

WEBBERVILLE COMMUNITY SCHOOLS

**REPORT ON FINANCIAL STATEMENTS
(with required and additional
supplementary information)**

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Webberville Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Webberville Community Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021 on our consideration of Webberville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Webberville Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Webberville Community Schools' internal control over financial reporting and compliance.

Manes Costeiran PC

September 3, 2021

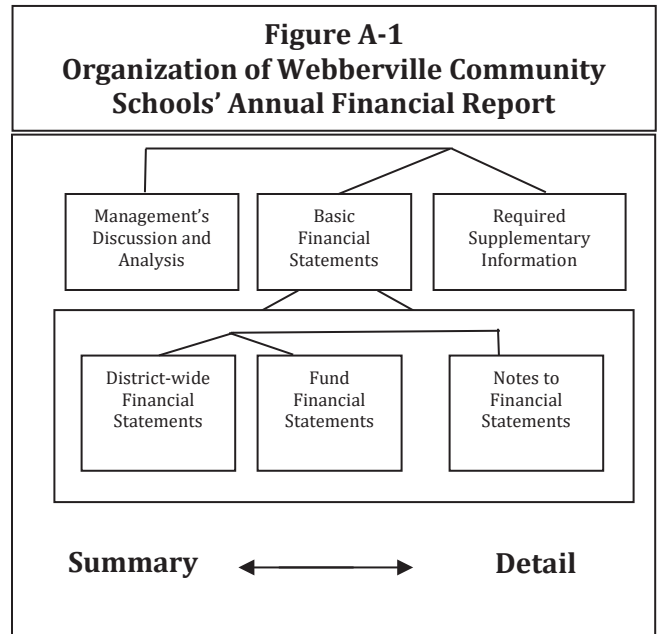
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Webberville Community Schools (the District) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide notes to financial statements.
- The governmental funds statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances.	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received, and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include all of the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch, spartan center, and student/school activities).

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* - Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations, but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position as of June 30, 2021 and 2020:

Table A-3
Webberville Community Schools' Net Position

	2021	2020
Current assets	\$ 3,411,283	\$ 2,371,851
Capital assets	11,397,155	11,751,607
Total assets	14,808,438	14,123,458
Deferred outflows of resources	2,918,765	3,413,062
Current liabilities	1,529,511	1,322,908
Long-term debt outstanding	16,179,264	16,633,516
Net pension liability	8,880,392	8,698,684
Net other postemployment benefit liability	1,404,790	1,855,443
Total liabilities	27,993,957	28,510,551
Deferred inflows of resources	1,969,694	2,040,366
Net position		
Net investment in capital assets	(3,858,266)	(3,759,685)
Restricted for capital projects (sinking fund)	53,545	8,347
Unrestricted	(8,431,727)	(9,263,059)
Total net position	\$ (12,236,448)	\$ (13,014,397)

Table A-4
Changes in Webberville Community Schools' Net Position

	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 23,617	\$ 127,039
Operating grants and contributions	1,815,492	1,629,536
General revenues		
Property taxes	1,896,489	1,779,786
State aid - unrestricted	3,263,414	3,302,757
Intermediate sources	529,469	481,055
Other	99,434	585,853
Total revenues	7,627,915	7,906,026
Expenses		
Instruction	3,072,252	3,316,505
Support services	2,333,069	2,528,489
Community services	28,740	71,132
Food services	262,401	358,071
Student/school activities	64,215	94,901
Interest on long-term debt	496,246	540,382
Unallocated depreciation	593,043	567,788
Total expenses	6,849,966	7,477,268
Change in net position	\$ 777,949	\$ 428,758

District Governmental Activities

The District's financial condition has come about through a number of areas.

- Proposal A established the student foundation grant concept. The foundation grant for Webberville Community Schools has increased from \$5,059 per student in 1995 to \$8,111 per student in 2021.
- The District continues to work earnestly toward aligning expenditures with stagnant revenue growth. The District looks to manage staffing levels in accordance with student count and seeks to save money in non-instructional areas whenever possible.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

- For the District as a whole, its combined fund balance is \$2,025,492 compared to \$1,209,068 in 2019 - 2020. The fund balance increased by \$816,424.
- The District's general fund financial situation improved for the 2020 - 2021 school year as the general fund - fund balance increased by \$535,564.
- During the 2020 - 2021 school year, general fund revenues increased by \$353,645 or approx. 6% due to the increase in federal COVID-19 funds.
- General fund expenditures decreased by \$252,613 as compared to 2019 - 2020 primarily due to capital improvements and technology advancements in the 2019 - 2020 fiscal year.

General Fund and Budget Highlights

- During the 2020 - 2021 fiscal year the original District budget was amended to reflect changes which affected the District such as student enrollment, actual staffing and benefit costs. The final budget was amended to show a year-end balance of \$1,108,138 while the actual fund balance at year end was \$1,250,553. This difference was primary attributed to the estimated proration to foundation and actual foundation reduction.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

	2021			2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 80,000	\$ -	\$ 80,000	\$ 80,000
Buildings and additions	21,315,362	10,271,039	11,044,323	11,451,985
Equipment	811,043	544,773	266,270	209,162
Vehicles	55,021	48,459	6,562	10,460
Total	\$ 22,261,426	\$ 10,864,271	\$ 11,397,155	\$ 11,751,607

LONG-TERM OBLIGATIONS

At year end the District had long-term debt outstanding as shown in Table A-6. More detailed information is available in the notes to the financial statements.

