

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2016

WOLVERINE COMMUNITY SCHOOLS

JUNE 30, 2016

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WOLVERINE COMMUNITY SCHOOLS

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ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Wolverine Community Schools
Wolverine , Michigan 49799

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities , each major fund, and the aggregate remaining fund information of Wolverine Community Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free fromf 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 opinion. An audit also includes evaluating the appropriateness of accounting polices 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 reasonable 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, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Education
Wolverine Community Schools
Wolverine , Michigan 49799

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 8 and pages 30 through 33 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 Schools' basic financial statements. The comparative schedules of revenues and expenditures and other financing uses, combining statements, 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 expenditures and other financing uses, combining statements 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 October 20, 2016, on our consideration of Wolverine Community Schools' 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 Schools' internal control over financial reporting and compliance.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
October 27, 2016

Management's Discussion and Analysis

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, 2016.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$2,366,293) (*net position*). Of this amount, is (\$4,364,862) (*unrestricted net position*), \$1,826,827 is invested in capital assets (*net of related debt*), \$64,844 is restricted for debt service and \$106,898 is restricted for capital projects.
- The District's total net position increased by \$271,412.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$335,341, a decrease of \$31,198 in comparison with the prior year. Approximately 0%, or (\$640,736) 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 (\$640,736) or (21%) 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, 2016.

The government-wide financial statements can be found on pages 9-10 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 11-12 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 14 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 15-29 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 (\$2,366,293) at the close of the most recent fiscal year.

A portion of the District’s net position, \$1,826,827, 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

	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$ 1,119,030	\$ 1,116,249
Capital Assets, Net	2,264,971	2,390,343
Total Assets	<u>3,384,001</u>	<u>3,506,592</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	32,259	40,365
Related to pensions	485,404	166,548
Total Deferred Outflows of Resources	<u>517,663</u>	<u>206,913</u>
Liabilities		
Current Liabilities	894,974	861,504
Long-term Liabilities	5,320,491	4,990,710
Total Liabilities	<u>6,215,465</u>	<u>5,852,214</u>
Deferred Inflows of Resources		
Related to pensions	<u>52,492</u>	<u>498,996</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,826,827	1,844,732
Restricted	171,742	126,234
Unrestricted	<u>(4,364,862)</u>	<u>(4,608,671)</u>
Total Net Position	\$ <u>(2,366,293)</u>	\$ <u>(2,637,705)</u>

An additional portion of the District’s net position \$171,742 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$4,364,862).

The District's net position increased by \$271,412 during the current fiscal year. Most of this increase is attributable to a decrease of revenue and a larger decrease in expenses compared to the prior year. The District's blended enrollment was approximately 295 students.

District's Changes in Net Position

Governmental Activities

	<u>2016</u>	<u>2015</u>
Revenue		
Program Revenue		
Charges for Services	\$ 50,929	\$ 28,846
Operating Grants and Contributions	583,987	731,598
General Revenue:		
Property Taxes	1,129,682	1,083,733
State School Aid	1,496,612	1,620,807
Interest and investment earnings	2,468	3,050
Other	<u>106,321</u>	<u>99,772</u>
Total Revenue	<u>3,369,999</u>	<u>3,567,806</u>
Expenses		
Instruction	1,893,296	2,469,614
Support Services	847,919	1,182,739
Food Service	197,222	214,809
Deferred refunding charges	8,106	8,106
Depreciation - unallocated	131,358	128,563
Interest on Long Term Debt	<u>20,686</u>	<u>24,094</u>
Total Expenses	<u>3,098,587</u>	<u>4,027,925</u>
Increase (Decrease) in Net Position	271,412	(460,119)
Net Position, Beginning of Year	(2,637,705)	2,360,308
Restatement for GASB 68 implementation	-	(4,537,894)
Net Position, End of Year	\$ <u>(2,366,293)</u>	\$ <u>(2,637,705)</u>

Governmental activities. Governmental activities increased the District's net position by \$271,412. The District implemented GASB No. 68 in the prior year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of (\$2,637,705).

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 \$335,341, a decrease of \$31,198 in comparison with the prior year. Approximately 0% of this total amount (\$-640,736) 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 is \$53,975 for a future purchase. *Assigned fund balance* of \$361,175 is for 2016-17 budget purposes.

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 \$-640,736. 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 21% and 5% respectively of total general fund expenditures.

The fund balance of the District’s general fund decreased by \$76,683 during the current fiscal year. Revenues decreased \$278,708 and expenditures decreased by \$372,819 compared to the prior year.

