

WOLVERINE COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS

(with required supplementary and additional information)

JUNE 30, 2022



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

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WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

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August 25, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools, Wolverine, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wolverine Community Schools'

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wolverine Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wolverine Community Schools' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv-x and 36-41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wolverine Community Schools' basic financial statements. The accompanying nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund financial statements and the schedule of expenditures of federal awards 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 25, 2022, on our consideration of Wolverine Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wolverine Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wolverine Community Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

This section of Wolverine Community Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

A. Government-Wide Financial Statements

The *Government-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, deferred inflows and outflows of resources and liabilities, with the difference 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 the 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 for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, interest on long-term debt and depreciation.

B. 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. Wolverine Community Schools, like other state and local governments, uses fund accounting to ensure 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 as governmental activities in the government-wide financial statements. However, unlike the government-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 assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

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.

Fiduciary Funds – Fiduciary funds are for assets that belong to others, such as certain student activities and trust agreements where the District is the trustee or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

The District maintains one type of fiduciary fund. The Private Purpose Trust fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments.

C. Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

D. Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

E. Summary of Net Position

The following schedule summarizes the net position at June 30:

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 1,854,807	\$ 1,631,727
Non Current Assets		
Capital Assets	6,331,145	6,299,882
Less Accumulated Depreciation	<u>(4,420,556)</u>	<u>(4,382,123)</u>
Total Non Current Assets	<u>1,910,589</u>	<u>1,917,759</u>
Total Assets	<u>3,765,396</u>	<u>3,549,486</u>
Deferred Outflows of Resources	<u>1,041,411</u>	<u>1,289,933</u>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>
Liabilities		
Current Liabilities	469,450	423,540
Non Current Liabilities	3,711,278	6,139,133
	<hr/>	<hr/>
Total Liabilities	4,180,728	6,562,673
	<hr/>	<hr/>
Deferred Inflows of Resources	2,795,942	1,275,766
	<hr/>	<hr/>
Net Position		
Net Investment in Capital Assets	1,903,875	1,904,525
Restricted for Specific Purposes	137,590	114,410
Unrestricted (Deficit)	(4,211,328)	(5,017,955)
	<hr/>	<hr/>
Total Net Position (Deficit)	<u>\$ (2,169,863)</u>	<u>\$ (2,999,020)</u>

F. Analysis of Financial Position

During the fiscal year ended June 30, 2022, the District's net position increased by \$829,157. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

Districts are required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2022, \$151,057 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2022, \$191,227 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above. The net effect of the new capital assets, current year depreciation, and the disposition of certain assets is a decrease to capital assets in the amount of \$7,170 for the fiscal year ended June 30, 2022. The expenditures capitalized were related to a roof project and a boiler. The dispositions were related to the old roof.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

3. Pension and Other Postemployment Benefits Expense

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and other postemployment benefits liabilities increase or decrease in any given year. For the year ended June 30, 2022, the District reported an increase in net position related to GASB 68 and GASB 75.

G. Results of Operations

The following schedule summarizes the results of operations district-wide for the years ended June 30:

	<u>2022</u>	<u>2021</u>
General Revenues		
Property Taxes	\$ 1,148,825	\$ 1,202,718
State Sources	1,205,018	1,757,454
Investment Earnings	812	959
Other	25,525	8,223
	<hr/>	<hr/>
Total General Revenues	2,380,180	2,969,354
	<hr/>	<hr/>
Program Revenues		
Charges for Services	21,978	26,232
Operating Grants	1,575,772	533,345
	<hr/>	<hr/>
Total Program Revenues	1,597,750	559,577
	<hr/>	<hr/>
Total Revenues	3,977,930	3,528,931
	<hr/>	<hr/>
Expenses		
Instruction	1,582,596	1,623,896
Supporting Services	1,414,604	1,218,926
Interest on Long-Term Debt	516	3,807
Unallocated Depreciation	151,057	156,079
	<hr/>	<hr/>
Total Expenses	3,148,773	3,002,708
	<hr/>	<hr/>
Change in Net Position	\$ 829,157	\$ 526,223
	<hr/> <hr/>	<hr/> <hr/>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

H. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Major Funds			
General Fund	\$ 1,209,303	\$ 967,027	\$ 242,276
Capital Projects Fund	137,590	209,032	(71,442)
Nonmajor Funds			
Food Service Fund	27,702	15,285	12,417
Student Activity Fund	17,476	23,363	(5,887)
Total Governmental Funds	<u>\$ 1,392,071</u>	<u>\$ 1,214,707</u>	<u>\$ 177,364</u>

General Fund – In 2021-2022, the General Fund's fund balance increased by \$242,276. Federal revenues, primarily Education Stabilization Funds, were received during the year and the rules regarding the funds allow for supplanting of normal operating expenditures. This was the primary cause of the increase in fund balance.

Capital Projects Fund – In 2021-2022, the fund balance decreased as a result of a large roof project and the purchase of a new boiler.

