,764,934	1,675,026	(89,908)
Federal sources	212,104	221,833	224,589	2,756
Interdistrict sources	82,000	82,000	82,088	88
Total Revenues	<u>3,104,453</u>	<u>3,099,284</u>	<u>3,013,479</u>	<u>(85,805)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,527,273	1,532,353	1,544,040	(11,687)
Added needs	560,851	556,600	512,701	43,899
Support services:				
Instructional staff	400	400	130	270
General administration	113,615	114,345	111,853	2,492
School administration	233,968	215,605	217,573	(1,968)
Business	121,617	121,737	135,583	(13,846)
Operation & maintenance	239,437	228,487	215,744	12,743
Transportation	176,989	153,109	187,997	(34,888)
Other	55,650	55,650	111,948	(56,298)
Debt service	28,830	28,830	-	28,830
Intergovernmental	28,000	33,000	41,866	(8,866)
Total Expenditures	<u>3,086,630</u>	<u>3,040,116</u>	<u>3,079,435</u>	<u>(39,319)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	(49,000)	(66,000)	(18,324)	47,676
Total Other Financing Sources (Uses)	<u>(49,000)</u>	<u>(66,000)</u>	<u>(18,324)</u>	<u>47,676</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(31,177)	(6,832)	(84,280)	(77,448)
Budgetary fund balance - July 1, 2016	<u>162,658</u>	<u>162,658</u>	<u>162,658</u>	<u>-</u>
Budgetary fund balance - June 30, 2017	<u>\$ 131,481</u>	<u>\$ 155,826</u>	<u>\$ 78,378</u>	<u>\$ (77,448)</u>

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01967%	0.02030%	0.02049%
Reporting unit's proportionate share of net pension liability	\$ 4,906,489	\$ 4,957,980	\$ 4,513,746
Reporting unit's covered-employee payroll	\$ 1,581,768	\$ 1,591,864	\$ 1,523,544
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	310.19%	311.46%	296.27%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.15%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 441,609	\$ 412,991	\$ 439,208
Contributions in relation to statutorily required contributions*	<u>(402,337)</u>	<u>(412,991)</u>	<u>(439,208)</u>
Contribution deficiency (excess)	<u>\$ 39,272</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,581,768	\$ 1,591,864	\$ 1,771,031
Contribution as a percentage of covered-employee payroll	27.92%	25.94%	24.80%

*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

See notes to financial statements.

**WOLVERINE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes in benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

See notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
COMPARATIVE DETAILS OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2017
With Comparative totals for June 30, 2016

	2017	2016
REVENUES		
Local Sources:		
Property taxes	\$ 975,318	\$ 977,097
Earnings on investments	2,849	2,198
Other local revenue	53,609	51,456
Total Local Sources	1,031,776	1,030,751
State Sources:		
Unrestricted:		
State Aid	1,472,951	1,496,612
Restricted:		
At Risk	130,744	123,831
Special education	62,479	74,292
Class size implementation	-	-
Other grants	8,852	4,478
Total State Sources	1,675,026	1,699,213
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	-	8,562
Received through State:		
Title I	195,779	165,912
Title II	26,053	26,723
Other	-	-
Received through ISD:		
Other	2,757	2,544
Total Federal Sources	224,589	203,741
Interdistrict Sources:		
Special Education millage	82,088	88,740
Other	-	-
Total Interdistrict Sources	82,088	88,740
TOTAL REVENUES	3,013,479	3,022,445
Other Financing Sources		
Capitalized lease proceeds	-	-
TOTAL OTHER FINANCING SOURCES	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 3,013,479	\$ 3,022,445

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2017
With Comparative totals for June 30, 2016

