

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2020



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

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
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**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
ADMINISTRATION BOARD LIST
JUNE 30, 2020**

ADMINISTRATION

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VICE PRESIDENT

Garth Stafford II

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INDEPENDENT AUDITORS' REPORT

Board of Education
Wolverine Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Wolverine Community Schools**, (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Wolverine Community Schools**, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter-Change in Principle

As discussed in Note 17 to the financial statements, **Wolverine Community Schools** implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents be presented to supplement

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

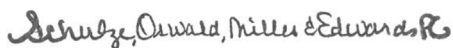
Other Information

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

The additional supplementary 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 additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2020, on our consideration of **Wolverine Community School's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Wolverine Community School's** internal control over financial reporting and compliance.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
August 20, 2020

As management of the Wolverine Community Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

Financial Highlights

- The net position of the District was a deficit of (\$3,511,810). Of this amount, (\$5,637,066) is unrestricted net position; \$1,812,931 is invested in capital assets (*net of related debt*); \$10,393 is nonspendable; \$23,252 is committed; and \$301,932 is restricted.
- The District's total net position increased by \$174,632.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$862,102, an increase of \$251,490 in comparison with the prior year. Approximately 65% or \$555,462 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$555,462 or 19% percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children. The District has no business-type activities as of and for the year ended June 30, 2020.

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

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

The basic fiduciary fund financial statements can be found on pages 16 - 17 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Wolverine Community Schools, net position was a deficit of (\$3,511,810) at the close of the most recent fiscal year.

A portion of the District's net position, \$1,812,931, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>GOVERNMENTAL ACTIVITIES</u>	
	2019	2020
Assets		
Current and Other Assets	\$ 945,052	\$ 1,275,765
Capital Assets, Net	2,078,134	1,975,327
Total Assets	<u>3,023,186</u>	<u>3,251,092</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	7,941	-
Related to pensions	1,427,788	1,256,646
Related to OPEB	225,396	357,881
Total Deferred Outflows of Resources	<u>1,661,125</u>	<u>1,614,527</u>
Liabilities		
Current Liabilities	356,404	356,386
Long-term Liabilities	6,660,616	6,694,385
Total Liabilities	<u>7,017,020</u>	<u>7,050,771</u>
Deferred Inflows of Resources		
Related to pensions	879,882	712,437
Related to OPEB	494,598	614,221
Total Deferred Inflows of Resources	<u>1,374,480</u>	<u>1,326,658</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,882,584	1,812,931
Restricted	196,544	312,325
Unrestricted	(5,786,317)	(5,637,066)
Total Net Position	<u>\$ (3,707,189)</u>	<u>\$ (3,511,810)</u>

An additional portion of the District's net position \$312,325 (9%) represents resources that are subject to external restrictions/nonspendable/committed on how they may be used. The remaining balance is *unrestricted net position*, (\$5,637,066).

The District's net position increased by \$174,632 during the current fiscal year. Most of this increase is attributable to the district being diligent with spending. The District's blended enrollment was approximately 276 students.

DISTRICT'S CHANGES IN NET POSITION

Governmental Activities

	<u>2019</u>	<u>2020</u>
Revenue		
Program Revenue		
Charges for Services	\$ 26,775	\$ 22,214
Charges for Services-Student activities	-	72,988
Operating Grants and Contributions	1,014,175	1,118,800
General Revenue:		
Property Taxes	1,129,038	936,258
State School Aid	1,064,682	1,054,160
Interest and investment earnings	535	652
Other	125,721	275,550
Total Revenue	<u>3,360,926</u>	<u>3,480,622</u>
Expenses		
Instruction	1,895,656	1,891,624
Support Services	897,961	935,469
Food Service	143,715	181,104
Athletics	-	61,187
Student/school activities	-	70,481
Deferred refunding charges	8,106	7,941
Depreciation - unallocated	145,008	150,487
Interest on Long Term Debt	16,978	7,697
Total Expenses	<u>3,107,424</u>	<u>3,305,990</u>
Increase (Decrease) in Net Position	253,502	174,632
Net Position, Beginning of Year	<u>(3,960,691)</u>	<u>(3,686,442)</u>
Net Position, End of Year	<u>\$ (3,707,189)</u>	<u>\$ (3,511,810)</u>

Governmental activities. Governmental activities increased the District's net position by \$174,632.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$862,102 an increase of \$251,490 in comparison with the prior year. Approximately 65% of this total amount \$555,462 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$555,462. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 19% and 20% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$166,877 during the current fiscal year.