The food service fund has a total fund balance of \$941, which decreased by \$23 this year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with revenues increasing by 2% while expenses only adjusting down 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 \$3,248 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, 2016, amounted to \$2,264,971 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$5,986 and no disposals during the current fiscal year.

District's Capital Assets (net of depreciation)

	<u>2016</u>	<u>2015</u>
Land Improvement	\$ 5,013	\$ 5,425
Buildings	2,134,328	2,229,460
Vehicles	72,807	94,855
Equipment	<u>52,823</u>	<u>60,603</u>
Total	\$ <u>2,264,971</u>	\$ <u>2,390,343</u>

Additional information on the District’s capital assets can be found in note 5 on page 21 of this report.

Long-term debt. The district currently has three items of long term debt: the 2005 bond issue \$410,000, a capitalized lease \$28,144, and compensated absences \$32,511. Additional information on the District's long term debt can be found in Note 7 on page 22 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2016-2017 fiscal year:

- The foundation grant allowance used for budgeting an increase of \$120 from the 2015-16 school year. The budgeted student enrollment was 289 students.
- 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, 2016

<u>Assets</u>	<u>Governmental Activities</u>
Cash and investments (Note 3)	\$ 381,513
Accounts receivable (Note 4)	1,075
Due from governmental units (Note 4)	340,430
Inventory	7,768
Prepaid expense	388,244
Capital assets - net (Note 5)	<u>2,264,971</u>
Total assets	<u>3,384,001</u>
<u>Deferred outflow of resources</u>	
Deferred charges on refunding	32,259
Related to pensions	<u>485,404</u>
Total deferred outflows	<u>517,663</u>
<u>Liabilities</u>	
Accounts payable	17,672
Salaries payable	286,221
State Aid note payable	450,000
Accrued interest	3,141
Unearned revenue (Note 4)	29,796
Long-term liabilities (Note 7)	
Due within one year	108,144
Due in more than one year	362,511
Net pension liability	<u>4,957,980</u>
Total liabilities	<u>6,215,465</u>
<u>Deferred inflows of resources</u>	
Related to pensions	<u>52,492</u>
<u>Net Position</u>	
Invested in capital assets, net of related debt	1,826,827
Restricted for capital projects	106,898
Restricted for debt service	64,844
Unrestricted	<u>(4,364,862)</u>
Total Net Position	<u>\$ (2,366,293)</u>

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, 2016

<u>Functions/programs</u>	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,893,296	\$ -	\$ 403,798	\$ (1,489,498)
Support services	847,919	33,875	2,544	(811,500)
Food services	197,222	17,054	177,645	(2,523)
Interest on long term debt	20,686	-	-	(20,686)
Deferred charges on refunding	8,106			(8,106)
Depreciation - unallocated	131,358	-	-	(131,358)
Total Governmental Activities	\$ 3,098,587	\$ 50,929	\$ 583,987	(2,463,671)
General Revenues				
Taxes				
Property taxes, levied for general operations				977,097
Property taxes, levied for debt service				95,369
Property taxes, levied for capital projects				57,216
State of Michigan aid, unrestricted				1,496,612
Interest and investment earnings				2,468
Other				106,321
Total General Revenues				2,735,083
Change in Net Position				271,412
Net position - beginning of year as previously stated				(2,637,705)
Net position - end of year				\$ (2,366,293)

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

WOLVERINE COMMUNITY SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL	CAPITAL PROJECTS FUND	2005 DEBT SERVICE	NONMAJOR GOVERNMENTAL FOOD SERVICE FUND	TOTALS
ASSETS					
Cash and investments	\$ 206,329	\$ 106,898	\$ 64,844	\$ 3,442	\$ 381,513
Accounts receivable	1,075	-	-	-	1,075
Due from other governmental units	339,418	-	-	1,012	340,430
Due from other funds	6,341	-	-	-	6,341
Inventory	-	-	-	7,768	7,768
Prepaid expense	388,244	-	-	-	388,244
Total Assets	\$ 941,407	\$ 106,898	\$ 64,844	\$ 12,222	\$ 1,125,371
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 16,854	\$ -	\$ -	\$ 818	\$ 17,672
Accrued salaries and withholdings	282,099	-	-	4,122	286,221
State Aid note payable	450,000	-	-	-	450,000
Due to other funds	-	-	-	6,341	6,341
Unearned revenue	29,796	-	-	-	29,796
Total Liabilities	778,749	-	-	11,281	790,030
FUND BALANCES:					
Nonspendable - inventory	-	-	-	7,768	7,768
Nonspendable - prepaid expenses	388,244	-	-	-	388,244
Restricted for capital projects	-	106,898	-	-	106,898
Restricted for debt retirement	-	-	64,844	-	64,844
Restricted for food service	-	-	-	(6,827)	(6,827)
Committed	53,975	-	-	-	53,975
Assigned for subsequent year budget	361,175	-	-	-	361,175
Unassigned	(640,736)	-	-	-	(640,736)
Total Fund Balances	162,658	106,898	64,844	941	335,341
Total Liabilities and Fund Balances	\$ 941,407	\$ 106,898	\$ 64,844	\$ 12,222	\$ 1,125,371
Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position					
Total Governmental Fund Balances					\$ 335,341
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					6,112,204
Accumulated depreciation is					(3,847,233)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the government funds:					
Deferred charges on refunding					32,259
Related to pensions					485,404
Long term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(410,000)
Capitalized lease					(28,144)
Compensated absences					(32,511)
Net pension liability					(4,957,980)
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					(52,492)
Net Position of Governmental Activities					\$ (2,366,293)