	2017	2016
INSTRUCTION:		
Basic Programs:		
Elementary		
Salaries	\$ 516,270	\$ 497,474
Employee Benefits	337,636	339,226
Purchased Services	7,495	10,669
Supplies & Materials	17,202	13,455
Capital Outlay	-	-
Other Expenses	109	119
Total Elementary	878,712	860,943
Middle School:		
Salaries	137,352	128,939
Employee Benefits	88,778	86,210
Purchased Services	1,105	1,855
Supplies & Materials	1,000	1,057
Capital Outlay	-	-
Other Expenses	-	-
Total Middle School	228,235	218,061
High School:		
Salaries	255,038	268,566
Employee Benefits	149,745	160,680
Purchased Services	25,578	30,215
Supplies & Materials	6,624	6,917
Capital Outlay	-	-
Other Expenses	108	120
Total High School	437,093	466,498
TOTAL BASIC PROGRAMS	1,544,040	1,545,502
Added Needs:		
Special Education		
Salaries	98,950	112,860
Employee Benefits	65,023	73,628
Purchased Services	1,726	2,476
Supplies & Materials	1,084	417
Other Expenses	-	-
Total Special Education	\$ 166,783	\$ 189,381

See notes to financial statements.

(CONTINUED)

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017
With Comparative totals for June 30, 2016

	2017	2016
INSTRUCTION:		
Added Needs:		
Compensatory Education:		
Salaries	\$ 230,056	\$ 230,721
Employee Benefits	75,840	82,581
Purchased Services	35,729	34,580
Supplies & Materials	2,453	11,614
Other Expenses	1,840	2,120
Total Compensatory Education	345,918	361,616
TOTAL ADDED NEEDS	512,701	550,997
TOTAL INSTRUCTION	2,056,741	2,096,499
SUPPORTING SERVICES:		
INSTRUCTIONAL STAFF:		
Library:		
Supplies & Materials	130	298
Other Expenses	-	-
Total Library	130	298
TOTAL INSTRUCTIONAL STAFF	\$ 130	\$ 298

See notes to financial statements.

(CONTINUED)

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017
With Comparative totals for June 30, 2016

	2017	2016
SUPPORTING SERVICES:		
GENERAL ADMINISTRATION:		
Board of Education:		
Salaries	\$ 7,520	\$ 7,920
Purchased Services	15,234	13,242
Supplies & Materials	2,269	-
Other Expenses	1,965	1,427
Total Board of Education	26,988	22,589
Executive Administration:		
Salaries	53,597	48,901
Employee Benefits	30,038	30,091
Purchased Services	1,200	1,200
Supplies & Materials	30	-
Other Expenses	-	-
Total Executive Administration	84,865	80,192
TOTAL GENERAL ADMINISTRATION	111,853	102,781
SCHOOL ADMINISTRATION:		
Salaries	125,979	134,622
Employee Benefits	88,001	95,301
Purchased Services	228	94
Supplies & Materials	3,365	1,524
Other Expenses	-	51
TOTAL SCHOOL ADMINISTRATION	217,573	231,592
BUSINESS:		
Fiscal Services:		
Salaries	70,906	66,211
Employee Benefits	41,451	41,612
Purchased Services	4,879	7,753
Supplies & Materials	341	380
Capital Outlay	-	-
Other Expenses	2,050	1,559
Total Fiscal Services	\$ 119,627	\$ 117,515

See notes to financial statements.

(CONTINUED)

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017
With Comparative totals for June 30, 2016

