

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2019



SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
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**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN**

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**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
ADMINISTRATION BOARD LIST
JUNE 30, 2019**

ADMINISTRATION

SUPERINTENDENT

Stephen Seelye

BOARD OF EDUCATION

PRESIDENT

Eric Brado

VICE PRESIDENT

Garth Stafford II

SECRETARY

Linda Poznanski

TREASURER

Doug Witcomb

TRUSTEE

David Ashenfelter

TRUSTEE

Troy Nelson

Schulze Oswald Miller & Edwards PC

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Wolverine Community Schools

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolverine Community Schools as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, pension schedules and other postemployment benefits schedules as noted in the table of contents be presented to supplement

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Wolverine Community School's* basic financial statements. The combining and individual nonmajor fund financial statements, Trust and Agency Funds – School Activities: Statement of Changes in Deposits Held for Others and Schedule of Bonded Indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, Trust and Agency Funds – School Activities: Statement of Changes in Deposits Held for Others and Schedule of Bonded Indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2019, on our consideration of *Wolverine Community School's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering *Wolverine Community School's* internal control over financial reporting and compliance.

Schulze, Oswald, Miller & Edwards PC

Alpena, Michigan
August 20, 2019

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, 2019.

Financial Highlights

- The net position of the District was a deficit of (\$3,707,189). Of this amount, (\$5,786,317) is unrestricted net position; \$1,882,584 is invested in capital assets (*net of related debt*); and \$196,544 is restricted.
- The District's total net position increased by \$253,502.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$589,866, an increase of \$168,828 in comparison with the prior year. Approximately 67% or \$393,322 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 \$393,322 or 13% 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, 2019.

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12-15 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 16 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, net position was a deficit of (\$3,707,189) at the close of the most recent fiscal year.

A portion of the District's net position, \$1,882,584, 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	
	2018	2019
Assets		
Current and Other Assets	\$ 1,003,142	\$ 945,052
Capital Assets, Net	2,144,715	2,078,134
Total Assets	<u>3,147,857</u>	<u>3,023,186</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	16,047	7,941
Related to pensions	760,997	1,427,788
Related to OPEB	79,804	225,396
Total Deferred Outflows of Resources	<u>856,848</u>	<u>1,661,125</u>
Liabilities		
Current Liabilities	586,229	356,404
Long-term Liabilities	6,791,286	6,660,616
Total Liabilities	<u>7,377,515</u>	<u>7,017,020</u>
Deferred Inflows of Resources		
Related to pensions	531,840	879,882
Related to OPEB	56,041	494,598
Total Deferred Inflows of Resources	<u>587,881</u>	<u>1,374,480</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,894,715	1,882,584
Restricted	140,172	196,544
Unrestricted	<u>(5,995,578)</u>	<u>(5,786,317)</u>
Total Net Position	<u>\$ (3,960,691)</u>	<u>\$ (3,707,189)</u>

An additional portion of the District's net position \$207,051 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$5,786,317).

The District's net position increased by \$253,502 during the current fiscal year. Most of this increase is attributable to an excess of revenue, which increased from the prior year, over expenses that remained primarily flat. The District's blended enrollment was approximately 276 students.

District's Changes in Net Position

Governmental Activities

	<u>2018</u>	<u>2019</u>
Revenue		
Program Revenue		
Charges for Services	\$ 28,992	\$ 26,775
Operating Grants and Contributions	587,725	1,014,175
General Revenue:		
Property Taxes	1,132,879	1,129,038
State School Aid	1,488,862	1,064,682
Interest and investment earnings	1,521	535
Other	150,589	125,721
Total Revenue	<u>3,390,568</u>	<u>3,360,926</u>
Expenses		
Instruction	1,936,233	1,895,656
Support Services	925,694	897,961
Food Service	152,557	143,715
Deferred refunding charges	8,106	8,106
Depreciation - unallocated	138,507	145,008
Interest on Long Term Debt	12,668	16,978
Total Expenses	<u>3,173,765</u>	<u>3,107,424</u>
Increase (Decrease) in Net Position	216,803	253,502
Net Position, Beginning of Year	<u>(2,429,036)</u>	<u>(3,960,691)</u>
Prior period adjustment regarding:		
Adoption of GASB 75	(1,748,458)	-
Net Position, End of Year	<u>\$ (3,960,691)</u>	<u>\$ (3,707,189)</u>

Governmental activities. Governmental activities increased the District's net position by \$253,502.

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 \$589,866, an increase of \$168,828 in comparison with the prior year. Approximately 67% of this total amount \$393,322 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.

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 \$393,322. 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 13% and 14% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$125,862 during the current fiscal year. Revenues decreased \$36,560 and expenditures increased by \$84,965 compared to the prior year.

