

WOLVERINE COMMUNITY SCHOOLS  
WOLVERINE, MICHIGAN  
FINANCIAL STATEMENTS  
JUNE 30, 2015

WOLVERINE COMMUNITY SCHOOLS

JUNE 30, 2015

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WOLVERINE COMMUNITY SCHOOLS

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### **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Wolverine Community Schools  
Wolverine , Michigan 49799

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the government activities , each major fund, and the aggregate remaining fund information of Wolverine Community Schools as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Education  
Wolverine Community Schools  
Wolverine , Michigan 49799

***Emphasis of Matter***

As discussed in Note 13 to the financial statements, the School District has implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 8 and pages 30 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wolverine Community Schools' basic financial statements. The comparative schedules of revenues and expenditures and other financing uses, combining statements, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues and expenditures and other financing uses, combining statements and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of Wolverine Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wolverine Community Schools' internal control over financial reporting and compliance.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
October 30, 2015

## Management's Discussion and Analysis

As management of the Wolverine Community Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

### Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$2,637,705) (*net position*). Of this amount, is (\$4,608,671) (*unrestricted net position*), \$1,844,732 is invested in capital assets (*net of related debt*), \$70,628 is restricted for debt service and \$55,608 is restricted for capital projects.
- The District's total net position decreased by \$460,119.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$366,539, a decrease of \$121,521 in comparison with the prior year. Approximately 0%, or (\$295,441) is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was (\$295,441) or (9%) percent of total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children.. The District has no business-type activities as of and for the year ended June 30, 2015.

The government-wide financial statements can be found on pages 9-10 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11-12 of this report.

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

The basic fiduciary fund financial statements can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

### District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District’s financial position. In the case of Wolverine Community Schools, liabilities exceeded its’ assets by (\$2,637,705) at the close of the most recent fiscal year.

A portion of the District’s net position, \$1,844,732, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Governmental Activities

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		<b>Nonrestated</b>
Current and Other Assets	\$ 1,116,249	\$ 1,256,512
Capital Assets, Net	2,390,343	2,427,717
Total Assets	<u>3,506,592</u>	<u>3,684,229</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	40,365	48,471
Related to pensions	166,548	-
Total Deferred Outflows of Resources	<u>206,913</u>	<u>48,471</u>
<b>Liabilities</b>		
Current Liabilities	861,504	847,370
Long-term Liabilities	4,990,710	525,022
Total Liabilities	<u>5,852,214</u>	<u>1,372,392</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions	<u>498,996</u>	-
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	1,844,732	1,862,717
Restricted	126,234	76,990
Unrestricted	<u>(4,608,671)</u>	<u>420,601</u>
<b>Total Net Position</b>	<b>\$ <u>(2,637,705)</u></b>	<b>\$ <u>2,360,308</u></b>

An additional portion of the District’s net position \$126,234 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$4,608,671).

The District's net position decreased by \$460,119 during the current fiscal year. Most of this increase is attributable to an excess of revenue, which increased from the prior year, over expenses that remained primarily flat. The District's blended enrollment was approximately 313 students.

**District's Changes in Net Position**

**Governmental Activities**

	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		<b>Nonrestated</b>
Program Revenue		
Charges for Services	\$ 28,846	\$ 29,140
Operating Grants and Contributions	731,598	825,079
General Revenue:		
Property Taxes	1,083,733	1,043,181
State School Aid	1,620,807	1,544,989
Interest and investment earnings	3,050	5,296
Other	99,772	177,879
<b>Total Revenue</b>	<b>3,567,806</b>	<b>3,625,564</b>
<b>Expenses</b>		
Instruction	2,469,614	2,232,629
Support Services	1,182,739	1,094,868
Food Service	214,809	201,029
Deferred refunding charges	8,106	8,106
Depreciation - unallocated	128,563	119,562
Interest on Long Term Debt	24,094	28,893
<b>Total Expenses</b>	<b>4,027,925</b>	<b>3,685,087</b>
<b>Increase (Decrease) in Net Position</b>	(460,119)	-59,523
Net Position, Beginning of Year	2,360,308	2,419,831
Restatement for GASB 68 implementation	(4,537,894)	
<b>Net Position, End of Year</b>	<b>\$ (2,637,705)</b>	<b>\$ 2,360,308</b>

**Governmental activities.** Governmental activities increased the District's net position by \$460,119. The District implemented GASB No. 68 in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of (\$2,637,705).

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$366,539, a decrease of \$121,521 in comparison with the prior year. Approximately 0% of this total amount (\$-295,441) constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure. *Committed fund* balance is \$53,975 for a future purchase. *Assigned fund balance* of \$159,171 is for 2015-15 budget purposes.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$-295,441. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 9% and 6% respectively of total general fund expenditures.

The fund balance of the District’s general fund decreased by \$170,794 during the current fiscal year. Revenues increased \$68,105 and expenditures increased by \$118,362 compared to the prior year.

The food service fund has a total fund balance of \$964, which increased by \$29 this year.

### General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with revenues increasing by 5% while expenses only adjusting up by 2% in total from beginning to final. The excess of revenues over expenditures budgetary figure was more than the actual results by \$70,212 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

**Capital assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2015, amounted to \$,390,343 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$91,189 and no disposals during the current fiscal year.

