
Waverly Community Schools

**Financial Report
with Supplemental Information
June 30, 2020**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Fiduciary Funds:	
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17-34
Required Supplemental Information	35
Budgetary Comparison Schedule - General Fund	36
Schedule of the School District's Proportionate Share of the Net Pension Liability	37
Schedule of Pension Contributions	38
Schedule of the School District's Proportionate Share of the Net OPEB Liability	39
Schedule of OPEB Contributions	40
Notes to Required Supplemental Information	41
Other Supplemental Information	42
Nonmajor Governmental Funds:	
Combining Balance Sheet	43
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	44
Schedule of Bonded Indebtedness	45
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Waverly Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly Community Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Waverly Community Schools' 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 from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Education
Waverly Community Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Waverly Community Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020 on our consideration of Waverly Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Waverly Community Schools' internal control over financial reporting and compliance.



September 28, 2020

This section of the annual financial report for Waverly Community Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Waverly Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for donor-sponsored scholarships. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Schedule of OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Community Services funds are an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Fiduciary Funds

The School District has certain fiduciary responsibility for its custodial funds. All of the School District's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Waverly Community Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 13.5	\$ 14.2
Capital assets	45.2	46.6
Total assets	58.7	60.8
Deferred Outflows of Resources	27.3	25.1
Liabilities		
Current liabilities	5.9	6.3
Noncurrent liabilities	11.1	16.6
Net pension liability	69.7	60.8
Net OPEB liability	15.2	16.5
Total liabilities	101.9	100.2
Deferred Inflows of Resources	11.0	11.0
Net Position		
Net investment in capital assets	36.5	33.0
Restricted	1.0	0.9
Unrestricted	(64.4)	(59.2)
Total net position	<u>\$ (26.9)</u>	<u>\$ (25.3)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(26.9) million at June 30, 2020. Net investment in capital assets totaling \$36.5 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, \$(64.4) million, was unrestricted.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the district to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$165,343, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that used to be reported as fiduciary, but for which are now reported as governmental. All school districts were required to adopt this new standard, unless they elected to defer for one year as allowed for under GASB Statement No. 95.

The \$(64.4) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, net of the pension and OPEB liabilities.

Waverly Community Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.6	\$ 0.6
Operating grants	11.6	9.9
General revenue:		
Taxes	15.8	15.7
State aid not restricted to specific purposes	17.1	17.4
Other	0.4	0.3
Total revenue	<u>45.5</u>	<u>43.9</u>
Expenses		
Instruction	27.3	23.9
Support services	16.0	14.8
Athletics	0.9	0.9
Food services	1.8	1.5
Community services	0.3	0.3
Interdistrict payments	0.3	-
Debt service	0.6	0.7
Total expenses	<u>47.2</u>	<u>42.1</u>
Change in Net Position	(1.7)	1.8
Net Position - Beginning of year (as restated)	<u>(25.2)</u>	<u>(27.1)</u>
Net Position - End of year	<u><u>\$ (26.9)</u></u>	<u><u>\$ (25.3)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$47.2 million. Certain activities were partially funded from those who benefited from the programs (\$0.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$15.8 million in taxes, \$17.1 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$1.7 million. Key reasons for this change were the change in assumptions for the net pension liability and net OPEB liability. The overall increase to these liabilities was mitigated by a continued reduction in outstanding debt service. We present more detailed information about the Michigan Public School Employees' Retirement System and long-term debt in the notes to the financial statements.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Waverly Community Schools

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$7.6 million, which is a decrease of \$0.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance remained stable, decreasing approximately \$18,000. The School District continues to maintain a General Fund fund balance in excess of 10 percent of current operating expenditures as a strategic effort to absorb significant changes in state funding or a significant decline in enrollment and to minimize the cost of borrowing to meet current cash obligations. Although the General Fund fund balance has remained relatively stable since the year ended June 30, 2017, the percentage of fund balance in comparison to current operating expenditures has eroded slightly due to an increase in overall spending in the General Fund.

Fund balance of our special revenue funds remained relatively stable, decreasing \$0.1 million from last year due primarily due to capital outlay purchases in the Food Services Fund.

With the adoption of GASB 84, the School District created the Student Activities special revenue fund to account for activities previously reported as fiduciary funds. The effect of the adoption was to increase July 1, 2019 beginning fund balance by \$165,343.