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, 2016

	GENERAL	CAPITAL PROJECTS FUND	2005 DEBT SERVICE	NONMAJOR GOVERNMENTAL FOOD SERVICE FUND	TOTALS
REVENUES:					
Local sources	\$ 1,030,751	\$ 57,326	\$ 95,529	\$ 17,054	\$ 1,200,660
State sources	1,699,213	-	-	11,490	1,710,703
Federal sources	203,741	-	-	166,155	369,896
Interdistrict sources	88,740	-	-	-	88,740
Total Revenues	<u>3,022,445</u>	<u>57,326</u>	<u>95,529</u>	<u>194,699</u>	<u>3,369,999</u>
EXPENDITURES:					
Current:					
Instruction	2,096,499	-	-	-	2,096,499
Support services	946,399	48	-	197,222	1,143,669
Debt service	28,829	-	101,313	-	130,142
Capital outlay	-	5,986	-	-	5,986
Intergovernmental payments	24,901	-	-	-	24,901
Total Expenditures	<u>3,096,628</u>	<u>6,034</u>	<u>101,313</u>	<u>197,222</u>	<u>3,401,197</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(74,183)</u>	<u>51,292</u>	<u>(5,784)</u>	<u>(2,523)</u>	<u>(31,198)</u>
OTHER FINANCING SOURCES (USES):					
Capitalized lease proceeds	-	-	-	-	-
Operating transfers in (out)	(2,500)	-	-	2,500	-
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(76,683)</u>	<u>51,292</u>	<u>(5,784)</u>	<u>(23)</u>	<u>(31,198)</u>
FUND BALANCES - Beginning of year	<u>239,341</u>	<u>55,606</u>	<u>70,628</u>	<u>964</u>	<u>366,539</u>
FUND BALANCES - End of year	<u>\$ 162,658</u>	<u>\$ 106,898</u>	<u>\$ 64,844</u>	<u>\$ 941</u>	<u>\$ 335,341</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	(31,198)
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	\$	(131,358)
Capital Outlay		<u>5,986</u>
		(125,372)
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		
		27,467
(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds		
		6,309
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		<u>321,126</u>
Change in Net Position of Governmental Activities	\$	<u><u>271,412</u></u>

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

WOLVERINE COMMUNITY SCHOOLS
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	2016
<u>ASSETS</u>	
Cash	\$ 30,400
Investments	13,395
Total Assets	\$ 43,795
 <u>LIABILITIES & NET POSITION</u>	
Liabilities:	
Deposits held for others	\$ 30,400
Net Position:	
Restricted for endowment	12,250
Restricted for scholarships	1,145
Total Net Position	13,395
Total Liabilities and Net Position	\$ 43,795

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

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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 2015 taxable value of the District was \$41,379,707 principal residence and \$51,718,434 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 2015.

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, 2016

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, 2016

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:			
Support Services:			
Business	\$ 126,022	\$ 127,676	\$ 1,654
Outgoing Transfers	-	2,500	2,500
Special Revenue:			
Food Service	191,429	197,222	5,793

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ 381,513	\$ 43,795	\$ 425,308
Total	<u>\$ 381,513</u>	<u>\$ 43,795</u>	<u>\$ 425,308</u>

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

Deposits (checking, savings)	\$ 425,208
Investment Pool Michigan Liquid Asset Fund)	-
	<u>\$ 425,208</u>

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

As of June 30, 2016 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, 2016 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, 2016 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, 2016, \$135,560 of the District's bank balance of \$433,662 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$425,208.

