
Waverly Community Schools

**Financial Report
with Supplementary Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Education
Waverly Community Schools

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2024 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 the School District as of June 30, 2024 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Education
Waverly Community Schools

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Waverly Community Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2024 on our consideration of the School District's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 the School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 20, 2024

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, 2024. 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 and 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, the Debt Service Fund, the 2022 Building and Site Series I capital project fund, and the 2024 Building and Site Series II capital project 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 Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary 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 (Asset)

Schedule of OPEB Contributions

Other Supplementary 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 responsibilities 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, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in millions)	
Assets		
Current and other assets	\$ 112.3	\$ 71.0
Capital assets	85.1	56.0
Total assets	197.4	127.0
Deferred Outflows of Resources	25.5	30.2
Liabilities		
Current liabilities	15.1	7.6
Noncurrent liabilities	117.8	62.1
Net pension liability	69.4	79.4
Net OPEB liability	-	4.5
Total liabilities	202.3	153.6
Deferred Inflows of Resources	21.5	15.8
Net Position (Deficit)		
Net investment in capital assets	47.3	44.8
Restricted	5.5	2.0
Unrestricted	(53.7)	(59.0)
Total net position (deficit)	<u>\$ (0.9)</u>	<u>\$ (12.2)</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 \$(0.9) million at June 30, 2024. Net investment in capital assets totaling \$47.3 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, \$(53.7) million, was unrestricted.

The \$(53.7) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, net of the pension and OPEB liabilities (assets).

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, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.8
Operating grants	23.2	18.8
Capital grants	1.9	-
General revenue:		
Taxes	16.8	15.9
State aid not restricted to specific purposes	18.6	18.0
Other	3.4	2.1
Total revenue	64.6	55.6
Expenses		
Instruction	27.4	26.5
Support services	18.4	17.3
Athletics	1.0	1.0
Food services	1.8	1.8
Community services	0.5	0.4
Debt service	4.2	2.4
Total expenses	53.3	49.4
Change in Net Position	11.3	6.2
Net Position (Deficit) - Beginning of year	(12.2)	(18.4)
Net Position (Deficit) - End of year	\$ (0.9)	\$ (12.2)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$53.3 million. Certain activities were partially funded from those who benefited from the programs (\$0.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$25.1 million). We paid for the remaining public benefit portion of our governmental activities with \$16.8 million in taxes, \$18.6 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$11.3 million. The key reason for this change was the decrease in net pension and OPEB liabilities (assets).

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 \$97.0 million, which is an increase of \$33.2 million from last year. The primary reason for the increase is related to the issuance of the 2024 Building and Site Series II Bond and the continued spending of the 2022 Building and Site Series I bond proceeds.

Fund balance of our General Fund and special revenue funds remained stable. 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.

The fund balance of the 2022 Building and Site Series I Fund decreased by \$27.3 million, as the School District continued to spend proceeds from the 2022 Building and Site Series I bond issuance.

The fund balance of the 2024 Building and Site Series II Fund increased by \$58.1 million due to issuance of the 2024 Building and Site Series II bond.

The fund balance of our debt service fund remained 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 biannual 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 nonmajor capital project funds increased by \$1.2 million. This increase is primarily due to funds transferred into the Board Designated Capital Projects Fund for various school construction projects designated by the Board of Education. The School District collected \$1.1 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. The fund balance of the 2021 Building and Site Series IV Fund decreased by \$0.7 million, the remaining bond proceeds were spent, and the project is considered complete.

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 March 2024. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary 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, 2024, the School District had \$85.1 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, equipment, and construction in progress. This represents a net increase (including additions, disposals, and depreciation) of approximately \$29.1 million, or 51.9 percent, from last year.

	2024	2023
Land	\$ 100,500	\$ 100,500
Construction in progress	28,449,217	12,413,904
Buildings and improvements	96,502,379	82,367,807
Furniture and equipment	9,423,985	8,528,740
Buses and other vehicles	2,255,765	2,223,717
	<u>136,731,846</u>	<u>105,634,668</u>
Total capital assets	136,731,846	105,634,668
Less accumulated depreciation	51,659,119	49,645,146
	<u>85,072,727</u>	<u>55,989,522</u>
Total capital assets - Net of accumulated depreciation	<u>\$ 85,072,727</u>	<u>\$ 55,989,522</u>

Waverly Community Schools

Management's Discussion and Analysis (Continued)

This year's additions of \$32.5 million included technology, classroom furniture, food service equipment, buses, site improvements, and building renovations. 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 \$109.6 million in bonds outstanding versus \$55.6 million in the previous year. Those bonds consisted of the following:

	<u>2024</u>	<u>2023</u>
2024 Building and Site Series II Bonds	\$ 57,660,000	\$ -
2022 Building and Site Series I Bonds	51,915,000	55,580,000
Total	<u>\$ 109,575,000</u>	<u>\$ 55,580,000</u>

Other obligations include accrued vacation pay and sick leave and arbitrage liabilities. 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 2024-2025 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 2024-2025 budget was adopted in June 2024 based on an estimate of students who will enroll in August 2024.

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.