	2017	2016
SUPPORTING SERVICES:		
BUSINESS:		
Other Business Services:		
Purchased Services	\$ 3,304	\$ 3,374
Interest Expense	2,168	1,261
Supplies & Materials	-	-
Capital Outlay	-	-
Other Expenses	10,484	5,526
Total Other Business Services	<u>15,956</u>	<u>10,161</u>
TOTAL BUSINESS	<u>135,583</u>	<u>127,676</u>
OPERATION & MAINTENANCE:		
Salaries	-	3,483
Employee Benefits	-	1,568
Purchased Services	131,553	136,747
Supplies & Materials	84,189	89,599
Capital Outlay	-	-
Other Expenses	2	29
TOTAL OPERATION & MAINTENANCE	<u>215,744</u>	<u>231,426</u>
PUPIL TRANSPORTATION		
Salaries	55,843	67,127
Employee Benefits	27,526	31,581
Purchased Services	25,521	27,845
Supplies & Materials	45,987	27,619
Capital outlay	29,529	-
Other Expenses	3,591	1,248
TOTAL PUPIL TRANSPORTATION	<u>187,997</u>	<u>155,420</u>
NON-INSTRUCTIONAL TECHNOLOGY:		
Salaries	-	-
Employee Benefits	-	-
Purchased Services	40,115	22,592
Capital Outlay	-	-
Supplies & Materials	13,361	5,016
TOTAL NON-INSTRUCTIONAL TECHNOLOGY	<u>53,476</u>	<u>27,608</u>
OTHER SUPPORT SERVICES		
Athletics:		
Salaries	29,841	31,902
Employee Benefits	14,118	15,185
Purchased Services	9,193	13,616
Supplies & Materials	2,749	2,364
Other Expenses	2,571	6,531
TOTAL OTHER SUPPORT SERVICES	<u>58,472</u>	<u>69,598</u>
TOTAL SUPPORTING SERVICES	<u>\$ 980,828</u>	<u>\$ 946,399</u>

See notes to financial statements.

(CONTINUED)

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017
With Comparative totals for June 30, 2016

	2017	2016
DEBT SERVICE		
Principal	\$ -	\$ 27,467
Interest	-	1,362
Total Debt Service	-	28,829
INTERGOVERNMENTAL EXPENDITURES	41,866	24,901
TOTAL CURRENT OPERATING EXPENDITURES	3,079,435	3,096,628
OTHER FINANCING USES:		
Operating Transfers:		
Athletics	-	-
Food Service Fund	18,324	2,500
Total Other Financing Uses	18,324	2,500
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 3,097,759	\$ 3,099,128

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
TRUST AND AGENCY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017
With Comparative totals for June 30, 2016

	<u>Non-Expendable Trust Funds</u>				<u>Totals</u>	
	<u>Clough Trust</u>	<u>Sanford Trust</u>	<u>Burr Trust</u>	<u>Agency Funds</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>						
Cash	\$ -	\$ -	\$ -	\$ 41,856	\$ 41,856	\$ 30,400
Investments	-	-	-	-	-	13,395
Total Assets	\$ -	\$ -	\$ -	\$ 41,856	\$ 41,856	\$ 43,795
<u>LIABILITIES AND NET POSITION</u>						
Liabilities:						
Deposits held for others	\$ -	\$ -	\$ -	\$ 41,856	\$ 41,856	\$ 30,400
Net Position:						
Restricted for endowment	-	-	-	-	-	12,250
Restricted for scholarships	-	-	-	-	-	1,143
Total Net Position	-	-	-	-	-	13,393
Total Liabilities and Net Position	\$ -	\$ -	\$ -	\$ 41,856	\$ 41,856	\$ 43,793

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
NON-EXPENDABLE TRUST FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
 With Comparative totals for the year ended June 30, 2016

	Clough Trust	Sanford Trust	Burr Trust	Totals	
				2017	2016
REVENUES					
Interest	\$ 7	\$ 2	\$ -	\$ 9	\$ 2
EXPENSES					
Scholarships	-	-	-	-	-
NET EARNINGS	7	2	-	9	2
CAPITAL CONTRIBUTIONS	-	-	-	-	-
TRANSFERS IN (OUT)	(7,422)	(5,894)	(88)	(13,404)	-
RETAINED EARNINGS - Beginning of Year	7,415	5,892	88	13,395	13,393
RETAINED EARNINGS - End of Year	\$ -	\$ -	\$ -	\$ -	\$ 13,395

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
NON-EXPENDABLE TRUST FUNDS
COMBINING SCHEDULES OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