Food Service Fund – In 2021-2022, the Food Service Fund's fund balance increased by \$12,417. Increased revenues due to the COVID-19 pandemic caused the increase in fund balance. The District was able to transfer \$10,000 to the General Fund for indirect costs during the year.

Student Activities Fund – Fund balance in this fund decreased during the year as some of the activities expended more than the revenue they brought in.

I. General Fund Budgetary Highlights

The Uniform Accounting and Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

For the 2021-2022 fiscal year, the District amended the General Fund at various times throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 3,428,447	\$ 3,609,716	\$ 3,529,268
<u>EXPENDITURES</u>			
Instruction	\$ 2,220,799	\$ 1,978,608	\$ 1,967,531
Supporting Services	1,128,290	1,327,049	1,322,425
Debt Service	7,036	7,036	7,036
Total Expenditures	<u>\$ 3,356,125</u>	<u>\$ 3,312,693</u>	<u>\$ 3,296,992</u>

The changes from original budget and final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year. Variances between final budgeted revenues and actual figures was a result of the District deciding to carry over some of its federal revenue to the next year and absorb the costs with existing fund balance. The variance between final budgeted and actual expenditures was minimal.

J. Capital Asset and Debt Administration

1. Capital Assets

At the end of the 2021-2022 fiscal year, the District had invested \$1,910,589 net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of \$7,170 from the prior fiscal year. Depreciation expense for the year amounted to \$151,057 bringing the accumulation to \$4,420,556 as of June 30, 2022. The expenditures capitalized were related to a roof project and a boiler, a total of approximately \$191,000. There were dispositions that were related to the old roof. The District has also committed \$211,636 for the purchase of two school buses.

2. Long-Term Obligations

At June 30, 2022, the District had \$6,714 in obligations outstanding related to a van purchase. This represents an decrease of \$6,520 from the amount outstanding at the close of the prior fiscal year. Additionally, at June 30, 2022, the District reported its net share of the pension liability of \$3,469,298, its net share of the other postemployment benefits liability of \$218,240 and compensated absences in the amount of \$23,740.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

K. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The District is excited that voters in the District passed a 7.3 million dollar bond proposal in May 2022. Starting in 2022-2023, the District will begin expending resources on much needed improvements and upgrades to its facilities throughout the District.
- Small decreases in the District's pupil count have been offset in recent years by the increases in per pupil funding. That said, with the pupil count being the driving force behind the District's funding, the District continues to monitor its student count and do what it can to attract students to the District.
- The District continues to monitor certain one-time funding sources, primarily Federal funding due to pandemic recovery efforts. As these funding sources go away, it is unlikely that the revenue received from these sources will be made up.
- The District has been affected by supply chain shortages for many supplies and products that are used in day-to-day activities. We are hopeful that in future years, the shortages will become less significant.
- The District has faced significant staffing challenges for almost all positions, including, but not limited to full-time teaching staff, substitute teacher staff, and other support staff.

L. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Office, Wolverine Community Schools, P.O. Box 219, Wolverine, MI 49799.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 1,479,690
Due from Other Governments	370,437
Inventory	4,680
	<hr/>
Total Current Assets	1,854,807
	<hr/>
<u>NON CURRENT ASSETS</u>	
Capital Assets	6,331,145
Less Accumulated Depreciation	(4,420,556)
	<hr/>
Total Non Current Assets	1,910,589
	<hr/>
TOTAL ASSETS	3,765,396
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows Related to Pensions	747,902
Deferred Outflows Related to Other Postemployment Benefits	293,509
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,041,411
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	36,162
Salaries Payable and Related Expenses	167,380
Accrued Expenditures	139,455
Due to External Parties (Fiduciary Fund)	365
Unearned Revenue	119,374
Current Portion of Long-Term Liabilities	6,714
	<hr/>
Total Current Liabilities	469,450
	<hr/>

The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NONCURRENT LIABILITIES</u>	
Notes from Direct Borrowings and Direct Placements	6,714
Accumulated Sick Leave	23,740
Net Pension Liability	3,469,298
Net Other Postemployment Benefits Liability	218,240
Less Current Portion of Non Current Liabilities	<u>(6,714)</u>
 Total Non Current Liabilities	 <u>3,711,278</u>
 TOTAL LIABILITIES	 <u>4,180,728</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows Related to Pensions	1,791,788
Deferred Inflows Related to Other Postemployment Benefits	<u>1,004,154</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>2,795,942</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	1,903,875
Restricted for Capital Projects	137,590
Unrestricted (Deficit)	<u>(4,211,328)</u>
 TOTAL NET POSITION (DEFICIT)	 <u>\$ (2,169,863)</u>