Revenues decreased \$9,125 and expenditures decreased by \$95,040 compared to the prior year.

The food service fund has a total fund balance of \$20,019, a decrease of \$1,349 from the prior year.

The debt service fund has a total fund balance of \$62,167, a decrease of \$12,409 from the prior year.

The capital projects fund has a total fund balance of \$183,060, an increase of \$95,864 from the prior year.

The student/school activities fund has a fund balance of \$23,252, an increase of \$2,507 from the prior year.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with revenues and expenses increasing by less than 2% in total from beginning to final. All amounts were within budget with no overages. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$1,975,606 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$47,679 and \$0 of disposals during the current fiscal year.

District's Capital Assets
(net of depreciation)

	2019	2020
Land Improvement	\$ 23,947	\$ 23,535
Buildings	1,931,689	1,825,381
Vehicles	62,654	48,480
Equipment	59,844	78,210
Total	\$ 2,078,134	\$ 1,975,606

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

Long-term debt. The district currently has three items of long-term debt: the 2005 bond issue \$85,000, a Van Loan \$19,510, and compensated absences \$15,920. Additional information on the District's long-term debt can be found in Note 7 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2020 - 2021 fiscal year:

- The slow economy has continued to create unfavorable conditions for people to move into the area or to remain in the area. This factor contributes to stagnant student counts. The budget is based on a blended student count of 276.
- The costs of utilities, health insurance, and other contractual obligations continue to impact the budget, even though budget reductions have been implemented. Three primary factors weigh most heavily on our budget:
 1. Increases and additions to retirement programs will impact future costs.
 2. Unpredictable changes in state and federal allocations.
 3. Escalating health insurance costs.
- Declining enrollment continues to create program and fiscal stress for the District.

Requests for Information

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

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

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and investments	\$ 970,924
Accounts receivable	321
Due from governmental units	294,127
Inventory	5,685
Prepaid expenses	4,708
Capital assets - net	1,975,327
TOTAL ASSETS	3,251,092
DEFERRED OUTFLOW OF RESOURCES	
Related to pensions	1,256,646
Related to OPEB	357,881
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,614,527
LIABILITIES	
Accounts payable	18,007
Accrued salaries and withholdings	334,470
Accrued interest	609
Unearned revenue	3,300
Due to other governments	-
Long-term liabilities	
Due within one year	149,162
Due in more than one year	29,154
Net pension liability	5,347,194
Net OPEB liability	1,168,875
TOTAL LIABILITIES	7,050,771
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	712,437
Related to OPEB	614,221
TOTAL DEFERRED INFLOW OF RESOURCES	1,326,658
NET POSITION	
Invested in capital assets, net of related debt	1,812,931
Nonspendable - Inventory	5,685
Nonspendable - Prepaid	4,708
Restricted for capital projects	183,060
Restricted for food service	20,019
Restricted for debt service	62,167
Restricted for scholarship	13,434
Committed for student activities	23,252
Unrestricted	(5,637,066)
TOTAL NET POSITION	\$ (3,511,810)

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
DISTRICT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/programs</u>	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL ACTIVITIES</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
Governmental Activities				
Instruction	\$ 1,891,624	\$ 14,843	\$ 954,814	\$ (921,967)
Support services	935,469	-	-	(935,469)
Food services	181,104	7,371	163,986	(9,747)
Student/school activities	70,481	72,988	-	2,507
Athletics	61,187	-	-	(61,187)
Interest on long term debt	7,697	-	-	(7,697)
Deferred charges on refunding	7,941	-	-	(7,941)
Depreciation - unallocated	150,487	-	-	(150,487)
Total Governmental Activities	\$ 3,305,990	\$ 95,202	\$ 1,118,800	(2,091,988)
General Revenues				
Taxes				
Property taxes, levied for general operations				731,900
Property taxes, levied for debt service				80,672
Property taxes, levied for capital projects				123,686
State of Michigan aid, unrestricted				1,054,160
Interest and investment earnings				652
Other				275,550
Total General Revenues				2,266,620
Change in Net Position				174,632
NET POSITION - Beginning of year, as restated				(3,686,442)
NET POSITION - End of year				\$ (3,511,810)