<b>District's Capital Assets</b>		
(net of depreciation)		
	<u>2015</u>	<u>2014</u>
Land Improvement	\$ 5,425	\$ 5,837
Buildings	2,229,460	2,330,940
Vehicles	94,855	30,004
Equipment	<u>60,603</u>	<u>60,936</u>
<b>Total</b>	<b>\$ <u>2,390,343</u></b>	<b>\$ <u>2,427,717</u></b>

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

**Long-term debt.** The district currently has three items of long term debt: the 2005 bond issue \$490,000, a capitalized lease \$55,611, and compensated absences \$38,620. Additional information on the District's long term debt can be found in Note 7 on page 22 of this report.

### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2015-2016 fiscal year:

- The foundation grant allowance used for budgeting an increase of \$70 from the 2014-15 school year. The budgeted student enrollment was 300 students.
- The district will continue to experience an increase in operating expense for the upcoming school year due to increased labor costs, increased utility costs and general inflationary increases.

### **Requests for Information**

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

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

WOLVERINE COMMUNITY SCHOOLS  
BASIC FINANCIAL STATEMENTS

WOLVERINE COMMUNITY SCHOOLS  
DISTRICT WIDE - STATEMENT OF NET POSITION  
JUNE 30, 2015

<u>Assets</u>	<u>Governmental Activities</u>
Cash and investments (Note 3)	\$ 369,088
Accounts receivable (Note 4)	3,678
Due from governmental units (Note 4)	415,698
Inventory	6,149
Prepaid expense	321,636
Capital assets - net (Note 5)	<u>2,390,343</u>
Total assets	<u>3,506,592</u>
<u>Deferred outflow of resources</u>	
Deferred charges on refunding	40,365
Related to pensions	<u>166,548</u>
Total deferred outflows	<u>206,913</u>
<u>Liabilities</u>	
Accounts payable	24,258
Salaries payable	323,052
State Aid note payable	400,000
Accrued interest	4,327
Unearned revenue (Note 4)	2,400
Long-term liabilities (Note 7)	
Due within one year	107,467
Due in more than one year	476,964
Net pension liability	<u>4,513,746</u>
Total liabilities	<u>5,852,214</u>
<u>Deferred inflows of resources</u>	
Related to pensions	<u>498,996</u>
<u>Net Position</u>	
Invested in capital assets, net of related debt	1,844,732
Restricted for capital projects	55,606
Restricted for debt service	70,628
Unrestricted	<u>(4,608,671)</u>
Total Net Position	<u>\$ (2,637,705)</u>

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

WOLVERINE COMMUNITY SCHOOLS  
DISTRICT WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
<u>Functions/programs</u>		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Governmental Activities</u>				
Instruction	\$ 2,469,614	\$ -	\$ 538,181	\$ (1,931,433)
Support services	1,182,739	19,549	376	(1,162,814)
Food services	214,809	9,297	193,041	(12,471)
Interest on long term debt	24,094	-	-	(24,094)
Deferred charges on refunding	8,106			(8,106)
Depreciation - unallocated	<u>128,563</u>	<u>-</u>	<u>-</u>	<u>(128,563)</u>
 Total Governmental Activities	 <u>\$ 4,027,925</u>	 <u>\$ 28,846</u>	 <u>\$ 731,598</u>	 <u>(3,267,481)</u>
 <u>General Revenues</u>				
<u>Taxes</u>				
Property taxes, levied for general operations				935,354
Property taxes, levied for debt service				92,774
Property taxes, levied for capital projects				55,605
State of Michigan aid, unrestricted				1,620,807
Interest and investment earnings				3,050
Other				<u>99,772</u>
 Total General Revenues				 <u>2,807,362</u>
 Change in Net Position				 <u>(460,119)</u>
 Net position - beginning of year as previously stated				 2,360,308
 Change in accounting principle				 <u>(4,537,894)</u>
 Net position - beginning of year as restated				 <u>(2,177,586)</u>
 Net position - end of year				 <u>\$ (2,637,705)</u>

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

WOLVERINE COMMUNITY SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	GENERAL	CAPITAL PROJECTS FUND	2005 DEBT SERVICE	NONMAJOR GOVERNMENTAL FOOD SERVICE FUND	TOTALS
<b>ASSETS</b>					
Cash and investments	\$ 236,016	\$ 55,606	\$ 70,628	\$ 6,838	\$ 369,088
Accounts receivable	3,678	-	-	-	3,678
Due from other governmental units	415,698	-	-	-	415,698
Due from other funds	2,037	-	-	-	2,037
Inventory	-	-	-	6,149	6,149
Prepaid expense	321,636	-	-	-	321,636
Total Assets	\$ 979,065	\$ 55,606	\$ 70,628	\$ 12,987	\$ 1,118,286
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 22,258	\$ -	\$ -	\$ 2,000	\$ 24,258
Accrued salaries and withholdings	315,066	-	-	7,986	323,052
State Aid note payable	400,000	-	-	-	400,000
Due to other funds	-	-	-	2,037	2,037
Unearned revenue	2,400	-	-	-	2,400
Total Liabilities	739,724	-	-	12,023	751,747
<b>FUND BALANCES:</b>					
Nonspendable - inventory	-	-	-	6,149	6,149
Nonspendable - prepaid expenses	321,636	-	-	-	321,636
Restricted for capital projects	-	55,606	-	-	55,606
Restricted for debt retirement	-	-	70,628	-	70,628
Restricted for food service	-	-	-	(5,185)	(5,185)
Committed	53,975	-	-	-	53,975
Assigned for subsequent year budget	159,171	-	-	-	159,171
Unassigned	(295,441)	-	-	-	(295,441)
Total Fund Balances	239,341	55,606	70,628	964	366,539
Total Liabilities and Fund Balances	\$ 979,065	\$ 55,606	\$ 70,628	\$ 12,987	\$ 1,118,286

**Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position**

Total Governmental Fund Balances	\$ 366,539
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of capital assets is	6,106,218
Accumulated depreciation is	(3,715,875)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the government funds:	
Deferred charges on refunding	40,365
Related to pensions	166,548
Long term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(490,000)
Capitalized lease	(55,611)
Compensated absences	(38,820)
Net pension liability	(4,513,746)
Accrued interest is not included as a liability in governmental funds	
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:	(4,327)
Related to pensions	(498,996)
Net Position of Governmental Activities	\$ (2,637,705)

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

WOLVERINE COMMUNITY SCHOOLS  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL	CAPITAL PROJECTS FUND	2005 DEBT SERVICE	NONMAJOR GOVERNMENTAL FOOD SERVICE FUND	TOTALS
<b>REVENUES:</b>					
Local sources	\$ 973,758	\$ 55,630	\$ 92,950	\$ 9,297	\$ 1,131,635
State sources	1,931,087	-	-	17,077	1,948,164
Federal sources	228,277	-	-	175,964	404,241
Interdistrict sources	83,766	-	-	-	83,766
Total Revenues	<u>3,216,888</u>	<u>55,630</u>	<u>92,950</u>	<u>202,338</u>	<u>3,567,806</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	2,233,590	-	-	-	2,233,590
Support services	1,079,249	24	-	214,809	1,294,082
Debt service	28,829	-	99,312	-	128,141
Capital outlay	91,189	-	-	-	91,189
Intergovernmental payments	26,590	-	-	-	26,590
Total Expenditures	<u>3,459,447</u>	<u>24</u>	<u>99,312</u>	<u>214,809</u>	<u>3,773,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(242,559)</u>	<u>55,606</u>	<u>(6,362)</u>	<u>(12,471)</u>	<u>(205,786)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Capitalized lease proceeds	84,265	-	-	-	84,265
Operating transfers in (out)	(12,500)	-	-	12,500	-
Total Other Financing Sources (Uses)	<u>71,765</u>	<u>-</u>	<u>-</u>	<u>12,500</u>	<u>84,265</u>
NET CHANGES IN FUND BALANCES	<u>(170,794)</u>	<u>55,606</u>	<u>(6,362)</u>	<u>29</u>	<u>(121,521)</u>
FUND BALANCES - Beginning of year	<u>410,135</u>	<u>-</u>	<u>76,990</u>	<u>935</u>	<u>488,060</u>
FUND BALANCES - End of year	<u>\$ 239,341</u>	<u>\$ 55,606</u>	<u>\$ 70,628</u>	<u>\$ 964</u>	<u>\$ 366,539</u>

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

WOLVERINE COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	(121,521)
Amounts reported for governmental activities are different because:		
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	\$	(128,563)
Capital Outlay		<u>91,189</u>
		(37,374)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid		
		(409)
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		75,000
Repayment of capitalized lease principal		
		28,654
Capitalized Lease proceeds		
		(84,265)
(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds		
		(3,798)
Government funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		
Amortization of deferred charges		(8,106)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Pension related items		<u>(308,300)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(460,119)</u></u>

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

WOLVERINE COMMUNITY SCHOOLS  
 FIDUCIARY FUND  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2015

	2015
<u>ASSETS</u>	
Cash	\$ 21,373
Investments	13,393
Total Assets	\$ 34,766
 <u>LIABILITIES &amp; NET POSITION</u>	
Liabilities:	
Deposits held for others	\$ 21,373
Net Position:	
Restricted for endowment	12,250
Restricted for scholarships	1,143
Total Net Position	13,393
Total Liabilities and Net Position	\$ 34,766

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

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay are recorded only when the payment is due.

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

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

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

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

The District also maintains scholarship funds as non-expendable trust funds.

ASSETS, LIABILITIES AND NET POSITION OR EQUITY

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

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

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2014 taxable value of the District was \$40,320,194 principal residence and \$51,282,821 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead, 1.0000 mills debt service purposes, and .6000 mills for capital projects purposes on all property for 2014.

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

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

The District is an out of formula district and does not receive and revenue from the state foundation allowance.