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, 2016. 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, 2016

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	\$ 1,075	\$ -	\$ -	\$ 1,075
Intergovernmental	339,418	-	1,012	340,430
Total receivables	\$ 340,493	\$ -	\$ 1,012	\$ 341,505

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:

Grants and categorical aid payment not considered available	\$ 29,796
Payments received prior to meeting all eligibility requirements:	
Other	-
Totals	\$ 29,796
Total unearned revenue	\$ 29,796

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

<u>Assets</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets being depreciated:				
Land improvements	\$ 1,150,010	\$ -	\$ -	\$ 1,150,010
Buildings & improvements	4,287,697	5,986	-	4,293,683
Buses & vehicles	365,316	-	-	365,316
Furniture & equipment	303,195	-	-	303,195
Subtotal	<u>6,106,218</u>	<u>5,986</u>	<u>-</u>	<u>6,112,204</u>
<u>Accumulated Depreciation</u>				
Land improvements	1,144,585	412	-	1,144,997
Buildings & improvements	2,058,237	101,118	-	2,159,355
Buses & vehicles	270,461	22,048	-	292,509
Furniture & equipment	242,592	7,780	-	250,372
Subtotal	<u>3,715,875</u>	<u>131,358</u>	<u>-</u>	<u>3,847,233</u>
Net capital assets being depreciated	<u>2,390,343</u>	<u>(125,372)</u>	<u>-</u>	<u>2,264,971</u>
Governmental Activities				
Total Capital Assets net of Depreciation	\$ <u>2,390,343</u>	\$ <u>(125,372)</u>	\$ <u>-</u>	\$ <u>2,264,971</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	\$ 6,341	Nonmajor Governmental	\$ 6,341
Total	<u>\$ 6,341</u>	Total	<u>\$ 6,341</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	General Fund	\$ <u>2,500</u>

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ 490,000	\$ (80,000)	\$ 410,000	\$ 80,000
Capitalized lease	55,611	(27,467)	28,144	28,144
Compensated absences	38,820	(6,309)	32,511	-
Deferred charges-refunding	<u>(40,365)</u>	<u>8,106</u>	<u>(32,259)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 544,066</u>	<u>\$ (105,670)</u>	<u>\$ 438,396</u>	<u>\$ 108,144</u>

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	<u>\$ 28,144</u>	<u>\$ 685</u>	<u>\$ 28,829</u>

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>
2017	\$ 80,000	\$ 17,310	\$ 97,310
2018	80,000	14,030	94,030
2019	80,000	10,670	90,670
2020	85,000	7,310	92,310
2021	<u>85,000</u>	<u>3,655</u>	<u>88,655</u>
Total	<u>\$ 410,000</u>	<u>\$ 52,975</u>	<u>\$ 462,975</u>

General Obligation Bonds payable at June 30, 2015 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%.

	<u>\$ 410,000</u>
Total bonds	<u>\$ 410,000</u>

WOLVERINE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

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, 2016, were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
State Aid Note	\$400,000	\$450,000	\$(400,000)	\$ 450,000

The State aid anticipation note is due July 20, 2016 and carries an interest rate of .76%.

On August 22, 2016 the District borrowed \$575,000 in the form of a State Aid anticipation notes which carry interest rates of .76% (\$345,140) and 1.00% (\$229,860) and are due July 20, 2017.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System ("MPSERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The MIP Fixed plan includes members hired prior to January 1, 1990. The MIP Graded plan includes members first hired from January 1, 1990 through June 30, 2008. The MIP Plus plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the MIP 7% plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Members contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (Basic 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

WOLVERINE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$412,991.

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

At June 30, 2016, the District reported a liability of \$ 4,957,980 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2015, the District's proportion (as calculated by MPSERS) was 0.02030%.