The fund balance of our debt service fund remained relatively stable. The School District maintains a fund balance less than or equal to one-twelfth of annual debt service for the immediately preceding bond year to ensure the School District can maintain sufficient resources to continue the twice-yearly principal and interest payments on the outstanding bond issue-related debt service. The biannual principal and interest payments in November and May allow the School District to reduce overall borrowing costs on the outstanding bond issues.

Combined, the fund balance of our capital project funds decreased \$0.5 million. This decrease is primarily due to capital asset acquisitions related to the 2019 Building and Site Series III Bonds. The School District collected \$0.8 million in voter-approved sinking fund millage. This millage is available to fund specific capital projects allowed by state law and approved by the voters.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$45.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, equipment, and construction in progress. This represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.4 million, or 3.0 percent, from last year.

	<u>2020</u>	<u>2019</u>
Land	\$ 100,500	\$ 100,500
Construction in progress	200,768	246,470
Buildings and improvements	77,232,601	75,938,248
Furniture and equipment	6,470,867	6,440,657
Buses and other vehicles	<u>2,433,452</u>	<u>2,398,367</u>
Total capital assets	86,438,188	85,124,242
Less accumulated depreciation	<u>41,204,899</u>	<u>38,533,523</u>
Total capital assets - Net of accumulated depreciation	<u><u>\$ 45,233,289</u></u>	<u><u>\$ 46,590,719</u></u>

Waverly Community Schools

Management's Discussion and Analysis (Continued)

This year's additions of \$1.6 million included technology, classroom furniture, food service equipment, site improvements, and building renovations. The School District budgeted fewer capital projects for the 2020-2021 fiscal year in response to the economic uncertainty related to COVID-19. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$10.0 million in bonds outstanding versus \$15.6 million in the previous year, a change of 35.8 percent. Those bonds consisted of the following:

	2020	2019
2013 School Facility Improvement Bonds	\$ 350,000	\$ 485,000
2013 Building and Site Series I Bonds	5,340,000	5,815,000
2013 Refunding Bonds	-	4,830,000
2016 Building and Site Series II Bonds	3,500,000	3,500,000
2019 Building and Site Series III Bonds	840,000	1,000,000
Total	<u>\$ 10,030,000</u>	<u>\$ 15,630,000</u>

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in fall 2020. Approximately 46.8 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021 school year, we anticipate that the fall student count will be consistent with the estimates used in creating the 2020-2021 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

The Board of Education and administration took steps to reduce spending by \$2.0 million in the 2020-2021 fiscal year budget in anticipation of a reduction in state foundation allowance due to COVID-19. Reports from the May 2020 Consensus Revenue Estimating Conference projected a shortfall of \$1.0 billion in the State School Aid Fund, the equivalent of nearly \$700 per pupil. In the absence of any revenue offsets from state or federal sources, the School District is also prepared to use a portion of the \$4.1 million General Fund fund balance to respond to efforts to maintain a safe and healthy environment for students and staff.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Waverly Community Schools

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 5,949,761
Receivables:	
Other receivables	14,394
Due from other governments	4,145,531
Inventories	43,741
Prepaid expenses	451,064
Restricted assets - Unspent bond proceeds and taxes levied (Note 4)	2,865,887
Capital assets - Net (Note 6)	<u>45,233,289</u>
Total assets	58,703,667
Deferred Outflows of Resources	
Deferred pension costs (Note 9)	21,824,345
Deferred OPEB costs (Note 9)	<u>5,500,890</u>
Total deferred outflows of resources	27,325,235
Liabilities	
Accounts payable	290,582
Due to other governmental units	638,990
Accrued liabilities and other	3,454,753
State aid anticipation note (Note 10)	1,500,000
Unearned revenue	38,265
Noncurrent liabilities:	
Due within one year (Note 7)	5,795,000
Due in more than one year (Note 7)	5,285,795
Net pension liability (Note 9)	69,691,226
Net OPEB liability (Note 9)	<u>15,227,338</u>
Total liabilities	101,921,949
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the report date (Note 9)	2,343,198
Deferred pension cost reductions (Note 9)	2,714,941
Deferred OPEB cost reductions (Note 9)	<u>5,925,106</u>
Total deferred inflows of resources	<u>10,983,245</u>
Net Position	
Net investment in capital assets	36,542,319
Restricted:	
Debt service	986,460
Capital projects	38,238
Unrestricted	<u>(64,443,309)</u>
Total net position	<u><u>\$ (26,876,292)</u></u>