June 30, 2024

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 12,103,241
Receivables:	
Accrued interest receivable	294,917
Other receivables	36,532
Due from other governments	7,084,030
Inventories	27,747
Prepaid expenses	155,109
Restricted assets - Unspent bond proceeds and taxes levied	91,425,370
Net OPEB asset (Note 9)	1,233,887
Capital assets:	
Assets not subject to depreciation (Note 6)	28,549,717
Assets subject to depreciation - Net (Note 6)	56,523,010
Total assets	197,433,560

Deferred Outflows of Resources

Deferred pension costs (Note 9)	20,807,783
Deferred OPEB costs (Note 9)	4,654,481
Total deferred outflows of resources	25,462,264

Liabilities

Accounts payable	7,191,496
Due to other governmental units	781,529
Accrued liabilities and other	4,154,799
Unearned revenue (Note 10)	2,900,411
Noncurrent liabilities:	
Due within one year (Note 7)	3,253,088
Due in more than one year (Note 7)	114,531,400
Net pension liability (Note 9)	69,432,702
Total liabilities	202,245,425

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 9)	4,296,476
Deferred pension costs (Note 9)	7,350,750
Deferred OPEB costs (Note 9)	9,867,332
Total deferred inflows of resources	21,514,558

Net Position (Deficit)

Net investment in capital assets	47,274,010
Restricted:	
Debt service	941,103
Capital projects	3,400,909
Net OPEB asset	1,233,887
Unrestricted	(53,714,068)
Total net position (deficit)	\$ (864,159)

Waverly Community Schools

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue			Governmental
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities
					Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:					
Instruction	\$ 27,410,030	\$ 19,949	\$ 20,697,989	\$ -	\$ (6,692,092)
Support services	18,419,573	16,363	530,829	1,851,341	(16,021,040)
Athletics	1,040,130	114,665	-	-	(925,465)
Food services	1,812,354	60,265	1,951,929	-	199,840
Community services	485,394	505,553	-	-	20,159
Interest	2,401,391	-	-	-	(2,401,391)
Other debt costs	1,810,081	-	-	-	(1,810,081)
Total primary government	\$ 53,378,953	\$ 716,795	\$ 23,180,747	\$ 1,851,341	(27,630,070)
General revenue:					
Taxes:					
Property taxes, levied for general purposes					9,495,305
Property taxes, levied for debt service					6,296,987
Property taxes, levied for capital projects					983,726
State aid not restricted to specific purposes					18,628,210
Interest and investment earnings					3,141,012
Penalties, interest, and other taxes					16,790
Gain on sale of capital assets					19,279
Other					351,351
Total general revenue					38,932,660
Change in Net Position					11,302,590
Net Position (Deficit) - Beginning of year					(12,166,749)
Net Position (Deficit) - End of year					\$ (864,159)

Waverly Community Schools

Governmental Funds Balance Sheet

June 30, 2024

	General Fund	Debt Service Fund	2022 Building and Site Series I Fund	2024 Building and Site Series II Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 8,500,226	\$ -	\$ -	\$ -	\$ 3,603,015	\$ 12,103,241
Receivables:						
Accrued interest receivable	-	-	-	294,917	-	294,917
Other receivables	3,407	-	-	-	31,489	34,896
Due from other governments	6,415,370	-	-	-	668,660	7,084,030
Due from other funds (Note 5)	1,268,423	71,915	-	-	1,410,495	2,750,833
Inventories	-	-	-	-	27,747	27,747
Prepaid expenses	155,109	-	-	-	-	155,109
Restricted assets - Unspent bond proceeds and taxes levied (Note 4)	-	1,782,313	27,288,889	58,105,686	4,248,482	91,425,370
Total assets	\$ 16,342,535	\$ 1,854,228	\$ 27,288,889	\$ 58,400,603	\$ 9,989,888	\$ 113,876,143
Liabilities						
Accounts payable	\$ 274,054	\$ -	\$ 6,469,528	\$ -	\$ 447,914	\$ 7,191,496
Due to other governmental units	781,529	-	-	-	-	781,529
Due to other funds (Note 5)	1,444,606	-	898,188	252,097	154,306	2,749,197
Accrued liabilities and other	3,216,082	-	-	-	25,592	3,241,674
Unearned revenue	1,749,731	-	-	-	1,150,680	2,900,411
Total liabilities	7,466,002	-	7,367,716	252,097	1,778,492	16,864,307
Fund Balances						
Nonspendable:						
Inventories	-	-	-	-	27,747	27,747
Prepays	155,109	-	-	-	-	155,109
Restricted:						
Debt service	-	1,854,228	-	-	-	1,854,228
Capital projects	-	-	19,921,173	58,148,506	4,221,702	82,291,381
Food service	-	-	-	-	510,147	510,147
Committed:						
Capital projects	-	-	-	-	2,879,531	2,879,531
Community service	-	-	-	-	243,155	243,155
Student activities	-	-	-	-	329,114	329,114
Assigned - Subsequent year's budget	1,881,928	-	-	-	-	1,881,928
Unassigned	6,839,496	-	-	-	-	6,839,496
Total fund balances	8,876,533	1,854,228	19,921,173	58,148,506	8,211,396	97,011,836
Total liabilities and fund balances	\$ 16,342,535	\$ 1,854,228	\$ 27,288,889	\$ 58,400,603	\$ 9,989,888	\$ 113,876,143