The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

<u>FUNCTIONS/PROGRAM</u>	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL</u>
<u>GOVERNMENTAL ACTIVITIES</u>	<u>EXPENSES</u>	<u>CHARGES</u>	<u>OPERATING GRANTS</u>	<u>ACTIVITIES</u>
		<u>FOR SERVICES</u>	<u>AND CONTRIBUTIONS</u>	<u>NET (EXPENSE)</u>
		<u>AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>	<u>REVENUE AND</u>
		<u>AND CONTRIBUTIONS</u>	<u>AND CONTRIBUTIONS</u>	<u>CHANGES IN</u>
				<u>NET POSITION</u>
Instruction	\$ 1,582,596	\$ 0	\$ 972,106	\$ (610,490)
Supporting Services	1,414,604	21,978	603,666	(788,960)
Interest on Long-Term Obligations	516	0	0	(516)
Unallocated Depreciation	151,057	0	0	(151,057)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,148,773	\$ 21,978	\$ 1,575,772	(1,551,023)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,011,553
Property Taxes - Capital Projects				137,272
State Sources				1,205,018
Investment Earnings				812
Other				25,525
Total General Revenues				2,380,180
Change in Net Position				829,157
<u>NET POSITION</u> - Beginning of Year (Deficit)				(2,999,020)
<u>NET POSITION</u> - End of Year (Deficit)				\$ (2,169,863)

The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,298,089	\$ 137,590	\$ 44,011	\$ 1,479,690
Due from Other Governments	370,437	0	0	370,437
Due from Other Funds	3,148	0	0	3,148
Inventory	0	0	4,680	4,680
TOTAL ASSETS	\$ 1,671,674	\$ 137,590	\$ 48,691	\$ 1,857,955
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 36,162	\$ 0	\$ 0	\$ 36,162
Salaries Payable	167,380	0	0	167,380
Accrued Expenditures	139,455	0	0	139,455
Due to Other Funds	0	0	3,513	3,513
Unearned Revenue	119,374	0	0	119,374
Total Liabilities	462,371	0	3,513	465,884
 <u>FUND BALANCES</u>				
Nonspendable:				
Inventory	0	0	4,680	4,680
Restricted for:				
Capital Projects	0	137,590	0	137,590
Food Service	0	0	23,022	23,022
Committed for:				
Student Activities	0	0	17,476	17,476
Unassigned	1,209,303	0	0	1,209,303
Total Fund Balances	1,209,303	137,590	45,178	1,392,071
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,671,674	\$ 137,590	\$ 48,691	\$ 1,857,955

The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Governmental Fund Balances		\$ 1,392,071
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 6,331,145	
Accumulated depreciation is	<u>(4,420,556)</u>	1,910,589
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Notes from Direct Borrowings and Direct Placements		(6,714)
Compensated Absences		(23,740)
Net Pension Liability		(3,469,298)
Net Other Postemployment Benefits Liability		(218,240)
Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - Related to Pension/OPEB		1,041,411
Deferred Inflows of Resources - Related to Pension/OPEB		<u>(2,795,942)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (2,169,863)</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 BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 1,053,533	\$ 137,384	\$ 42,842	\$ 1,233,759
States Sources	1,691,650	0	14,991	1,706,641
Federal Sources	689,033	0	232,494	921,527
Other Transactions	95,052	0	0	95,052
Total Revenues	3,529,268	137,384	290,327	3,956,979
<u>EXPENDITURES</u>				
Instruction	1,967,531	0	0	1,967,531
Supporting Services	1,322,425	17,599	273,797	1,613,821
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	0	191,227	0	191,227
Debt Service	7,036	0	0	7,036
Total Expenditures	3,296,992	208,826	273,797	3,779,615
Excess (Deficiency) of Revenues Over Expenditures	232,276	(71,442)	16,530	177,364
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	10,000	0	(10,000)	0
Net Change in Fund Balance	242,276	(71,442)	6,530	177,364
<u>FUND BALANCE</u> - Beginning of Year	967,027	209,032	38,648	1,214,707
<u>FUND BALANCE</u> - End of Year	\$ 1,209,303	\$ 137,590	\$ 45,178	\$ 1,392,071

The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances Total Governmental Funds \$ 177,364

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(151,057)
Capital Outlay	191,227
Remaining Book Value of Assets Disposed	(47,340)

The issuance of long-term obligations provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds.

Repayments of Principal on Long-Term Obligations	6,520
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Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	23,068
Compensated Absences - End of Year	(23,740)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditure in the governmental funds.

Change in Pension/OPEB Related Items	632,164
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>20,951</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 829,157</u></u>
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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, 2022

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ASSETS</u>	
Cash	\$ 18,820
Due from Other Funds	<u>365</u>
 TOTAL ASSETS	 19,185
 <u>LIABILITIES</u>	 <u>0</u>
 <u>NET POSITION</u>	
Held in Trust for Individuals and Organizations	<u><u>\$ 19,185</u></u>

The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2022

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Donations and Earnings on Deposits	\$ 2,703
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>1,500</u>
Change in Net Position	1,203
<u>NET POSITION</u> - Beginning of Year	<u>17,982</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 19,185</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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wolverine Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District ("the District") is located in Cheboygan County with its administrative offices located in Wolverine, Michigan. The District operates under an elected board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the resources that are restricted for use on capital projects that were approved by the District's voters.

The District reports the following non-major governmental funds:

The *Student Activity Special Revenue Fund* account for revenue sources that are legally restricted to expenditures for school/student activities.

The *Food Service Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for food service.