The food service fund has a total fund balance of \$21,367, an increase of \$8,467 from the prior year.

The debt service fund has a total fund balance of \$74,576, an increase of \$6,105 from the prior year.

The capital projects fund has a total fund balance of \$87,196, an increase of \$28,394 from the prior year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with revenues and expenses increasing by less than 4% in total from beginning to final. The excess of expenditures over revenues budgetary figure was more than the actual results by \$53,506 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, 2019, amounted to \$2,078,134 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$78,427 and \$61,252 of disposals during the current fiscal year.

**District's Capital Assets
(net of depreciation)**

	<u>2018</u>	<u>2019</u>
Land Improvement	\$ 4,189	\$ 23,947
Buildings	2,056,273	1,931,689
Vehicles	45,464	62,654
Equipment	<u>38,789</u>	<u>59,844</u>
Total	\$ <u>2,144,715</u>	\$ <u>2,078,134</u>

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

Long-term debt. The district currently has three items of long term debt: the 2005 bond issue \$170,000, a Van Loan \$25,550, and compensated absences \$26,622. Additional information on the District's long term debt can be found in Note 7 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2019-2020 fiscal year:

- The district will continue to remain conservative when budgeting revenues. Operating expense may experience an increase in 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
WOLVERINE, MICHIGAN
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and investments	\$ 487,786	\$ 487,786
Accounts receivable	920	920
Due from other government units	436,422	436,422
Inventory	10,507	10,507
Prepaid Expenses	9,417	9,417
Capital assets - net	2,078,134	2,078,134
Total Assets	3,023,186	3,023,186
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding	7,941	7,941
Related to pensions	1,427,788	1,427,788
Related to OPEB	225,396	225,396
Total Deferred Outflows of Resources	1,661,125	1,661,125
LIABILITIES		
Accounts payable	14,759	14,759
Accrued salaries and withholdings	337,034	337,034
Unearned revenue	3,393	3,393
Accrued interest	1,218	1,218
Long-term liabilities - Due within one year	91,040	91,040
Long-term liabilities - Due in more than one year	131,132	131,132
Long-term liabilities - Net pension liability	5,167,197	5,167,197
Long-term liabilities - Net OPEB liability	1,271,247	1,271,247
Total Liabilities	7,017,020	7,017,020
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	879,882	879,882
Related to OPEB	494,598	494,598
Total Deferred Inflows of Resources	1,374,480	1,374,480
NET POSITION		
Inv. in fixed assets net of rel. debt	1,882,584	1,882,584
<i>Restricted for:</i>		
Nonspendable Inventory	10,507	10,507
Debt service	74,576	74,576
Capital projects	87,196	87,196
Food service	10,860	10,860
Scholarship	13,405	13,405
<i>Unrestricted</i>	(5,786,317)	(5,786,317)
Total Net Position	\$ (3,707,189)	\$ (3,707,189)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
DISTRICT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<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	\$ 1,895,656	\$ -	\$ 610,473	\$ (1,285,183)
Support services	897,961	16,774	246,179	(635,008)
Food services	143,715	10,001	157,523	23,809
Interest on long term debt	16,978	-	-	(16,978)
Deferred charges on refunding	8,106	-	-	(8,106)
Depreciation - unallocated	145,008	-	-	(145,008)
Total Governmental Activities	\$ 3,107,424	\$ 26,775	\$ 1,014,175	(2,066,474)
General Revenues				
Taxes				
Property taxes, levied for general operations				969,616
Property taxes, levied for debt service				99,806
Property taxes, levied for capital projects				59,616
State of Michigan aid, unrestricted				1,064,682
Interest and investment earnings				535
Other				125,721
Total General Revenues				2,319,976
Change in Net Position				253,502
Net position - beginning of year				(3,960,691)
Net position - end of year				\$ (3,707,189)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 322,046	\$ 165,740	\$ 487,786
Accounts receivable	-	920	920
Due from other government units	406,115	30,307	436,422
Inventory	-	10,507	10,507
Prepaid Expenses	9,417	-	9,417
Due from other funds	24,335	-	24,335
Total Assets	<u>761,913</u>	<u>207,474</u>	<u>969,387</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 761,913</u>	<u>\$ 207,474</u>	<u>\$ 969,387</u>
LIABILITIES			
Accounts payable	\$ 14,759	\$ -	\$ 14,759
Accrued salaries and withholdings	337,034	-	337,034
Unearned revenue	3,393	-	3,393
Due to other funds	-	24,335	24,335
Total Liabilities	<u>355,186</u>	<u>24,335</u>	<u>379,521</u>
Total Liabilities and Deferred Inflows of Resources	<u>355,186</u>	<u>24,335</u>	<u>379,521</u>
FUND BALANCE			
Nonspendable	-	10,507	10,507
Restricted	13,405	172,632	186,037
Unassigned	393,322	-	393,322
Total Fund Balance	<u>406,727</u>	<u>183,139</u>	<u>589,866</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 761,913</u>	<u>\$ 207,474</u>	<u>\$ 969,387</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds	\$	589,866
The cost of capital assets is		6,153,691
Accumulated depreciation is		(4,075,557)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Related to pensions		1,427,788