	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 13,934,321	\$ 15,670,484
Notes from direct borrowings and direct placements	2,122,664	882,711
Compensated absences	<u>81,759</u>	<u>75,105</u>
	<u>\$ 16,138,744</u>	<u>\$ 16,628,300</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District continues to receive strong support from the community, Board of Education, staff and the intermediate schools district for improving resources in the areas of academic achievement and the District's facilities and infrastructure.

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

- In the 2020 - 2021 school year COVID-19 implications met that the District was funded primarily on the 2019 - 2020 student count. When developing the budget for 2021 - 2022 the District assumed traditional funding based primarily on Fall 2021 count and budgeted a reduction of 15 students from Spring 2021 count.
- When developing the budget for 2021 - 2022 the District estimated an increase of \$164 in the per pupil foundation. Since adopting the budget the State School Aid Budget passed with an increase of \$589 per pupil.
- The District's 2021 - 2022 initial general fund budget has expenses exceeding revenues by \$344,237 before taking into account the addition of federal fund related to ARPA.
- Contracts with the District's teachers expires on June 30, 2022.
- In addition, the District will be receiving ESSER II in the amount of \$245,968 and ESSER III in the amount of \$522,800 as part of the COVID-19 relief funding efforts passed in the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) and the American Rescue Plan Act (ARPA).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office for Webberville Community Schools at Ingham Intermediate School District, 2630 W Howell Rd., Mason, MI 48854.

BASIC FINANCIAL STATEMENTS

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,401,532
Receivables	
Accounts receivable	2,116
Property taxes receivable	2,064
Intergovernmental	873,156
Inventories	646
Prepays	131,769
Capital assets not being depreciated	80,000
Capital assets, net of accumulated depreciation	11,317,155
TOTAL ASSETS	14,808,438
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of accumulated amortization	407,339
Related to pension	1,842,505
Related to other postemployment benefit	668,921
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,918,765
LIABILITIES	
Accounts payable	208,697
Accrued salaries and related items	313,664
Accrued retirement	128,579
Accrued interest	146,645
Due to custodial fund	34,050
Unearned revenue	142,573
Notes payable	555,303
Noncurrent liabilities	
Due within one year	1,751,352
Due in more than one year	14,387,392
Due in more than one year - interest	40,520
Net pension liability	8,880,392
Net other postemployment benefit liability	1,404,790
TOTAL LIABILITIES	27,993,957
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	425,117
Related to other postemployment benefits	1,202,287
Related to state aid funding for pension	342,290
TOTAL DEFERRED INFLOWS OF RESOURCES	1,969,694
NET POSITION	
Net investment in capital assets	(3,858,266)
Restricted for capital projects (sinking fund)	53,545
Unrestricted	(8,431,727)
NET POSITION	\$ (12,236,448)

See notes to financial statements.

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 3,072,252	\$ 4,602	\$ 1,169,685	\$ (1,897,965)
Support services	2,333,069	2,302	292,422	(2,038,345)
Community services	28,740	10,600	-	(18,140)
Food services	262,401	6,113	277,306	21,018
Student/school activities	64,215	-	76,079	11,864
Interest on long-term debt	496,246	-	-	(496,246)
Unallocated depreciation	593,043	-	-	(593,043)
Total governmental activities	<u>\$ 6,849,966</u>	<u>\$ 23,617</u>	<u>\$ 1,815,492</u>	<u>(5,010,857)</u>
General revenues				
Property taxes, levied for general purposes				695,211
Property taxes, levied for debt service				1,061,478
Property taxes, levied for capital projects sinking fund				139,800
Investment earnings				174
State sources				3,263,414
Intermediate sources				529,469
Other				99,260
Total general revenues				<u>5,788,806</u>
CHANGE IN NET POSITION				777,949
NET POSITION, beginning of year				<u>(13,014,397)</u>
NET POSITION, end of year				<u>\$ (12,236,448)</u>

See notes to financial statements.

**WEBBERVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Debt Service Fund		Total Nonmajor Funds	Total Governmental Funds
	General Fund	2016B Refunding		
ASSETS				
Cash and cash equivalents	\$ 1,588,686	\$ 49,152	\$ 763,694	\$ 2,401,532
Receivables				
Accounts receivable	1,595	-	521	2,116
Property taxes receivable	659	292	1,113	2,064
Intergovernmental	846,306	-	26,850	873,156
Inventories	-	-	646	646
Prepays	131,769	-	-	131,769
TOTAL ASSETS	\$ 2,569,015	\$ 49,444	\$ 792,824	\$ 3,411,283
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 188,832	-	\$ 19,865	\$ 208,697
Accrued salaries and related items	306,672	-	6,992	313,664
Accrued retirement	126,107	-	2,472	128,579
Accrued interest	2,925	-	-	2,925
Due to custodial fund	-	-	34,050	34,050
Unearned revenue	138,623	-	3,950	142,573
Notes payable	555,303	-	-	555,303
TOTAL LIABILITIES	1,318,462	-	67,329	1,385,791
FUND BALANCES				
Nonspendable				
Inventories	-	-	646	646
Prepays	131,769	-	-	131,769

See notes to financial statements.