Additionally, the District reports Fiduciary Funds. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements

The District reports the following fiduciary funds:

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term obligations are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, value outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- (b) A public hearing is conducted during June to obtain taxpayer comments.
- (c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- (f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (g) Budgeted amounts are as originally adopted in June 2021, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures over Appropriations*

Excess of expenditures over appropriations occurred in the following fund:

General Fund – Operation and Maintenance expenditures of \$307,886 exceeded appropriations of \$300,588.

Student Activity Fund – Student Activity expenditures of \$40,056 exceeded appropriations of \$37,388.

The above overages were funded by available fund balance.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Cash Equivalents*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

2. *Investments*

Investments – Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. *Inventory and Prepaid Items*

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities' column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date of the donation. Donated capital assets are only reported under the accrual method of accounting.

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress, if any, are not depreciated. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Additions	40-50
Furniture and Equipment	3-10
Vehicles	5-10

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District recognizes unearned revenue related to funds received by the District from the State of Michigan for its At Risk program.

6. *Defined Benefit Plans*

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

7. *Long-Term Obligations*

In the government-wide financial statements, long-term and other obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related obligation.

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

8. *Compensated Absences*

District policy permits certain employees to accumulate earned but unused sick pay and other compensation benefits. The amount allowable to be compensated for depends on position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District recognizes a deferred charge on refunding, which qualifies as a deferred outflow of resources. A deferred charge on refunding results from the difference in the carrying value of a refunded obligation and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding obligation. Additionally, the District reports deferred outflows of resources related to its pension plan and other postemployment benefits plan, which are discussed in Note 3-H and Note 3-I of this report.

In addition to liabilities, the statement of net 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 (revenue) until that time. The District reports deferred inflows of resources related to its pension plan and other postemployment benefits plan, which are discussed in Note 3-H and Note 3-I of this report.

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

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

12. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

13. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2022 the foundation allowance was based on a three year blend consisting of pupil membership counts taken in February 2019, October 2019, February 2020, October 2020, February 2021, and October 2021. For fiscal year ended June 30, 2022, the per pupil foundation allowance was \$8,700 for Wolverine Community Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2021 to August 2022. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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 governmental 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.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2022, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	18.0000
General Fund - Commercial PPT	6.0000
Sinking Fund	1.2500

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2022.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits

As of June 30, 2022 the District had deposits subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2022, the District’s bank balance was \$1,513,219, of which \$967,137 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2022:

	Primary Government	Fiduciary	Total
Cash and Cash Equivalents	\$ 1,479,690	\$ 18,820	\$ 1,498,510

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

B. Short-Term Obligations

In July 2020, the District issued a State Aid Note in the amount of \$400,000 for the purpose of managing the District’s cash flow needs during the year. The Note carried an interest rate of 1.30% and matured on July 20, 2021. The District pledged its future State Aid revenue for payment of this liability at maturity. In July 2021, the District paid the remaining balance of \$57,175 plus interest. The District did not issue any State Aid Notes in fiscal year 2021-2022.

The following is a summary of the short-term obligation transactions for the District for the year ended June 30, 2022:

	<u>STATE AID NOTE</u>
Balance - July 1, 2021	\$ 57,175
Additions	0
Deletions	<u>(57,175)</u>
Balance - June 30, 2022	<u>\$ 0</u>

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C. Receivables

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

	<u>General Fund</u>
Receivables:	
Due from Other Governmental Units	<u>\$ 370,437</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. The allowance for doubtful accounts is not considered to be material for disclosure.

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2022, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 1,516
General Fund	Student Activity Fund	1,632
Private Purpose Trust Fund	Student Activity Fund	<u>365</u>
		<u>\$ 3,513</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Individual fund transfers at June 30, 2022, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
General Fund	Food Service Fund	<u>\$ 10,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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E. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance			Balance
	June 30, 2021	Additions	Deletions	June 30, 2022
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 4,565,833	\$ 191,227	\$ 129,052	\$ 4,628,008
Land Improvements	1,170,180	0	0	1,170,180
Buses and Vehicles	204,946	0	0	204,946
Furniture and Equipment	358,922	0	30,911	328,011
	<hr/>			<hr/>
Subtotal	6,299,881	191,227	159,963	6,331,145
	<hr/>			<hr/>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,769,856	123,952	81,712	2,812,096
Land Improvements	1,147,058	412	0	1,147,470
Buses and Vehicles	171,198	14,454	0	185,652
Furniture and Equipment	294,010	12,239	30,911	275,338
	<hr/>			<hr/>
Accumulated Depreciation	4,382,122	151,057	112,623	4,420,556
	<hr/>			<hr/>
Net Capital Assets Being Depreciated	1,917,759	40,170	47,340	1,910,589
	<hr/>			<hr/>
Net Capital Assets	\$ 1,917,759	\$ 40,170	\$ 47,340	\$ 1,910,589
	<hr/>			<hr/>

Depreciation for the fiscal year ended June 30, 2022, amounted to \$151,057. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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F. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2022:

	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS					NET PENSION LIABILITY	NET OPEB LIABILITY	COMPENSATED ABSENCES	TOTAL
Balance, July 1, 2021	\$	13,234	\$	5,307,662	\$	801,689	\$	23,068	\$ 6,145,653
Additions		0		439,992		106,140		2,447	548,579
Deletions		(6,520)		(2,278,356)		(689,589)		(1,775)	(2,976,240)
Balance, June 30, 2022		6,714		3,469,298		218,240		23,740	3,717,992
Less current portion		(6,714)		Unknown		Unknown		Unknown	(6,714)
Total due after one year	\$	0	\$	3,469,298	\$	218,240	\$	23,740	\$ 3,711,278

At June 30, 2022, the District's long-term obligations consisted of the following:

Notes From Direct Borrowings and Direct Placements

Van Loan \$ 6,714

Other Long-Term Obligations

Compensated Absences 23,740

Net Pension Liability 3,469,298

Net Other Postemployment Benefits Liability 218,240

Total \$ 3,717,992

The annual requirements to amortize the Notes from Direct Borrowings and Direct Placements outstanding as of June 30, 2022, including interest payments of \$262 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2023	\$ 6,714	\$ 262	\$ 6,976

Interest expense for the year ended June 30, 2022 was \$516.

The annual requirements to amortize the pension liability, the other postemployment benefits liability, and compensated absences are uncertain because it is unknown when the repayments will be made. These

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liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

G. Defined Benefit 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 Annual Comprehensive Financial Report that can be obtained at www://Michigan.gov/orsschools.

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

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 of Michigan Investments Board serves as the investment fiduciary and custodian of the System.

Benefit Provisions - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the 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 Basic and Member Investment Plan (MIP). Basic plan member’s contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a

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permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%.

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 (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (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 grants 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 begins on or after February 1, 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 increased contribution would begin as of their transition date and continue until 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 contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous 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 formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution 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

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the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

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% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. 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 work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months for Basic Plan and Pension Plus members (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 of 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 employee 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 ratio 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)

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

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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 to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions 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% to 7% for pension and 0% to 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 Act 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.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual

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included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2018 valuation are amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

School districts' 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.45%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$515,100, with approximately \$500,600 specifically for the Defined Benefit Plan and approximately \$14,500 was contributed to the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB contributions were approximately \$120,300, with approximately \$109,200 specifically for the Defined Benefit Plan and approximately \$11,100 was contributed to the Defined Contribution Fund.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2022, the District reported a liability of \$3,469,298 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.01465% and 0.01545%.

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MPSERS (Plan) Non-university Employers Net Pension Liability

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total Pension Liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan Fiduciary Net Position	<u>(62,717,060,920)</u>	<u>(50,939,496,006)</u>
Net Pension Liability	<u>\$ 23,675,412,475</u>	<u>\$ 34,351,087,793</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.60%	59.72%
Net Pension Liability as a Percentage of Covered Payroll	261.68%	387.25%

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

For the year ended June 30, 2022, the District recognized total pension expense of \$118,404.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,741	\$ 20,430
Changes of assumptions	218,692	0
Net difference between projected and actual earnings on pension plan investments	0	1,115,368
Changes in proportion and differences between District contributions and proportionate share of contributions	0	430,804
District section 147c revenue related to pension contributions subsequent to the measurement date	0	225,186
District contributions subsequent to the measurement date	<u>475,469</u>	<u>0</u>
Total	<u>\$ 747,902</u>	<u>\$ 1,791,788</u>

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\$475,469 reported as deferred outflows of resources and \$225,186 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (300,118)
2023	(322,454)
2024	(346,324)
2025	(325,273)
	<u>\$ (1,294,169)</u>

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

OPEB Liabilities

At June 30, 2022, the District reported a liability of \$218,240 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the District's proportion was 0.01430% and 0.01496%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total OPEB Liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan Fiduciary Net Position	(10,520,015,621)	(7,849,636,555)
Net OPEB Liability	<u>\$ 1,526,377,890</u>	<u>\$ 5,357,266,979</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	87.33%	59.44%
Net OPEB Liability as a Percentage of Covered Payroll	16.87%	60.39%

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OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized total OPEB benefit of \$262,579.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 622,951
Changes of Assumptions	182,438	27,300
Net difference between projected and actual earnings on OPEB plan investments	0	164,492
Changes in proportion and differences between District contributions and proportionate share of contributions	13,145	189,411
District contributions subsequent to the measurement date	<u>97,926</u>	<u>0</u>
Total	<u>\$ 293,509</u>	<u>\$ 1,004,154</u>

\$97,926 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ (232,095)
2023	(200,172)
2024	(161,636)
2025	(154,992)
2026	(52,750)
Thereafter	<u>(6,926)</u>
	<u>\$ (808,571)</u>

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J. Actuarial Assumptions

Investment rate of return for Pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.0% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

Investment rate of return for OPEB – 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%-11.55%, including inflation at 2.75%.

Inflation – 3.0%.

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, 2020. 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 determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan), and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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 and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

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

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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 coverage 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.