With Comparative totals for the year ended June 30, 2016

	Clough Trust	Sanford Trust	Burr Trust	Totals	
				2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (Loss)	\$ 7	\$ 2	\$ 1	\$ 10	\$ 2
Adjustments to reconcile net income to net cash flows from operating activities					
Interest income	(7)	(2)	-	(9)	(2)
Net cash used by operating activities	-	-	1	1	-
CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES					
Capital contributions received	-	-	-	-	-
Capital transferred out	(7,422)	(5,893)	(89)	(13,404)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	7	2	-	9	2
NET INCREASE (DECREASE) IN CASH	(7,415)	(5,891)	(88)	(13,394)	2
CASH - Beginning of year	7,415	5,891	88	13,394	13,391
CASH - End of year	\$ -	\$ -	\$ -	\$ -	\$ 13,393

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
ALL AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<u>ASSETS</u>				
Cash	\$ <u>30,400</u>	\$ <u>115,112</u>	\$ <u>103,656</u>	\$ <u>41,856</u>
	\$ <u><u>30,400</u></u>	\$ <u><u>115,112</u></u>	\$ <u><u>103,656</u></u>	\$ <u><u>41,856</u></u>
 <u>LIABILITIES</u>				
Due to student groups	\$ <u>30,400</u>	\$ <u>115,112</u>	\$ <u>103,656</u>	\$ <u>41,856</u>
	\$ <u><u>30,400</u></u>	\$ <u><u>115,112</u></u>	\$ <u><u>103,656</u></u>	\$ <u><u>41,856</u></u>

See notes to financial statements.

WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
TRUST AND AGENCY FUND - SCHOOL ACTIVITIES
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2017

	Balances July 1, 2016	Revenues	Expenditures	Balances June 30, 2017
Alumni	\$ 3,867	\$ -	\$ -	\$ 3,867
Archery Fund	721	1,575	939	1,357
Athletics: Cross Country	2,651	2,051	2,471	2,231
Athletics: Weight Equipment	(7,093)	326	-	(6,767)
Art Prize	(367)	192	-	(175)
Band	31	944	984	(9)
Baseball	-	2,699	1,588	1,111
Boosters	5,427	11,875	11,068	6,234
Box Tops for Education	830	-	-	830
Boy's Basketball	1,262	1,045	1,747	560
Burrows Family Scholarship	-	500	-	500
C.O.A.T.S.	1,749	18	1,424	343
Camp	307	990	1,235	62
Chicago	724	6,978	7,748	(46)
Christ Child After School Prog.	1,654	-	-	1,654
Christ Child Clothing Fund	113	-	-	113
Class of: 2022	-	178	-	178
2021	-	63	-	63
2020	-	469	220	249
2019	445	323	32	736
2018	1,345	1,125	1,148	1,322
2017	1,345	31	1,236	140
2016	51	-	56	(5)
Due to Food Service	-	784	-	784
Elementary Art Fund	1,310	1,360	294	2,376
Elementary Fundraiser	1,578	5,692	5,212	2,058
Elementary Principal's Fund	-	2,103	1,927	176
Elementary PTO	2,407	4,003	1,970	4,440
Elem./Middle School Library	698	-	-	698
Employee Jean Day Fund	248	50	-	298
Flower Collection Fund	2	-	-	2
French Club	180	-	-	180
General	(2,444)	26,715	23,514	757
Girl's Basketball	732	891	1,606	17
Golf	586	490	970	106
Greenfield Village	1,634	15,313	11,710	5,237
HS/MS Employee Jean Money	242	84	56	270
Jr. High Girls Basketball	75	255	210	120
Kinesthetic	600	-	600	-
Lansing Trip	(110)	4,180	3,532	538
Lounge Grant	500	-	157	343
MS/HS School Improvement	487	-	-	487
National Honor Society	233	2,337	2,479	91
Odessey of the Mind	573	1,090	1,141	522
Pit Crew	-	996	922	74
Recycling	57	-	-	57
School Forest	2,608	-	-	2,608
School Improvement	2,204	445	367	2,282
Security	250	-	-	250
Softball Fundraiser	27	1,280	2,561	(1,254)
Sound System	384	-	-	384
Student Council - HS	721	370	-	1,091
Student Council - MS	939	1,165	738	1,366
Swimming	736	-	-	736
Wager School Store	-	281	-	281
Volleyball Fundraiser	(81)	579	516	(18)
Yearbook	(2,400)	9,767	9,790	(2,423)
Young Family Grant	362	3,500	1,488	2,374
Total	\$ 30,400	\$ 115,112	\$ 103,656	\$ 41,856

See notes to financial statements.