	Debt Service			Total Governmental Funds
	Fund		Total Nonmajor Funds	
	General Fund	2016B Refunding		
FUND BALANCES (continued)				
Restricted for:				
Debt service	\$ -	\$ 49,444	\$ 335,569	\$ 385,013
Food service	-	-	127,159	127,159
Capital projects (sinking fund)	-	-	53,545	53,545
Committed for student/school activities	-	-	208,576	208,576
Assigned for - subsequent year expenditures	344,237	-	-	344,237
Unassigned	774,547	-	-	774,547
TOTAL FUND BALANCES	1,250,553	49,444	725,495	2,025,492
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,569,015	\$ 49,444	\$ 792,824	\$ 3,411,283

Total governmental fund balances

\$ 2,025,492

Amounts reported for governmental activities in the statement of net position are different because:

Deferred charge on refunding, net of accumulated amortization	407,339
Deferred outflows of resources - related to pension	1,842,505
Deferred inflows of resources - related to pension	(425,117)
Deferred outflows of resources - related to other postemployment benefit	668,921
Deferred inflows of resources - related to other postemployment benefit	(1,202,287)
Deferred inflows of resources - related to state pension funding for pension	(342,290)

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 22,261,426
Accumulated depreciation is	(10,864,271)
	11,397,155

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonded debt and other long-term debt	(16,097,505)
Compensated absences	(81,759)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(143,720)
Net pension liability	(8,880,392)
Net other postemployment benefit liability	(1,404,790)

Net position of governmental activities

\$ (12,236,448)

WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund 2016B Refunding	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources				
Property taxes	\$ 695,211	\$ 249,340	\$ 951,938	\$ 1,896,489
Day care fees	11,747	-	-	11,747
Investment earnings	-	29	145	174
Food sales, admissions and athletics	2,302	-	6,113	8,415
Student/school activities	-	-	76,079	76,079
Other	4,396	-	34,036	38,432
Total local sources	713,656	249,369	1,068,311	2,031,336
State sources	4,277,542	-	16,555	4,294,097
Federal sources	503,683	-	260,751	764,434
Incoming transfers and other	593,752	-	-	593,752
TOTAL REVENUES	6,088,633	249,369	1,345,617	7,683,619
EXPENDITURES				
Current				
Instruction	3,059,312	-	-	3,059,312
Supporting services	2,486,017	-	-	2,486,017
Food service activities	-	-	261,292	261,292
Student/school activities	-	-	64,215	64,215
Community service activities	12,844	-	15,896	28,740
Capital outlay	-	-	40,549	40,549
Debt service				
Principal repayment	-	820,000	865,000	1,685,000
Interest	-	40,932	439,444	480,376
Other	-	498	1,149	1,647
TOTAL EXPENDITURES	5,558,173	861,430	1,687,545	8,107,148
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	530,460	(612,061)	(341,928)	(423,529)
OTHER FINANCING SOURCES (USES)				
Proceeds from school loan revolving fund	-	654,186	585,767	1,239,953
Transfers in	17,823	-	12,719	30,542
Transfers out	(12,719)	-	(17,823)	(30,542)
TOTAL OTHER FINANCING SOURCES (USES)	5,104	654,186	580,663	1,239,953
NET CHANGE IN FUND BALANCES	535,564	42,125	238,735	816,424
FUND BALANCES				
Beginning of year	714,989	7,319	486,760	1,209,068
End of year	<u>\$ 1,250,553</u>	<u>\$ 49,444</u>	<u>\$ 725,495</u>	<u>\$ 2,025,492</u>

See notes to financial statements.

**WEBBERVILLE COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net change in fund balances total governmental funds \$ 816,424

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(593,043)
Capital outlay	238,591

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	160,125
Accrued interest payable, end of the year	(143,720)

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

Proceeds from school loan revolving fund	(1,239,953)
Payments on debt	1,685,000
Amortization of bond premium	51,163
Amortization of deferred loss on refunding	(43,539)
Long-term interest on school bond loan and revolving funds	(35,304)

Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	75,105
Accrued compensated absences, end of the year	(81,759)

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

Pension related items	(317,504)
Other postemployment benefit related items	262,067

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:

Change in state aid funding for pension	(55,704)
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Change in net position of governmental activities	\$ 777,949
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**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021**

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 78,369
Due from Webberville Community Schools	<u>34,050</u>
 TOTAL ASSETS	 <u>112,419</u>
 NET POSITION	
Restricted for student organizations	<u><u>\$ 112,419</u></u>

See notes to financial statements.

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2021**

	Custodial Fund
ADDITIONS	
Student activity income	\$ -
DEDUCTIONS	
Payments made on behalf of student organizations	-
CHANGE IN NET POSITION	-
NET POSITION	
Beginning of year	112,419
End of year	\$ 112,419

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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 District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, and intergovernmental revenues.

Reporting Entity

The Webberville Community Schools (the "District") is governed by the Webberville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The District reports the following *major governmental funds*:

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

The *2016B Refunding debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Additionally, the District reports the following *nonmajor fund types*:

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

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The 2019 Refunding, 2016A Refunding, and 2012 Refunding debt service funds are considered nonmajor.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable *provisions* of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

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

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

During the course of operations, the 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, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund(s). The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2021. The District does not consider these amendments to be significant.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, and demand deposits.

Investments

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and additions	7 - 50
Equipment	5 - 20
Vehicles	5

Defined Benefit Plan

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Net Position Flow Assumption

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

In the computation of net invested in capital assets, school bond loan fund and school loan revolving fund principal proceeds of \$2,122,664 are considered capital-related debt. Accrued interest on the school bond loan fund and school loan revolving fund of \$40,520 has been included in the calculation of unrestricted net position.

In addition, in 2016, the District issued bonded debt in the amount of \$5,025,000 used to make principal and interest payments related to the school loan revolving fund and the school bond loan fund. As of June 30, 2021 the outstanding balance was \$860,000. Of this amount, 24.0% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt is not considered capital related debt at June 30, 2021 is \$206,400.

In 2019, the District once again issued bonded debt in the amount of \$3,415,000 used to make principal and interest payments related to the school loan revolving fund and the school bond loan fund. As of June 30, 2021 the outstanding balance was \$3,415,000. Of this amount, 5.5% of the proceeds are not considered capital related debt as this amount was used to pay off accrued interest. The remaining allocation of this debt is not considered capital related debt at June 30, 2021 is \$187,825.