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity	15.00%	7.50%
Fixed Income Pools	10.50%	-0.70%
Real Estate & Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short-Term Investment Pools	2.00%	-1.30%
	<u>100%</u>	

*Long-term rate of return is net of administrative expenses and 2.0% inflation.

Rate of return

For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate

A single discount rate of 6.80% was used to measure the total pension liability (6.0% for the Pension Plus 2 plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts 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, 2022

OPEB Discount Rate

A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts 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 project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 6.80% (6.0% for the Pension Plus 2 plan), as well as what the 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					
1% Decrease		Discount Rate		1% Increase	
\$	4,960,155	\$	3,469,298	\$	2,233,279

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Reporting Unit'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		Discount Rate		1% Increase	
\$	405,530	\$	218,240	\$	59,298

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

OPEB					
1% Decrease		Current Healthcare Cost Trent Rates		1% Increase	
\$	53,118	\$	218,240	\$	404,023

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

K. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2021 Annual Comprehensive Financial Report.

L. Payables to the Pension and OPEB Plan

As of June 30, 2022, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2022, the District reported payables in the amount of \$87,095 to the pension and OPEB plan. These amounts represent accruals for summer pay primarily for teachers and the contributions due and funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

M. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$750,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2022, or any of the prior three years.

N. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

O. Commitments

As of the June 30, 2022, the District has committed to the following:

- The District approved the purchase of two school buses in the amount of \$211,636.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

P. Subsequent Events

Subsequent to June 30, 2022, the District received \$7.3 million in bond proceeds that were approved in May 2022. The District also approved a quote in the amount of \$28,500 for a metal roof and siding of the bus garage. The financial statements were not affected as a result of these subsequent events.

Q. GASB Statement No. 87 – Leases

It has been determined that the District has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

R. Capital Projects Fund

The Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

S. Upcoming Accounting Pronouncements

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,019,298	\$ 1,050,721	\$ 1,053,533
State Sources	1,791,937	1,695,767	1,691,650
Federal Sources	522,092	768,931	689,033
Other Transactions	95,120	94,297	95,052
Total Revenues	3,428,447	3,609,716	3,529,268
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	1,600,544	1,625,201	1,618,157
Added Needs	620,255	353,407	349,374
Supporting Services			
Pupil	0	77,325	77,325
Instructional Staff	28,425	42,091	40,562
General Administration	132,264	197,485	197,470
School Administration	309,970	325,073	316,632
Business	77,164	75,915	75,900
Operation and Maintenance	338,866	300,588	307,886
Pupil Transportation Services	148,865	174,529	174,493
Support Services - Central	22,554	63,079	62,820
Support Services - Other	70,182	70,964	69,337
Debt Service	7,036	7,036	7,036
Total Expenditures	3,356,125	3,312,693	3,296,992
Excess (Deficiency) of Revenues Over Expenditures	72,322	297,023	232,276
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	10,000	10,000	10,000
Net Change in Fund Balance	82,322	307,023	242,276
<u>FUND BALANCE</u> - Beginning of Year	913,621	953,594	967,027
<u>FUND BALANCE</u> - End of Year	\$ 995,943	\$ 1,260,617	\$ 1,209,303

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2022

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.01465%	0.01545%	0.01615%	0.017190%	0.01875%	0.01967%	0.02030%	0.02049%		
District's proportionate share of net pension liability	\$ 3,469,298	\$ 5,307,662	\$ 5,347,194	\$ 5,167,197	\$ 4,858,357	\$ 4,906,489	\$ 4,957,980	\$ 4,513,746		
District's covered payroll	1,302,351	1,330,260	1,420,550	1,359,727	1,535,509	1,581,768	1,591,864	1,523,544		
District's proportionate share of net pension liability as a percentage of its covered payroll	266.39%	398.99%	376.42%	380.02%	316.40%	310.19%	311.46%	296.27%		
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%		

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2022

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions			\$ 500,649	\$ 509,822	\$ 428,939	\$ 468,049	\$ 439,736	\$ 441,609	\$ 412,991	\$ 439,208
Contributions in relation to statutorily required contributions *			500,649	509,822	428,939	468,049	439,736	441,609	412,991	439,208
Contribution deficiency (excess)			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll			\$ 1,434,445	\$ 1,315,505	\$ 1,312,842	\$ 1,434,972	\$ 1,351,666	\$ 1,581,768	\$ 1,591,864	\$ 1,771,031
Contributions as a percentage of covered payroll			34.90%	38.75%	32.67%	32.62%	32.53%	27.92%	25.94%	24.80%

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)

JUNE 30, 2022

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
District's proportion of net OPEB liability (%)	0.01872%	0.01872%	0.01628%	0.01496%	0.01430%					
District's proportionate share of net OPEB liability	\$ 1,657,654	\$ 1,271,231	\$ 1,168,875	\$ 801,689	\$ 218,240					
District's covered payroll	1,535,509	1,359,727	1,420,550	1,330,260	1,302,351					
District's proportionate share of net OPEB liability as a percentage of its covered payroll	107.95%	93.49%	82.28%	60.27%	16.76%					
Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%	59.44%	87.33%					