For the year ended June 30, 2016, the District recognized pension expense of \$410,444. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Outflows (Inflows) of Resources
Changes in assumptions	\$ 122,076	\$ -	\$ 22,076
Net difference between projected and actual earnings on pension plan investments	25,306	16,422	8,884
Changes in proportion and differences between employer contributions and proportionate share	<u>4,068</u>	<u>36,070</u>	<u>(32,002)</u>
	151,450	52,492	98,958
District contributions subsequent to the measurement date	<u>333,954</u>	-	<u>333,954</u>
Total	<u>\$ 485,404</u>	<u>\$ 52,492</u>	<u>\$ 432,912</u>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ 5,301
2017	5,301
2018	(1,318)
2019	<u>89,674</u>
Total	<u>\$ 98,961</u>

Actuarial Assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5% to 12.3% including wage inflation of 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	7.5% year 1 graded to 3.5% year 12

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

The mortality table used in this valuation was the 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 table rates were used for males and 70% of the table rates were used for females.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.65%
Alternative investment pool	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.91%</u>
Inflation			<u>2.10%</u>
Investment rate of return			<u><u>8.01%</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase 9.0%
District's proportionate share of the net pension liability	\$6,392,107	\$4,957,980	\$3,748,952

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2016, the District reported a payable of \$37,620 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits.

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund Option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid in the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund Account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contribution to MPSERS for other postemployment benefits amount to \$35,021 for the year ended June 30, 2016.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - 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 12 - CAPITAL PROJECTS FUND

The Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the Ellsworth Community School 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
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2016 Original	2016 Final		
REVENUES				
Local sources	\$ 988,838	\$ 1,030,517	\$ 1,030,751	\$ 234
State sources	1,815,314	1,788,592	1,699,213	(89,379)
Federal sources	187,351	236,748	203,741	(33,007)
Interdistrict sources	83,400	83,400	88,740	5,340
Total Revenues	<u>3,074,903</u>	<u>3,139,257</u>	<u>3,022,445</u>	<u>(116,812)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,551,194	1,559,413	1,545,502	(13,911)
Added needs	544,300	586,038	550,997	(35,041)
Support services:				
Instructional staff	400	400	298	(102)
General administration	113,813	109,387	102,781	(6,606)
School administration	285,344	244,632	231,592	(13,040)
Business	130,002	126,022	127,676	1,654
Operation & maintenance	263,747	254,633	231,426	(23,207)
Transportation	174,794	177,183	155,420	(21,763)
Other	104,650	104,650	97,206	(7,444)
Debt service	28,830	28,830	28,829	(1)
Intergovernmental	28,000	28,000	24,901	(3,099)
Total Expenditures	<u>3,225,074</u>	<u>3,219,188</u>	<u>3,096,628</u>	<u>(122,560)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	(9,000)	-	(2,500)	2,500
Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>-</u>	<u>(2,500)</u>	<u>2,500</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(159,171)	(79,931)	(76,683)	3,248
Budgetary fund balance - July 1, 2015	<u>224,370</u>	<u>234,710</u>	<u>239,341</u>	<u>4,631</u>
Budgetary fund balance - June 30, 2016	<u>\$ 65,199</u>	<u>\$ 154,779</u>	<u>\$ 162,658</u>	<u>\$ 7,879</u>

WOLVERINE COMMUNITY SCHOOLS
 SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

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

WOLVERINE COMMUNITY SCHOOLS
 SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 412,991	\$ 439,208
Contributions in relation to statutorily required contributions*	<u>\$ (412,991)</u>	<u>\$ (439,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,591,864	\$ 1,771,031
Contribution as a percentage of covered-employee payroll	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.

WOLVERINE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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

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

OTHER SUPPLEMENTAL INFORMATION

WOLVERINE COMMUNITY SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
REVENUES		
Local Sources:		
Property taxes	\$ 977,097	\$ 935,354
Earnings on investments	2,198	2,849
Other local revenue	51,456	35,555
Total Local Sources	<u>1,030,751</u>	<u>973,758</u>
State Sources:		
Unrestricted:		
State Aid	1,496,612	1,620,807
Restricted:		
At Risk	123,831	107,980
Special education	74,292	77,858
Class size implementation	-	118,098
Other grants	4,478	6,344
Total State Sources	<u>1,699,213</u>	<u>1,931,087</u>
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	8,562	9,975
Received through State:		
Title I	165,912	158,879
Title II	26,723	55,442
Other	-	3,605
Received through ISD:		
Other	2,544	376
Total Federal Sources	<u>203,741</u>	<u>228,277</u>
Interdistrict Sources:		
Special Education millage	88,740	83,766
Other	-	-
Total Interdistrict Sources	<u>88,740</u>	<u>83,766</u>
TOTAL REVENUES	<u>3,022,445</u>	<u>3,216,888</u>
Other Financing Sources		
Capitalized lease proceeds	-	84,265
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>84,265</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 3,022,445</u>	<u>\$ 3,301,153</u>