Waverly Community Schools

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 27,298,689	\$ 26,100	\$ 9,417,027	\$ (17,855,562)
Support services	16,010,934	4,966	397,674	(15,608,294)
Athletics	935,823	80,009	-	(855,814)
Food services	1,814,458	77,574	1,809,548	72,664
Community services	337,044	389,557	-	52,513
Interdistrict payments	252,403	-	-	(252,403)
Interest	632,119	-	-	(632,119)
Other debt costs	7,509	-	-	(7,509)
Total primary government	\$ 47,288,979	\$ 578,206	\$ 11,624,249	(35,086,524)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				9,190,712
Property taxes, levied for debt service				5,772,576
Property taxes, levied for capital projects				836,295
State aid not restricted to specific purposes				17,055,836
Interest and investment earnings				97,950
Penalties, interest, and other taxes				13,783
Gain on sale of capital assets				13,350
Other				398,100
Total general revenue				33,378,602
Change in Net Position				(1,707,922)
Net Position - Beginning of year (as restated)				(25,168,370)
Net Position - End of year				\$ (26,876,292)

Waverly Community Schools

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 5,126,655	\$ -	\$ 823,106	\$ 5,949,761
Receivables:				
Other receivables	11,475	-	2,919	14,394
Due from other governments	4,003,125	-	142,406	4,145,531
Due from other funds (Note 5)	475,937	-	279,918	755,855
Inventories	-	-	43,741	43,741
Prepaid expenses	450,679	-	385	451,064
Restricted assets - Unspent bond proceeds and taxes levied (Note 4)	-	1,191,447	1,674,440	2,865,887
	<u>\$ 10,067,871</u>	<u>\$ 1,191,447</u>	<u>\$ 2,966,915</u>	<u>\$ 14,226,233</u>
Total assets				
Liabilities				
Accounts payable	\$ 96,059	\$ -	\$ 194,124	\$ 290,183
Due to other governmental units	638,990	-	-	638,990
Due to other funds (Note 5)	280,317	163,703	312,234	756,254
Accrued liabilities and other	3,394,853	-	18,616	3,413,469
State aid anticipation note (Note 10)	1,500,000	-	-	1,500,000
Unearned revenue	29,880	-	8,385	38,265
	<u>5,940,099</u>	<u>163,703</u>	<u>533,359</u>	<u>6,637,161</u>
Total liabilities				
Fund Balances				
Nonspendable:				
Inventories	-	-	43,741	43,741
Prepaid costs	450,679	-	385	451,064
Restricted:				
Debt service	-	1,027,744	-	1,027,744
Capital projects	-	-	1,377,268	1,377,268
Food service	-	-	316,042	316,042
Committed:				
Capital projects	-	-	499,021	499,021
Student activities	-	-	194,180	194,180
Assigned - Subsequent year's budget	882,501	-	-	882,501
Unassigned	2,794,592	-	2,919	2,797,511
	<u>4,127,772</u>	<u>1,027,744</u>	<u>2,433,556</u>	<u>7,589,072</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 10,067,871</u>	<u>\$ 1,191,447</u>	<u>\$ 2,966,915</u>	<u>\$ 14,226,233</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 7,589,072
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:	
Cost of capital assets	86,438,188
Accumulated depreciation	<u>(41,204,899)</u>
Net capital assets used in governmental activities	45,233,289
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(10,030,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(41,284)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,050,795)
Net pension liability and related deferred inflows and outflows	(50,581,822)
Net OPEB liability and related deferred inflows and outflows	(15,651,554)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(2,343,198)</u>
Net Position of Governmental Activities	<u><u>\$ (26,876,292)</u></u>