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

JUNE 30, 2022

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Statutorily required contributions	\$ 97,584	\$ 103,806	\$ 111,812	\$ 106,140	\$ 109,196	\$ 111,812	\$ 109,196	\$ 106,140	\$ 109,196	\$ 97,584
Contributions in relation to statutorily required contributions *	97,584	103,806	111,812	106,140	109,196	111,812	109,196	106,140	109,196	97,584
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 1,348,403	\$ 1,434,972	\$ 1,312,842	\$ 1,315,505	\$ 1,434,445	\$ 1,312,842	\$ 1,312,842	\$ 1,315,505	\$ 1,434,445	\$ 1,348,403
Contributions as a percentage of covered payroll	7.24%	7.23%	8.52%	8.07%	7.61%	8.52%	8.52%	8.07%	7.61%	7.24%

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2022

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2021.

Changes of Assumptions – There were no changes of assumptions for the plan year ended September 30, 2021.

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2021.

Changes of Assumptions – The assumption changes for the plan year ending September 30, 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	<u>SPECIAL REVENUE FUNDS</u>		<u>TOTAL NON-MAJOR GOVERNMENTAL</u>
	<u>FOOD SERVICE FUND</u>	<u>STUDENT ACTIVITY FUND</u>	
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 24,538	\$ 19,473	\$ 44,011
Inventory	4,680	0	4,680
TOTAL ASSETS	<u>\$ 29,218</u>	<u>\$ 19,473</u>	<u>\$ 48,691</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to Other Funds	<u>\$ 1,516</u>	<u>\$ 1,997</u>	<u>\$ 3,513</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	4,680	0	4,680
Restricted for:			
Food Service	23,022	0	23,022
Committed for:			
Student Activities	0	17,476	17,476
Total Fund Balances	<u>27,702</u>	<u>17,476</u>	<u>45,178</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,218</u>	<u>\$ 19,473</u>	<u>\$ 48,691</u>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	<u>SPECIAL REVENUE FUNDS</u>		TOTAL NON-MAJOR GOVERNMENTAL
	<u>FOOD SERVICE FUND</u>	<u>STUDENT ACTIVITY FUND</u>	
<u>REVENUES</u>			
Local Sources	\$ 8,673	\$ 34,169	\$ 42,842
State Sources	14,991	0	14,991
Federal Sources	232,494	0	232,494
Total Revenues	<u>256,158</u>	<u>34,169</u>	<u>290,327</u>
<u>EXPENDITURES</u>			
Supporting Services - Food Service	233,741	0	233,741
Supporting Services - Other Student Activities	0	40,056	40,056
Total Expenditures	<u>233,741</u>	<u>40,056</u>	<u>273,797</u>
Excess (Deficiency) of Revenues Over Expenditures	22,417	(5,887)	16,530
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	<u>(10,000)</u>	0	<u>(10,000)</u>
Net Change in Fund Balances	12,417	(5,887)	6,530
<u>FUND BALANCE</u> - Beginning of Year	<u>15,285</u>	<u>23,363</u>	<u>38,648</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 27,702</u>	<u>\$ 17,476</u>	<u>\$ 45,178</u>



Baird, Cotter & Bishop, P.C.

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August 25, 2022

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

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools, as of and for the year ended June 30, 2022, 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 25, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



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August 25, 2022

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

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

Report on Compliance for Each Major Federal Program

Opinion On Each Major Federal Program

We have audited Wolverine Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Wolverine Community Schools' major federal programs for the year ended June 30, 2022. Wolverine Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Wolverine Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis For Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws,

statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Wolverine Community Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Wolverine Community Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Wolverine Community Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Wolverine Community Schools' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control