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

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

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

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

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

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

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

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

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

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

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditures in excess of the amended budget as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Instruction:			
Basic Programs	\$ 1,667,913	\$ 1,714,939	\$ 47,026
Support Services:			
Instructional Staff	400	426	26
Business	133,144	134,396	1,252
Transportation	186,478	300,864	114,386
Other	96,800	113,939	17,139
Outgoing Transfers	5,500	12,500	7,000

WOLVERINE COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Funds	District Total
Cash and investments	\$ 369,088	\$ 34,766	\$ 403,854
Total	\$ 369,088	\$ 34,766	\$ 403,854

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

Deposits (checking, savings)	\$ 403,754
Investment Pool Michigan Liquid Asset Fund)	-
	\$ 403,754

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

As of June 30, 2015 the District had the following investments:

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

Interest rate risk

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

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2015 the District did not have any investments in commercial paper of corporate bonds.

Concentration of credit risk

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2015 the District's investments were in a pooled investment fund.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2015, \$162,663 of the District's bank balance of \$453,502 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$403,652.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2015. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

Foreign currency risk

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

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4 - RECEIVABLES

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

	General Fund	2005 Debt Service Fund	Nonmajor and Other Funds	Total
Receivables:				
Accounts receivable	\$ 3,678	\$ -	\$ -	\$ 3,678
Intergovernmental	415,698	-	-	415,698
Total receivables	\$ 419,376	\$ -	\$ -	\$ 419,376

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

	Unearned
Grants and categorical aid payment not considered available	\$ 2,400
Payments received prior to meeting all eligibility requirements:	
Other	-
Totals	\$ 2,400
Total unearned revenue	\$ 2,400

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS

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

<u>Assets</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets being depreciated:				
Land improvements	\$ 1,150,010	\$ -	\$ -	\$ 1,150,010
Buildings & improvements	4,287,697	-	-	4,287,697
Buses & vehicles	281,051	84,265	-	365,316
Furniture & equipment	296,271	6,924	-	303,195
Subtotal	<u>6,015,029</u>	<u>91,189</u>	<u>-</u>	<u>6,106,218</u>
<u>Accumulated Depreciation</u>				
Land improvements	1,144,173	412	-	1,144,585
Buildings & improvements	1,956,757	101,480	-	2,058,237
Buses & vehicles	251,047	19,414	-	270,461
Furniture & equipment	235,335	7,257	-	242,592
Subtotal	<u>3,587,312</u>	<u>128,563</u>	<u>-</u>	<u>3,715,875</u>
Net capital assets being depreciated	<u>2,427,717</u>	<u>(37,374)</u>	<u>-</u>	<u>2,390,343</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 2,427,717</u>	<u>\$ (37,374)</u>	<u>\$ -</u>	<u>\$ 2,390,343</u>

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

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 2,037	Nonmajor Governmental	\$ 2,037
Total	<u>\$ 2,037</u>	Total	<u>\$ 2,037</u>

The above interfund balances are the result of routine interfund activity during the year. The balances are expected to be paid during the fiscal year ended June 30, 2014.

<u>Transfer In</u>	<u>Transfer Out</u>	
Nonmajor Governmental	General Fund	<u>\$ 12,500</u>

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7 - LONG-TERM DEBT

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

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2005 Issue	\$ 565,000	\$ (75,000)	\$ 490,000	\$ 80,000
Capitalized lease	-	84,265 (28,654)	55,611	27,467
Compensated absences	35,022	3,798	38,820	-
Deferred charges-refunding	<u>(48,471)</u>	<u>8,106</u>	<u>(40,365)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 551,551</u>	<u>\$ (7,485)</u>	<u>\$ 544,066</u>	<u>\$ 107,467</u>

Future payments on the capitalized lease which was for a bus purchase are as follows:

	<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Annual payments of \$28,829 including interest of 2.45%	2016	\$ 27,467	\$ 1,362	\$ 28,829
	2017	<u>28,144</u>	<u>685</u>	<u>28,829</u>
	Total	<u>\$ 55,611</u>	<u>\$ 2,047</u>	<u>\$ 57,658</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 80,000	\$ 20,510	\$ 100,510
2017	80,000	17,310	97,310
2018	80,000	14,030	94,030
2019	80,000	10,670	90,670
2020	85,000	7,310	92,310
2021	<u>85,000</u>	<u>3,655</u>	<u>88,655</u>
Total	<u>\$ 490,000</u>	<u>\$ 73,485</u>	<u>\$ 563,485</u>

General Obligation Bonds payable at June 30, 2015 are comprised of the following issue:

General obligation bonds:

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

	\$ 490,000
Total bonds	<u>\$ 490,000</u>

WOLVERINE COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 8 - RISK MANAGEMENT

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

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

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

NOTE 9 - SHORT-TERM DEBT

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

Changes in short-term state aid notes for the year ended June 30, 2015, were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
State Aid Note	\$ 300,000	\$ 400,000	\$ (300,000)	\$ 400,000

The State aid anticipation note is due July 21, 2014 and carries an interest rate of .43%.

On August 20, 2015 the District borrowed \$450,000 in the form of a State Aid anticipation note which carries an interest rate of .76% and is due July 20, 2016.

WOLVERINE COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

General Information about the Pension Plan

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

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

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

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

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

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

ELLSWORTH COMMUNITY SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

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

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

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

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

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

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$4365,627.

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

At June 30, 2015, the District reported a liability of \$ 4,513,746 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.02049%.

