

WOLVERINE COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS

(with required supplementary and additional information)

JUNE 30, 2023

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

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WOLVERINE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools, Wolverine, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wolverine Community Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee

that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-10 and 48-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wolverine Community Schools' basic financial statements. The accompanying nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented

for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2023, on our consideration of Wolverine Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wolverine Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wolverine Community Schools' internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
August 30, 2023

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

This section of Wolverine Community Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred inflows and outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

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

B. Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

C. Notes to Financial Statements

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

D. Other Information

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

E. Summary of Net Position

The following schedule summarizes the net position at June 30:

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	\$ 8,636,615	\$ 1,854,807
Non Current Assets		
Capital Assets	8,638,113	6,331,145
Less Accumulated Depreciation	(4,579,662)	(4,420,556)
Total Non Current Assets	<u>4,058,451</u>	<u>1,910,589</u>
Total Assets	<u>12,695,066</u>	<u>3,765,396</u>
Deferred Outflows of Resources	<u>2,146,576</u>	<u>1,041,411</u>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>
Liabilities		
Current Liabilities	1,562,367	469,450
Non Current Liabilities	<u>13,426,654</u>	<u>3,711,278</u>
Total Liabilities	<u>14,989,021</u>	<u>4,180,728</u>
Deferred Inflows of Resources	<u>1,406,007</u>	<u>2,795,942</u>
Net Position		
Net Investment in Capital Assets	1,724,896	1,903,875
Restricted for Specific Purposes	227,598	137,590
Unrestricted (Deficit)	<u>(3,505,880)</u>	<u>(4,211,328)</u>
Total Net Position (Deficit)	<u>\$ (1,553,386)</u>	<u>\$ (2,169,863)</u>

F. Analysis of Financial Position

During the fiscal year ended June 30, 2023, the District's net position increased by \$616,477. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2023, \$159,106 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2023, \$2,306,968 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above. The net effect of the new capital assets, current year depreciation, and the disposition of certain assets is an increase to capital assets in the amount of \$2,147,862 for the fiscal year ended June 30, 2023. The expenditures capitalized were related to a building improvement project, playground fencing, two buses, a van, and a boiler.

3. Pension and Other Postemployment Benefits Expense

GASB 68 and GASB 75 require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and other postemployment benefits liabilities increase or decrease in any given year.

G. Results of Operations

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

	<u>2023</u>	<u>2022</u>
General Revenues		
Property Taxes	\$ 1,408,913	\$ 1,148,825
State Sources	1,291,895	1,205,018
Investment Earnings	152,701	812
Other	53,527	25,525
	<hr/>	<hr/>
Total General Revenues	2,907,036	2,380,180
	<hr/>	<hr/>
Program Revenues		
Charges for Services	20,119	21,978
Operating Grants	1,545,077	1,575,772
Capital Grants	28,047	0
	<hr/>	<hr/>
Total Program Revenues	1,593,243	1,597,750
	<hr/>	<hr/>
Total Revenues	4,500,279	3,977,930
	<hr/>	<hr/>
Expenses		
Instruction	1,805,255	1,582,596
Supporting Services	1,417,790	1,414,604
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	233,411	0
Interest on Long-Term Debt	268,240	516
Unallocated Depreciation	159,106	151,057
	<hr/>	<hr/>
Total Expenses	3,883,802	3,148,773
	<hr/>	<hr/>
Change in Net Position	\$ 616,477	\$ 829,157
	<hr/>	<hr/>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

H. Financial Analysis of the District's Funds

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

	2023	2022	Increase (Decrease)
Major Funds			
General Fund	\$ 1,523,445	\$ 1,209,303	\$ 314,142
2022 Capital Projects Fund	5,334,520	0	5,334,520
2022 Debt Retirement Fund	182,185	0	182,185
Nonmajor Funds			
Food Service Fund	47,779	27,702	20,077
Student Activity Fund	48,394	17,476	30,918
Capital Projects Fund	96,809	137,590	(40,781)
 Total Governmental Funds	 \$ 7,233,132	 \$ 1,392,071	 \$ 5,841,061

General Fund – In 2022-2023, the General Fund's fund balance increased by \$314,142. Federal revenues, primarily Education Stabilization Funds, were received during the year and the rules regarding the funds allow for supplanting of normal operating expenditures. There was also an increase in insurance proceeds and property taxes. These were the primary causes of the increase in fund balance.

2022 Capital Projects Fund – In 2022-2023, the fund balance increased by \$5,334,520. This is a new fund this year and the increase is due to the face value of bonds issued being greater than expenditures.

2022 Debt Retirement Fund – In 2022-2023, the fund balance increased by \$182,185. This is a new fund this year and the increase is due to property taxes collected being greater than debt service payments.

Food Service Fund – In 2022-2023, the Food Service Fund's fund balance increased by \$20,077. The increase is due to federal and state revenues received being greater than food service expenditures.

Student Activities Fund – In 2022-2023, the fund balance increased by \$30,918. The increase is due to fundraising and donations received being greater than expenditures.

Capital Projects Fund – In 2022-2023, the fund balance decreased as a result of a fencing project and having only interest income.