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balances Reported in Governmental Funds	\$ 97,011,836
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	136,731,846
Accumulated depreciation	<u>(51,659,119)</u>
Net capital assets used in governmental activities	85,072,727
Bonds payable and related premiums are not due and payable in the current period and are not reported in the funds	(116,287,856)
Accrued interest is not due and payable in the current period and is not reported in the funds	(913,125)
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 assets (liabilities):	
Employee compensated absences	(1,095,299)
Net pension liability and related deferred inflows and outflows	(55,975,669)
Net OPEB liability and related deferred inflows and outflows	(3,978,964)
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	(4,296,476)
Other long-term liabilities, consisting of arbitrage rebate liabilities, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(401,333)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (864,159)</u></u>

Waverly Community Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2024

	General Fund	Debt Service Fund	2022 Building and Site Series I Fund	2024 Building and Site Series II Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Local sources	\$ 10,136,463	\$ 6,372,413	\$ 2,095,238	\$ 400,610	\$ 1,997,242	\$ 21,001,966
State sources	31,560,746	75,335	-	-	1,968,037	33,604,118
Federal sources	2,677,579	-	-	-	1,965,520	4,643,099
Interdistrict sources	4,005,442	-	-	-	1,000	4,006,442
Total revenue	48,380,230	6,447,748	2,095,238	400,610	5,931,799	63,255,625
Expenditures						
Current:						
Instruction	26,777,213	-	-	-	177,274	26,954,487
Support services	19,099,143	-	-	-	234,206	19,333,349
Athletics	737,724	-	-	-	-	737,724
Food services	-	-	-	-	1,886,688	1,886,688
Community services	3,831	-	-	-	516,925	520,756
Debt service:						
Principal (Note 7)	-	3,665,000	-	-	-	3,665,000
Interest	-	2,144,700	-	-	-	2,144,700
Other debt costs	-	2,010	-	1,406,738	-	1,408,748
Capital outlay	73,465	-	29,421,714	-	3,060,453	32,555,632
Total expenditures	46,691,376	5,811,710	29,421,714	1,406,738	5,875,546	89,207,084
Excess of Revenue Over (Under) Expenditures	1,688,854	636,038	(27,326,476)	(1,006,128)	56,253	(25,951,459)
Other Financing Sources (Uses)						
Face value of debt issued (Note 7)	-	-	-	57,660,000	-	57,660,000
Proceeds from sale of capital assets	19,279	-	-	-	-	19,279
Premium on debt issued (Note 7)	-	-	-	1,494,634	-	1,494,634
Transfers in (Note 5)	127,563	-	-	-	1,100,000	1,227,563
Transfers out (Note 5)	(1,100,000)	-	-	-	(127,563)	(1,227,563)
Total other financing (uses) sources	(953,158)	-	-	59,154,634	972,437	59,173,913
Net Change in Fund Balances	735,696	636,038	(27,326,476)	58,148,506	1,028,690	33,222,454
Fund Balances - Beginning of year	8,140,837	1,218,190	47,247,649	-	7,182,706	63,789,382
Fund Balances - End of year	<u>\$ 8,876,533</u>	<u>\$ 1,854,228</u>	<u>\$ 19,921,173</u>	<u>\$ 58,148,506</u>	<u>\$ 8,211,396</u>	<u>\$ 97,011,836</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, 2024

Net Change in Fund Balances Reported in Governmental Funds	\$ 33,222,454
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	32,467,164
Depreciation expense	(3,383,959)
Revenue in support of pension contributions made subsequent to the measurement date	1,406,639
Issuing debt, net of premiums and discounts, and entering into leases, SBITAs, and PPPs provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position	(59,154,634)
Repayment of bond principal and lease, subscription, and PPP liabilities is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt and lease, subscription, and PPP liabilities); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	3,858,267
Interest expense is recognized in the government-wide statements as it accrues	(449,958)
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	3,737,950
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	(401,333)
Change in Net Position of Governmental Activities	<u>\$ 11,302,590</u>

Waverly Community Schools

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2024

Custodial Funds

Assets - Cash (Note 4)	\$ 8,064
Liabilities	
Accounts payable	84
Due to other funds (Note 5)	<u>1,636</u>
Net Position - Restricted for individuals, organizations, and other governments	<u><u>\$ 6,344</u></u>

Waverly Community Schools

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	<u>Custodial Funds</u>
Additions - Fundraising and contributions	\$ 2,479
Deductions - Other	<u>1,799</u>
Net Change in Fiduciary Net Position	680
Net Position - Beginning of year	<u>5,664</u>
Net Position - End of year	<u><u>\$ 6,344</u></u>

June 30, 2024

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.

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.
- The 2022 Building and Site Series I capital project fund is used to record bond proceeds and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades. The fund will operate until the purpose for which it was created is accomplished.
- The 2024 Building and Site Series II capital project fund is used to record bond proceeds and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades. The fund will operate until the purpose for which it was created is accomplished.