Related to OPEB		225,396
Long term liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences		(26,622)
Bonds payable		(195,550)
Net pension liability		(5,167,197)
Net OPEB liability		(1,271,247)
Deferred inflows used in governmental activities are not recognized as current financial resources and therefore are not reported in the governmental funds:		
Related to pensions		(879,882)
Related to OPEB		(494,598)
Accrued interest payable is included as a liability in governmental activities		(1,218)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Deferred charges on refunding		7,941
Total Net Position-Governmental Funds	\$	<u><u>(3,707,189)</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 1,014,856	\$ 170,103	\$ 1,184,959
State sources	1,754,215	2,810	1,757,025
Federal sources	167,119	154,714	321,833
Interdistrict sources	97,109	-	97,109
Total Revenues	<u>3,033,299</u>	<u>327,627</u>	<u>3,360,926</u>
Expenditures			
Basic programs	1,627,784	-	1,627,784
Added needs	329,824	-	329,824
Pupil support services	-	160,284	160,284
Business services	103,449	-	103,449
Operation & maintenance	242,316	-	242,316
Pupil transportation	197,696	-	197,696
Athletics	57,937	-	57,937
Capital outlay	-	20,170	20,170
Debt service	7,036	90,670	97,706
Security services	26,893	-	26,893
General administration	104,462	-	104,462
School administration	242,042	-	242,042
Non-instructional technology	12,898	-	12,898
Total Expenditures	<u>2,952,337</u>	<u>271,124</u>	<u>3,223,461</u>
Excess of Revenues Over (Under) Expenditures	<u>80,962</u>	<u>56,503</u>	<u>137,465</u>
Other Financing Sources (Uses)			
Loan proceeds	31,363	-	31,363
Transfers in	13,537	-	13,537
Transfer out	-	(13,537)	(13,537)
Net Other Financing Sources (Uses)	<u>44,900</u>	<u>(13,537)</u>	<u>31,363</u>
Net Change in Fund Balance	125,862	42,966	168,828
Fund Balance at Beginning of Period	<u>280,865</u>	<u>140,173</u>	<u>421,038</u>
Fund Balance at End of Period	<u><u>\$ 406,727</u></u>	<u><u>\$ 183,139</u></u>	<u><u>\$ 589,866</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Total Net Change in Fund Balances - Governmental Funds	\$	168,828
<p>Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimates useful lives as depreciation.</p>		
Depreciation expense		(145,008)
<p>(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds</p>		
		(1,347)
<p>Payments on bonded debt are not an expense in the district wide statements where they reduce long term debt</p>		
		85,813
<p>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:</p>		
Pension related items		9,909
OPEB related items		93,450
<p>Accrued interest is recorded in the statement of activities when incurred: it is not reported in governmental funds until paid</p>		
		2,899
<p>Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimates useful lives as depreciation.</p>		
Capital Outlay		78,427
<p>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:</p>		
Amortization of deferred charges		(8,106)
<p>Loan proceeds is a revenue in the governmental funds, but not in the state of activities (where it increases long-term debt):</p>		
Loan Proceeds		(31,363)
Changes in Net Position-Governmental Funds	\$	<u>253,502</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency
	ACTIVITIES
	FUND
ASSETS	
Cash and investments	\$ 22,703
<i>Total Assets</i>	<u>22,703</u>
LIABILITIES	
Due to student groups	22,703
<i>Total Liabilities</i>	<u>22,703</u>
NET POSITION	
Held in Trust	\$ <u><u> -</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 district-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
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 fund:

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.

Additionally, the District reports the following fund types:

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.

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

The Food 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.

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

The District 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.

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 2018 taxable value of the District was \$45,063,841 principal residence and \$54,783,759 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 2018.

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
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the 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 district-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 district-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 funds report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually 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
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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 three 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 others are the pension and OPEB contributions reported in the district-wide statement of net position. A deferred outflow is recognized for pension and OPEB 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 two items that qualify for reporting in this category. It is the future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB 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. Amendments were made during the year to both revenues and expenses.