Fund Balance Flow Assumptions

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies

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

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

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

The District strives to maintain an unassigned fund balance of 5.0% of the preceding year's expenditures.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2021, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service funds	
PRE, Non-PRE, Commercial Personal Property	7.4500
Capital projects sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.9798

Compensated Absences

The District’s policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the District had no deposits which meet the GASB No. 42 definition of investments.

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the District did not have investments in commercial paper and corporate bonds.

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2021, the District did not have any investments that would be subject to rating.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2021, the carrying amount of the District's deposits was \$2,401,532 and the bank balance was \$2,419,058, of which \$250,000 was covered by federal depository insurance.

Fiduciary cash balances are not included in the above balance. As of June 30, 2021, the carrying amount of the fiduciary fund's balance was \$78,369 and the bank balance was \$78,369, of which \$0 was covered by federal depository insurance.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. The District had no investments at year end.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District does not have any investments subject to the fair value measurement.

Foreign Currency Risk

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

The above cash and cash equivalent amounts are reported in the financial statements as follows:

District-wide cash	\$ 2,401,532
Custodial fund	<u>78,369</u>
	<u><u>\$ 2,479,901</u></u>

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions and Reclassification</u>	<u>Balance June 30, 2021</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets, being depreciated				
Buildings and additions	21,198,370	116,992	-	21,315,362
Equipment	689,444	121,599	-	811,043
Vehicles	55,021	-	-	55,021
 Total capital assets, being depreciated	 <u>21,942,835</u>	 <u>238,591</u>	 <u>-</u>	 <u>22,181,426</u>
Accumulated depreciation				
Buildings and additions	9,746,385	524,654	-	10,271,039
Equipment	480,282	64,491	-	544,773
Vehicles	44,561	3,898	-	48,459
 Total accumulated depreciation	 <u>10,271,228</u>	 <u>593,043</u>	 <u>-</u>	 <u>10,864,271</u>
Net capital assets being depreciated	<u>11,671,607</u>	<u>(354,452)</u>	<u>-</u>	<u>11,317,155</u>
Net governmental capital assets	<u>\$ 11,751,607</u>	<u>\$ (354,452)</u>	<u>\$ -</u>	<u>\$ 11,397,155</u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$593,043. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2021 consist of the following:

State aid	\$ 747,521
Federal grants	111,889
Payments from ISD	<u>13,746</u>
	<u>\$ 873,156</u>

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2021, the District issued two state aid anticipation notes payable (2020A-1 and 2020A-2) in the amount of \$900,000 which have interest rates of 0.75% and 0.25%, respectively, and mature on July 20, 2021 August 20, 2021, respectively. The notes are secured by the full faith and credit of the District as well as pledged state aid. Proceeds of the notes were used to fund school operations. In an event of a default on the note, the state may impose a penalty interest rate and at the state’s discretion, accelerate the repayment terms. One of the notes required payments to an irrevocable set-aside account of \$344,697 at June 30, 2021. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. Activity for the year ended June 30, 2021 is as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
\$ 402,686	\$ 900,000	\$ (747,383)	\$ 555,303

NOTE 6 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term obligation transactions of the District for the year ended June 30, 2021:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance, July 1, 2020	\$ 15,670,484	\$ 882,711	\$ 75,105	\$ 16,628,300
Additions	-	1,239,953	6,654	1,246,607
Deletions	1,736,163	-	-	1,736,163
Balance, June 30, 2021	13,934,321	2,122,664	81,759	16,138,744
Less current portion	1,735,000	-	16,352	1,751,352
Total due after one year	\$ 12,199,321	\$ 2,122,664	\$ 65,407	\$ 14,387,392

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2021 are comprised of the following issues:

General Obligation Bonds

2006 Energy bonds dated June 8, 2006, due in annual installments of \$95,000 to \$110,000 through May 2026, with an interest rate from 4.15% to 4.25%.	\$ 510,000
2012 Refunding bonds dated August 30, 2012, due in annual installments of \$460,000 to \$520,000 through May 2030, with an interest rate from 3.00% to 3.25%.	4,480,000
2016 Series A refunding term bonds due in annual installments of \$320,000 to \$430,000 through May 2032 with interest of 4.00%.	4,145,000
2016 Series B general obligation bonds due in an annual installment of \$860,000 through May 2022, with interest of 2.54%.	860,000
2019 Refunding bonds dated December 18, 2019, due in annual installments of \$425,000 to \$440,000 through May 2030, with an interest rate from 2.05% to 2.61%.	3,415,000
Plus issuance premium	<u>524,321</u>
Total general obligation bonds	<u>13,934,321</u>

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund, excluding interest. The interest rate at June 30, 2020 was 3.00%.	<u>2,122,664</u>
Total general obligation bonds and notes from direct borrowings and direct placements	16,056,985
Compensated absences	<u>81,759</u>
Total long-term obligations	<u><u>\$ 16,138,744</u></u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$12,790,000 of bonds outstanding are considered defeased.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Borrowing from the State of Michigan - The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rate have been assessed at June 30, 2021 was 3.00% for the School Loan Revolving Fund notes. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.45 mills. The school district is required to levy 7.45 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.45 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2021, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2022	\$ 1,735,000	\$ 431,160	\$ -	\$ -	\$ -	\$ 2,166,160
2023	1,330,000	378,816	-	-	-	1,708,816
2024	1,360,000	338,438	-	-	-	1,698,438
2025	1,395,000	296,634	-	-	-	1,691,634
2026	1,405,000	252,922	-	-	-	1,657,922
2027 - 2031	5,755,000	823,938	-	-	-	6,578,938
2032	430,000	51,200	-	-	-	481,200
Total	13,410,000	2,573,108	-	-	-	15,983,108
School loan revolving fund	-	-	2,122,664	40,520	-	2,163,184
Issuance premium	524,321	-	-	-	-	524,321
Compensated absences	-	-	-	-	81,759	81,759
	<u>\$ 13,934,321</u>	<u>\$ 2,573,108</u>	<u>\$ 2,122,664</u>	<u>\$ 40,520</u>	<u>\$ 81,759</u>	<u>\$ 18,752,372</u>

Interest expense on long-term debt for the year ended June 30, 2021 was approximately \$480,000.