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 Services, and Student Activities funds. Revenue sources for the Food Services Fund include sales to customer and dedicated grants from federal sources. Revenue sources for the Community Services Fund include preschool and child care revenue. Revenue sources for the Student Activities 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.

Note 2 - Significant Accounting Policies (Continued)

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.

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

Note 2 - Significant Accounting Policies (Continued)

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

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and construction in progress, 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:

Table with 2 columns: Asset Category and Depreciable Life - Years. Rows include Buildings and improvements (20 to 50), Furniture and equipment (10 to 20), and 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 and/or balance sheet 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 and/or balance sheet 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.

Note 2 - Significant Accounting Policies (Continued)

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.

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.

Note 2 - Significant Accounting Policies (Continued)

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 exist only 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.

The fund balance policy prescribes the minimum fund balance as 10 percent of operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

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.

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 net OPEB liabilities (assets), 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.

Note 2 - Significant Accounting Policies (Continued)

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 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

In April 2024, the Government Accounting Standards Board issued Statement No. 103, *Financial Reporting model Improvements*, which establishes new accounting and financial reporting requirements, or models existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component unites in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2026.

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 except that capital outlay expenditures are budgeted within the functions. 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.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

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, 2024, encumbrances totaled approximately \$16,900,363 in the 2024 Building and Site Series II capital project fund and \$22,555,034 in the 2022 Building and Site Series I capital project fund.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
Support services - General administration	\$ 448,029	\$ 500,282

Capital Project Fund Compliance

The 2024 Building and Site Series II, 2022 Building and Site Series I Funds include capital project activities funded with bonds. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code. The funds are not yet considered substantially complete and a subsequent year audit is expected.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2021 Building and Site Series IV Capital Projects Fund. The project for which the 2021 Building and Site Series IV bonds were issued was considered complete on June 30, 2024 and the cumulative expenditures recognized for the construction period were \$3,477,993.

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, authorized prior to March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

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 no 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.

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 bank deposits totaling \$17,769,608 (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.

Note 4 - Deposits and Investments (Continued)

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, 2024, 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.

At year end, the School District had the following investments and maturities:

Primary Government	Carrying Value	Less Than 1 Year	1-5 Years
U.S. Treasury notes	\$ 34,545,841	\$ 7,543,844	\$ 27,001,997
MILAF Term	15,955,000	15,955,000	-
Total	<u>\$ 50,500,841</u>	<u>\$ 23,498,844</u>	<u>\$ 27,001,997</u>

Primary Government	Carrying Value	Weighted- average Maturity (Years)
U.S. Treasury notes	\$ 34,545,841	1.52
MILAF Term	15,955,000	0.59
Total	<u>\$ 50,500,841</u>	

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. At June 30, 2024, 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	\$ 22,402,625	AAAm	Standard and Poor's
MILAF Plus MAX class funds	15,383,132	AAAm	Standard and Poor's
MILAF Term	15,955,000	N/A	N/A
Total	<u>\$ 53,740,757</u>		

Note 4 - Deposits and Investments (Continued)

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. At June 30, 2024, the School District did not have any investments subject to concentration of credit risk.

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.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The School District has the following recurring fair value measurements as of June 30, 2024:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2024			
	Quoted Prices in			Balance at June 30, 2024
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets - Debt securities - U.S. Treasury notes	\$ -	\$ 34,545,841	\$ -	\$ 34,545,841
Investments measured at NAV - MILAF Term				<u>15,955,000</u>
Total assets				<u>\$ 50,500,841</u>

The fair value of U.S. Treasury securities at June 30, 2024 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund Term Series whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date set upon initiation of investment. Early redemptions are permitted; however, an early redemption fee would apply.

June 30, 2024

Note 4 - Deposits and Investments (Continued)

The net asset value of the School District's investment in the MILAF Term Series at June 30, 2024 is presented in the table above.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From						
	General Fund	2022 Building and Site Series I Fund	2024 Building and Site Series II Fund	Nonmajor Funds	Total	Fiduciary Funds	Total
General Fund	\$ -	\$ 898,188	\$ 252,097	\$ 116,502	\$ 1,266,787	\$ 1,636	\$ 1,268,423
Nonmajor Funds	1,372,691	-	-	37,804	1,410,495	-	1,410,495
Debt Service Fund	71,915	-	-	-	71,915	-	71,915
Total	\$ 1,444,606	\$ 898,188	\$ 252,097	\$ 154,306	\$ 2,749,197	\$ 1,636	\$ 2,750,833

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 balances owed to the Debt Service Fund relate to property tax revenue collected and due from the General Fund.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Board Designated Capital Projects Fund	\$ 1,100,000
Food Services Fund	General Fund	127,563
	Total	\$ 1,227,563

The transfer from the Food Services Fund to the General Fund was for overhead cost reimbursement. The transfer from the General Fund to the Board Designated Capital Projects Fund was to fund improvement projects as authorized by the Board of Education.