Waverly Community Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 9,593,785	\$ 5,798,223	\$ 1,495,614	\$ 16,887,622
State sources	22,679,872	87,934	61,170	22,828,976
Federal sources	767,773	-	1,748,378	2,516,151
Interdistrict sources	3,377,305	-	-	3,377,305
Total revenue	36,418,735	5,886,157	3,305,162	45,610,054
Expenditures				
Current:				
Instruction	21,458,936	-	275,203	21,734,139
Support services	13,723,609	-	134,078	13,857,687
Athletics	581,140	-	-	581,140
Food services	-	-	1,701,949	1,701,949
Community services	31,093	-	273,462	304,555
Debt service:				
Principal (Note 7)	135,000	5,465,000	-	5,600,000
Interest	9,050	360,374	-	369,424
Other debt costs	-	7,509	-	7,509
Capital outlay	232,395	-	1,559,576	1,791,971
Interdistrict payments	252,403	-	-	252,403
Total expenditures	36,423,626	5,832,883	3,944,268	46,200,777
Excess of Revenue (Under) Over Expenditures	(4,891)	53,274	(639,106)	(590,723)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	13,350	13,350
Transfers in (Note 5)	132,505	-	145,749	278,254
Transfers out (Note 5)	(145,749)	-	(132,505)	(278,254)
Total other financing (uses) sources	(13,244)	-	26,594	13,350
Net Change in Fund Balances	(18,135)	53,274	(612,512)	(577,373)
Fund Balances - Beginning of year (as restated)	4,145,907	974,470	3,046,068	8,166,445
Fund Balances - End of year	<u>\$ 4,127,772</u>	<u>\$ 1,027,744</u>	<u>\$ 2,433,556</u>	<u>\$ 7,589,072</u>

Waverly Community Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ (577,373)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	1,616,240
Depreciation expense	(2,973,670)
Revenue in support of pension contributions made subsequent to the measurement date	(42,347)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	5,317,295
Interest expense is recognized in the government-wide statements as it accrues	20,010
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(5,068,077)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,707,922)</u></u>

Waverly Community Schools

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2020

Custodial Funds

Assets

Cash (Note 4)	\$	7,122
Due from other funds (Note 5)		<u>399</u>
Total assets		<u>7,521</u>

Net Position - Restricted for individuals, organizations

\$ 7,521

Waverly Community Schools

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	<u>Custodial Funds</u>
Additions - Fundraising and contributions	\$ 3,709
Deductions	
Scholarships	2,000
Other	<u>1,075</u>
Total deductions	<u>3,075</u>
Net Increase in Fiduciary Net Position	634
Net Position - Beginning of year (as restated)	<u>6,887</u>
Net Position - End of year	<u><u>\$ 7,521</u></u>

June 30, 2020

Note 1 - Nature of Business

Waverly Community Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

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.

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's special revenue funds are the Food Services, Community Service, and the Student Activities funds. Revenue sources for the Food Service Fund include sales to customer and dedicated grants from federal sources. Revenue sources for the Community Service Fund include preschool and child care revenue. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital project funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity. These amounts are not used to operate the School District's programs. The School District maintains a custodial fund to record the transactions of scholarship funds.

Interfund Activity

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

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

Note 2 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full 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.

Specific Balances and Transactions

Cash and Investments

Cash and investments 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 except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories accounted for using the purchase method are recorded as expenditures when purchased and include all inventories of governmental funds other than commodities within the Food Services Fund. Inventories accounted for using the consumption method are recorded as expenditures when consumed rather than when purchased and include commodities within the Food Services 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, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds and related interest of the bonded capital project funds required to be set aside for construction or other allowable bond purchases
- Unspent property taxes levied held in the Debt Service Fund required to be set aside for future bond principal and interest payments
- Unspent property taxes levied and held in the Sinking Fund required to be set aside for construction or allowable purchases

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 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 acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20 to 50
Furniture and equipment	10 to 20
Buses and other vehicles	7 to 10

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and Debt Service Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School District reports deferred outflows related to deferred pension and OPEB costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 2 - Significant Accounting Policies (Continued)

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the period. Actual results could differ from those estimates.

Tax Abatements

The School District evaluated tax abatements under the provisions of GASB Statement No. 77 and considered the total property tax abatements to be insignificant.