I. General Fund Budgetary Highlights

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

For the 2022-2023 fiscal year, the District amended the General Fund at various times throughout the year, with the Board adopting the changes as summarized below. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 3,722,233	\$ 3,734,694	\$ 3,865,181
<u>EXPENDITURES</u>			
Instruction	\$ 2,054,144	\$ 2,150,746	\$ 2,127,043
Supporting Services	1,563,880	1,483,416	1,608,634
Debt Service	0	35,016	26,998
Total Expenditures	<u>\$ 3,618,024</u>	<u>\$ 3,669,178</u>	<u>\$ 3,762,675</u>

The changes from original budget and final budget resulted from funding amounts for various programs and associated expenditures becoming clearer throughout the year. Variances between final budgeted revenues and actual figures was a result of the District receiving more state and federal sources than budgeted for. The variance between final budgeted and actual expenditures was due to the District not budgeting for the purchase of two new buses, which were financed.

J. Capital Asset and Debt Administration

1. Capital Assets

At the end of the 2022-2023 fiscal year, the District had invested \$4,058,451 net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$2,147,862 from the prior fiscal year. Depreciation expense for the year amounted to \$159,106 bringing the accumulation to \$4,579,662 as of June 30, 2023. The expenditures capitalized were related to a building improvement project, playground fencing, two buses, a van, and a boiler. The District has also committed \$4.65 million for the completion of the building improvement project.

2. Long-Term Obligations

At June 30, 2023, the District had \$7,495,475 in obligations outstanding. This represents an increase of \$7,488,761 from the amount outstanding at the close of the prior fiscal year. Additionally, at June 30, 2023, the District reported its net share of the pension liability of \$5,533,848, its net share of the other postemployment benefits liability of \$315,482 and compensated absences in the amount of \$16,737.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2023

K. Factors Bearing on the District's Future

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

- The District has made significant progress with the bond projects. Work continues, with the District hoping the majority of the projects are finished in 2023-2024.
- Small decreases in the District's pupil count have been offset in recent years by the increases in per pupil funding. That said, with the pupil count being the driving force behind the District's funding, the District continues to monitor its student count and do what it can to attract students to the District.
- The District continues to monitor certain one-time funding sources, primarily Federal funding due to pandemic recovery efforts. As these funding sources go away, it is unlikely that the revenue received from these sources will be made up.
- The District has faced significant staffing challenges for almost all positions, including, but not limited to full-time teaching staff, substitute teacher staff, and other support staff.

L. Contacting the District's Financial Management

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 1,174,985
Restricted Cash	689,977
Investments	750,632
Restricted Investments	5,399,125
Accounts Receivable	4,494
Due from Other Governments	611,720
Inventory	5,682
	<hr/>
Total Current Assets	8,636,615
	<hr/>
<u>NON CURRENT ASSETS</u>	
Capital Assets (Net of Accumulated Depreciation)	
Assets Not Being Depreciated	2,049,710
Assets Being Depreciated	2,008,741
	<hr/>
Total Non Current Assets	4,058,451
	<hr/>
TOTAL ASSETS	12,695,066
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows Related to Pensions	1,701,009
Deferred Outflows Related to Other Postemployment Benefits	445,567
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,146,576
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	780,123
Salaries Payable and Related Expenses	141,914
Accrued Expenditures	155,928
Accrued Interest	51,396
Unearned Revenue	325,518
Current Portion of Long-Term Liabilities	107,488
	<hr/>
Total Current Liabilities	1,562,367
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The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>NONCURRENT LIABILITIES</u>	
Notes from Direct Borrowings and Direct Placements	195,475
Bonds Payable - Net	7,472,600
Accumulated Sick Leave	16,737
Net Pension Liability	5,533,848
Net Other Postemployment Benefits Liability	315,482
Less Current Portion of Non Current Liabilities	<u>(107,488)</u>
 Total Non Current Liabilities	 <u>13,426,654</u>
 TOTAL LIABILITIES	 <u>14,989,021</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows Related to Pensions	648,215
Deferred Inflows Related to Other Postemployment Benefits	<u>757,792</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>1,406,007</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	1,724,896
Restricted for Capital Projects	96,809
Restricted for Debt Service	130,789
Unrestricted (Deficit)	<u>(3,505,880)</u>
 TOTAL NET POSITION (DEFICIT)	 <u><u>\$ (1,553,386)</u></u>

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAM	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 1,805,255	\$ 0	\$ 821,460	\$ 0	\$ (983,795)
Supporting Services	1,417,790	20,119	723,617	28,047	(646,007)
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	233,411	0	0	0	(233,411)
Interest on Long-Term Obligations	268,240	0	0	0	(268,240)
Unallocated Depreciation	159,106	0	0	0	(159,106)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,883,802	\$ 20,119	\$ 1,545,077	\$ 28,047	(2,290,559)
 <u>GENERAL REVENUES</u>					
Property Taxes - General Purposes					1,050,557
Property Taxes - Capital Projects					358,356
State Sources					1,291,895
Investment Earnings					152,701
Other					53,527
Total General Revenues					2,907,036
Change in Net Position					616,477
<u>NET POSITION</u> - Beginning of Year (Deficit)					(2,169,863)
<u>NET POSITION</u> - End of Year (Deficit)					\$ (1,553,386)