June 30, 2024

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 100,500	\$ -	\$ -	\$ -	\$ 100,500
Construction in progress	12,413,904	(8,929,512)	24,964,825	-	28,449,217
Subtotal	12,514,404	(8,929,512)	24,964,825	-	28,549,717
Capital assets being depreciated:					
Buildings and improvements	82,367,807	8,885,895	5,248,677	-	96,502,379
Furniture and equipment	8,528,740	43,617	1,899,482	(1,047,854)	9,423,985
Buses and other vehicles	2,223,717	-	354,180	(322,132)	2,255,765
Subtotal	93,120,264	8,929,512	7,502,339	(1,369,986)	108,182,129
Accumulated depreciation:					
Buildings and improvements	42,161,934	-	2,428,608	-	44,590,542
Furniture and equipment	5,701,902	-	782,324	(1,047,854)	5,436,372
Buses and other vehicles	1,781,310	-	173,027	(322,132)	1,632,205
Subtotal	49,645,146	-	3,383,959	(1,369,986)	51,659,119
Net capital assets being depreciated	43,475,118	8,929,512	4,118,380	-	56,523,010
Net governmental activities capital assets	<u>\$ 55,989,522</u>	<u>\$ -</u>	<u>\$ 29,083,205</u>	<u>\$ -</u>	<u>\$ 85,072,727</u>

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

Governmental activities:	
Instruction	\$ 2,707,167
Support services	338,396
Athletics	338,396
Total governmental activities	<u>\$ 3,383,959</u>

Construction Commitments

The School District has active construction projects at year end. The remaining costs of the projects will be financed with bond proceeds from the current and future series. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2024 Building and Site Bonds Series II	\$ 1,301,045	\$ 16,900,363
2022 Building and Site Bonds Series I	42,533,583	22,555,034
Total	<u>\$ 43,834,628</u>	<u>\$ 39,455,397</u>

June 30, 2024

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations:	\$ 55,580,000	\$ 57,660,000	\$ (3,665,000)	\$ 109,575,000	\$ 3,010,000
Unamortized bond premiums	5,411,489	1,494,634	(193,267)	6,712,856	243,088
Total bonds payable - other debt	60,991,489	59,154,634	(3,858,267)	116,287,856	3,253,088
Compensated absences	1,101,804	201,749	(208,254)	1,095,299	-
Arbitrage liability	-	401,333	-	401,333	-
Total governmental activities long-term debt	<u>\$ 62,093,293</u>	<u>\$ 59,757,716</u>	<u>\$ (4,066,521)</u>	<u>\$ 117,784,488</u>	<u>\$ 3,253,088</u>

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 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, 2024 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
Governmental Activities				
\$55,580,000 Building and Site Series I Bonds (2022)	\$1,360,000 - \$2,740,000	3.0 - 5.0	May 1, 2051	\$ 51,915,000
\$57,660,000 Building and Site Series II Bonds (2024)	\$660,000 - \$5,930,000	4.0 - 5.0	May 1, 2054	57,660,000
Total governmental activities				<u>\$ 109,575,000</u>

Note 7 - Long-term Debt (Continued)

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
2025	\$ 3,010,000	\$ 4,501,482	\$ 7,511,482
2026	2,370,000	4,381,313	6,751,313
2027	2,055,000	4,264,688	6,319,688
2028	2,145,000	4,160,063	6,305,063
2029	2,240,000	4,051,438	6,291,438
2030-2034	12,745,000	18,479,763	31,224,763
2035-2039	15,570,000	15,323,613	30,893,613
2040-2044	19,085,000	11,716,738	30,801,738
2045-2049	22,925,000	7,823,859	30,748,859
2050-2054	27,430,000	3,238,663	30,668,663
Total	\$ 109,575,000	\$ 77,941,620	\$ 187,516,620

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.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (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 supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

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.

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

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.

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.

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

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, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

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, 2024 were \$9,778,840, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2024, the School District's required and actual pensions contributions include an allocation of \$4,296,476 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2024 were \$2,094,850, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2024, the School District reported a liability of \$69,432,702 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022, which used update procedures to roll forward the estimated liability to September 30, 2023. 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, 2023 and 2022, the School District's proportion was 0.215 and 0.211 percent, respectively, representing a change of 1.60 percent.

Net OPEB Asset

At June 30, 2024, the School District reported an asset of \$(1,233,887) for its proportionate share of the net OPEB asset. The net OPEB asset for fiscal year 2024 was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2022, which used update procedures to roll forward the estimated asset to September 30, 2023. The School District's proportion of the net OPEB asset 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, 2023 and 2022, the School District's proportion was 0.218 and 0.210 percent, respectively, representing a change of 3.74 percent.

June 30, 2024

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

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

For 2024, the School District recognized pension expense of \$9,124,506, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2024, 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	\$ 2,191,779	\$ (106,360)
Changes in assumptions	9,408,447	(5,424,697)
Net difference between projected and actual earnings on pension plan investments	-	(1,420,818)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	913,834	(398,875)
The School District's contributions to the plan subsequent to the measurement date	8,293,723	-
Total	\$ 20,807,783	\$ (7,350,750)

The \$4,296,476 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 ending June 30, 2025. 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
2025	\$ 1,656,801
2026	1,184,544
2027	3,234,237
2028	(912,272)
Total	\$ 5,163,310

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, 2024, the School District recognized OPEB recovery of \$1,936,902.