over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2022	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S. Department of Education										
Direct Awards										
Rural Education Achievement Program	84.358A	S358A194432	\$ 11,561	\$ 0	\$ 6,561	\$ 0	\$ 5,000	\$ 5,000	\$ 0	\$ 0
Rural Education Achievement Program	84.358A	S358A201953	11,376	0	0	0	11,376	11,376	0	0
Rural Education Achievement Program	84.358A	S358A211679	12,651	0	0	0	10,288	10,288	0	0
Total Rural Education Achievement Program			35,588	0	6,561	0	26,664	26,664	0	0
Passed Through Michigan Department of Education (M.D.E.)										
Title I - Grants to Local Educational Agencies	84.010	221530-2122	114,771	0	0	0	109,979	77,170	32,809	0
Title I - Grants to Local Educational Agencies	84.010	211530-2021	109,621	0	98,559	0	2,760	2,760	0	0
Total - Title I - Grants to Educational Agencies			224,392	0	98,559	0	112,739	79,930	32,809	0
Title II, Part A - Supporting Effective Instruction State Grants	84.367	220520-2122	31,075	0	0	0	9,822	7,564	2,258	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	210750-2021	10,000	0	0	0	25	25	0	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	220750-2122	19,975	0	0	0	15,740	967	14,773	0
Total - Title IV, Part A - Student Support and Academic Enrichment			29,975	0	0	0	15,765	992	14,773	0
Education Stabilization Funds										
COVID-19 Governor's Emergency Education Relief Fund (GEER II)	84.425C	211202-2122	16,750	0	0	0	14,750	14,750	0	0
COVID-19 Governor's Emergency Education Relief Fund (GEER II)	84.425C	201200-2021	21,654	19,179	19,179	0	2,475	21,654	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Programming Funds)	84.425D	213722-2122	60,500	0	0	10,440	36,408	46,848	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Programming Funds)	84.425D	213742-2122	22,550	0	0	1,324	21,226	22,550	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Summer Programming Funds)	84.425D	213752-2122	25,000	0	0	0	7,469	7,469	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I Formula Funds)	84.425D	203710-1920	90,485	15,206	90,485	0	0	15,206	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	355,739	11,584	11,584	0	344,155	355,739	0	0
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III Formula Funds)	84.425U	213713-2122	799,507	0	0	0	85,182	85,182	0	0
Total Education Stabilization Funds			1,392,185	45,969	121,248	11,764	511,665	569,398	0	0
Total Passed Through Michigan Department of Education (M.D.E.)			1,677,627	45,969	219,807	11,764	649,991	657,884	49,840	0
Total U.S. Department of Education			1,713,215	45,969	226,368	11,764	676,655	684,548	49,840	0

The accompanying notes are an integral part of this schedule

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2022	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S Department of Agriculture										
Passed Through Michigan Department of Education Child Nutrition Cluster:										
Cash Assistance:										
COVID-19 Seamless Summer Option (SSO) - Breakfast	10.553	211971	4,465	0	0	0	4,465	4,465	0	0
COVID-19 Seamless Summer Option (SSO) - Breakfast	10.553	221971	39,324	0	0	0	39,324	39,324	0	0
COVID-19 Seamless Summer Option (SSO) - Lunch	10.555	221961	108,936	0	0	0	108,936	108,936	0	0
COVID-19 Seamless Summer Option (SSO) - Lunch	10.555	211961	12,175	0	0	0	12,175	12,175	0	0
COVID-19 Seamless Summer Option (SSO) - Lunch	10.555	211965	7,286	0	0	0	7,286	7,286	0	0
COVID-19 Seamless Summer Option (SSO) - Lunch	10.555	220910-2022	9,326	0	0	0	9,326	9,326	0	0
COVID-19 SFSP Operating	10.559	210904	46,247	12,388	0	0	33,859	46,247	0	0
Total Cash Assistance			227,759	12,388	0	0	215,371	227,759	0	0
Non-Cash Assistance (Commodities):										
Entitlement Commodities	10.555	N/A	12,975	0	0	0	12,975	12,975	0	0
Total Child Nutrition Cluster			240,734	12,388	0	0	228,346	240,734	0	0
Fresh Fruit and Vegetable Program	10.582	220950-202201	7,467	2,451	0	0	4,148	6,599	0	0
Pandemic EBT Local Level Costs	10.649	210980-2021	614	0	0	0	614	614	0	0
Total U.S. Department of Agriculture			248,815	14,839	0	0	233,108	247,947	0	0
Total Federal Financial Assistance			\$ 1,962,030	\$ 60,808	\$ 226,368	\$ 11,764	\$ 909,763	\$ 932,495	\$ 49,840	\$ 0
						(C)	(D)	(E)		

The accompanying notes are an integral part of this schedule

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of Wolverine Community Schools under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Wolverine Community Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wolverine Community Schools. The District does not pass-through federal funds to sub recipients.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Wolverine Community Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Adjustments

The District recognized expenditures in the prior year, but due to grant agreements not being in place, were unable to recognize the revenues during the prior year. Per the Michigan Department of Education guidance, the expenditures were to be recognized in the prior period, but the revenues recognized in the current year. The amount of this adjustment for the year ended June 30, 2022, was \$11,764. The expenditures would have been subjected to audit during the fiscal year ended June 30, 2022, had those expenditures been in programs determined to be major programs.

(D) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenue from Federal Sources - Per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 921,527
Federal Expenditures Recorded in Prior Year but the Revenue not Recorded Until Current Year, per MDE guidance	<u>(11,764)</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 909,763</u></u>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(E) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Current Cash Payments per Cash Management System (CMS)		\$ 923,209
Add Items Not on CMS Report:		
Food Distribution Program - Entitlement Commodities	\$ 12,975	
Cash Payments Received Directly from Federal Government	<u>26,664</u>	39,639
Timing Differences on CMS Reports		(30,354)
Rounding		<u>1</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		<u><u>\$ 932,495</u></u>

(F) Grant Auditor Report

Management has utilized the NexSys Grant Auditor Report in preparing the schedule of expenditures of federal awards.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section I - Financial Statement Findings

None Reported

Section II - Federal Award Findings and Questioned Costs

None Reported

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified: _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425C, 84.425D, 84.425U	Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee under Title 2 CFR Section 200.520?

_____ Yes X No

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