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	2022 CAPITAL PROJECTS FUND	2022 DEBT RETIREMENT FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 822,741	\$ 0	\$ 173,778	\$ 178,466	\$ 1,174,985
Restricted Cash	0	689,977	0	0	689,977
Investments	750,632	0	0	0	750,632
Restricted Investments	0	5,399,125	0	0	5,399,125
Accounts Receivable	4,494	0	0	0	4,494
Due from Other Governments	611,720	0	0	0	611,720
Due from Other Funds	16,024	0	8,407	25,423	49,854
Inventory	0	0	0	5,682	5,682
TOTAL ASSETS	\$ 2,205,611	\$ 6,089,102	\$ 182,185	\$ 209,571	\$ 8,686,469
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 34,062	\$ 745,603	\$ 0	\$ 458	\$ 780,123
Salaries Payable	141,591	0	0	323	141,914
Accrued Expenditures	155,928	0	0	0	155,928
Due to Other Funds	25,067	8,979	0	15,808	49,854
Unearned Revenue	325,518	0	0	0	325,518
Total Liabilities	682,166	754,582	0	16,589	1,453,337
FUND BALANCES					
Nonspendable:					
Inventory	0	0	0	5,682	5,682
Restricted for:					
Food Service	0	0	0	42,097	42,097
Capital Projects	0	5,334,520	0	96,809	5,431,329
Debt Service	0	0	182,185	0	182,185
Committed for:					
Student Activities	0	0	0	48,394	48,394
Assigned for:					
Subsequent Year Budget Shortfall	51,138	0	0	0	51,138
Unassigned	1,472,307	0	0	0	1,472,307
Total Fund Balances	1,523,445	5,334,520	182,185	192,982	7,233,132
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,205,611	\$ 6,089,102	\$ 182,185	\$ 209,571	\$ 8,686,469

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Governmental Fund Balances	\$ 7,233,132
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 8,638,113
Accumulated depreciation is	<u>(4,579,662)</u> 4,058,451
Bond discounts (premiums) and deferred charges for bonds issued are expenditures at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district-wide full accrual level	
Bond Discount (Premium)	(172,600)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Notes from Direct Borrowings and Direct Placements	(195,475)
Bonds Payable	(7,300,000)
Compensated Absences	(16,737)
Net Pension Liability	(5,533,848)
Net Other Postemployment Benefits Liability	(315,482)
Accrued interest is not included as a liability in governmental funds. It is recorded when paid.	(51,396)
Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources - Related to Pension/OPEB	2,146,576
Deferred Inflows of Resources - Related to Pension/OPEB	<u>(1,406,007)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES (DEFICIT)	<u>\$ (1,553,386)</u>

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	GENERAL FUND	2022 CAPITAL PROJECTS FUND	2022 DEBT RETIREMENT FUND	OTHER NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$ 1,136,148	\$ 151,230	\$ 358,406	\$ 63,403	\$ 1,709,187
States Sources	1,926,191	0	0	14,433	1,940,624
Federal Sources	703,322	0	0	230,397	933,719
Other Transactions	99,520	0	0	0	99,520
Total Revenues	3,865,181	151,230	358,406	308,233	4,683,050
<u>EXPENDITURES</u>					
Instruction	2,127,043	0	0	0	2,127,043
Supporting Services	1,608,634	0	0	298,019	1,906,653
Payments to Other Governmental Agencies, Facilities Acquisition, and Prior Period Adjustments	0	2,252,810	0	0	2,252,810
Debt Service	26,998	0	212,721	0	239,719
Total Expenditures	3,762,675	2,252,810	212,721	298,019	6,526,225
Excess (Deficiency) of Revenues Over Expenditures	102,506	(2,101,580)	145,685	10,214	(1,843,175)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In (Out)	0	(36,500)	36,500	0	0
Face Value of Debt Issued	211,636	0	0	0	211,636
Face Value of Bonds Issued	0	7,300,000	0	0	7,300,000
Premium on Bonds Issued	0	172,600	0	0	172,600
Total Other Financing Sources (Uses)	211,636	7,436,100	36,500	0	7,684,236
Net Change in Fund Balance	314,142	5,334,520	182,185	10,214	5,841,061
<u>FUND BALANCE - Beginning of Year</u>	<u>1,209,303</u>	<u>0</u>	<u>0</u>	<u>182,768</u>	<u>1,392,071</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 1,523,445</u>	<u>\$ 5,334,520</u>	<u>\$ 182,185</u>	<u>\$ 192,982</u>	<u>\$ 7,233,132</u>

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances Total Governmental Funds \$ 5,841,061

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(159,106)
Capital Outlay	2,306,968

The issuance of long-term obligations provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the Statement of Activities over the life of the long-term obligation issue.

Repayments of Principal on Long-Term Obligations	22,875
Issuance of Long-Term Obligations	(7,511,636)
Premium on Bond Issuance	(172,600)

Accrued interest on long-term obligations is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid.

Accrued Interest Payable - End of Year	(51,396)
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Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	23,740
Compensated Absences - End of Year	(16,737)

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

Change in Pension/OPEB Related Items	516,079
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>(182,771)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 616,477</u>
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The notes to the financial statements are an integral part of this statement.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2023

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ASSETS</u>	\$ 0
<u>LIABILITIES</u>	<u>0</u>
<u>NET POSITION</u>	<u>\$ 0</u>

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2023

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Donations and Earnings on Deposits	<u>\$ 36</u>
<u>DEDUCTIONS</u>	
Scholarship Awards	3,500
Transfers to Other Organizations	<u>15,721</u>
Total Deductions	<u>19,221</u>
Change in Net Position	(19,185)
<u>NET POSITION</u> - Beginning of Year	<u>19,185</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 0</u></u>

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The District reports the following major governmental funds:

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

The *2022 Capital Projects Fund* accounts for the resources that are restricted for use on capital projects that were approved by the District's voters.