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 did not incur any expenditures in excess of budgeted amounts.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 487,786	\$ 22,703	\$ 510,489
Total	<u>\$ 487,786</u>	<u>\$ 22,703</u>	<u>\$ 510,489</u>

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

Deposits (checking, savings)	\$ 510,389
Investment Pool Michigan Liquid Asset Fund	-
	<u>\$ 510,389</u>

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

As of June 30, 2019 the District had the following investments:

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

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, 2019 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, 2019 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, 2019, \$46,841 of the District's bank balance of \$585,858 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$510,389.

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, 2019. 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
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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	Nonmajor and Other Funds	Total
Receivables:			
Accounts receivable	\$ -	\$ 920	\$ 920
Intergovernmental	406,115	30,307	436,422
Total receivables	\$ 406,115	\$ 31,227	\$ 437,342

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

	Unearned
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Other	3,393
Totals	\$ 3,393
Total unearned revenue	\$ 3,393

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

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

<u>Assets</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets being depreciated:				
Land improvements	\$ 1,150,010	\$ 20,170	\$ -	\$ 1,170,180
Buildings & improvements	4,448,860	-	-	4,448,860
Buses & vehicles	234,834	31,364	61,252	204,946
Furniture & equipment	302,812	26,893	-	329,705
Subtotal	<u>6,136,516</u>	<u>78,427</u>	<u>61,252</u>	<u>6,153,691</u>
<u>Accumulated Depreciation</u>				
Land improvements	1,145,821	412	-	1,146,233
Buildings & improvements	2,392,587	124,584	-	2,517,171
Buses & vehicles	189,370	14,174	61,252	142,292
Furniture & equipment	264,023	5,838	-	269,861
Subtotal	<u>3,991,801</u>	<u>145,008</u>	<u>61,252</u>	<u>4,075,557</u>
Net capital assets being depreciated	<u>2,144,715</u>	<u>(66,581)</u>	<u>-</u>	<u>2,078,134</u>
Governmental Activities Total Capital Assets net of Depreciation	\$ <u><u>2,144,715</u></u>	\$ <u><u>(66,581)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,078,134</u></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	\$ 24,335	Nonmajor Governmental	\$ 24,335
Total	<u>\$ 24,335</u>	Total	<u>\$ 24,335</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, 2019.

<u>Transfer In</u>		<u>Transfer Out</u>	
General Fund	\$ 13,537	Nonmajor Governmental	\$ 13,537

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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	\$ 250,000	\$ (80,000)	\$ 170,000	\$ 85,000
Van Loan	-	25,550	25,550	6,040
Compensated absences	25,275	1,347	26,622	-
Deferred charges-refunding	<u>(16,047)</u>	<u>8,106</u>	<u>(7,941)</u>	<u>-</u>
Total Governmental Activities	\$ <u>259,228</u>	\$ <u>(44,997)</u>	\$ <u>214,231</u>	\$ <u>91,040</u>

The annual requirements for debt payments outstanding as of June 30, 2019, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 91,040	\$ 8,306	\$ 99,346
2021	91,276	4,416	95,692
2022	6,520	516	7,036
2023	<u>6,714</u>	<u>262</u>	<u>6,976</u>
Total	\$ <u>195,550</u>	\$ <u>13,500</u>	\$ <u>209,050</u>

General Obligation Bonds payable at June 30, 2019 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%.

	\$ 170,000
Total bonds	\$ <u>170,000</u>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Aid Note	\$ 250,000	\$ 400,000	\$ (650,000)	\$ -

On August 20, 2018 the District borrowed \$400,000 in the form of a State Aid anticipation note which carried an interest rate of 1.75%. It was paid in full prior to June 30, 2019.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained on the ORS website at www.michigan.gov/orsschools.

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

Benefits Provided - Overall

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:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

Prior to Pension Reform of 2010 there were two plans commonly referred to as the Basic Plan member's contributions range from 0%-4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages, Members first hired January 1, 1990, or later including Pension Plus Members, contribute at various graduated permanently fixed contribution rates from 3.0%-7.0%.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contributions (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grant all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that began on or after February 2, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contributions to the pension fund as slated in Option 1 and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and contribute until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the pervious level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formulas for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contributions to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the pension formula for any service thereafter will include a 1.25% pension factor.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% and related earning in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first worked on or after September 4, 2012 chose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employees and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ration falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other postemployment benefit (OPEB)

Benefits provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013 it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Benefits Provided - Other postemployment benefit (OPEB) (continued)

To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employee match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions, range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public At 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Employer Contributions (continued)

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period for fiscal 2018.

The School District's contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other postemployment benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.54% - 19.74%	7.42% - 7.93%

Wolverine Community School's pension contribution for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$267,000, with \$263,000 specifically for the Defined Benefit Plan.