June 30, 2024

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

At June 30, 2024, 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	\$ -	\$ (9,323,880)
Changes in assumptions	2,746,847	(330,772)
Net difference between projected and actual earnings on OPEB plan investments	3,762	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	450,757	(212,680)
Employer contributions to the plan subsequent to the measurement date	1,453,115	-
Total	<u>\$ 4,654,481</u>	<u>\$ (9,867,332)</u>

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
2025	\$ (2,178,173)
2026	(2,075,075)
2027	(827,387)
2028	(740,718)
2029	(558,664)
Thereafter	(285,949)
Total	<u>\$ (6,665,966)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2023 are based on the results of an actuarial valuation as of September 30, 2022 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%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	6.25% - 7.50%	Year 1 graded to 3.5 percent in year 15
Mortality basis		RP-2014 Male and Female Employee Annuitant
		Mortality tables, scaled 100 percent (retirees: 82 percent for males and 78 percent 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

Assumption changes as a result of an experience study for the periods from 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation.

Significant assumption changes since the prior measurement date, September 30, 2022, for the OPEB plans include a decrease in the health care cost of 0.25 percent for members under 65 and an increase of 1.0 percent for members over 65. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2022.

June 30, 2024

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

Discount Rate

The discount rate used to measure the total pension and OPEB liability (asset) was 6.00 percent as of September 30, 2023. 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	25.00 %	5.80 %
Private equity pools	16.00	9.60
International equity pools	15.00	6.80
Fixed-income pools	13.00	1.30
Real estate and infrastructure pools	10.00	6.40
Absolute return pools	9.00	4.80
Short-term investment pools	10.00	7.30
Real return/opportunistic pools	2.00	0.30
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.7 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%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 93,803,377	\$ 69,432,702	\$ 49,143,234

June 30, 2024

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

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

The following presents the net OPEB asset of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability (asset) 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%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability (asset) of the School District	\$ 1,279,170	\$ (1,233,887)	\$ (3,393,612)

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

The following presents the net OPEB asset of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB (asset) 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	Current Rate	1 Percentage Point Increase
Net OPEB (asset) liability of the School District	\$ (3,398,997)	\$ (1,233,887)	\$ 1,109,472

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, 2024, the School District reported a payable of \$1,220,480 and \$159,571 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2024.

Note 10 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2024, the School District had no unavailable revenue and \$2,900,411 of unearned revenue, primarily related to tuition/fees not yet earned and grant/categorical aid payment received prior to meeting all eligibility requirements.

Required Supplementary Information

Waverly Community Schools

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 9,538,439	\$ 9,937,532	\$ 10,136,463	\$ 198,931
State sources	31,467,600	31,433,087	31,560,746	127,659
Federal sources	2,571,666	2,807,276	2,677,579	(129,697)
Interdistrict sources	4,057,720	3,886,251	4,005,442	119,191
Total revenue	47,635,425	48,064,146	48,380,230	316,084
Expenditures				
Current:				
Instruction:				
Basic programs	18,757,655	18,482,124	18,318,194	(163,930)
Added needs	8,072,583	8,748,687	8,514,237	(234,450)
Total instruction	26,830,238	27,230,811	26,832,431	(398,380)
Support services:				
Pupil	5,268,230	4,146,873	4,083,804	(63,069)
Instructional staff	3,029,316	3,027,064	3,001,503	(25,561)
General administration	425,529	448,029	500,282	52,253
School administration	3,004,326	3,365,098	3,367,080	1,982
Business	801,949	881,419	857,967	(23,452)
Operations and maintenance	4,239,857	4,313,953	4,132,666	(181,287)
Pupil transportation services	1,319,128	1,322,040	1,309,474	(12,566)
Central	1,641,273	1,547,711	1,621,487	73,776
Other	307,004	331,032	241,562	(89,470)
Total support services	20,036,612	19,383,219	19,115,825	(267,394)
Athletics	721,373	737,773	739,289	1,516
Community services	4,665	15,050	3,831	(11,219)
Debt service	7,500	7,500	-	(7,500)
Total expenditures	47,600,388	47,374,353	46,691,376	(682,977)
Excess of Revenue Over Expenditures	35,037	689,793	1,688,854	999,061
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	19,279	19,279
Transfers in	125,000	125,000	127,563	2,563
Transfers out	(1,100,000)	(1,100,000)	(1,100,000)	-
Total other financing uses	(975,000)	(975,000)	(953,158)	21,842
Net Change in Fund Balance	(939,963)	(285,207)	735,696	1,020,903
Fund Balance - Beginning of year	8,140,837	8,140,837	8,140,837	-
Fund Balance - End of year	\$ 7,200,874	\$ 7,855,630	\$ 8,876,533	\$ 1,020,903