At June 30, 2021, \$385,013 is available in the debt service funds to service the general obligation debt.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

Pension and OPEB contributions made in the fiscal year ending September 30, 2020 were determined as of the September 30, 2017 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2017 are amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

The District's pension contributions for the year ended June 30, 2021 were equal to the required contribution total. Total pension contributions were approximately \$761,000. Of the total pension contributions approximately \$744,000 was contributed to fund the Defined Benefit Plan and approximately \$17,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2021 were equal to the required contribution total. Total OPEB contributions were approximately \$205,000. Of the total OPEB contributions approximately \$191,000 was contributed to fund the Defined Benefit Plan and approximately \$14,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<i>MPSERS (Plan) Non-university Employers</i>	September 30, 2020	September 30, 2019
Total pension liability	\$ 85,290,583,799	\$ 83,442,507,212
Plan fiduciary net position	\$ 50,939,496,006	\$ 50,325,869,388
Net pension liability	\$ 34,351,087,793	\$ 33,116,637,824
Proportionate share	0.02585%	0.02627%
Net pension liability for the District	\$ 8,880,392	\$ 8,698,684

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

For the year ended June 30, 2021, the District recognized pension expense of \$1,061,289.

At June 30, 2021, the Reporting Unit 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
Net difference between projected and actual pension plan investment earnings	\$ 37,311	\$ -
Differences between expected and actual experience	135,685	(18,954)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,764	(406,163)
Changes of assumptions	984,033	-
Reporting Unit's contributions subsequent to the measurement date	683,712	-
	\$ 1,842,505	\$ (425,117)

\$683,712, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2021	\$ 342,929
2022	221,661
2023	121,964
2024	47,122

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total other postemployment benefits liability	\$ 13,206,903,534	\$ 13,925,860,688
Plan fiduciary net position	\$ 7,849,636,555	\$ 6,748,112,668
Net other postemployment benefits liability	\$ 5,357,266,979	\$ 7,177,748,020
Proportionate share	0.02622%	0.02585%
Net other postemployment benefits liability for the District	\$ 1,404,790	\$ 1,855,443

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$71,405.

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ 11,725	\$ -
Differences between expected and actual experience	-	(1,046,700)
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,839	(155,587)
Changes of assumptions	463,187	-
Reporting Unit's contributions subsequent to the to the measurement date	164,170	-
	<u>\$ 668,921</u>	<u>\$ (1,202,287)</u>

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

\$164,170, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ (198,943)
2022	(183,212)
2023	(146,958)
2024	(100,568)
2025	(67,855)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

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

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - 7.0% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2020 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	15.0%	7.4%
International Equity Pools	16.0%	9.3%
Fixed Income Pools	10.0%	4.9%
Real Estate and Infrastructure Pools	10.5%	0.5%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	-0.1%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.1% inflation.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 11,494,161	\$ 8,880,392	\$ 6,714,160

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,804,612	\$ 1,404,790	\$ 1,068,173

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,055,285	\$ 1,404,790	\$ 1,802,309

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System 2020 Comprehensive Annual Financial Report.

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other needs including property and casualty, errors and omissions, fleet and health and accident insurance.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - TRANSFERS

The transfer of \$17,823 from the food service fund to the general fund was to offset a portion of indirect costs paid by the general fund, while \$278 from the general fund was transferred over to food service cover at-risk meals. The \$12,441 transfer from the general fund to the Spartan Center Fund was to prevent a deficit fund balance.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by one township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under this program are as follows:

Municipality	Taxes Abated
Leroy Township	
General operation	\$ 122,787
Debt service	25,410
Sinking fund	3,342
	\$ 151,539

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - SUBSEQUENT EVENTS

The District approved borrowing up to \$525,000 for the fiscal year 2022 to replace the notes payable as described in Note 5.

Subsequent to year end, the District issued \$6,100,000 in refunding bonds. The proceeds from the bonds will be used to refund debt of the District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program, the callable portion of the District's 2012 Refunding Bonds, and the costs of issuing the bonds.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year