Wolverine Community School's OPEB contribution for the year ended June 30, 2019 were equal to the required contribution total. OPEB contributions were approximately \$115,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (63% for pension and 27% for OPEB).

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

At June 30, 2019, Wolverine Community Schools reported a liability of \$5,167,197 for its proportionate share of MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. Wolverine Community School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, Wolverine Community School's proportion was .01719% a decrease of .00156 percent from its proportion measured as of September 30, 2017.

MPSERS (Plan) Net Pension Liability - As of September 30, 2018

	September 30, 2018	September 30, 2017
MPSERS (Plan) Non-University		
Total Pension Liability	\$ 81,044,341,000	\$ 73,501,296,000
Plan Fiduciary Net Position	\$ 50,343,498,000	\$ 47,011,783
Net Pension Liability	\$ 30,700,843,000	\$ 26,489,513,000
Proportionate Share	0.01719%	0.01875%
Net Pension liability for Wolverine Community Schools	\$ 5,167,197	\$ 4,858,357

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

For the year ended June 30, 2019, Wolverine Community Schools recognized pension expense of \$469,033. At June 30, 2019, Wolverine Community Schools 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
Differences between expected and actual experience	\$ 23,977	\$ 37,549
Changes of assumptions	1,196,719	-
Net difference between projected and actual earnings on pension plan investments	-	353,305
Changes in proportion and differences between Districts and	783	489,028
District's contributions subsequent to the measurement date	206,309	-
Total	\$ 1,427,788	\$ 879,882

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending September 30	Amount
2019	\$ 162,082
2020	93,990
2021	61,400
2022	24,125
Total	\$ 341,597

Actuarial Assumptions

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

OPEB Liabilities

At June 30, 2019, Wolverine Community Schools reported a liability of \$1,271,247 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017. Wolverine Community Schools' proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, Wolverine Community Schools' proportion was 0.01599% percent, which was a decrease of a .00273 percent from its proportion measured as of September 30, 2017.

<u>MPSERS (Plan) Non-University</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total OPEB Liability	\$ 14,178,834,000	\$ 14,175,547,000
Plan Fiduciary Net Position	\$ 6,111,241,000	\$ 5,177,775,000
Net Pension Liability	\$ 8,067,592,000	\$ 8,997,773,000
Proportionate Share	0.01599%	0.01872%
Net OPEB liability for Wolverine Community Schools	\$ 1,271,247	\$ 1,657,654

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

For the year ending June 30, 2019, Wolverine Community Schools recognized OPEB expense of \$16,630. At June 30, 2019, Wolverine Community Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 236,609
Changes of assumptions	134,624	-
Net difference between projected and actual earnings on OPEB plan investments	-	48,856
Changes in proportion and differences between employer contributions and proportionate share of contributions	75	209,133
Employer contributions subsequent to the measurement date	90,697	-
Total	<u><u>\$ 225,396</u></u>	<u><u>\$ 494,598</u></u>

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ (82,676)
2020	(82,676)
2021	(82,676)
2022	(72,717)
2023	(39,154)
Total	<u>\$ (359,899)</u>

Actuarial Assumptions

Investment rate of return for Pension - 7.05% a year, compounded annually net of investment and administrative for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expense for the expenses Hybrid group (Pension Plus plan).

Investment rate of return for OPEB - 7.15% a year, compounded annually net of investment and administrative expenses.

Salary increase - The rate of pay increase used for individual members is 2.75%.

Inflation - 2.75%

Mortality assumptions

Retirees - RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active - RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees - RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15% net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Healthcare cost trend rate for other postemployment benefit - 7.50% for year one and graded to 3.00% to year twelve.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.50% for year one and graded to 3.00% to year twelve.

Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012.

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Long-Term Expected Return on Plan Assets

Target asset allocation as of September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Pension Single Discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan and 6.00% for the new Pension Plus 2 Plan) for fiscal year 2018. In fiscal year 2017, the single discount rate used to measure the pension liability was 7.5% (7.0 for the Pension Plus Plan). This single discount rate was based on the expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus Plan and 6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate was based on the assumption that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

OPEB Single Discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability for fiscal year 2018. In fiscal year 2017, the single discount rate used to measure the OPEB liability was 7.5%. This single discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this single discount rate was based on the assumption that in the future plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents Wolverine Community Schools' proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for Pension Plus Plan and 6.00% for the new Pension Plus 2 Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	Current Single	Discount Rate	1% Increase
	1% Decrease	Assumption	8.05% /
	6.05% /	7.05% / 7.00% /	8.00% /
	6.00% / 5.0%	6.00%	7.00%
District's proportionate share of the net pension liability	\$6,784,131	\$5,167,197	\$3,823,788