Waverly Community Schools

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

	Last Ten Plan Years									
	Years Ended September 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.21452 %	0.21114 %	0.21181 %	0.21392 %	0.21044 %	0.20231 %	0.19595 %	0.19448 %	0.18841 %	0.19694 %
School District's proportionate share of the net pension liability	\$69,432,702	\$79,406,174	\$50,146,065	\$73,483,734	\$69,691,226	\$60,817,605	\$50,780,227	\$48,522,117	\$46,018,023	\$43,379,599
School District's covered payroll	\$21,766,163	\$20,389,653	\$18,895,255	\$18,997,113	\$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	318.99 %	389.44 %	265.39 %	386.82 %	376.37 %	343.03 %	311.10 %	292.67 %	293.40 %	259.21 %
Plan fiduciary net position as a percentage of total pension liability	65.91 %	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Waverly Community Schools

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

	Last Ten Fiscal Years Years Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 9,462,872	\$10,109,645	\$ 7,285,143	\$ 6,411,953	\$ 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	<u>9,462,872</u>	<u>10,109,645</u>	<u>7,285,143</u>	<u>6,411,953</u>	<u>5,961,088</u>	<u>5,592,189</u>	<u>5,157,127</u>	<u>4,577,160</u>	<u>4,394,123</u>	<u>3,447,307</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$23,420,806	\$22,073,816	\$20,104,556	\$18,590,639	\$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	40.40 %	45.80 %	36.24 %	34.49 %	31.22 %	30.61 %	29.62 %	28.22 %	27.75 %	21.69 %

Waverly Community Schools

Required Supplementary Information Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset) Michigan Public School Employees' Retirement System

	Last Seven Plan Years						
	Plan Years Ended September 30						
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB (asset) liability	0.21812 %	0.21025 %	0.20957 %	0.21452 %	0.21215 %	0.20756 %	0.19555 %
School District's proportionate share of the net OPEB (asset) liability	\$ (1,233,887)	\$ 4,453,161	\$ 3,198,790	\$ 11,492,402	\$ 15,227,338	\$ 16,498,661	\$ 17,316,480
School District's covered payroll	\$ 21,766,163	\$ 20,389,653	\$ 18,895,255	\$ 18,997,113	\$ 18,516,731	\$ 17,729,779	\$ 16,322,786
School District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(5.67)%	21.84 %	16.93 %	60.50 %	82.24 %	93.06 %	106.09 %
Plan fiduciary net position as a percentage of total OPEB liability	105.04 %	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Waverly Community Schools

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

	Last Seven Fiscal Years						
	Years Ended June 30						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,924,119	\$ 1,776,766	\$ 1,638,360	\$ 1,547,066	\$ 1,534,292	\$ 1,434,871	\$ 1,257,383
Contributions in relation to the statutorily required contribution	<u>1,924,119</u>	<u>1,776,766</u>	<u>1,638,360</u>	<u>1,547,066</u>	<u>1,534,292</u>	<u>1,434,871</u>	<u>1,257,383</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 23,420,806	\$ 22,073,816	\$ 20,104,556	\$ 18,590,639	\$ 19,093,685	\$ 18,266,919	\$ 17,408,712
Contributions as a Percentage of Covered Payroll	8.22 %	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

June 30, 2024

Pension Information

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:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 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:

- 2023 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than expected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.

June 30, 2024

- 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 Supplementary Information

Waverly Community Schools

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2024

	Special Revenue Funds				Capital Project Funds					
	Food Services Fund	Community Services Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	Senior Center - ARP Funds	Board Designated Capital Projects Fund	2021 Building and Site Series IV Fund	Total Capital Project Funds	Total
Assets										
Cash and investments	\$ 660	\$ 201,605	\$ 167,038	\$ 369,303	\$ -	\$ -	\$ 3,233,712	\$ -	\$ 3,233,712	\$ 3,603,015
Receivables:										
Other receivables	-	31,489	-	31,489	-	-	-	-	-	31,489
Due from other governments	21,025	-	7,910	28,935	-	94,025	545,700	-	639,725	668,660
Due from other funds	552,429	37,804	164,783	755,016	-	-	655,479	-	655,479	1,410,495
Inventories	27,747	-	-	27,747	-	-	-	-	-	27,747
Restricted assets	-	-	-	-	4,248,482	-	-	-	4,248,482	4,248,482
Total assets	\$ 601,861	\$ 270,898	\$ 339,731	\$ 1,212,490	\$ 4,248,482	\$ 94,025	\$ 4,434,891	\$ -	\$ 8,777,398	\$ 9,989,888
Liabilities										
Accounts payable	\$ 10,956	\$ 9,265	\$ 10,617	\$ 30,838	\$ -	\$ 10,375	\$ 406,701	\$ -	\$ 417,076	\$ 447,914
Due to other funds	37,804	6,072	-	43,876	26,780	83,650	-	-	110,430	154,306
Accrued liabilities and other	13,186	12,406	-	25,592	-	-	-	-	-	25,592
Unearned revenue	2,021	-	-	2,021	-	-	1,148,659	-	1,148,659	1,150,680
Total liabilities	63,967	27,743	10,617	102,327	26,780	94,025	1,555,360	-	1,676,165	1,778,492
Fund Balances										
Nonspendable	27,747	-	-	27,747	-	-	-	-	-	27,747
Restricted:										
Capital projects	-	-	-	-	4,221,702	-	-	-	4,221,702	4,221,702
Food service	510,147	-	-	510,147	-	-	-	-	-	510,147
Committed	-	243,155	329,114	572,269	-	-	2,879,531	-	2,879,531	3,451,800
Total fund balances	537,894	243,155	329,114	1,110,163	4,221,702	-	2,879,531	-	7,101,233	8,211,396
Total liabilities and fund balances	\$ 601,861	\$ 270,898	\$ 339,731	\$ 1,212,490	\$ 4,248,482	\$ 94,025	\$ 4,434,891	\$ -	\$ 8,777,398	\$ 9,989,888