The *2022 Debt Retirement Fund* accounts for the revenues and expenditures related to the 2022 General Obligation Bonds.

The District reports the following non-major governmental funds:

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

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

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

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

The District reports the following fiduciary funds:

The *Private Purpose Trust Funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District. This fund was closed in 2022-2023.

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

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

The District's approved budgets were adopted at the function level for the General Fund and Special Revenue Funds. These are the legal enacted levels under the State Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board (the level at which expenditures may not legally exceed appropriations).

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

- (a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- (b) A public hearing is conducted during June to obtain taxpayer comments.
- (c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- (f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (g) Budgeted amounts are as originally adopted in June 2022, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

Excess of expenditures over appropriations occurred in the following fund:

General Fund – Pupil Transportation Services expenditures of \$403,569 exceeded appropriations of \$210,078.

The above overage was funded by available fund balance.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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

1. Cash and Cash Equivalents

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

2. Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts 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 (NCUA), 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.
- (c) Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- (d) The United States government or federal agency obligations repurchase agreements.
- (e) Bankers acceptances of United States banks.
- (f) 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 government 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 Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. Inventory and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. Capital Assets

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

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

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

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

5. Unearned Revenue

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

6. Defined Benefit Plans

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

7. Long-Term Obligations

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

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

8. Compensated Absences

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

9. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to its pension plan and other postemployment benefits plan, which are discussed in Note 3-H and Note 3-I of this report.

10. Net Position Flow Assumption

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

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

11. Fund Balance Flow Assumption

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

12. Fund Balance Policies

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

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

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

13. Use of Estimates

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

14. Restricted Assets

Certain cash and investment resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants, and they are maintained in separate bank accounts.

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2023 the foundation allowance was based on a three year blend consisting of pupil membership counts taken in February 2020, October 2020, February 2021, October 2021, February 2022, and October 2022. For fiscal year ended June 30, 2023, the per pupil foundation allowance was \$9,150 for Wolverine Community Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2022 to August 2023. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

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

3. Property Taxes

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

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For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	18.0000
General Fund - Commercial PPT	6.0000
Sinking Fund	1.2455
Debt Retirement Fund	3.1000

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2023.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2023 the District had deposits subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2023, the District’s bank balance was \$1,927,590, of which \$1,371,414 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

The following summarizes the categorization of these amounts as of June 30, 2023:

	Primary Government
Cash and Cash Equivalents	\$ 1,174,985
Restricted Cash	689,977
Investments	750,632
Restricted Investments	5,399,125
	<u>\$ 8,014,719</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 structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

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	Fair Value	Weighted Average Maturity (Years)
MILAF+ Cash Management Class	\$ 253,168	N/A
MILAF+ MAX Class	5,896,589	N/A
	<u>\$ 6,149,757</u>	
Portfolio Weighted Average Maturity		<u>N/A</u>

1 Day Maturity Equals 0.0027, One Year Equals 1.000

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

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

	Fair Value	Standard & Poor's Rating
MILAF+ Cash Management Class	\$ 253,168	AAAm
MILAF+ MAX Class	5,896,589	AAAm
	<u>\$ 6,149,757</u>	

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

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

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:

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<u>Amortized Cost</u>
MILAF+ Cash Management Class	\$ 253,168
MILAF+ MAX Class	5,896,589
	<u>\$ 6,149,757</u>

B. Receivables

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

	<u>General Fund</u>
Receivables:	
Accounts Receivable	\$ 4,494
Due from Other Governmental Units	611,720
	<u>\$ 616,214</u>

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

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C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2023, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Student Activity Fund	\$ 7,045
General Fund	2022 Capital Projects Fund	8,979
Food Service Fund	General Fund	25,067
Food Service Fund	Student Activity Fund	356
2022 Debt Retirement Fund	Capital Projects Fund	8,407
		<u>\$ 49,854</u>

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

Individual fund transfers at June 30, 2023, were:

<u>Fund Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
2022 Debt Retirement Fund	2022 Capital Projects Fund	<u>\$ 36,500</u>

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

D. Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 0	\$ 2,049,710	\$ 0	\$ 2,049,710
Capital Assets Being Depreciated				
Buildings and Improvements	4,628,008	0	0	4,628,008
Land Improvements	1,170,180	17,575	0	1,187,755
Buses and Vehicles	204,946	239,683	0	444,629
Furniture and Equipment	328,011	0	0	328,011
Subtotal	<u>6,331,145</u>	<u>257,258</u>	<u>0</u>	<u>6,588,403</u>

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	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Less Accumulated Depreciation for:				
Buildings and Improvements	2,812,096	118,675	0	2,930,771
Land Improvements	1,147,470	924	0	1,148,394
Buses and Vehicles	185,652	27,563	0	213,215
Furniture and Equipment	275,338	11,944	0	287,282
Accumulated Depreciation	4,420,556	159,106	0	4,579,662
Net Capital Assets Being Depreciated	1,910,589	98,152	0	2,008,741
Net Capital Assets	\$ 1,910,589	\$ 2,147,862	\$ 0	\$ 4,058,451

Depreciation for the fiscal year ended June 30, 2023, amounted to \$159,106. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

E. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2023:

	DIRECT					
	GENERAL	BORROWINGS				
	OBLIGATION	AND DIRECT	NET PENSION	NET OPEB	COMPENSATED	TOTAL
	BONDS	PLACEMENTS	LIABILITY	LIABILITY	ABSENCES	
Balance, July 1, 2022	\$ 0	\$ 6,714	\$ 3,469,298	\$ 218,240	\$ 23,740	\$ 3,717,992
Additions	7,300,000	211,636	2,565,363	210,701	6,266	10,293,966
Deletions	0	(22,875)	(500,813)	(113,459)	(13,269)	(650,416)
Balance, June 30, 2023	7,300,000	195,475	5,533,848	315,482	16,737	13,361,542
Less current portion	(75,000)	(32,488)	Unknown	Unknown	Unknown	(107,488)
Total due after one year	\$7,225,000	\$ 162,987	\$ 5,533,848	\$ 315,482	\$ 16,737	\$ 13,254,054

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At June 30, 2023, the District's long-term obligations consisted of the following:

General Obligation Bonds

2022 School Building and Site Bonds due in annual installments of \$75,000 to \$435,000 through May 1, 2052, interest at 4.000% to 4.125%. \$ 7,300,000

Notes From Direct Borrowings and Direct Placements

Bus Loan 195,475

Other Long-Term Obligations

Compensated Absences 16,737

Net Pension Liability 5,533,848

Net Other Postemployment Benefits Liability 315,482

Total \$ 13,361,542

The annual requirements to amortize the General Obligation Bonds and Notes from Direct Borrowings and Direct Placements outstanding as of June 30, 2023, including interest payments of \$5,465,256 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2024	\$ 107,488	\$ 302,080	\$ 409,568
2025	118,822	297,747	416,569
2026	135,190	292,979	428,169
2027	146,613	287,555	434,168
2028	168,091	281,678	449,769
2029-2033	909,271	1,308,281	2,217,552
2034-2038	1,145,000	1,106,686	2,251,686
2039-2043	1,395,000	859,090	2,254,090
2044-2048	1,715,000	555,290	2,270,290
2049-2052	1,655,000	173,870	1,828,870
	<u>\$ 7,495,475</u>	<u>\$ 5,465,256</u>	<u>\$ 12,960,731</u>

Interest expense for the year ended June 30, 2023 was \$268,240.

The annual requirements to amortize the pension liability, the other postemployment benefits liability, and compensated absences are uncertain because it is unknown when the repayments will be made. These liabilities will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

F. Retirement and Postemployment Benefits

Plan Description – The Michigan Public School Employees' Retirement System (MPSERS) (System) 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

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the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www://Michigan.gov/orsschools.

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

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

Benefit Provisions - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (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 contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus

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members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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

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

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

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

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

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

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

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

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after

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September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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

Final Average Compensation (FAC) – Average of highest 60 consecutive months for Basic Plan and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

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

Benefits Provided – Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically

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enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2019 valuation are amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

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

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

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The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$724,500. Of the total pension contributions, approximately \$705,900 was contributed to fund the Defined Benefit Plan and approximately \$18,600 was contributed to fund the Defined Contribution Fund.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$127,000. Of the total OPEB contributions, approximately \$116,200 was contributed to fund the Defined Benefit Plan and approximately \$10,800 was contributed to fund the Defined Contribution Fund.

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

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

Pension Liabilities

At June 30, 2023, the District reported a liability of \$5,533,848 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the District's proportion was 0.01471427% and 0.01465359%.

MPERS (Plan) Non-university Employers Net Pension Liability

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	<u>(58,268,076,344)</u>	<u>(62,717,060,920)</u>
Net Pension Liability	<u>\$ 37,608,719,276</u>	<u>\$ 23,675,412,475</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%
Net Pension Liability as a Percentage of Covered Payroll	386.25%	261.68%

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

For the year ended June 30, 2023, the District recognized total pension expense of \$490,983.

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At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,358	\$ 12,373
Changes of assumptions	950,913	0
Net difference between projected and actual earnings on pension plan investments	12,977	0
Changes in proportion and differences between District contributions and proportionate share of contributions	14,090	227,885
District section 147c revenue related to pension contributions subsequent to the measurement date	0	407,957
District contributions subsequent to the measurement date	667,671	0
Total	\$ 1,701,009	\$ 648,215

\$667,671 reported as deferred outflows of resources and \$407,957 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2023	\$ 167,042
2024	142,861
2025	163,782
2026	319,395
	<u>\$ 793,080</u>

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

OPEB Liabilities

At June 30, 2023, the District reported a liability of \$315,482 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB

WOLVERINE COMMUNITY SCHOOLS

WOLVERINE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

liability was determined by an actuarial valuation date of September 30, 2021 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the District's proportion was 0.01489486% and 0.01429792%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total OPEB Liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan Fiduciary Net Position	(10,404,650,683)	(10,520,015,621)
Net OPEB Liability	<u>\$ 2,118,062,641</u>	<u>\$ 1,526,377,890</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%
Net OPEB Liability as a Percentage of Covered Payroll	21.75%	16.87%

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

For the year ended June 30, 2023, the District recognized total OPEB benefit of \$184,935.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 617,909
Changes of Assumptions	281,200	22,897
Net difference between projected and actual earnings on OPEB plan investments	24,657	0
Changes in proportion and differences between District contributions and proportionate share of contributions	38,418	116,986
District contributions subsequent to the measurement date	101,292	0
Total	<u>\$ 445,567</u>	<u>\$ 757,792</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

\$101,292 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2023	\$ (162,648)
2024	(123,592)
2025	(116,554)
2026	(10,797)
2027	(1,257)
Thereafter	1,331
	<u>\$ (413,517)</u>

I. Actuarial Assumptions

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups.