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	GENERAL	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<u>ASSETS</u>				
Cash and investments	\$ 707,459	\$ 174,749	\$ 88,716	\$ 970,924
Accounts receivable	-	-	321	321
Due from other governmental units	273,637	-	20,490	294,127
Due from other funds	7,206	19,099	469	26,774
Inventory	-	-	5,685	5,685
Prepaid expense	4,708	-	-	4,708
TOTAL ASSETS	\$ 993,010	\$ 193,848	\$ 115,681	\$ 1,302,539
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 7,016	\$ 10,788	\$ 203	\$ 18,007
Accrued salaries and withholdings	331,636	-	2,834	334,470
Unearned revenue	3,300	-	-	3,300
Due to other funds	19,568	-	7,206	26,774
State Aid anticipation note	57,886	-	-	57,886
TOTAL LIABILITIES	419,406	10,788	10,243	440,437
FUND BALANCES:				
Nonspendable - inventory	-	-	5,685	5,685
Nonspendable - prepaid	4,708	-	-	4,708
Restricted for debt service	-	-	62,167	62,167
Restricted for scholarships	13,434	-	-	13,434
Restricted for capital projects	-	183,060	-	183,060
Restricted for food service	-	-	14,334	14,334
Committed for student/school activities	-	-	23,252	23,252
Unassigned - General Fund	555,462	-	-	555,462
TOTAL FUND BALANCES	573,604	183,060	105,438	862,102
TOTAL LIABILITIES AND FUND BALANCES	\$ 993,010	\$ 193,848	\$ 115,681	\$ 1,302,539

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO DISTRICT-WIDE
GOVERNMENT ACTIVITIES NET POSITION
JUNE 30, 2020**

Total Governmental Fund Balances	\$	862,102
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital assets used in governmental activities are not financial resources, and are not reported in the funds:		
The cost of capital assets is		6,201,371
Accumulated depreciation is		(4,226,044)
 Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Related to pensions		1,256,646
Related to OPEB		357,881
 Long term liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences		(15,920)
Bonds payable		(104,510)
Net pension liability		(5,347,194)
Net OPEB liability		(1,168,875)
Accrued interest payable is included as a liability in governmental activities		(609)
 Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:		
Related to pensions		(712,437)
Related to OPEB		(614,221)
Net Position of Governmental Activities	\$	<u><u>(3,511,810)</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FUND FINANCIAL STATEMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES
(USES), AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
REVENUES:				
Local sources	\$ 1,009,236	\$ 123,805	\$ 88,445	\$ 1,221,486
State sources	1,736,969	-	7,224	1,744,193
Federal sources	152,301	-	163,986	316,287
Interdistrict sources	112,480	-	-	112,480
Student activity income	-	-	72,988	72,988
Miscellaneous	13,188	-	-	13,188
TOTAL REVENUES	<u>3,024,174</u>	<u>123,805</u>	<u>332,643</u>	<u>3,480,622</u>
EXPENDITURES:				
Current:				
Instruction	1,868,096	-	-	1,868,096
Support services	920,978	-	181,103	1,102,081
Community services	-	-	-	-
Student/school activities	-	-	70,481	70,481
Athletics	61,187	-	-	61,187
Capital outlay	6,040	27,941	-	33,981
Intergovernmental payments	-	-	-	-
Debt service	996	-	92,310	93,306
TOTAL EXPENDITURES	<u>2,857,297</u>	<u>27,941</u>	<u>343,894</u>	<u>3,229,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>166,877</u>	<u>95,864</u>	<u>(11,251)</u>	<u>251,490</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>166,877</u>	<u>95,864</u>	<u>(11,251)</u>	<u>251,490</u>
FUND BALANCES - Beginning of year, as restated	<u>406,727</u>	<u>87,196</u>	<u>116,689</u>	<u>610,612</u>
FUND BALANCES - End of year	<u>\$ 573,604</u>	<u>\$ 183,060</u>	<u>\$ 105,438</u>	<u>\$ 862,102</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 251,490