For the year ended June 30, 2015, the District recognized pension expense of \$365,627. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Outflows (Inflows) of Resources
Changes in assumptions	\$ 166,548	\$ -	\$ 166,548
Net difference between projected and actual earnings on pension plan investments	-	498,996	(498,996)
Changes in proportion and differences between employer contributions and proportionate share	-	-	-
	<u>166,548</u>	<u>498,996</u>	<u>(332,448)</u>
District contributions subsequent to the measurement date	<u>353,643</u>	<u>-</u>	<u>353,643</u>
<b>Total</b>	<u>\$ 520,191</u>	<u>\$ 498,996</u>	<u>\$ 21,195</u>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2015	\$ (81,442)
2016	(81,442)
2017	(81,442)
2018	<u>(88,122)</u>
<b>Total</b>	<u>\$(332,448)</u>

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5% to 12.3% including wage inflation of 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pool	18.00%	8.50%	1.53%
International equity	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	<u>100.00%</u>		<u>5.50%</u>
Inflation			<u>2.50%</u>
<b>Investment rate of return</b>			<u><u>8.00%</u></u>

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

WOLVERINE COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase 9.0%
District's proportionate share of the net pension liability	\$5,950,981	\$4,513,746	\$3,302,854

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

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of \$42,881 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits.

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

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

The District's contribution to MPSERS for other postemployment benefits amount to \$46,149 for the year ended June 30, 2015.

WOLVERINE COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 11 - CONTINGENCIES

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

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

NOTE 12 - CAPITAL PROJECTS FUND

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

NOTE 13 - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2015, the School District implemented the following new pronouncements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 - *Pension Transitions for Contributions Made Subsequent to the Measurement Date*.

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense for the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position follows:

Net position as previously stated, July 1, 2014		\$ <u>2,360,308</u>
Deferred outflows related to pensions		343,682
Net pension liability		<u>(4,881,576)</u>
		<u>(4,537,894)</u>
-		
Net position as restated, July 1, 2014		\$ <u><u>(2,177,586)</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

WOLVERINE COMMUNITY SCHOOLS  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2015 Original	2015 Final		
<b>REVENUES</b>				
Local sources	\$ 837,375	\$ 987,238	\$ 973,758	\$ (13,480)
State sources	2,009,717	1,917,580	1,931,087	13,507
Federal sources	145,588	225,111	228,277	3,166
Interdistrict sources	78,627	83,400	83,766	366
Total Revenues	<u>3,071,307</u>	<u>3,213,329</u>	<u>3,216,888</u>	<u>3,559</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	1,613,024	1,667,913	1,714,939	47,026
Added needs	531,799	543,427	518,651	(24,776)
Support services:				
Instructional staff	400	400	426	26
General administration	112,595	114,656	112,004	(2,652)
School administration	281,074	287,244	285,484	(1,760)
Business	128,776	133,144	134,396	1,252
Operation & maintenance	289,301	273,334	244,578	(28,756)
Transportation	170,027	186,478	300,864	114,386
Other	104,650	104,650	92,686	(11,964)
Debt service	25,000	28,830	28,829	(1)
Intergovernmental	82,600	52,600	26,590	(26,010)
Total Expenditures	<u>3,339,246</u>	<u>3,392,676</u>	<u>3,459,447</u>	<u>66,771</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	(8,000)	(5,500)	(12,500)	7,000
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>(5,500)</u>	<u>(12,500)</u>	<u>7,000</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	(275,939)	(184,847)	(255,059)	(70,212)
Budgetary fund balance - July 1, 2014	<u>289,383</u>	<u>409,217</u>	<u>410,135</u>	<u>918</u>
Budgetary fund balance - June 30, 2015	<u>\$ 13,444</u>	<u>\$ 224,370</u>	<u>\$ 155,076</u>	<u>\$ (69,294)</u>

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

	<u>2014</u>
Reporting unit's proportion of net pension liability	0.02049%
Reporting unit's proportionate share of net pension liability	\$ 4,513,746
Reporting unit's covered-employee payroll	\$ 1,523,544
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	33.75%
Plan fiduciary net position as a percentage of total pension liability	66.15%

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

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

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

	<u>2015</u>
Statutory required contributions	\$ 439,208
Contributions in relation to statutorily required contributions*	<u>\$ (439,208)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Reporting unit's covered-employee payroll	\$ 1,771,031
Contribution as a percentage of covered-employee payroll	24.80%

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

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

WOLVERINE COMMUNITY SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

**Changes in benefit terms:** There were no changes of benefit terms in 2015.

**Changes of assumptions:** There were no changes of benefit assumptions in 2015.

## OTHER SUPPLEMENTAL INFORMATION

WOLVERINE COMMUNITY SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAILS OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
REVENUES		
Local Sources:		
Property taxes	\$ 935,354	\$ 850,320
Earnings on investments	2,849	5,022
Other local revenue	35,555	115,864
Total Local Sources	973,758	971,206
State Sources:		
Unrestricted:		
State Aid	1,620,807	1,544,989
Restricted:		
At Risk	107,980	155,058
Special education	77,858	38,001
Class size implementation	118,098	298,111
Other grants	6,344	1,285
Total State Sources	1,931,087	2,037,444
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	9,975	-
Received through State:		
Title I	158,879	138,208
Title II	55,442	3,167
Other	3,605	-
Received through ISD:		
Other	376	1,216
Total Federal Sources	228,277	142,591
Interdistrict Sources:		
Special Education millage	83,766	81,807
Other	-	-
Total Interdistrict Sources	83,766	81,807
TOTAL REVENUES	3,216,888	3,233,048
Other Financing Sources		
Capitalized lease proceeds	84,265	-
TOTAL OTHER FINANCING SOURCES	84,265	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 3,301,153	\$ 3,233,048