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Nonmajor Funds
Net position/fund balance - June 30, 2019 (as previously reported)	\$ (25,333,713)	\$ 2,880,725
Adjustment for GASB Statement No. 84 - To change fund type	165,343	165,343
Net position/fund balance - June 30, 2019 (as restated)	<u>\$ (25,168,370)</u>	<u>\$ 3,046,068</u>

Note 3 - 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 Fund and all 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 School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. At June 30, 2020, encumbrances totaled approximately \$371,000 in the 2019 Building and Site Series III capital projects fund.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Project Fund Compliance

The 2019 Building and Site Series III capital projects fund includes project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

Note 4 - Deposits and Investments (Continued)

The School District has designated two banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on the MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District had \$9,003,877 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2020, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Michigan liquid asset fund (MILAF) - Cash management class	\$ 2	AAAm	Standard & Poor's
MILAF Plus MAX class funds	7,829	AAAm	Standard & Poor's
Total	<u>\$ 7,831</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of issuer will be minimized.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Debt Service Fund	Nonmajor Funds	
General Fund	\$ -	\$ 163,703	\$ 312,234	\$ 475,937
Nonmajor funds	279,918	-	-	279,918
Fiduciary fund	399	-	-	399
Total	<u>\$ 280,317</u>	<u>\$ 163,703</u>	<u>\$ 312,234</u>	<u>\$ 756,254</u>

Interfund balances owed to the General Fund represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund accounts. Interfund balances owed to the nonmajor funds represent reimbursements for allocated expenditures.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Community Service Fund	\$ 145,749
Food Service Fund	General Fund	132,505
	Total	<u>\$ 278,254</u>

The transfer from the Food Services Fund to the General Fund was for overhead cost reimbursement. The transfer from the General Fund to the Community Service Fund was to cover operating expenditures related to the COVID-19 revenue shortfall in the Community Service Fund.

June 30, 2020

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 100,500	\$ -	\$ -	\$ -	\$ 100,500
Construction in progress	246,470	(246,470)	200,768	-	200,768
Subtotal	346,970	(246,470)	200,768	-	301,268
Capital assets being depreciated:					
Buildings and improvements	75,938,248	246,470	1,047,883	-	77,232,601
Furniture and equipment	6,440,657	-	332,504	(302,294)	6,470,867
Buses and other vehicles	2,398,367	-	35,085	-	2,433,452
Subtotal	84,777,272	246,470	1,415,472	(302,294)	86,136,920
Accumulated depreciation:					
Buildings and improvements	33,628,475	-	2,098,367	-	35,726,842
Furniture and equipment	3,318,687	-	671,931	(302,294)	3,688,324
Buses and other vehicles	1,586,361	-	203,372	-	1,789,733
Subtotal	38,533,523	-	2,973,670	(302,294)	41,204,899
Net capital assets being depreciated	46,243,749	246,470	(1,558,198)	-	44,932,021
Net governmental activities capital assets	\$ 46,590,719	\$ -	\$ (1,357,430)	\$ -	\$ 45,233,289

Depreciation expense was charged to programs of the School District (primary government) as follows:

Governmental activities:	
Instruction	\$ 2,378,936
Support services	297,367
Athletics	297,367
Total governmental activities	\$ 2,973,670

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt -					
General obligations	\$ 15,630,000	\$ -	\$ (5,600,000)	\$ 10,030,000	\$ 5,795,000
Compensated absences	984,325	207,351	(140,881)	1,050,795	-
Total governmental activities long-term debt	\$ 16,614,325	\$ 207,351	\$ (5,740,881)	\$ 11,080,795	\$ 5,795,000

Note 7 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
Governmental Activities				
\$1,170,000 School Facility Improvement Bonds (2013)	\$70,000 - \$140,000	2.00	November 1, 2022	\$ 350,000
\$10,535,000 Building and Site Series I Bonds (2013)	\$2,315,000 - \$3,025,000	2.86	May 1, 2022	5,340,000
\$3,500,000 Building and Site Series II Bonds (2016)	\$1,500,000 - \$2,000,000	1.86	May 1, 2022	3,500,000
\$1,000,000 Building and Site Series III Bonds (2019)	\$210,000 - \$630,000	2.711	May 1, 2022	840,000
Total governmental activities				<u>\$ 10,030,000</u>

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending June 30	Governmental Activities - Other Debt		
	Principal	Interest	Total
2021	\$ 5,795,000	\$ 217,005	\$ 6,012,005
2022	4,165,000	71,458	4,236,458
2023	70,000	700	70,700
Total	<u>\$ 10,030,000</u>	<u>\$ 289,163</u>	<u>\$ 10,319,163</u>

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefits claims. The School District participates in the SEG Self-insurers Workers' Disability Compensation Fund (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

June 30, 2020

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable tax-deferred fund that can be used to pay health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

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

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$6,079,621, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$2,343,198 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$1,616,072, which include the School District's contributions required for those members with a defined contribution benefit.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$69,691,226 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.21 and 0.20 percent, respectively, representing a change of 4.02 percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$15,227,338 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.21 and 0.20 percent, respectively, representing a change of 2.21 percent.