Investment rate of return for OPEB – 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation – 3.0%.

Mortality assumptions –

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

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

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

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan) and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

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

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree’s death.

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.10%
Private Equity Pools	16.00%	8.70%
International Equity	15.00%	6.70%
Fixed Income Pools	13.00%	-0.20%
Real Estate & Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short-Term Investment Pools	2.00%	-0.50%
	<u>100%</u>	

*Long-term rate of return is net of administrative expenses and 2.2% inflation.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Rate of return

For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% 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 6.00% was used to measure the total pension liability. This discount rate was based on the rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

A single discount rate of 6.00% 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 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension				
1% Decrease		Discount Rate	1% Increase	
\$	7,302,624	\$	5,533,848	\$ 4,076,298

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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JUNE 30, 2023

OPEB		
1% Decrease	Discount Rate	1% Increase
\$ 529,191	\$ 315,482	\$ 135,513

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

The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate as well as what the District'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		
Current Healthcare Cost		
1% Decrease	Trent Rates	1% Increase
\$ 132,109	\$ 315,482	\$ 521,323

J. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2022 Annual Comprehensive Financial Report.

K. Payables to the Pension and OPEB Plan

As of June 30, 2023, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2023, the District reported payables in the amount of \$109,278 to the pension and OPEB plan. These amounts represent accruals for summer pay primarily for teachers and the contributions due and funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

L. Risk Management

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

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2023, or any of the prior three years.

WOLVERINE COMMUNITY SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

M. Contingencies

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

N. Commitments

As of the June 30, 2023, the District has committed to the following:

- The District approved a contract for the building improvement project for \$6.77 million, of which \$4.65 million remains to be expensed.

O. GASB Statement No. 87 – Leases

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

P. GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

Q. Capital Projects Fund

The Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code. There is \$96,809 of restricted fund balance related to bonds that is restricted for use specified by the bond provisions.

R. 2022 Capital Projects Fund

The 2022 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code. There is \$5,334,520 of restricted fund balance related to bonds that is restricted for use specified by the bond provisions.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2022 Capital Projects Fund. The cumulative expenditures for the bonds, including applicable transfers for debt service, recognized for the construction period were \$2,289,310.

S. Upcoming Accounting Pronouncements

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

WOLVERINE COMMUNITY SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,026,765	\$ 1,122,373	\$ 1,136,148
State Sources	1,713,587	1,873,529	1,926,191
Federal Sources	877,584	660,107	703,322
Other Transactions	104,297	78,685	99,520
Total Revenues	3,722,233	3,734,694	3,865,181
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	1,652,150	1,817,899	1,801,928
Added Needs	401,994	332,847	325,115
Supporting Services			
Pupil	93,153	63,827	61,440
Instructional Staff	151,058	33,855	33,051
General Administration	195,036	252,391	240,760
School Administration	339,415	340,389	330,270
Business	69,113	63,889	61,750
Operation and Maintenance	317,890	383,880	353,164
Pupil Transportation Services	213,780	210,078	403,569
Support Services - Central	110,056	27,100	24,536
Support Services - Other	74,379	108,007	100,094
Debt Service	0	35,016	26,998
Total Expenditures	3,618,024	3,669,178	3,762,675
Excess (Deficiency) of Revenues Over Expenditures	104,209	65,516	102,506
<u>OTHER FINANCING SOURCES (USES)</u>			
Face Value of Debt Issued	0	0	211,636
Net Change in Fund Balance	104,209	65,516	314,142
<u>FUND BALANCE - Beginning of Year</u>	1,260,617	1,209,303	1,209,303
<u>FUND BALANCE - End of Year</u>	\$ 1,364,826	\$ 1,274,819	\$ 1,523,445

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)		0.01471%	0.01465%	0.01545%	0.01615%	0.017190%	0.01875%	0.01967%	0.02030%	0.02049%
District's proportionate share of net pension liability	\$	5,533,848	\$ 3,469,298	\$ 5,307,662	\$ 5,347,194	\$ 5,167,197	\$ 4,858,357	\$ 4,906,489	\$ 4,957,980	\$ 4,513,746
District's covered payroll		1,459,319	1,302,351	1,330,260	1,420,550	1,359,727	1,535,509	1,581,768	1,591,864	1,523,544
District's proportionate share of net pension liability as a percentage of its covered payroll		379.21%	266.39%	398.99%	376.42%	380.02%	316.40%	310.19%	311.46%	296.27%
Plan fiduciary net position as a percentage of total pension liability		60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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

JUNE 30, 2023

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015								
Statutorily required contributions	\$	705,884	\$	500,649	\$	509,822	\$	428,939	\$	468,049	\$	439,736	\$	441,609	\$	412,991	\$	439,208
Contributions in relation to statutorily required contributions *		705,884		500,649		509,822		428,939		468,049		439,736		441,609		412,991		439,208
Contribution deficiency (excess)	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0
Covered payroll	\$	1,527,547	\$	1,434,445	\$	1,315,505	\$	1,312,842	\$	1,434,972	\$	1,351,666	\$	1,581,768	\$	1,591,864	\$	1,771,031
Contributions as a percentage of covered payroll		46.21%		34.90%		38.75%		32.67%		32.62%		32.53%		27.92%		25.94%		24.80%