REQUIRED SUPPLEMENTARY INFORMATION

**WEBBERVILLE COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 690,052	\$ 699,263	\$ 713,656	\$ 14,393
State sources	4,038,860	4,349,012	4,277,542	(71,470)
Federal sources	212,353	586,655	503,683	(82,972)
Incoming transfers and other	404,799	563,794	593,752	29,958
TOTAL REVENUES	5,346,064	6,198,724	6,088,633	(110,091)
EXPENDITURES				
Current				
Instruction				
Basic programs	2,157,450	2,324,935	2,257,767	67,168
Added needs	992,991	856,345	801,545	54,800
Total instruction	3,150,441	3,181,280	3,059,312	121,968
Supporting services				
Pupil	261,498	282,993	275,676	7,317
Instructional staff	281,777	204,257	215,979	(11,722)
General administration	277,157	281,800	279,681	2,119
School administration	368,334	476,255	444,367	31,888
Business	114,349	109,453	108,617	836
Operation/maintenance	651,968	737,091	688,697	48,394
Pupil transportation	245,982	207,863	192,083	15,780
Central	159,575	173,665	149,268	24,397
Athletics	134,728	141,682	131,649	10,033
Total supporting services	2,495,368	2,615,059	2,486,017	129,042
Community services	21,432	16,136	12,844	3,292
TOTAL EXPENDITURES	5,667,241	5,812,475	5,558,173	254,302
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(321,177)	386,249	530,460	144,211
OTHER FINANCING SOURCES (USES)				
Transfers in	17,000	17,000	17,823	823
Transfers out	(22,002)	(10,100)	(12,719)	(2,619)
TOTAL OTHER FINANCING SOURCES (USES)	(5,002)	6,900	5,104	(1,796)
NET CHANGE IN FUND BALANCE	\$ (326,179)	\$ 393,149	535,564	\$ 142,415
FUND BALANCE				
Beginning of year			714,989	
End of year			<u>\$ 1,250,553</u>	

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.02585%	0.02627%	0.02779%	0.02874%	0.02915%	0.03037%	0.03040%
Reporting Unit's proportionate share of net pension liability	\$ 8,880,392	\$ 8,698,684	\$ 8,353,244	\$ 7,448,515	\$ 7,272,689	\$ 7,417,680	\$ 6,696,808
Reporting Unit's covered-employee payroll	\$ 2,339,058	\$ 2,270,129	\$ 2,319,297	\$ 2,425,058	\$ 2,433,269	\$ 2,522,743	\$ 2,596,324
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	379.66%	383.18%	360.16%	307.15%	298.89%	294.03%	257.93%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 743,785	\$ 704,597	\$ 685,420	\$ 735,233	\$ 673,076	\$ 633,172	\$ 551,821
Contributions in relation to statutorily required contributions	<u>743,785</u>	<u>704,597</u>	<u>685,420</u>	<u>735,233</u>	<u>673,076</u>	<u>633,172</u>	<u>551,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 2,235,788	\$ 2,346,919	\$ 2,239,424	\$ 2,366,312	\$ 2,402,614	\$ 2,327,692	\$ 2,575,164
Contributions as a percentage of covered-employee payroll	33.27%	30.02%	30.61%	31.07%	28.01%	27.20%	21.43%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.02622%	0.02585%	0.02713%	0.02889%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 1,404,790	\$ 1,855,443	\$ 2,156,884	\$ 2,558,075
Reporting Unit's covered-employee payroll	\$ 2,339,058	\$ 2,270,129	\$ 2,319,297	\$ 2,425,058
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	60.06%	81.73%	93.00%	105.49%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	2021	2020	2019	2018
Statutorily required other postemployment benefit contributions	\$ 190,662	\$ 197,467	\$ 183,302	\$ 202,534
Other postemployment benefit contributions in relation to statutorily required contributions	190,662	197,467	183,302	202,534
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 2,235,788	\$ 2,346,919	\$ 2,239,424	\$ 2,366,312
Other postemployment benefit contributions as a percentage of covered-employee payroll	8.53%	8.41%	8.19%	8.56%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions – there were no changes of assumptions in 2020.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2020.

Changes of assumptions - the assumption changes for 2020 were:

Healthcare cost trend rate decreased to 7.00% Year 1 graded to 3.50% Year 15 from 7.50% Year 1 graded to 3.50% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2021**

	Special Revenue	Debt Service	Capital Projects Sinking Fund	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 365,726	\$ 334,619	\$ 63,349	\$ 763,694
Accounts receivable	521	-	-	521
Property taxes receivable	-	950	163	1,113
Intergovernmental receivables	26,850	-	-	26,850
Inventories	646	-	-	646
	\$ 393,743	\$ 335,569	\$ 63,512	\$ 792,824
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 9,898	\$ -	\$ 9,967	\$ 19,865
Accrued salaries and related items	6,992	-	-	6,992
Accrued retirement	2,472	-	-	2,472
Due to custodial fund	34,050	-	-	34,050
Unearned revenue	3,950	-	-	3,950
	57,362	-	9,967	67,329
FUND BALANCES				
Nonspendable				
Inventories	646	-	-	646
Restricted for:				
Debt service	-	335,569	-	335,569
Food service	127,159	-	-	127,159
Capital projects (sinking fund)	-	-	53,545	53,545
Committed for - student/school activities	208,576	-	-	208,576
	336,381	335,569	53,545	725,495
TOTAL LIABILITIES AND FUND BALANCES	\$ 393,743	\$ 335,569	\$ 63,512	\$ 792,824

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2021**

	Special Revenue	Debt Service	Capital Projects Sinking Fund	Total Nonmajor Funds
REVENUES				
Local sources				
Property taxes	\$ -	\$ 812,138	\$ 139,800	\$ 951,938
Investment earnings	-	145	-	145
Food sales	6,113	-	-	6,113
Student/school activities	76,079	-	-	76,079
Other	3,455	-	30,581	34,036
Total local sources	85,647	812,283	170,381	1,068,311
State sources	16,555	-	-	16,555
Federal sources	260,751	-	-	260,751
TOTAL REVENUES	362,953	812,283	170,381	1,345,617
EXPENDITURES				
Current				
Food service activities	261,292	-	-	261,292
Student/school activities	64,215	-	-	64,215
Community service activities	15,896	-	-	15,896
Capital outlay	-	-	40,549	40,549
Debt service				
Principal repayment	-	775,000	90,000	865,000
Interest expense	-	414,229	25,215	439,444
Other expense	-	1,149	-	1,149
TOTAL EXPENDITURES	341,403	1,190,378	155,764	1,687,545
EXCESS (DEFICIENCY) OF REVENUES UNDER (OVER) EXPENDITURES	21,550	(378,095)	14,617	(341,928)
OTHER FINANCING SOURCES (USES)				
Proceeds from school loan revolving fund	-	585,767	-	585,767
Transfers in	12,719	-	-	12,719
Transfers out	(17,823)	-	-	(17,823)
TOTAL OTHER FINANCING SOURCES (USES)	(5,104)	585,767	-	580,663
NET CHANGE IN FUND BALANCES	16,446	207,672	14,617	238,735
FUND BALANCES				
Beginning of year	319,935	127,897	38,928	486,760
End of year	\$ 336,381	\$ 335,569	\$ 53,545	\$ 725,495