WOLVERINE COMMUNITY SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
INSTRUCTION:		
Basic Programs:		
Elementary		
Salaries	\$ 588,405	\$ 634,446
Employee Benefits	414,513	394,674
Purchased Services	9,347	14,259
Supplies & Materials	19,865	21,675
Capital Outlay	-	4,808
Other Expenses	61	131
Total Elementary	1,032,191	1,069,993
Middle School:		
Salaries	116,835	110,512
Employee Benefits	71,676	66,866
Purchased Services	2,510	4,559
Supplies & Materials	1,081	1,370
Capital Outlay	-	-
Other Expenses	61	-
Total Middle School	192,163	183,307
High School:		
Salaries	251,803	232,768
Employee Benefits	174,795	144,107
Purchased Services	53,922	39,786
Supplies & Materials	9,603	10,677
Capital Outlay	-	4,808
Other Expenses	462	78
Total High School	490,585	432,224
TOTAL BASIC PROGRAMS	1,714,939	1,685,524
Added Needs:		
Special Education		
Salaries	112,198	119,909
Employee Benefits	87,574	84,564
Purchased Services	3,267	4,399
Supplies & Materials	711	1,263
Other Expenses	-	-
Total Special Education	203,750	210,135

WOLVERINE COMMUNITY SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
INSTRUCTION (Continued):		
Added Needs: (Continued)		
Compensatory Education:	\$	\$
Salaries	188,080	170,986
Employee Benefits	77,810	67,642
Purchased Services	36,868	38,517
Supplies & Materials	10,203	19,122
Other Expenses	1,940	2,240
Total Compensatory Education	314,901	298,507
TOTAL ADDED NEEDS	518,651	508,642
TOTAL INSTRUCTION	2,233,590	2,194,166
SUPPORTING SERVICES:		
INSTRUCTIONAL STAFF:		
Improvement of Instruction:		
Supplies & Materials	-	17
Total Improvement of Instruction	-	17
Library:		
Supplies & Materials	426	298
Other Expenses	-	-
Total Library	426	298
TOTAL INSTRUCTIONAL STAFF	426	315

WOLVERINE COMMUNITY SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
SUPPORTING SERVICES: (Continued)		
GENERAL ADMINISTRATION:		
Board of Education:		
Salaries	\$ 7,840	\$ 8,400
Purchased Services	15,575	13,174
Supplies & Materials	2,341	-
Other Expenses	-	2,099
Total Board of Education	25,756	23,673
Executive Administration:		
Salaries	54,342	55,150
Employee Benefits	29,871	27,471
Purchased Services	1,200	1,200
Supplies & Materials	-	111
Other Expenses	835	835
Total Executive Administration	86,248	84,767
TOTAL GENERAL ADMINISTRATION	112,004	108,440
SCHOOL ADMINISTRATION:		
Salaries	168,821	164,116
Employee Benefits	114,737	108,036
Purchased Services	1,906	1,907
Supplies & Materials	-	4,866
Other Expenses	20	470
TOTAL SCHOOL ADMINISTRATION	285,484	279,395
BUSINESS:		
Fiscal Services:		
Salaries	71,652	72,222
Employee Benefits	41,885	38,510
Purchased Services	6,939	8,531
Supplies & Materials	413	687
Capital Outlay	-	-
Other Expenses	973	1,021
Total Fiscal Services	121,862	120,971

WOLVERINE COMMUNITY SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
SUPPORTING SERVICES (Continued):		
BUSINESS: (Continued)		
Other Business Services:		
Purchased Services	\$ 3,671	\$ 3,559
Interest Expense	969	171
Supplies & Materials	-	-
Capital Outlay	-	-
Other Expenses	7,894	10,908
Total Other Business Services	12,534	14,638
TOTAL BUSINESS	134,396	135,609
OPERATION & MAINTENANCE:		
Salaries	36,892	62,826
Employee Benefits	27,316	48,264
Purchased Services	83,259	66,479
Supplies & Materials	89,941	94,731
Capital Outlay	6,924	3,325
Other Expenses	246	126
TOTAL OPERATION & MAINTENANCE	244,578	275,751
PUPIL TRANSPORTATION		
Salaries	78,573	69,865
Employee Benefits	33,988	25,727
Purchased Services	39,020	45,238
Supplies & Materials	63,466	42,687
Capital outlay	84,265	4,665
Other Expenses	1,552	986
TOTAL PUPIL TRANSPORTATION	300,864	189,168
NON-INSTRUCTIONAL TECHNOLOGY:		
Salaries	-	-
Employee Benefits	-	-
Purchased Services	25,764	39,158
Supplies & Materials	4,405	8,290
TOTAL NON-INSTRUCTIONAL TECHNOLOGY	30,169	47,448
OTHER SUPPORT SERVICES		
Athletics:		
Salaries	31,901	31,901
Employee Benefits	13,905	12,250
Purchased Services	11,146	10,826
Supplies & Materials	4,680	9,778
Other Expenses	885	1,736
TOTAL OTHER SUPPORT SERVICES	62,517	66,491
TOTAL SUPPORTING SERVICES	1,170,438	1,102,617