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2023

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017					
District's proportion of net OPEB liability (%)					0.01489%	0.01430%	0.01496%	0.01628%	0.01872%	0.01872%					
District's proportionate share of net OPEB liability				\$	315,482	\$	218,240	\$	801,689	\$	1,168,875	\$	1,271,231	\$	1,657,654
District's covered payroll					1,459,319	1,302,351	1,330,260	1,420,550	1,359,727	1,535,509					
District's proportionate share of net OPEB liability as a percentage of its covered payroll					21.62%	16.76%	60.27%	82.28%	93.49%	107.95%					
Plan fiduciary net position as a percentage of total OPEB liability					83.09%	87.33%	59.44%	48.46%	42.95%	36.39%					

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2023

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions					\$ 116,243	\$ 109,196	\$ 106,140	\$ 111,812	\$ 103,806	\$ 97,584
Contributions in relation to statutorily required contributions *					116,243	109,196	106,140	111,812	103,806	97,584
Contribution deficiency (excess)					\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll					\$ 1,527,547	\$ 1,434,445	\$ 1,315,505	\$ 1,312,842	\$ 1,434,972	\$ 1,348,403
Contributions as a percentage of covered payroll					7.61%	7.61%	8.07%	8.52%	7.23%	7.24%

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2023

Pension Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of Assumptions – The assumption changes for the plan year ended September 30, 2022, were:

Discount rate for MIP, Basic and Pension Plus plans decreased to 6.00% from 6.80%

OPEB Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of Assumptions – The assumption changes for the plan year ending September 30, 2022, were:

Discount rate decreased to 6.00% from 6.95%.

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL NON-MAJOR GOVERNMENTAL</u>
	<u>FOOD SERVICE FUND</u>	<u>STUDENT ACTIVITY FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 17,254	\$ 55,996	\$ 105,216	\$ 178,466
Due from Other Funds	25,423	0	0	25,423
Inventory	5,682	0	0	5,682
TOTAL ASSETS	<u>\$ 48,359</u>	<u>\$ 55,996</u>	<u>\$ 105,216</u>	<u>\$ 209,571</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 257	\$ 201	\$ 0	\$ 458
Salaries Payable	323	0	0	323
Due to Other Funds	0	7,401	8,407	15,808
TOTAL LIABILITIES	<u>580</u>	<u>7,602</u>	<u>8,407</u>	<u>16,589</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	5,682	0	0	5,682
Restricted for:				
Food Service	42,097	0	0	42,097
Capital Projects	0	0	96,809	96,809
Committed for:				
Student Activities	0	48,394	0	48,394
Total Fund Balances	<u>47,779</u>	<u>48,394</u>	<u>96,809</u>	<u>192,982</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,359</u>	<u>\$ 55,996</u>	<u>\$ 105,216</u>	<u>\$ 209,571</u>

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

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

YEAR ENDED JUNE 30, 2023

	<u>SPECIAL REVENUE FUNDS</u>			TOTAL NON-MAJOR GOVERNMENTAL
	<u>FOOD SERVICE FUND</u>	<u>STUDENT ACTIVITY FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
<u>REVENUES</u>				
Local Sources	\$ 4,920	\$ 58,359	\$ 124	\$ 63,403
State Sources	14,433	0	0	14,433
Federal Sources	230,397	0	0	230,397
Total Revenues	249,750	58,359	124	308,233
<u>EXPENDITURES</u>				
Supporting Services	229,673	27,441	40,905	298,019
Excess (Deficiency) of Revenues Over Expenditures	20,077	30,918	(40,781)	10,214
<u>FUND BALANCE - Beginning of Year</u>	27,702	17,476	137,590	182,768
<u>FUND BALANCE - End of Year</u>	\$ 47,779	\$ 48,394	\$ 96,809	\$ 192,982

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

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Wolverine Community Schools' basic financial statements, and have issued our report thereon dated August 30, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wolverine Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs.

Wolverine Community Schools' Response to Findings

Wolverine Community Schools' response to the findings identified in our audit is described in the corrective action later in this report. Wolverine Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, sans-serif font to the right.

Cadillac, Michigan
August 30, 2023

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

To the Board of Education
Wolverine Community Schools
Wolverine, Michigan

Report on Compliance for Each Major Federal Program

Opinion On Each Major Federal Program

We have audited Wolverine Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Wolverine Community Schools' major federal programs for the year ended June 30, 2023. Wolverine Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Wolverine Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis For Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Wolverine Community Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