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

For 2020, the School District recognized pension expense of \$11,553,444, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 312,378	\$ (290,606)
Changes in assumptions	13,645,591	-
Net difference between projected and actual earnings on pension plan investments	-	(2,233,485)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,769,478	(190,850)
The School District's contributions to the plan subsequent to the measurement date	5,096,898	-
	<u>\$ 21,824,345</u>	<u>\$ (2,714,941)</u>
Total		

The \$2,343,198 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 5,540,734
2022	4,389,835
2023	2,934,260
2024	1,147,677
Total	<u>\$ 14,012,506</u>

June 30, 2020

Note 9 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$642,107.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (5,587,341)
Changes in assumptions	3,299,456	-
Net difference between projected and actual earnings on OPEB plan investments	-	(264,811)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,045,159	(72,954)
Employer contributions to the plan subsequent to the measurement date	1,156,275	-
Total	\$ 5,500,890	\$ (5,925,106)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2021	\$ (456,279)
2022	(456,279)
2023	(324,330)
2024	(197,045)
2025	(146,558)
Total	\$ (1,580,491)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Healthcare cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study that resulted in a lower than projected per person health benefit costs for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 90,603,052	\$ 69,691,226	\$ 52,354,601

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 18,678,619	\$ 15,227,338	\$ 12,329,221

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 12,206,354	\$ 15,227,338	\$ 18,678,209

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the School District reported a payable of \$1,047,634 and \$171,589 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 10 - Short-term Debt

State Aid Anticipation Note

The School District has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District redeemed \$1,500,000 of these state aid anticipation notes (the "notes") and issued new notes of \$1,500,000, resulting in an outstanding balance of \$1,500,000 at June 30, 2020. The current note bears interest at 1.838 percent and is due on August 20, 2020.

In the event of default, the notes are fully collateralized by the School District's future state aid funding, and the Lender has the authority to intercept state aid payments at its discretion. In the event that all or a portion of the required payments at maturity are not made, a penalty interest rate will go into effect that could exceed 1.838 percent, and interest becomes due on demand. If the Lender has reason to believe that the School District will be unable to fulfil the required repayments, the Lender has the sole discretion to accelerate the principal and interest repayments.

On August 20, 2020, the School District borrowed \$1,500,000 in state aid anticipation notes with an interest rate of 0.879 percent. The notes mature on August 20, 2021 and has similar terms and provisions as the notes outstanding at June 30, 2020.

Note 11 - Subsequent Events

Following the passing of Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$1,088,239 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can only be used for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Waverly Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 9,587,085	\$ 9,612,347	\$ 9,593,785	\$ (18,562)
State sources	23,059,260	22,933,423	22,679,872	(253,551)
Federal sources	749,258	767,317	767,773	456
Interdistrict sources	2,866,968	3,253,576	3,377,305	123,729
Total revenue	36,262,571	36,566,663	36,418,735	(147,928)
Expenditures				
Current:				
Instruction:				
Basic programs	16,309,810	16,061,156	16,019,990	(41,166)
Added needs	5,156,831	5,434,958	5,438,946	3,988
Total instruction	21,466,641	21,496,114	21,458,936	(37,178)
Support services:				
Pupil	3,189,913	3,131,621	3,108,209	(23,412)
Instructional staff	1,593,962	1,575,732	1,456,262	(119,470)
General administration	485,408	497,428	448,789	(48,639)
School administration	2,430,784	2,486,366	2,433,696	(52,670)
Business	716,713	727,681	722,508	(5,173)
Operations and maintenance	3,963,779	3,928,090	3,581,810	(346,280)
Pupil transportation services	1,074,443	1,081,722	1,087,194	5,472
Central	1,029,799	1,073,463	1,087,231	13,768
Other	82,194	61,757	26,862	(34,895)
Total support services	14,566,995	14,563,860	13,952,561	(611,299)
Athletics	627,679	646,281	584,583	(61,698)
Community services	62,037	46,109	31,093	(15,016)
Debt service	144,050	144,050	144,050	-
Interdistrict payments	284,125	284,125	252,403	(31,722)
Total expenditures	37,151,527	37,180,539	36,423,626	(756,913)
Excess of Revenue (Under) Over Expenditures	(888,956)	(613,876)	(4,891)	608,985
Other Financing Sources (Uses)				
Transfers in	90,000	90,000	132,505	42,505
Transfers out	(350,001)	(350,002)	(145,749)	204,253
Total	(260,001)	(260,002)	(13,244)	246,758
Net Change in Fund Balances	(1,148,957)	(873,878)	(18,135)	855,743
Fund Balances - Beginning of year	4,145,907	4,145,907	4,145,907	-
Fund Balances - End of year	\$ 2,996,950	\$ 3,272,029	\$ 4,127,772	\$ 855,743