WOLVERINE COMMUNITY SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
INSTRUCTION:		
Basic Programs:		
Elementary		
Salaries	\$ 497,474	\$ 588,405
Employee Benefits	339,226	414,513
Purchased Services	10,669	9,347
Supplies & Materials	13,455	19,865
Capital Outlay	-	-
Other Expenses	119	61
Total Elementary	860,943	1,032,191
Middle School:		
Salaries	128,939	116,835
Employee Benefits	86,210	71,676
Purchased Services	1,855	2,510
Supplies & Materials	1,057	1,081
Capital Outlay	-	-
Other Expenses	-	61
Total Middle School	218,061	192,163
High School:		
Salaries	268,566	251,803
Employee Benefits	160,680	174,795
Purchased Services	30,215	53,922
Supplies & Materials	6,917	9,603
Capital Outlay	-	-
Other Expenses	120	462
Total High School	466,498	490,585
TOTAL BASIC PROGRAMS	1,545,502	1,714,939
Added Needs:		
Special Education		
Salaries	112,860	112,198
Employee Benefits	73,628	87,574
Purchased Services	2,476	3,267
Supplies & Materials	417	711
Other Expenses	-	-
Total Special Education	189,381	203,750

WOLVERINE COMMUNITY SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
INSTRUCTION (Continued):		
Added Needs: (Continued)		
Compensatory Education:		
Salaries	\$ 230,721	\$ 188,080
Employee Benefits	82,581	77,810
Purchased Services	34,580	36,868
Supplies & Materials	11,614	10,203
Other Expenses	2,120	1,940
Total Compensatory Education	361,616	314,901
TOTAL ADDED NEEDS	550,997	518,651
TOTAL INSTRUCTION	2,096,499	2,233,590
SUPPORTING SERVICES:		
INSTRUCTIONAL STAFF:		
Library:		
Supplies & Materials	298	426
Other Expenses	-	-
Total Library	298	426
TOTAL INSTRUCTIONAL STAFF	298	426

WOLVERINE COMMUNITY SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
SUPPORTING SERVICES: (Continued)		
GENERAL ADMINISTRATION:		
Board of Education:		
Salaries	\$ 7,920	\$ 7,840
Purchased Services	13,242	15,575
Supplies & Materials	-	2,341
Other Expenses	<u>1,427</u>	<u>-</u>
Total Board of Education	<u>22,589</u>	<u>25,756</u>
Executive Administration:		
Salaries	48,901	54,342
Employee Benefits	30,091	29,871
Purchased Services	1,200	1,200
Supplies & Materials	-	-
Other Expenses	<u>-</u>	<u>835</u>
Total Executive Administration	<u>80,192</u>	<u>86,248</u>
TOTAL GENERAL ADMINISTRATION	<u>102,781</u>	<u>112,004</u>
SCHOOL ADMINISTRATION:		
Salaries	134,622	168,821
Employee Benefits	95,301	114,737
Purchased Services	94	1,906
Supplies & Materials	1,524	-
Other Expenses	<u>51</u>	<u>20</u>
TOTAL SCHOOL ADMINISTRATION	<u>231,592</u>	<u>285,484</u>
BUSINESS:		
Fiscal Services:		
Salaries	66,211	71,652
Employee Benefits	41,612	41,885
Purchased Services	7,753	6,939
Supplies & Materials	380	413
Capital Outlay	-	-
Other Expenses	<u>1,559</u>	<u>973</u>
Total Fiscal Services	<u>117,515</u>	<u>121,862</u>

WOLVERINE COMMUNITY SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
SUPPORTING SERVICES (Continued):		
BUSINESS: (Continued)		
Other Business Services:		
Purchased Services	\$ 3,374	\$ 3,671
Interest Expense	1,261	969
Supplies & Materials	-	-
Capital Outlay	-	-
Other Expenses	5,526	7,894
Total Other Business Services	<u>10,161</u>	<u>12,534</u>
TOTAL BUSINESS	<u>127,676</u>	<u>134,396</u>
OPERATION & MAINTENANCE:		
Salaries	3,483	36,892
Employee Benefits	1,568	27,316
Purchased Services	136,747	83,259
Supplies & Materials	89,599	89,941
Capital Outlay	-	6,924
Other Expenses	29	246
TOTAL OPERATION & MAINTENANCE	<u>231,426</u>	<u>244,578</u>
PUPIL TRANSPORTATION		
Salaries	67,127	78,573
Employee Benefits	31,581	33,988
Purchased Services	27,845	39,020
Supplies & Materials	27,619	63,466
Capital outlay	-	84,265
Other Expenses	1,248	1,552
TOTAL PUPIL TRANSPORTATION	<u>155,420</u>	<u>300,864</u>
NON-INSTRUCTIONAL TECHNOLOGY:		
Salaries	-	-
Employee Benefits	-	-
Purchased Services	22,592	25,764
Supplies & Materials	5,016	4,405
TOTAL NON-INSTRUCTIONAL TECHNOLOGY	<u>27,608</u>	<u>30,169</u>
OTHER SUPPORT SERVICES		
Athletics:		
Salaries	31,902	31,901
Employee Benefits	15,185	13,905
Purchased Services	13,616	11,146
Supplies & Materials	2,364	4,680
Other Expenses	6,531	885
TOTAL OTHER SUPPORT SERVICES	<u>69,598</u>	<u>62,517</u>
TOTAL SUPPORTING SERVICES	<u>946,399</u>	<u>1,170,438</u>