UHY LLP

Cadillac, Michigan
August 30, 2023

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2023	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S. Department of Education										
Direct Awards										
Rural Education Achievement Program	84.358A	S358A211679	\$ 12,651	\$ 0	\$ 10,288	\$ 0	\$ 2,363	\$ 2,363	\$ 0	\$ 0
Rural Education Achievement Program	84.358A	S358A221598	12,854	0	0	0	12,636	12,636	0	0
Total Rural Education Achievement Program			25,505	0	10,288	0	14,999	14,999	0	0
Passed Through Michigan Department of Education (M.D.E.)										
Title I - Grants to Local Educational Agencies	84.010	231530-2223	136,027	0	0	0	103,684	0	103,684	0
Title II, Part A - Supporting Effective Instruction State Grants	84.367	220520-2122	14,693	0	0	0	8,257	0	8,257	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	230750-2223	12,367	0	0	0	11,818	0	11,818	0
Title IV, Part A - Student Support and Academic Enrichment	84.424	220750-2122	19,975	307	15,740	0	0	307	0	0
Total - Title IV, Part A - Student Support and Academic Enrichment			32,342	307	15,740	0	11,818	307	11,818	0
Education Stabilization Funds										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP/ESSER III Formula Funds)	84.425U	213713-2122	799,507	0	85,182	0	561,803	479,157	82,646	0
Total Passed Through Michigan Department of Education (M.D.E.)			982,569	307	100,922	0	685,562	479,464	206,405	0
Passed Through Marquette Alger Regional Educational Service Agency										
Special Education Cluster										
Special Education, Part A - IDEA Flow Through	84.027A	230470-2D33	2,133	0	0	0	2,133	2,133	0	0
Total U.S. Department of Education			1,010,207	307	111,210	0	702,694	496,596	206,405	0
U.S Department of Agriculture										
Passed Through Michigan Department of Education										
Child Nutrition Cluster:										
Cash Assistance:										
National School Lunch Program	10.555	221960	14,194	0	0	0	14,194	14,194	0	0
National School Lunch Program	10.555	231960	124,660	0	0	0	124,660	124,660	0	0
National School Lunch Program - Supply Chain Assistance	10.555	220910	9,409	0	0	0	9,409	9,409	0	0
National School Lunch Program - Supply Chain Assistance	10.555	230910	7,117	0	0	0	7,117	7,117	0	0
Total National School Lunch Program			155,380	0	0	0	155,380	155,380	0	0
School Breakfast Program	10.553	221970	5,951	0	0	0	5,951	5,951	0	0
School Breakfast Program	10.553	231970	50,271	0	0	0	50,271	50,271	0	0
Total School Breakfast Program			56,222	0	0	0	56,222	56,222	0	0
Total Cash Assistance			211,602	0	0	0	211,602	211,602	0	0
Non-Cash Assistance (Commodities):										
Entitlement Commodities	10.555	N/A	14,660	0	0	0	14,660	14,660	0	0
Total Child Nutrition Cluster			226,262	0	0	0	226,262	226,262	0	0
Fresh Fruit and Vegetable Program	10.582	230950-2023-1	7,735	0	0	0	4,135	1,312	2,823	0
Pandemic EBT Local Level Costs	10.649	220980-2022	628	0	0	0	628	628	0	0
Total U.S. Department of Agriculture			234,625	0	0	0	231,025	228,202	2,823	0
Total Federal Financial Assistance			\$ 1,244,832	\$ 307	\$ 111,210	\$ 0	\$ 933,719	\$ 724,798	\$ 209,228	\$ 0

(C)

(D)

The accompanying notes are an integral part of this schedule

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of Wolverine Community Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Wolverine Community Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wolverine Community Schools. The District does not pass-through federal funds to sub recipients.

(B) Summary of Significant Accounting Policies

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

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

Revenue from Federal Sources - Per Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 933,719</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 933,719</u>

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

Current Cash Payments per Cash Management System (CMS)		\$ 839,921	
Add Items Not on CMS Report:			
Food Distribution Program - Entitlement Commodities	\$ 14,660		
Passed Through Marquette Alger Regional Educational Service	2,133		
Cash Payments Received Directly from Federal Government	14,999	31,792	
Timing Differences on CMS Reports			(146,915)
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards			\$ 724,798

(E) Grant Auditor Report

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

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I - Financial Statement Findings

None Reported

Section II - Federal Award Findings and Questioned Costs

None Reported

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

 X Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

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

Unmodified

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

_____ Yes X No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425U	Education Stabilization Funds

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

\$750,000

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

_____ Yes X No

WOLVERINE COMMUNITY SCHOOLS
WOLVERINE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

2023-001 – *Unfavorable Budget Variance – Material Noncompliance*

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Condition: The District adopted budget items that were exceeded by actual expenditures by a material amount due to a bus purchased via loan proceeds.

Cause: The condition was caused by the District officials not accounting for the loan proceeds or capital outlay in the adopted budget.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed and be cognizant of any financed purchases and the impact that has on the budget.

View of Responsible Officials: The District will monitor expenditures against adopted budgets to make appropriate amendments as needed and carefully consider the impact of any financed purchases in the future.

Section III - Federal Award Findings and Questioned Costs

None Reported



CORRECTIVE ACTION PLAN

JUNE 30, 2023

Finding 2023-001: Material Noncompliance Finding

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Condition: The District adopted budget items that were exceeded by actual expenditures by a material amount due to a bus purchased via loan proceeds.

Cause: The condition was caused by the District officials not accounting for the loan proceeds or capital outlay in the adopted budget.

Effect: The District was not in compliance with the budgeting act.

Recommendation: The District should continue to monitor expenditures against adopted budgets to make appropriate amendments as needed and be cognizant of any financed purchases and the impact that has on the budget.

View of Responsible Officials: The District will monitor expenditures against adopted budgets to make appropriate amendments as needed and carefully consider the impact of any financed purchases in the future.

Name of Responsible Person for Further Information: Jennifer Gandee, Business Manager and the Board of Education.