Amounts reported for governmental activities are different because:

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

Depreciation expense	\$	(150,487)	
Capital Outlay		47,680	
			(102,807)

Accrued interest is recorded in the statement of activities
when incurred, it is not reported in governmental
funds until paid 609

(Increase) decrease in compensated absences are reported as
expenditures when financial resources are used
in the governmental funds 10,702

Payments on bonded debt are not an expense
in the government wide statements where they
reduce long term debt 91,040

The issuance of long-term debt (e.g. bonds) provides current financial
resources to governmental funds, while the repayment of principal of
long-term debt consumes the current financial resources of
governmental funds. Neither transactions, however, has any effect of
premiums, discounts, and similar items when debt is first issued,
where as these amounts are deferred and amortized in the statement
of activities. The effect of these differences is the treatment of long-
term debt and related items as follows:

Amortization of deferred charges	(7,941)
----------------------------------	---------

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in the governmental funds

Pension related items	(183,696)
OPEB related items	115,235

Change in Net Position of Governmental Activities \$ 174,632

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	<u>2020</u>
<u>ASSETS</u>	
Cash	\$ <u>2,665</u>
TOTAL ASSETS	\$ <u><u>2,665</u></u>
<u>LIABILITIES</u>	
Deposits held for others	\$ <u>-</u>
TOTAL LIABILITIES	\$ <u>-</u>
NET POSITION	
Restricted for student groups	\$ <u><u>2,665</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2020**

<u>ADDITIONS</u>	<u>FIDUCIARY FUNDS</u>
Student groups income	\$ 708
Investment earnings	<u>-</u>
TOTAL ADDITIONS	\$ <u>708</u>
 <u>DEDUCTIONS</u>	
Payments made on behalf of student groups	\$ -
	<u>-</u>
 <u>NET POSITION</u>	
Beginning of year, as restated	<u>1,957</u>
End of year	\$ <u>2,665</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Wolverine Community Schools ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate component units of the school district. Based on the application criteria, the District does not have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Fund Based Statements - 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 the 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 are imposed by the provider have been met.

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.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

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

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

The special revenue funds accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in the special revenue funds.

The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund.

The custodial fund consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In additions, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District hold for others in an agency capacity (primarily student activities).

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.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

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

In accordance with Michigan Compiled Laws, the district is authorized to invest in the following investment vehicles:
Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which a member of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUAA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less two (2) standard rating services and which matures not more than 270 days after the date of purchases.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The United States government or federal agency obligations repurchase agreements.

Bankers acceptances of United States banks.

Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of governmental deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal National Mortgage Association, or Governmental National Mortgage Association.

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

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2019 taxable value of the District was \$47,196,368 principal residence and \$53,492,060 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead, .8000 mills debt service purposes, and 1.2500 mills for capital projects purposes on all property for 2019.

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

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

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

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Buses and other vehicles	8 years
Furniture and other equipment	5 - 20 years

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

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

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

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

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

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

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

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District has three items that qualify for reporting in this category. The first is deferred charges on refunding of bonds which represents the difference in the carrying value of the refunded debt and its reacquisition price with this amount deferred and amortized over the life of the refunded bonds. The others are the pension and OPEB contributions reported in the district-wide statement of net position. A deferred outflow is recognized for pension and OPEB contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

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

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

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. Amendments were made during the year to both revenues and expenses.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The District did not incur any expenditures in excess of budgeted amounts.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 970,924	\$ 2,665	\$ 973,589
Total	<u>\$ 970,924</u>	<u>\$ 2,665</u>	<u>\$ 973,589</u>

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

Deposits (checking, savings)	\$	973,489
Investment Pool Michigan Liquid Asset Fund		-
	<u>\$</u>	<u>973,489</u>

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

As of June 30, 2020 the District had the following investments:

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

Interest rate risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020 the District did not have any investments in commercial paper or corporate bonds.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2020 the District's investments were in a pooled investment fund.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2020, \$111,432 of the District's bank balance of \$986,624 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$973,589.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2020. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk

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

MILAF+ reports as of June 30, 2020, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - RECEIVABLES