**WOLVERINE COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2017**

DATE OF ISSUE - MARCH 30, 2005

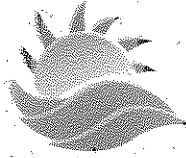
Original amount of issue - \$ 1,905,000

Purpose of issue - Refunding of certain prior outstanding obligations (1993 bonds and 1995 bonds) of the Wolverine Community Schools.

Early Redemption - Bonds maturing in the years 2015 through 2021 inclusive are subject to redemption prior to maturity, at the option of the school district, in such order as the School District may determine and by lot within any maturity, on the first day of any month on or after May 1, 2014, at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi - annual Interest Payments		Annual Maturity	Total Fiscal Year Requirements
		Nov 1	May 1	May 1	
4.20%	2017-18	\$ 7,015	\$ 7,015	\$ 80,000	\$ 94,030
4.20%	2018-19	5,335	5,335	80,000	90,670
4.30%	2019-20	3,655	3,655	85,000	92,310
4.30%	2020-21	1,828	1,827	85,000	88,655
		<u>\$ 17,833</u>	<u>\$ 17,832</u>	<u>\$ 330,000</u>	<u>\$ 365,665</u>

See notes to financial statements.



AUDIT COMMUNICATIONS

August 31, 2017

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wolverine Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives.

Net pension liability.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed audit adjustments which were approved by Management and are included in the audited financial statements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 31, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedules and Schedules of Net Pension Liability and Pension Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with Management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Recent Pronouncements

The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Wolverine Community Schools maintains its financial records:

- A. Summary of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.** The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures. For defined benefit OPEB, this Statement identifies the method and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

This statement is effective for the fiscal year beginning after June 16, 2017.

- B. Federal Awards Programs.** Changes have been made to compliance requirements that must be followed by non-federal entities receiving federal funding. The threshold for a federal awards audit requirement has increased from \$500,000 in annual federal spending to \$750,000. There have also been changes in cash management of federal funds, monitoring of sub-recipients, and maintenance of written procedures and policies. The new Uniform Guidance requires certain written board policies and procedures in certain areas that effect federal funds and their administration. The School District must implement these written procedures not later than July 1, 2017. Failure to have written policies in place could exclude the School from future federal grants.

Other Matters

Early Warning Indicators. Early Warning Legislation was enacted July 7, 2015 to address districts with early warning indicators of financial stress. This legislation included five legislative bills that address any district with a general fund balance of less than 5% of the general fund revenue in either of the two most recent fiscal years. These schools are required to send budgetary assumptions to the Center for Educational Performance and Information (CEPI). The MDE and Department of Treasury analyze and review this information in an effort to make determinations of potential financial stress. The Office of State Aid and School Finance worked collaboratively with the Department of Treasury to help those districts identified as being financial stress either through an administrative review conducted by the school district's ISD or through increased reporting to the Department of Treasury. The goal is to prevent districts from going into a budget deficit.


As of June 30, 2017, Wolverine Community Schools maintained a general fund balance of approximately 3% of general fund revenues.

Uniform Budgeting and Accounting Act (UBAA). The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the School District shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

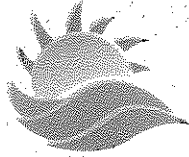
Restriction on Use

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

Very truly yours,



Schulze Edwards & Oswald PC
Certified Public Accountants



INDEPENDENT AUDITORS' 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

Board of Education
Wolverine Community Schools
Wolverine, Michigan 49799

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 the Wolverine Community Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wolverine Community Schools basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wolverine Community School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Wolverine Community School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 result 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.

Schulze Edwards & Oswald PC

Schulze Edwards & Oswald PC
Alpena, Michigan
August 31, 2017