Waverly Community Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Six Plan Years Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.21044 %	0.20231 %	0.19595 %	0.19448 %	0.18841 %	0.19694 %
School District's proportionate share of the net pension liability	\$ 69,691,226	\$ 60,817,605	\$ 50,780,227	\$ 48,522,117	\$ 46,018,023	\$ 43,379,599
School District's covered payroll	\$ 18,516,731	\$ 17,729,779	\$ 16,322,786	\$ 16,578,967	\$ 15,684,300	\$ 16,735,115
School District's proportionate share of the net pension liability as a percentage of its covered payroll	376.37 %	343.03 %	311.10 %	292.67 %	293.40 %	259.21 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Waverly Community Schools

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Six Fiscal Years Years Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 5,961,088	\$ 5,592,189	\$ 5,157,127	\$ 4,577,160	\$ 4,394,123	\$ 3,447,307
Contributions in relation to the statutorily required contribution	5,961,088	5,592,189	5,157,127	4,577,160	4,394,123	3,447,307
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 19,093,685	\$ 18,266,919	\$ 17,408,712	\$ 16,219,099	\$ 15,836,354	\$ 15,893,807
Contributions as a Percentage of Covered Payroll	31.22 %	30.61 %	29.62 %	28.22 %	27.75 %	21.69 %

Waverly Community Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net OPEB Liability Michigan Public School Employees' Retirement System

	Last Three Plan Years		
	Plan Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.21215 %	0.20756 %	0.19555 %
School District's proportionate share of the net OPEB liability	\$ 15,227,338	\$ 16,498,661	\$ 17,316,480
School District's covered payroll	\$ 18,516,731	\$ 17,729,779	\$ 16,322,786
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.24 %	93.06 %	106.09 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

Waverly Community Schools

Required Supplemental Information Schedule of OPEB Contributions Michigan Public School Employees' Retirement System

	Last Three Fiscal Years Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 1,534,292	\$ 1,434,871	\$ 1,257,383
Contributions in relation to the statutorily required contribution	1,534,292	1,434,871	1,257,383
Contribution Excess	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 19,093,685	\$ 18,266,919	\$ 17,408,712
Contributions as a Percentage of Covered Payroll	8.04 %	7.86 %	7.22 %

June 30, 2020

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of benefit assumptions each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of benefit assumptions each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds				Capital Project Funds				Total
	Food Services Fund	Community Services Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	2019 Building and Site Series III Fund	Board Designated Capital Projects Fund	Total Capital Project Funds	
Assets									
Cash and investments	\$ 112,982	\$ 50,867	\$ 155,445	\$ 319,294	\$ -	\$ -	\$ 503,812	\$ 503,812	\$ 823,106
Receivables	142,406	2,919	-	145,325	-	-	-	-	145,325
Due from other funds	240,457	-	39,461	279,918	-	-	-	-	279,918
Inventories	43,741	-	-	43,741	-	-	-	-	43,741
Prepaid expenses	-	-	385	385	-	-	-	-	385
Restricted assets	-	-	-	-	946,521	727,919	-	1,674,440	1,674,440
Total assets	\$ 539,586	\$ 53,786	\$ 195,291	\$ 788,663	\$ 946,521	\$ 727,919	\$ 503,812	\$ 2,178,252	\$ 2,966,915
Liabilities									
Accounts payable	\$ 166,600	\$ 1,006	\$ -	\$ 167,606	\$ 25,316	\$ 1,202	\$ -	\$ 26,518	\$ 194,124
Due to other funds	-	36,063	726	36,789	152,134	118,520	4,791	275,445	312,234
Accrued liabilities and other	7,018	11,598	-	18,616	-	-	-	-	18,616
Unearned revenue	6,185	2,200	-	8,385	-	-	-	-	8,385
Fund Balances									
Nonspendable	43,741	-	385	44,126	-	-	-	-	44,126
Restricted:									
Capital projects	-	-	-	-	769,071	608,197	-	1,377,268	1,377,268
Food service	316,042	-	-	316,042	-	-	-	-	316,042
Committed	-	-	194,180	194,180	-	-	499,021	499,021	693,201
Unassigned	-	2,919	-	2,919	-	-	-	-	2,919
Total fund balances	359,783	2,919	194,565	557,267	769,071	608,197	499,021	1,876,289	2,433,556
Total liabilities and fund balances	\$ 539,586	\$ 53,786	\$ 195,291	\$ 788,663	\$ 946,521	\$ 727,919	\$ 503,812	\$ 2,178,252	\$ 2,966,915