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

	<u>General Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:			
Accounts receivable	\$ -	\$ 321	\$ 321
Intergovernmental	<u>273,637</u>	<u>20,490</u>	<u>294,127</u>
 Total receivables	 <u>\$ 273,637</u>	 <u>\$ 20,811</u>	 <u>\$ 294,448</u>

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

	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -
Payments received prior to meeting all eligibility requirements:	
Other	<u>3,300</u>
Totals	<u>\$ 3,300</u>
 Total unearned revenue	 <u>\$ 3,300</u>

(NOTES CONTINUED ON NEXT PAGE)

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

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

<u>Assets</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital assets being depreciated:				
Land improvements	\$ 1,170,180	\$ -	\$ -	\$ 1,170,180
Buildings & improvements	4,448,860	18,462	-	4,467,322
Buses & vehicles	204,946	-	-	204,946
Furniture & equipment	329,705	29,217	-	358,922
Subtotal	<u>6,153,691</u>	<u>47,679</u>	<u>-</u>	<u>6,201,370</u>
<u>Accumulated Depreciation</u>				
Land improvements	1,146,233	412	-	1,146,645
Buildings & improvements	2,517,171	124,770	-	2,641,941
Buses & vehicles	142,292	14,453	-	156,745
Furniture & equipment	269,861	10,851	-	280,712
Subtotal	<u>4,075,557</u>	<u>150,486</u>	<u>-</u>	<u>4,226,043</u>
Net capital assets being depreciated	<u>2,078,134</u>	<u>(102,807)</u>	<u>-</u>	<u>1,975,327</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 2,078,134</u>	<u>\$ (102,807)</u>	<u>\$ -</u>	<u>\$ 1,975,327</u>

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

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 7,206	General Fund	\$ 19,568
Capital Projects Fund	19,099	Food Service Fund	7,206
Student Activities Fund	469		
Total	<u>\$ 26,774</u>	Total	<u>\$ 26,774</u>

The above interfund balances are the result of routine interfund activity during the year. The balances are expected to be paid during the fiscal year ended June 30, 2020.

<u>Transfer In</u>		<u>Transfer Out</u>	
General Fund	\$ -	Nonmajor Governmental	\$ -

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM DEBT

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

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2005 Issue	\$ 170,000	\$ (85,000)	\$ 85,000	\$ 85,000
Van Loan	25,550	(6,040)	19,510	6,276
Compensated absences	26,622	(10,702)	15,920	-
Deferred charges-refunding	(7,941)	7,941	-	-
Total Governmental Activities	<u>\$ 214,231</u>	<u>\$ (93,801)</u>	<u>\$ 120,430</u>	<u>\$ 91,276</u>

The annual requirements for debt payments outstanding as of June 30, 2020, including interest payments are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 91,276	\$ 4,416	\$ 95,692
2022	6,520	516	7,036
2023	6,714	262	6,976
Total	<u>\$ 104,510</u>	<u>\$ 5,194</u>	<u>\$ 109,704</u>

General Obligation Bonds payable at June 30, 2020 are comprised of the following issue:

General obligation bonds:

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

	\$ 85,000
Total bonds	<u>\$ 85,000</u>

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - RISK MANAGEMENT

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

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

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

NOTE 9 - SHORT-TERM DEBT

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

Changes in short-term state aid notes for the year ended June 30, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Aid Note	\$ -	\$ 400,000	\$ (342,857)	\$ 57,143

On August 20, 2019 the District borrowed \$400,000 in the form of a State Aid anticipation note which carried an interest rate of 1.3%.

(NOTES CONTINUED ON NEXT PAGE)

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

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

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 began on or after February 2, 2013.

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

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

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

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

Option 2 - Members voluntarily elected to increase their contributions to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and contribute until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the 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 formulas for any service thereafter would include a 1.25% pension factor.

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

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

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

**WOLVERINE COMMUNITY SCHOOLS
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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

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

Pension Reform 2017

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

Benefits Provided - Other postemployment benefit (OPEB)

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

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

Retiree Healthcare Reform of 2012

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

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
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JUNE 30, 2020**

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. 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, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

WOLVERINE COMMUNITY SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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:

	Pension	Other postemployment benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

Wolverine Community School's pension contribution for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$247,000, with \$238,000 specifically for the Defined Benefit Plan.