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents Wolverine Community Schools' proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	OPEB		
	1% Decrease	Current Discount Rate	1% Increase
	(6.15%)	(7.15%)	8.15%
District's proportionate share of the net OPEB liability	\$1,526,086	\$1,271,231	\$1,056,866

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates - The following presents Wolverine Community Schools' proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 7.5% (decreasing 3.5%), as well as what the Schools proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher:

	OPEB		
	1% Decrease	Current Healthcare	1% Increase
	(6.5%	Cost Trend Rate	(8.5%
	decreasing to	(7.5% decreasing to	decreasing to
	2.0%)	3.0%)	4.0%)
District's proportionate share of the net OPEB liability	\$1,045,573	\$1,271,231	\$1,530,106

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension and OPEB Plan - At year end Wolverine Community Schools is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are included in the financial statements as a liability titled accrued payroll and payroll liabilities. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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 Wolverine Community Schools has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 13 - TAX ABATEMENTS

The District is required to disclose significant tax abates as require by GASB statement 77 (Tax abatements).

The District received reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages, and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The amount of abated real and personal property taxes affecting the District for the year ended June 30, 2019 was \$0.

NOTE 14 - GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any would be immaterial.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - ECONOMIC DEPENDENCY

The District received approximately 52% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

NOTE 16 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 20, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Local sources	\$ 991,909	\$ 1,001,615	\$ 1,014,856	\$ 13,241
State sources	1,711,772	1,778,430	1,754,215	(24,215)
Federal sources	158,520	174,654	167,119	(7,535)
Interdistrict sources	94,539	88,000	97,109	9,109
Total Revenues	<u>2,956,740</u>	<u>3,042,699</u>	<u>3,033,299</u>	<u>(9,400)</u>
Other Financing Sources				
Other fin. sources, incl. trans. from comp. units, extra ord., spec. items	-	26,063	31,363	5,300
Transfers in/out	(2,268)	13,700	13,537	(163)
Total Revenues and Other Financing Sources	<u>2,954,472</u>	<u>3,082,462</u>	<u>3,078,199</u>	<u>(4,263)</u>
Expenditures				
Basic programs	1,433,921	1,676,236	1,627,784	48,452
Added needs	520,220	330,000	329,824	176
Business services	83,778	104,000	103,449	551
Operation & maintenance	241,700	243,000	242,316	684
Pupil transportation	197,985	198,000	197,696	304
Athletics	62,690	57,957	57,937	20
Debt service	-	7,050	7,036	14
Security services	27,489	27,489	26,893	596
General administration	101,691	104,805	104,462	343
School administration	244,558	243,773	242,042	1,731
Non-instructional technology	21,899	17,796	12,898	4,898
Total Expenditures	<u>2,935,931</u>	<u>3,010,106</u>	<u>2,952,337</u>	<u>57,769</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>2,935,931</u>	<u>3,010,106</u>	<u>2,952,337</u>	<u>57,769</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>18,541</u>	<u>72,356</u>	<u>125,862</u>	<u>53,506</u>
Net Change in Fund Balance	<u>18,541</u>	<u>72,356</u>	<u>125,862</u>	<u>53,506</u>
Fund Balance at Beginning of Period	<u>280,865</u>	<u>280,865</u>	<u>280,865</u>	<u>-</u>
Fund Balance at End of Period	<u>\$ 299,406</u>	<u>\$ 353,221</u>	<u>\$ 406,727</u>	<u>\$ 53,506</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01719%	0.01875%	0.01967%	0.02030%	0.02049%
Reporting unit's proportionate share of net pension liability	\$ 5,167,197	\$ 4,858,357	\$ 4,906,489	\$ 4,957,980	\$ 4,513,746
Reporting unit's covered-employee payroll	\$ 1,359,727	\$ 1,535,509	\$ 1,581,768	\$ 1,591,864	\$ 1,523,544
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	380.02%	316.40%	310.19%	311.46%	296.27%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.15%

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 468,049	\$ 439,736	\$ 441,609	\$ 412,991	\$ 439,208
Contributions in relation to statutorily required contributions*	<u>(468,049)</u>	<u>(439,736)</u>	<u>(441,609)</u>	<u>(412,991)</u>	<u>(439,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Reporting unit's covered-employee payroll	\$ 1,434,972	\$ 1,351,666	\$ 1,581,768	\$ 1,591,864	\$ 1,771,031
Contribution as a percentage of covered-employee payroll	32.62%	32.53%	27.92%	25.94%	24.80%