Waverly Community Schools

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

Year Ended June 30, 2024

	Special Revenue Funds				Capital Project Funds					
	Food Services Fund	Community Services Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	Senior Center - ARP Funds	Board Designated Capital Projects Fund	2021 Building and Site Series IV Fund	Total Capital Project Funds	Total
Revenue										
Local sources	\$ 60,265	\$ 505,553	\$ 244,189	\$ 810,007	\$ 1,107,208	\$ -	\$ 65,099	\$ 14,928	\$ 1,187,235	\$ 1,997,242
State sources	99,296	-	17,400	116,696	-	-	1,851,341	-	1,851,341	1,968,037
Federal sources	1,852,633	-	-	1,852,633	-	112,887	-	-	112,887	1,965,520
Interdistrict sources	-	-	1,000	1,000	-	-	-	-	-	1,000
Total revenue	2,012,194	505,553	262,589	2,780,336	1,107,208	112,887	1,916,440	14,928	3,151,463	5,931,799
Expenditures										
Current:										
Instruction	-	177,274	-	177,274	-	-	-	-	-	177,274
Support services	51	-	233,721	233,772	434	-	-	-	434	234,206
Food services	1,886,688	-	-	1,886,688	-	-	-	-	-	1,886,688
Community services	-	516,925	-	516,925	-	-	-	-	-	516,925
Capital outlay	50,902	-	-	50,902	-	112,887	2,205,522	691,142	3,009,551	3,060,453
Total expenditures	1,937,641	694,199	233,721	2,865,561	434	112,887	2,205,522	691,142	3,009,985	5,875,546
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	1,100,000	-	1,100,000	1,100,000
Transfers out	(127,563)	-	-	(127,563)	-	-	-	-	-	(127,563)
Total other financing (uses) sources	(127,563)	-	-	(127,563)	-	-	1,100,000	-	1,100,000	972,437
Net Change in Fund Balances	(53,010)	(188,646)	28,868	(212,788)	1,106,774	-	810,918	(676,214)	1,241,478	1,028,690
Fund Balances - Beginning of year	590,904	431,801	300,246	1,322,951	3,114,928	-	2,068,613	676,214	5,859,755	7,182,706
Fund Balances - End of year	\$ 537,894	\$ 243,155	\$ 329,114	\$ 1,110,163	\$ 4,221,702	\$ -	\$ 2,879,531	\$ -	\$ 7,101,233	\$ 8,211,396

**Other Supplementary Information
Schedule of Bonded Indebtedness**

June 30, 2024

Years Ending June 30	2022 Building and Site Series I	2024 Building and Site Series II	Total
	Principal	Principal	
2025	\$ 1,360,000	\$ 1,650,000	\$ 3,010,000
2026	1,380,000	990,000	2,370,000
2027	1,395,000	660,000	2,055,000
2028	1,420,000	725,000	2,145,000
2029	1,455,000	785,000	2,240,000
2030	1,470,000	870,000	2,340,000
2031	1,500,000	940,000	2,440,000
2032	1,530,000	1,015,000	2,545,000
2033	1,600,000	1,055,000	2,655,000
2034	1,660,000	1,105,000	2,765,000
2035	1,705,000	1,155,000	2,860,000
2036	1,760,000	1,220,000	2,980,000
2037	1,810,000	1,295,000	3,105,000
2038	1,860,000	1,380,000	3,240,000
2039	1,920,000	1,465,000	3,385,000
2040	1,980,000	1,555,000	3,535,000
2041	2,035,000	1,645,000	3,680,000
2042	2,095,000	1,720,000	3,815,000
2043	2,155,000	1,795,000	3,950,000
2044	2,220,000	1,885,000	4,105,000
2045	2,300,000	1,970,000	4,270,000
2046	2,370,000	2,055,000	4,425,000
2047	2,440,000	2,140,000	4,580,000
2048	2,510,000	2,230,000	4,740,000
2049	2,585,000	2,325,000	4,910,000
2050	2,660,000	2,425,000	5,085,000
2051	2,740,000	2,525,000	5,265,000
2052	-	5,460,000	5,460,000
2053	-	5,690,000	5,690,000
2054	-	5,930,000	5,930,000
Total remaining payments	\$ 51,915,000	\$ 57,660,000	\$ 109,575,000
Interest rate	3.0% - 5.0%	4.0% - 5.0%	
Original issue	\$ 55,850,000	\$ 57,660,000	\$ 113,510,000

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