WOLVERINE COMMUNITY SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
DEBT SERVICE		
Principal	27,467	28,654
Interest	1,362	175
Total Debt Service	28,829	28,829
 INTERGOVERNMENTAL EXPENDITURES	 24,901	 26,590
 TOTAL CURRENT OPERATING EXPENDITURES	 3,096,628	 3,459,447
OTHER FINANCING USES:		
Operating Transfers:		
Food Service Fund	2,500	12,500
Total Other Financing Uses	2,500	12,500
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ 3,099,128	 \$ 3,471,947

WOLVERINE COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016
With Comparative totals for June 30, 2015

	Non-Expendable Trust Funds				Totals	
	Clough Trust	Sanford Trust	Burr Trust	Agency Funds	2016	2015
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ 30,400	\$ 30,400	\$ 22,628
Investments	<u>7,415</u>	<u>5,892</u>	<u>88</u>	<u>-</u>	<u>13,395</u>	<u>13,393</u>
Total Assets	<u>\$ 7,415</u>	<u>\$ 5,892</u>	<u>\$ 88</u>	<u>\$ 30,400</u>	<u>\$ 43,795</u>	<u>\$ 36,021</u>
 LIABILITIES AND NET POSITION						
Liabilities:						
Deposits held for others	\$ -	\$ -	\$ -	\$ 30,400	\$ 30,400	\$ 22,628
Net Position:						
Restricted for endowment	6,000	4,750	1,500	-	12,250	12,250
Restricted for scholarships	<u>1,415</u>	<u>1,142</u>	<u>(1,412)</u>	<u>-</u>	<u>1,145</u>	<u>1,143</u>
Total Net Position	<u>7,415</u>	<u>5,892</u>	<u>88</u>	<u>-</u>	<u>13,395</u>	<u>13,393</u>
Total Liabilities and Net Position	<u>\$ 7,415</u>	<u>\$ 5,892</u>	<u>\$ 88</u>	<u>\$ 30,400</u>	<u>\$ 43,795</u>	<u>\$ 36,021</u>

WOLVERINE COMMUNITY SCHOOLS
NON-EXPENDABLE TRUST FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
With Comparative totals for the year ended June 30, 2015

	Clough Trust	Sanford Trust	Burr Trust	Totals	
				2016	2015
<u>REVENUES</u>					
Interest	\$ 1	\$ 1	\$ -	\$ 2	\$ 2
<u>EXPENSES</u>					
Scholarships	-	-	-	-	-
NET EARNINGS	1	1	-	2	2
CAPITAL					
CONTRIBUTIONS	-	-	-	-	-
TRANSFERS IN (OUT)	-	-	-	-	-
RETAINED EARNINGS -					
Beginning of Year	<u>7,414</u>	<u>5,891</u>	<u>88</u>	<u>13,393</u>	<u>13,391</u>
RETAINED EARNINGS -					
End of Year	<u>\$ 7,415</u>	<u>\$ 5,892</u>	<u>\$ 88</u>	<u>\$ 13,395</u>	<u>\$ 13,393</u>

WOLVERINE COMMUNITY SCHOOLS
NON-EXPENDABLE TRUST FUNDS
COMBINING SCHEDULES OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
With Comparative totals for the year ended June 30, 2015

	Clough Trust	Sanford Trust	Burr Trust	Totals	
				2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (Loss)	\$ 1	\$ 1	\$ -	\$ 2	\$ 2
Adjustments to reconcile net income to net cash flows from operating activities					
Interest income	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Net cash used by operating activities	-	-	-	-	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Capital contributions received	-	-	-	-	-
Capital transferred out	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>2</u>
NET INCREASE (DECREASE) IN CASH	1	1	-	2	2
CASH - Beginning of year	<u>7,414</u>	<u>5,891</u>	<u>88</u>	<u>13,393</u>	<u>13,391</u>
CASH - End of year	<u>\$ 7,415</u>	<u>\$ 5,892</u>	<u>\$ 88</u>	<u>\$ 13,395</u>	<u>\$ 13,393</u>