Waverly Community Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue Funds				Capital Project Funds				Total
	Food Services Fund	Community Services Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	2019 Building and Site Series III Fund	Board Designated Capital Projects Fund	Total Capital Project Funds	
Revenue									
Local sources	\$ 77,574	\$ 389,557	\$ 162,324	\$ 629,455	\$ 847,703	\$ 11,180	\$ 7,276	\$ 866,159	\$ 1,495,614
State sources	61,170	-	-	61,170	-	-	-	-	61,170
Federal sources	1,748,378	-	-	1,748,378	-	-	-	-	1,748,378
Total revenue	1,887,122	389,557	162,324	2,439,003	847,703	11,180	7,276	866,159	3,305,162
Expenditures									
Current:									
Instruction	-	275,203	-	275,203	-	-	-	-	275,203
Support services	-	-	133,102	133,102	976	-	-	976	134,078
Food services	1,701,949	-	-	1,701,949	-	-	-	-	1,701,949
Community services	-	273,462	-	273,462	-	-	-	-	273,462
Capital outlay	205,859	-	-	205,859	1,000,656	259,133	93,928	1,353,717	1,559,576
Total expenditures	1,907,808	548,665	133,102	2,589,575	1,001,632	259,133	93,928	1,354,693	3,944,268
Other Financing Sources (Uses)									
Proceeds from sale of capital assets	-	-	-	-	-	13,350	-	13,350	13,350
Transfers in	-	145,749	-	145,749	-	-	-	-	145,749
Transfers out	(132,505)	-	-	(132,505)	-	-	-	-	(132,505)
Total other financing (uses) sources	(132,505)	145,749	-	13,244	-	13,350	-	13,350	26,594
Net Change in Fund Balances	(153,191)	(13,359)	29,222	(137,328)	(153,929)	(234,603)	(86,652)	(475,184)	(612,512)
Fund Balances - Beginning of year (as restated)	512,974	16,278	165,343	694,595	923,000	842,800	585,673	2,351,473	3,046,068
Fund Balances - End of year	\$ 359,783	\$ 2,919	\$ 194,565	\$ 557,267	\$ 769,071	\$ 608,197	\$ 499,021	\$ 1,876,289	\$ 2,433,556

Waverly Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2013 School Facility Improvement	2013 Building and Site Series I	2016 Building and Site Series II	2019 Building and Site Series III	Total
	Principal	Principal	Principal	Principal	
2021	\$ 140,000	\$ 3,025,000	\$ 2,000,000	\$ 630,000	\$ 5,795,000
2022	140,000	2,315,000	1,500,000	210,000	4,165,000
2023	70,000	-	-	-	70,000
Total remaining payments	\$ 350,000	\$ 5,340,000	\$ 3,500,000	\$ 840,000	\$ 10,030,000
Principal payments due	May 1 and November 1	May 1 and November 1	May 1 Beginning May 1, 2021	May 1	
Interest rate	2.00%	2.86%	1.86%	2.711%	
Original issue	\$ 1,170,000	\$ 10,535,000	\$ 3,500,000	\$ 1,000,000	\$ 16,205,000

Interest payments for the bond issues are due on May 1 and November 1 of each year.