WOLVERINE COMMUNITY SCHOOLS  
 GENERAL FUND  
 COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
 (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
DEBT SERVICE		
Principal	28,654	-
Interest	175	-
Total Debt Service	<u>28,829</u>	<u>-</u>
INTERGOVERNMENTAL EXPENDITURES	<u>26,590</u>	<u>55,027</u>
TOTAL CURRENT OPERATING EXPENDITURES	<u>3,459,447</u>	<u>3,351,810</u>
OTHER FINANCING USES:		
Operating Transfers:		
Food Service Fund	12,500	1,775
Total Other Financing Uses	<u>12,500</u>	<u>1,775</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,471,947</u>	<u>\$ 3,353,585</u>

WOLVERINE COMMUNITY SCHOOLS  
TRUST AND AGENCY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015  
With Comparative totals for June 30, 2014

	<u>Non-Expendable Trust Funds</u>				<u>Totals</u>	
	<u>Clough Trust</u>	<u>Sanford Trust</u>	<u>Burr Trust</u>	<u>Agency Funds</u>	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>						
Cash	\$ -	\$ -	\$ -	\$ 21,373	\$ 21,373	\$ 22,628
Investments	<u>7,414</u>	<u>5,891</u>	<u>88</u>	<u>-</u>	<u>13,393</u>	<u>13,393</u>
Total Assets	<u>\$ 7,414</u>	<u>\$ 5,891</u>	<u>\$ 88</u>	<u>\$ 21,373</u>	<u>\$ 34,766</u>	<u>\$ 36,021</u>
<b><u>LIABILITIES AND NET POSITION</u></b>						
Liabilities:						
Deposits held for others	\$ -	\$ -	\$ -	\$ 21,373	\$ 21,373	\$ 22,628
Net Position:						
Restricted for endowment	6,000	4,750	1,500	-	12,250	12,250
Restricted for scholarships	<u>1,414</u>	<u>1,141</u>	<u>(1,412)</u>	<u>-</u>	<u>1,143</u>	<u>1,143</u>
Total Net Position	<u>7,414</u>	<u>5,891</u>	<u>88</u>	<u>-</u>	<u>13,393</u>	<u>13,393</u>
Total Liabilities and Net Position	<u>\$ 7,414</u>	<u>\$ 5,891</u>	<u>\$ 88</u>	<u>\$ 21,373</u>	<u>\$ 34,766</u>	<u>\$ 36,021</u>

WOLVERINE COMMUNITY SCHOOLS  
 NON-EXPENDABLE TRUST FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015  
 With Comparative totals for the year ended June 30, 2014

	Clough Trust	Sanford Trust	Burr Trust	Totals	
				2015	2014
<u>REVENUES</u>					
Interest	\$ -	\$ -	\$ -	\$ -	\$ 2
<u>EXPENSES</u>					
Scholarships	-	-	-	-	-
NET EARNINGS	-	-	-	-	2
CAPITAL CONTRIBUTIONS					
	-	-	-	-	-
TRANSFERS IN (OUT)					
	-	-	-	-	-
RETAINED EARNINGS -					
Beginning of Year	<u>7,414</u>	<u>5,891</u>	<u>88</u>	<u>13,393</u>	<u>13,391</u>
RETAINED EARNINGS -					
End of Year	<u>\$ 7,414</u>	<u>\$ 5,891</u>	<u>\$ 88</u>	<u>\$ 13,393</u>	<u>\$ 13,393</u>

WOLVERINE COMMUNITY SCHOOLS  
NON-EXPENDABLE TRUST FUNDS  
COMBINING SCHEDULES OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015  
With Comparative totals for the year ended June 30, 2014

	Clough Trust	Sanford Trust	Burr Trust	Totals	
				2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income (Loss)	\$ -	\$ -	\$ -	\$ -	\$ 2
Adjustments to reconcile net income to net cash flows from operating activities					
Interest income	-	-	-	-	(2)
Net cash used by operating activities	-	-	-	-	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Capital contributions received	-	-	-	-	-
Capital transferred out	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	-	-	-	-	2
<b>NET INCREASE (DECREASE) IN CASH</b>	-	-	-	-	2
CASH - Beginning of year	7,414	5,891	88	13,393	13,391
CASH - End of year	\$ 7,414	\$ 5,891	\$ 88	\$ 13,393	\$ 13,393