Wolverine Community School's OPEB contribution for the year ended June 30, 2020 were equal to the required contribution total. OPEB contributions were approximately \$114,000, with \$107,000 specifically for the Defined Benefit Plan.

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

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

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 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.

MPSERS (Plan) Net Pension Liability - As of September 30, 2019

	September 30, 2019	September 30, 2018
Total Pension Liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan Fiduciary Net Position	\$ 50,325,869,388	\$ 49,801,889,205
Net Pension Liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate Share	0.01615%	0.01719%
Net Pension liability for Wolverine Community Schools	\$ 5,347,194	\$ 5,167,197

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

For the year ended June 30, 2020, Wolverine Community Schools recognized pension expense of \$591,191. At June 30, 2020, Wolverine Community Schools reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,968	\$ 22,297
Changes of assumptions	1,046,984	-
Net difference between projected and actual earnings on pension plan investments	-	171,368
Changes in proportion and differences between Districts and proportionate share of contributions	-	518,772
District's contributions subsequent to the measurement date	<u>185,694</u>	<u>-</u>
Total	\$ <u>1,256,646</u>	\$ <u>712,437</u>

\$185,694, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a 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:

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

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 134,155
2021	106,228
2022	75,207
2023	<u>42,925</u>
Total	<u>\$ 358,515</u>

Actuarial Assumptions

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 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.

<u>MPSERS (Plan) Non-University</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total OPEB Liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan Fiduciary Net Position	\$ 6,748,112,668	\$ 5,982,218,473
Net Pension Liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate Share	0.01628%	0.01599%
Net OPEB liability for Wolverine Community Schools	\$ 1,168,875	\$ 1,271,247

For the year ended June 30, 2020, the District recognized OPEB expense of (\$11,253).

At June 30, 2020, the Reporting Unit 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	\$ -	\$ 428,893
Changes of assumptions	253,272	-
Net difference between projected and actual earnings on OPEB plan investments	-	20,327
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,491	165,001
Employer contributions subsequent to the measurement date	<u>83,118</u>	-
Total	<u><u>\$ 357,881</u></u>	<u><u>\$ 614,221</u></u>

\$83,118, 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.

**WOLVERINE COMMUNITY SCHOOLS
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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending September 30	Amount
2020	\$ (95,567)
2021	(95,567)
2022	(85,427)
2023	(51,581)
2024	(11,316)
Total	\$ (339,458)

Actuarial Assumptions

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 6.0% a year, compounded annually net of investment and administrative expense for the Hybrid group (Pension Plus plan).

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

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

Inflation - 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, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The 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.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
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NOTE 10 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members. Healthcare cost trend rate for other postemployment benefit - 7.50% for year one and graded to 3.50% to year twelve.

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

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

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

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

Long-Term Expected Return on Plan Assets

Target asset allocation as of September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0%	8.6%
International Equity	16.0%	7.3%
Fixed Income Pools	10.5%	1.2%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.4%
Short Term Investment Pools	2.0%	0.8%
Total	100.0%	

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

Rate of return – For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% 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 (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single 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 those 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.

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

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 projected 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 net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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
District's proportionate share of the net pension liability	\$6,951,695	\$5,347,194	\$4,017,008

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single 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
District's proportionate share of the net OPEB liability	\$1,433,801	\$1,168,875	\$946,411

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), 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 trend rates	1% Increase
District's proportionate share of the net OPEB liability	\$936,980	\$1,168,875	\$1,433,770

**WOLVERINE COMMUNITY SCHOOLS
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JUNE 30, 2020**

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

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

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

NOTE 11 - CONTINGENCIES

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

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

NOTE 12 - CAPITAL PROJECTS FUND

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

NOTE 13 - TAX ABATEMENTS

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

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

The amount of abated real and personal property taxes affecting the District for the year ended June 30, 2020 was \$0.

NOTE 14 - GRANTS

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

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 - ECONOMIC DEPENDENCY

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

NOTE 16 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 20, 2020, the date on which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the District expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 17 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, Fiduciary Activities.