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.01872%	0.01872%
Reporting unit's proportionate share of net OPEB liability	\$ 1,271,231	\$ 1,657,654
Reporting unit's covered-employee payroll (OPEB)*	\$ 1,359,727	\$ 1,535,509
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.49%	107.95%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%**	36.39%**

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

**For non-university employers (K12 districts, ISDs, charter schools/PSAs, libraries, and community colleges).

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2019</u>	<u>2018</u>
Statutory required contributions	\$ 103,806	\$ 97,584
Contributions in relation to statutorily required contributions*	<u>(103,806)</u>	<u>(97,584)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)**	\$ 1,434,972	\$ 1,348,403
Contribution as a percentage of covered-employee payroll	7.23%	7.24%

*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

SEE NOTES TO FINANCIAL STATEMENTS.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes in benefit terms: There were no changes of benefit terms in 2018.

Changes of assumptions: There were no changes of benefit assumptions in 2018.

SEE NOTES TO FINANCIAL STATEMENTS.

OTHER SUPPLEMENTARY INFORMATION

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
	<u>FOOD SERVICE FUND</u>	<u>2005 DEBT SERVICE</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and investments	\$ 3,968	\$ 74,576	\$ 87,196	\$ 165,740
Accounts receivable	920	-	-	920
Due from other government units	30,307	-	-	30,307
Inventory	10,507	-	-	10,507
Total Assets	<u>45,702</u>	<u>74,576</u>	<u>87,196</u>	<u>207,474</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 45,702</u>	<u>\$ 74,576</u>	<u>\$ 87,196</u>	<u>\$ 207,474</u>
LIABILITIES				
Due to other funds	\$ 24,335	\$ -	\$ -	\$ 24,335
Total Liabilities	<u>24,335</u>	<u>-</u>	<u>-</u>	<u>24,335</u>
Total Liabilities and Deferred Inflows of Resources	<u>24,335</u>	<u>-</u>	<u>-</u>	<u>24,335</u>
FUND BALANCE				
Nonspendable	10,507	-	-	10,507
Restricted	10,860	74,576	87,196	172,632
Unassigned	-	-	-	-
Total Fund Balance	<u>21,367</u>	<u>74,576</u>	<u>87,196</u>	<u>183,139</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 45,702</u>	<u>\$ 74,576</u>	<u>\$ 87,196</u>	<u>\$ 207,474</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
	<u>FOOD SERVICE FUND</u>	<u>2005 DEBT SERVICE</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Revenues				
Local sources	\$ 10,530	\$ 99,887	\$ 59,686	\$ 170,103
State sources	2,810	-	-	2,810
Federal sources	154,714	-	-	154,714
Total Revenues	<u>168,054</u>	<u>99,887</u>	<u>59,686</u>	<u>327,627</u>
Expenditures				
Pupil support services	148,412	750	11,122	160,284
Capital outlay	-	-	20,170	20,170
Debt service	-	90,670	-	90,670
Total Expenditures	<u>148,412</u>	<u>91,420</u>	<u>31,292</u>	<u>271,124</u>
Excess of Revenues Over (Under) Expenditures	<u>19,642</u>	<u>8,467</u>	<u>28,394</u>	<u>56,503</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfer out	(13,537)	-	-	(13,537)
Net Other Financing Sources (Uses)	<u>(13,537)</u>	<u>-</u>	<u>-</u>	<u>(13,537)</u>
Net Change in Fund Balance	6,105	8,467	28,394	42,966
Fund Balance at Beginning of Period	<u>15,262</u>	<u>66,109</u>	<u>58,802</u>	<u>140,173</u>
Fund Balance at End of Period	<u>\$ 21,367</u>	<u>\$ 74,576</u>	<u>\$ 87,196</u>	<u>\$ 183,139</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
TRUST AND AGENCY FUND - SCHOOL ACTIVITIES
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2019