WOLVERINE COMMUNITY SCHOOLS
 ALL AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>ASSETS</u>				
Cash	\$ <u>21,373</u>	\$ <u>95,196</u>	\$ <u>86,169</u>	\$ <u>30,400</u>
	\$ <u><u>21,373</u></u>	\$ <u><u>95,196</u></u>	\$ <u><u>86,169</u></u>	\$ <u><u>30,400</u></u>
 <u>LIABILITIES</u>				
Due to student groups	\$ <u>21,373</u>	\$ <u>95,196</u>	\$ <u>86,169</u>	\$ <u>30,400</u>
	\$ <u><u>21,373</u></u>	\$ <u><u>95,196</u></u>	\$ <u><u>86,169</u></u>	\$ <u><u>30,400</u></u>

WOLVERINE COMMUNITY SCHOOLS
TRUST AND AGENCY FUND - SCHOOL ACTIVITIES
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2016

	Balances July 1, 2015	Revenues	Expenditures	Balances June 30, 2016
Alumni	\$ 3,867	\$ -	\$ -	\$ 3,867
Archery Fund	1,096	870	1,245	721
Athletics: Cross Country	687	2,800	836	2,651
Athletics: Weight Equipment	(7,780)	687	-	(7,093)
Art Prize	-	6,204	6,571	(367)
Band	39	475	483	31
Baseball	(984)	1,300	316	-
Boosters	-	15,532	10,105	5,427
Box Tops for Education	416	414	-	830
Boy's Basketball	1,176	1,224	1,138	1,262
C.O.A.T.S.	1,786	1,620	1,657	1,749
Camp	1,647	805	2,145	307
Chicago	-	4,439	3,715	724
Christ Child After School Prog.	1,654	1,280	1,280	1,654
Christ Child Clothing Fund	113	-	-	113
Class of: 2019	367	158	80	445
2018	1,066	1,033	754	1,345
2017	701	3,195	2,551	1,345
2016	267	286	502	51
Elementary Art Fund	125	2,471	1,286	1,310
Elementary Fundraiser	940	7,865	7,227	1,578
Elementary PTO	1,720	1,453	766	2,407
Elem./Middle School Library	698	-	-	698
Employee Jean Day Fund	230	195	177	248
Flower Collection Fund	2	-	-	2
French Club	180	-	-	180
General	(2,266)	6,361	6,539	(2,444)
Girl's Basketball	-	4,246	3,514	732
Golf	907	595	916	586
Greenfield Village	(123)	10,436	8,679	1,634
HS/MS Employee Jean Money	525	-	283	242
Jr. High Girls Basketball	-	315	240	75
Kinesthetic	-	600	-	600
Lansing Trip	20	2,800	2,930	(110)
Lounge Grant	-	4,695	4,195	500
MS/HS School Improvement	392	95	-	487
National Honor Society	460	300	527	233
Odessey of the Mind	-	2,655	2,082	573
Recycling	57	-	-	57
School Forest	2,608	-	-	2,608
School Improvement	2,202	41	39	2,204
Security	-	250	-	250
Softball Fundraiser	27	-	-	27
Sound System	384	-	-	384
Student Council - HS	1,299	-	578	721
Student Council - MS	904	176	141	939
Swimming	736	-	-	736
Volleyball Fundraiser	48	6	135	(81)
Yearbook	(1,059)	7,319	8,660	(2,400)
Young Family Grant	4,239	-	3,877	362
Total	\$ 21,373	\$ 95,196	\$ 86,169	\$ 30,400

WOLVERINE COMMUNITY SCHOOLS
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2016

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 May 1	Total Fiscal Year Requirements
		Nov 1	May 1		
4.10%	2016-17	\$ 8,655	\$ 8,655	\$ 80,000	\$ 97,310
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>\$ 26,488</u>	<u>\$ 26,487</u>	<u>\$ 410,000</u>	<u>\$ 462,975</u>



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

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, 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, 2016, and the related notes to the financial statements, which collectively comprise Wolverine Community Schools' basic financial statements and have issued our report thereon dated October 20, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education
Wolverine Community Schools
Wolverine , Michigan 49799

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.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
October 27, 2016