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2021**

	<u>Food Service</u>	<u>Spartan Center</u>	<u>Student/ School Activities</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 120,776	\$ 1,543	\$ 243,407	\$ 365,726
Accounts receivable	521	-	-	521
Intergovernmental receivables	26,850	-	-	26,850
Inventories	646	-	-	646
	<u>646</u>	<u>-</u>	<u>-</u>	<u>646</u>
TOTAL ASSETS	<u>\$ 148,793</u>	<u>\$ 1,543</u>	<u>\$ 243,407</u>	<u>\$ 393,743</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 8,492	\$ 625	\$ 781	\$ 9,898
Accrued salaries and related items	6,074	918	-	6,992
Accrued retirement	2,472	-	-	2,472
Due to custodial fund	-	-	34,050	34,050
Unearned revenue	3,950	-	-	3,950
	<u>3,950</u>	<u>-</u>	<u>-</u>	<u>3,950</u>
TOTAL LIABILITIES	<u>20,988</u>	<u>1,543</u>	<u>34,831</u>	<u>57,362</u>
FUND BALANCES				
Nonspendable				
Inventories	646	-	-	646
Restricted for:				
Food service	127,159	-	-	127,159
Committed for - student/school activities	-	-	208,576	208,576
	<u>-</u>	<u>-</u>	<u>208,576</u>	<u>208,576</u>
TOTAL FUND BALANCES	<u>127,805</u>	<u>-</u>	<u>208,576</u>	<u>336,381</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 148,793</u>	<u>\$ 1,543</u>	<u>\$ 243,407</u>	<u>\$ 393,743</u>

**WEBBERVILLE COMMUNITY SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2021**

	Food Service	Spartan Center	Student/ School Activities	Totals
REVENUES				
Sales	\$ 6,113	\$ -	\$ -	\$ 6,113
State aid	16,555	-	-	16,555
Federal aid	260,751	-	-	260,751
Student/school activities	-	-	76,079	76,079
Other	-	3,455	-	3,455
TOTAL REVENUES	283,419	3,455	76,079	362,953
EXPENDITURES				
Salaries	46,620	5,120	-	51,740
Benefits	34,415	2,581	-	36,996
Purchased services	45,343	7,648	-	52,991
Supplies and materials	134,914	547	-	135,461
Capital outlay	-	-	-	-
Student/school activities	-	-	64,215	64,215
TOTAL EXPENDITURES	261,292	15,896	64,215	341,403
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,127	(12,441)	11,864	21,550
OTHER FINANCING SOURCES (USES)				
Transfers in	278	12,441	-	12,719
Transfers out	(17,823)	-	-	(17,823)
TOTAL OTHER FINANCING SOURCES (USES)	(17,545)	12,441	-	(5,104)
NET CHANGE IN FUND BALANCES	4,582	-	11,864	16,446
FUND BALANCES				
Beginning of year	123,223	-	196,712	319,935
End of year	<u>\$ 127,805</u>	<u>\$ -</u>	<u>\$ 208,576</u>	<u>\$ 336,381</u>

**WEBBERVILLE COMMUNITY SCHOOLS
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2021**

	2019 Refunding	2016A Refunding	2012	Totals
ASSETS				
Cash and cash equivalents	\$ 42,474	\$ 163,126	\$ 129,019	\$ 334,619
Property taxes receivable	33	500	417	950
TOTAL ASSETS	\$ 42,507	\$ 163,626	\$ 129,436	\$ 335,569
FUND BALANCES				
Restricted for - debt service	\$ 42,507	\$ 163,626	\$ 129,436	\$ 335,569

**WEBBERVILLE COMMUNITY SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2021**

	2019 Refunding	2016A Refunding	2012	Totals
REVENUES				
Local sources				
Property taxes	\$ 28,467	\$ 427,451	\$ 356,220	\$ 812,138
Interest	3	48	94	145
TOTAL REVENUES	<u>28,470</u>	<u>427,499</u>	<u>356,314</u>	<u>812,283</u>
EXPENDITURES				
Principal repayment	-	310,000	465,000	775,000
Interest expense	81,329	178,200	154,700	414,229
Other	500	499	150	1,149
TOTAL EXPENDITURES	<u>81,829</u>	<u>488,699</u>	<u>619,850</u>	<u>1,190,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(53,359)</u>	<u>(61,200)</u>	<u>(263,536)</u>	<u>(378,095)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from school loan revolving fund	<u>93,136</u>	<u>224,797</u>	<u>267,834</u>	<u>585,767</u>
NET CHANGE IN FUND BALANCES	39,777	163,597	4,298	207,672
FUND BALANCES				
Beginning of year	<u>2,730</u>	<u>29</u>	<u>125,138</u>	<u>127,897</u>
End of year	<u>\$ 42,507</u>	<u>\$ 163,626</u>	<u>\$ 129,436</u>	<u>\$ 335,569</u>

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2021**

\$1,525,000 Energy conservation and improvement bonds issued June 8, 2006:

Principal Due May 1,	Interest Due		Debt Service Requirement	
	May 1,	November 1,	June 30,	Amount
\$ 95,000	\$ 10,740	\$ 10,740	2022	\$ 116,480
100,000	8,769	8,769	2023	117,538
100,000	6,669	6,669	2024	113,338
105,000	4,569	4,569	2025	114,138
110,000	2,338	2,338	2026	114,676
<u>\$ 510,000</u>	<u>\$ 33,085</u>	<u>\$ 33,085</u>		<u>\$ 576,170</u>

The above bonds have interest rates from 4.20% to 4.25%. The bond proceeds were used to finance energy efficiency improvements throughout the District. These bonds are currently paid with proceeds from the District's sinking fund millage which expires in December 2023.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2021**

\$8,425,000 Refunding bonds issued August 30, 2012:

Principal Due May 1,	Interest Due		Debt Service Requirement	
	May 1,	November 1,	June 30,	Amount
\$ 460,000	\$ 70,375	\$ 70,375	2022	\$ 600,750
475,000	63,475	63,475	2023	601,950
495,000	56,350	56,350	2024	607,700
510,000	48,925	48,925	2025	607,850
505,000	41,275	41,275	2026	587,550
520,000	33,069	33,069	2027	586,138
515,000	24,619	24,619	2028	564,238
505,000	16,250	16,250	2029	537,500
495,000	8,044	8,044	2030	511,088
<u>\$ 4,480,000</u>	<u>\$ 362,382</u>	<u>\$ 362,382</u>		<u>\$ 5,204,764</u>

The above bonds carry interest at 3.00% to 3.25%. These bonds were issued to refund the remaining 2002 bonds and to partially refund the 2004 school building and site bonds.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2021**

\$4,765,000 Refunding bonds issued February 24, 2016:

Principal Due May 1,	Interest Due		Debt Service Requirement	
	May 1,	November 1,	June 30,	Amount
\$ 320,000	\$ 82,900	\$ 82,900	2022	\$ 485,800
330,000	76,500	76,500	2023	483,000
340,000	69,900	69,900	2024	479,800
355,000	63,100	63,100	2025	481,200
365,000	56,000	56,000	2026	477,000
380,000	48,700	48,700	2027	477,400
390,000	41,100	41,100	2028	472,200
405,000	33,300	33,300	2029	471,600
410,000	25,200	25,200	2030	460,400
420,000	17,000	17,000	2031	454,000
430,000	8,600	8,600	2032	447,200
<u>\$ 4,145,000</u>	<u>\$ 522,300</u>	<u>\$ 522,300</u>		<u>\$ 5,189,600</u>

The above bonds carry interest at 4.00%. These bonds were issued to refund the remaining 2006 bonds.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2021**

\$5,105,000 General obligation bonds issued February 24, 2016:

Principal Due May 1,	Interest Due		Debt Service Requirement	
	May 1,	November 1,	June 30,	Amount
\$ 860,000	\$ 10,901	\$ 10,901	2022	\$ 881,802

The above bonds carry interest at 2.54%. These bonds were issued primarily to pay down borrowing from the School Bond Revolving Fund and the School Bond Loan Program.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2021**

\$3,415,000 General obligation bonds issued December 18, 2019:

Principal Due May 1,	Interest Due		Debt Service Requirement	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 40,664	\$ 40,664	2022	\$ 81,328
425,000	40,664	40,664	2023	506,328
425,000	36,300	36,300	2024	497,600
425,000	31,723	31,723	2025	488,446
425,000	26,848	26,848	2026	478,696
425,000	21,760	21,760	2027	468,520
425,000	16,529	16,529	2028	458,058
425,000	11,191	11,191	2029	447,382
440,000	5,746	5,746	2030	451,492
<u>\$ 3,415,000</u>	<u>\$ 231,425</u>	<u>\$ 231,425</u>		<u>\$ 3,877,850</u>

The above bonds carry interest at 2.05% to 2.61%. These bonds were issued primarily to pay down borrowing from the School Bond Revolving Fund and the School Bond Loan Program.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL LOAN REVOLVING FUND
JUNE 30, 2021**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year Ending June 30,	Loan Proceeds (Payments)	Interest Expense (Payments)	Change in Loan Balance
2006	\$ 367,245	\$ 9,673	\$ 376,918
2007	381,125	27,470	408,595
2008	285,316	35,388	320,704
2009	342,970	73,549	416,519
2010	353,371	87,507	440,878
2011	448,569	82,891	531,460
2012	328,045	80,560	408,605
2013	146,253	94,438	240,691
2014	258,159	116,063	374,222
2015	184,221	125,657	309,878
2016	167,447	86,864	254,311
2016 loan repayment	(3,262,721)	(820,060)	(4,082,781)
2017	1,056,903	10,389	1,067,292
2018	1,023,521	42,703	1,066,224
2019	977,832	80,021	1,057,853
2020	971,402	54,785	1,026,187
2020 loan repayment	(3,146,947)	(182,682)	(3,329,629)
2021	1,239,953	35,304	1,275,257
Balance as of year end	<u>\$ 2,122,664</u>	<u>\$ 40,520</u>	<u>\$ 2,163,184</u>

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

To the Board of Education
Webberville Community Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Webberville Community Schools' basic financial statements and have issued our report thereon dated September 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeison PC

September 3, 2021

September 3, 2021

To the Board of Education
Webberville Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Webberville Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

Management’s estimate in calculating the liability for employee compensated absences.

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

Management’s determination of the estimated life span of the capital assets.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 3, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

A separate management letter was not issued.

Restriction on Use

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

Very truly yours,

Maney Costairan PC