	Balances July 1, 2018	Revenues	Expenditures	Balances June 30, 2019
Alumni	\$ 3,470	\$ 759	\$ 612	\$ 3,617
Archery Fund	346	-	54	292
Athletics: Cross Country	1,679	1,728	3,708	(301)
Athletics: (Weight Equipment)	(6,642)	1,632	-	(5,010)
	-	1,490	827	663
Art Prize	(26)	3,197	3,171	-
Band	(7)	7	-	-
Baseball	-	3,508	3,508	-
Boosters	7,350	9,953	10,612	6,691
Box Tops for Education	1,048	81	-	1,129
Boy's Basketball	560	755	1,340	(25)
Burrows Family Scholarship	500	-	-	500
C.O.A.T.S.	343	-	343	-
Christ Child After School Prog.	1,654	-	1,654	-
Christ Child Clothing Fund	188	-	188	-
Class of: 2023	103	173	-	276
2022	178	3,232	2,312	1,098
2021	411	174	-	585
2020	734	1,343	1,554	523
2019	1,929	953	2,299	583
2024	323	-	323	-
Former graduates	103	-	103	-
Due to Food Service	39	-	39	-
Elementary Art Fund	1,847	-	1,847	-
Elementary Biegelow	187	262	253	196
Elementary Fundraiser	(1,018)	1,018	-	-
Elementary Granger	436	77	121	392
Elementary Greenway	1,112	1,151	1,491	772
Elementary Olds	(308)	2,072	1,482	282
Elementary Pulaski	199	1,222	991	430
Elementary Principal's Fund	(1,759)	9,004	7,513	(268)
Elementary PTO	10,664	11,434	19,248	2,850
Elem./Middle School Library	698	-	698	-
Employee Jean Day Fund	298	-	-	298
Elementary Raber	81	596	455	222
Elementary Sumbera	338	240	314	264
Elementary St Amour	(1,132)	2,363	733	498
Evans Family Grant	5,373	40	5,286	127
Flower Collection Fund	2	-	2	-
French Club	180	180	360	-
General	1,038	-	1,038	-
Girl's Basketball	(141)	1,197	5,255	(4,199)
Golf	(73)	2,570	566	1,931
Greenfield Village	500	11,161	6,671	4,990
HS/MS Employee Jean Money	270	-	-	270
Judge Butts Team Building Grant	1,350	-	469	881
Lansing Trip	720	646	482	884
Lounge Grant	236	-	236	-
MS/HS Principal Accountant	(414)	2,820	1,377	1,029
MS/HS Beyers	(1,200)	1,200	-	-
MS/HS Hanel	(42)	12,704	14,317	(1,655)
MS/HS Morrison	132	-	250	(118)
MS/HS School Improvement	487	-	487	-
National Honor Society	610	949	1,038	521
Odessey of the Mind	522	-	522	-
Pit Crew	74	-	74	-
Recycling	57	-	57	-
School Forest	2,608	-	-	2,608
School Improvement	2,282	51	2,333	-
Security	250	-	-	250
Softball Fundraiser	-	-	213	(213)
Sound System	384	-	384	-
Student Council - HS	1,091	346	67	1,370
Student Council - MS	506	-	-	506
Swimming	116	-	116	-
Wager School Store	148	-	141	7
Volleyball Fundraiser	3,939	7,004	9,086	1,857
Yearbook	(3,796)	6,922	8,811	(5,685)
Young Family Grant	884	500	600	784
Total	\$ 44,019	\$ 106,714	\$ 128,031	\$ 22,702

SEE NOTES TO FINANCIAL STATEMENTS.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2019

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		
4.30%	2019-20	\$ 3,655	\$ 3,655	\$ 85,000	\$ 92,310
4.30%	2020-21	1,828	1,827	85,000	88,655
		\$ 5,483	\$ 5,482	\$ 170,000	\$ 180,965

SEE NOTES TO FINANCIAL STATEMENTS.

Schulze Oswald Miller & Edwards PC

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

To the Board of Education Wolverine Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Wolverine Community Schools* as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise *Wolverine Community Schools'* basic financial statements, and have issued our report thereon dated August 20, 2019.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and significant deficiencies 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Schulze, Oswald, Miller & Edwards PC

Alpena, Michigan

August 20, 2019

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no matters reported in the prior year's audit.

Schulze Oswald Miller & Edwards PC

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AUDIT COMMUNICATIONS

August 20, 2019

The Board of Education
Wolverine Community Schools
Wolverine, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Wolverine Community Schools* for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by *Wolverine Community Schools* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2018/2019 fiscal year. We noted no transactions entered into by *Wolverine Community Schools* during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the net book value of fixed assets is based on estimated depreciable lives. We evaluated the key factors and assumptions used to develop the estimated depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension and OPEB liability is based on actuarial assumptions that are provided by Michigan ORS for the MPSERS plan. We evaluated the key factors and assumptions used to develop the estimated the net pension and OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosure of Capital Assets in Note 5 to the financial statements estimate the useful lives of depreciable capital assets and is based on the length of time it is believed that those assets will provide some economic benefit in the future.

The disclosure of net pension and OPEB liability is in Note 10 to the financial statements. Key factors and assumptions used to calculate the note are based on a number of factors including, age, length of service, mortality, and health.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Upcoming GASB Statements:

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of their useful lives. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2020.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the fiscal year ending June 30, 2020.

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

Very truly yours,

Schulze, Oswald, Miller, & Edwards PC

Schulze, Oswald, Miller, & Edwards PC
Alpena, Michigan