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and is effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

The restatement of the beginning of the year fund balances and net position is as follows:

	Fund Balances	
	Student/School activity fund	Total Governmental funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 589,867
Adoption of GASB Statement 84	20,745	20,745
Fund balance as of July 1, 2019, as restated	\$ 20,745	\$ 610,612
	Net Position	
	Governmental activities	Custodial Fund
Fund balances as of July 1, 2019, as previously stated	\$ (3,707,187)	\$ 22,702
Adoption of GASB Statement 84	20,745	(20,745)
Fund balance as of July 1, 2019, as restated	\$ (3,686,442)	\$ 1,957

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET
	2020 ORIGINAL	2020 FINAL		
REVENUES				
Local sources	\$ 1,000,778	\$ 1,008,631	\$ 1,009,236	\$ 605
State sources	1,755,668	1,619,611	1,736,969	117,358
Federal sources	153,863	150,531	152,301	1,770
Interdistrict sources	96,400	118,840	112,480	
Miscellaneous	-	-	13,188	13,188
Total Revenues	<u>3,006,709</u>	<u>2,897,613</u>	<u>3,024,174</u>	<u>132,921</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,626,433	1,553,543	1,540,232	13,311
Added needs	316,176	329,214	327,864	1,350
Support services:				
Business services	107,934	91,262	91,196	66
Operation & maintenance	271,492	288,452	283,972	4,480
Pupil transportation	167,358	144,272	140,051	4,221
Athletics	64,200	61,825	61,187	638
Debt service	7,037	7,037	7,036	1
Security services	26,893	26,893	26,893	-
General administration	66,936	66,171	66,101	70
School administration	264,085	293,489	291,958	1,531
Technology	22,604	21,480	20,807	673
Total Expenditures	<u>2,941,148</u>	<u>2,883,638</u>	<u>2,857,297</u>	<u>26,341</u>
OTHER FINANCING SOURCES (USES)				
Incoming transfers and other transactions	-	-	-	-
Outgoing transfers and other transactions	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	65,561	13,975	166,877	152,902
Budgetary fund balance - July 1, 2019, as restated	<u>404,633</u>	<u>404,633</u>	<u>404,633</u>	<u>-</u>
Budgetary fund balance - June 30, 2020	<u>\$ 470,194</u>	<u>\$ 418,608</u>	<u>\$ 571,510</u>	<u>\$ 152,902</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.01615%	0.01719%	0.01875%	0.01967%	0.02030%	0.02049%
Reporting unit's proportionate share of net pension liability	\$ 5,347,194	\$ 5,167,197	\$ 4,858,357	\$ 4,906,489	\$ 4,957,980	\$ 4,513,746
Reporting unit's covered-employee payroll	\$ 1,420,550	\$ 1,359,727	\$ 1,535,509	\$ 1,581,768	\$ 1,591,864	\$ 1,523,544
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	376.42%	380.02%	316.40%	310.19%	311.46%	296.27%
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.15%

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 428,939	\$ 468,049	\$ 439,736	\$ 441,609	\$ 412,991	\$ 439,208
Contributions in relation to statutorily required contributions*	<u>(428,939)</u>	<u>(468,049)</u>	<u>(439,736)</u>	<u>(441,609)</u>	<u>(412,991)</u>	<u>(439,208)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 1,312,842	\$ 1,434,972	\$ 1,351,666	\$ 1,581,768	\$ 1,591,864	\$ 1,771,031
Contribution as a percentage of covered-employee payroll	32.67%	32.62%	32.53%	27.92%	25.94%	24.80%

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH YEAR)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.01628%	0.01872%	0.01872%
Reporting unit's proportionate share of net OPEB liability	\$ 1,168,875	\$ 1,271,231	\$ 1,657,654
Reporting unit's covered-employee payroll (OPEB)*	\$ 1,420,550	\$ 1,359,727	\$ 1,535,509
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.28%	93.49%	107.95%
Plan fiduciary net position as a percentage of total OPEB liability	48.46%**	42.95%**	36.39%**

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

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutory required contributions	\$ 111,812	\$ 103,806	\$ 97,584
Contributions in relation to statutorily required contributions*	<u>(111,812)</u>	<u>(103,806)</u>	<u>(97,584)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)**	\$ 1,312,842	\$ 1,434,972	\$ 1,348,403
Contribution as a percentage of covered-employee payroll	8.52%	7.23%	7.24%

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

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

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

SEE NOTES TO FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

Pension Information

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50%
Year 1 graded to 3.00% Year 12.