WOLVERINE COMMUNITY SCHOOLS  
 ALL AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>ASSETS</u>				
Cash	\$ <u>22,628</u>	\$ <u>149,924</u>	\$ <u>151,179</u>	\$ <u>21,373</u>
	\$ <u><u>22,628</u></u>	\$ <u><u>149,924</u></u>	\$ <u><u>151,179</u></u>	\$ <u><u>21,373</u></u>
 <u>LIABILITIES</u>				
Due to student groups	\$ <u>22,628</u>	\$ <u>149,924</u>	\$ <u>151,179</u>	\$ <u>21,373</u>
	\$ <u><u>22,628</u></u>	\$ <u><u>149,924</u></u>	\$ <u><u>151,179</u></u>	\$ <u><u>21,373</u></u>

WOLVERINE COMMUNITY SCHOOLS  
TRUST AND AGENCY FUND - SCHOOL ACTIVITIES  
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS  
FOR THE YEAR ENDED JUNE 30, 2015

	Balances July 1, 2014	Revenues	Expenditures	Balances June 30, 2015
Alumni	\$ 3,867	\$ -	\$ -	\$ 3,867
Archery Fund	369	1,690	963	1,096
Athletics: Cross Country	684	1,548	1,545	687
Athletics: Weight Equipment	(7,780)	-	-	(7,780)
Band	630	1,479	2,070	39
Baseball	216	-	1,200	(984)
Box Tops for Education	734	-	318	416
Boy's Basketball	987	1,470	1,281	1,176
C.O.A.T.S.	1,786	-	-	1,786
Camp	1,382	300	35	1,647
Christ Child After School Prog.	1,654	-	-	1,654
Christ Child Clothing Fund	713	100	700	113
Class of: 2019	-	823	456	367
2018	102	1,014	50	1,066
2017	1,010	2,270	2,579	701
2016	1,153	1,259	2,145	267
2015	826	356	1,182	-
2014	593	-	593	-
Elementary Art Fund	-	1,747	1,622	125
Elementary Fundraiser	1,228	10,230	10,518	940
Elementary PTO	1,508	3,169	2,957	1,720
Elem./Middle School Library	698	-	-	698
Employee Jean Day Fund	364	330	464	230
Flower Collection Fund	2	-	-	2
French Club	180	-	-	180
General	(4,608)	79,955	77,613	(2,266)
Girl's Basketball	3,620	2,594	6,214	-
Golf	135	2,075	1,303	907
Greenfield Village	130	9,572	9,825	(123)
HS/MS Employee Jean Money	365	247	87	525
Jr. High Girls Basketball	-	1,250	1,250	-
Lansing Trip	(149)	3,646	3,477	20
MS/HS School Improvement	440	-	48	392
National Honor Society	13	2,326	1,879	460
Playground	-	2,092	2,092	-
Recycling	40	17	-	57
School Forest	2,608	-	-	2,608
School Improvement	2,013	1,373	1,184	2,202
Sevener Spirit	103	40	143	-
Softball Fundraiser	1,021	-	994	27
Sound System	384	-	-	384
Student Council - HS	1,539	403	643	1,299
Student Council - MS	981	282	359	904
Swimming	206	1,400	870	736
Volleyball Fundraiser	556	446	954	48
Yearbook	(914)	10,421	10,566	(1,059)
Young Family Grant	1,239	4,000	1,000	4,239
<b>Total</b>	<b>\$ 22,628</b>	<b>\$ 149,924</b>	<b>\$ 151,179</b>	<b>\$ 21,373</b>

WOLVERINE COMMUNITY SCHOOLS  
 SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
 JUNE 30, 2015

DATE OF ISSUE - MARCH 30, 2005

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

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

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

Interest Rate	Fiscal Year	Semi - annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		Nov 1	May 1		
4.00%	2015-16	\$ 10,255	\$ 10,255	\$ 80,000	\$ 100,510
4.10%	2016-17	8,655	8,655	80,000	97,310
4.20%	2017-18	7,015	7,015	80,000	94,030
4.20%	2018-19	5,335	5,335	80,000	90,670
4.30%	2019-20	3,655	3,655	85,000	92,310
4.30%	2020-21	1,828	1,827	85,000	88,655
		<u>\$ 36,743</u>	<u>\$ 36,742</u>	<u>\$ 490,000</u>	<u>\$ 563,485</u>



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

Board of Education  
Wolverine Community Schools  
Wolverine, Michigan 49799

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wolverine Community Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wolverine Community Schools' basic financial statements and have issued our report thereon dated October 30, 2015.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

Board of Education  
Wolverine Community Schools  
Wolverine , Michigan 49799

**Purpose of this Report**

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

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
October 30, 2015



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

October 30, 2015

To the Board of Education  
Wolverine Community Schools  
Wolverine, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolverine Community Schools for the year ended June 30, 2015. , and have issued our report thereon dated October 30, 2015. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 4, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 4, 2015.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wolverine Community Schools are described in Note 1 to the financial statements.

As described in Note 13 to the financial statements, the District changed accounting policies related to accounting for pension plans by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* and Statement of Governmental Accounting Standards No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*. The cumulative effect on the accounting change as of the beginning of the year is reported in the Statement of Activities.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

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

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2015.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

We applied certain limited procedures to the Required Supplemental Information listed in the Table of Contents pages 30-33, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplemental Information listed in the Table of Contents pages 34-45, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary

information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Robertson & Carpenter CPAs, PC  
Certified Public Accountants