SEE NOTES TO FINANCIAL STATEMENTS.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	STUDENT/ SCHOOL ACTIVITIES	2005 DEBT SERVICE		
ASSETS					
Cash and investments	\$ 3,766	\$ 22,783	\$ 62,167		\$ 88,716
Accounts receivable	321	-	-		321
Due from other government units	20,490	-	-		20,490
Inventory	5,685	-	-		5,685
Due from other funds	-	469	-		469
Total Assets	<u>30,262</u>	<u>23,252</u>	<u>62,167</u>		<u>115,681</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,262</u>	<u>\$ 23,252</u>	<u>\$ 62,167</u>		<u>\$ 115,681</u>
LIABILITIES					
Accounts payable	\$ 203	\$ -	\$ -		\$ 203
Accrued liabilities	2,834	-	-		2,834
Due to other funds	7,206	-	-		7,206
Total Liabilities	<u>10,243</u>	<u>-</u>	<u>-</u>		<u>10,243</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,243</u>	<u>-</u>	<u>-</u>		<u>10,243</u>
FUND BALANCE					
Nonspendable	5,685	-	-		5,685
Restricted	14,334	-	62,167		76,501
Committed	-	23,252	-		23,252
Unassigned	-	-	-		-
Total Fund Balance	<u>20,019</u>	<u>23,252</u>	<u>62,167</u>		<u>105,438</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 30,262</u>	<u>\$ 23,252</u>	<u>\$ 62,167</u>		<u>\$ 115,681</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>	
	<u>FOOD SERVICE FUND</u>	<u>STUDENT/ SCHOOL ACTIVITIES</u>	<u>2005 DEBT SERVICE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Revenues				
Local sources	\$ 7,689	\$ -	\$ 80,756	\$ 88,445
State sources	7,224	-	-	7,224
Federal sources	163,986	-	-	163,986
Student activity income	-	72,988	-	72,988
Total Revenues	<u>178,899</u>	<u>72,988</u>	<u>80,756</u>	<u>332,643</u>
Expenditures				
Pupil support services	180,248	-	855	181,103
Debt service	-	-	92,310	92,310
Student activity expense	-	70,481	-	70,481
Total Expenditures	<u>180,248</u>	<u>70,481</u>	<u>93,165</u>	<u>343,894</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,349)</u>	<u>2,507</u>	<u>(12,409)</u>	<u>(11,251)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfer out	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,349)</u>	<u>2,507</u>	<u>(12,409)</u>	<u>(11,251)</u>
Beginning of year, as restated	21,368	20,745	74,576	116,689
Fund Balance at End of Period	<u>\$ 20,019</u>	<u>\$ 23,252</u>	<u>\$ 62,167</u>	<u>\$ 105,438</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
JUNE 30, 2020**

DATE OF ISSUE - MARCH 30, 2005

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

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

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

Interest Rate	Fiscal Year	Semi - annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		Nov 1	May 1		
4.30%	2020-21	\$ 1,828	\$ 1,827	\$ 85,000	\$ 88,655
		\$ 1,828	\$ 1,827	\$ 85,000	\$ 88,655

SEE NOTES TO THE FINANCIAL STATEMENTS.

Schulze Oswald Miller & Edwards PC

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

To the Board of Education Wolverine Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Wolverine Community Schools* as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise *Wolverine Community School's* basic financial statements, and have issued our report thereon dated.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
August 20, 2020

**WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

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



**To the Board of Education
Wolverine Community Schools**

We have audited the financial statements of *Wolverine Community Schools* for the year ended June 30, 2020, and have issued our report thereon dated. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of *Wolverine Community Schools*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of *Wolverine Community Schools*' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by *Wolverine Community Schools* are described in Note 1 to the financial statements. During 2019, the District implemented Governmental Accounting Standard No. 84, *Fiduciary Activities*. The application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

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

4. *Disagreements with Management*

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

5. *Management Representations*

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

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

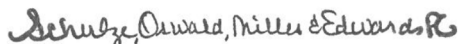
We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency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

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

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

Very truly yours,



Schulze, Oswald, Miller, & Edwards PC
Alpena, Michigan
August 20, 2020