

Agenda of Regular Meeting

The Board of Education Waverly Community Schools

A Regular Meeting of the Board of Education of Waverly Community Schools will be held October 16, 2023, beginning at 6:00 PM in the Board Room, 515 Snow Road, Lansing, MI 48917.

The subjects to be discussed or considered or upon which any formal action may be taken are as listed below. Items do not have to be taken in the order shown on this meeting notice.

Unless removed from the consent agenda, items identified within the consent agenda will be acted on at one time.

- I. Call to Order and Pledge to the Flag - President Alicia Guevara Warren
- II. Correspondence
- III. Public Comment for Agenda Items
- IV. Special Presentations
 - A. 2022-23 Audit Presentation 3
 - B. National Principal's Month
 - C. E3 Grant - In-House Mental Health Support Staff
- V. Board Member Comment
- VI. Approval of Agenda and Acceptance of all Report inot Discussion

Recommendation: To request a motion to approve the October 16, 2023 agenda as presented and accept all reports into discussion.
- VII. Approval of Consent Agenda Items 91
Items listed below may be approved with one motion unless a board member requests that an item or items be removed for separate action.

Regular Board Meeting Minutes - September 18, 2023
Closed Session I Meeting Minutes - September 18, 2023
Closed Session II Meeting Minutes- September 18, 2023
Report # 23-21, HR Personnel Recommendations

Report #23-22, Finance Report

Recommendation: To request a motion to approve the consent agenda as presented.

VIII. Committee Meetings

- A. Teaching & Learning Advisory Committee
- B. Finance & Facilities Advisory Committee

IX. Presentation of Reports

A. Finance & Facilities

- 1. For Action - Report #23-23, Summer Tax Resolution 105

Recommendation: To adopt Report #23-23, the Annual Summer Resolution, invoking for 2024 its previously adopted, ongoing resolution imposing a summer tax levy of one-half (1/2) of school property taxes upon property located within the School District.

- 2. For Action - Report #23-24, 2022 Building and Site, Series I Change Order Recommendations 108

Recommendation: To approve Report #23-24, the change order for SC Technologies as presented.

- 3. For Action - Report #23-25, Altria Settlement 114

Recommendation: To accept Report #23-25, the proposed settlement with Altria Group, Inc. as presented.

- X. For Action - Report #23-26, Out of State Field Trip to Cedar Point 120

Recommendation: To approve Report #23-26, 1-day Senior Field Trip to Cedar Point in May 2024.

XI. Superintendent's Report

XII. Public Comment - Open Comment for District Related Items

XIII. Other Board Business

XIV. Adjournment

Waverly Community Schools

Report to the Board of Education

June 30, 2023

To the Board of Education
Waverly Community Schools

We have recently completed our audit of the basic financial statements of Waverly Community Schools (the "School District") as of and for the year ended June 30, 2023. In addition to our audit report, we are providing the following results of the audit and informational items that impact the School District:

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We are grateful for the opportunity to be of service to Waverly Community Schools. We would also like to extend our thanks to Evan Nuffer and the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 22, 2023

Results of the Audit

September 22, 2023

To the Board of Education
Waverly Community Schools

We have audited the financial statements of Waverly Community Schools (the "School District") as of and for the year ended June 30, 2023 and have issued our report thereon dated September 22, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 31, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated September 22, 2023 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 7, 2023.

Significant Audit Findings

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 the School District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

We noted 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 the School District's share of the MPSERS net liabilities for the pension and other postemployment benefit (OPEB) plans recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2023 were approximately \$79.4 million and \$4.5 million for the pension and OPEB plans, respectively, based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For the purpose 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.

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.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2023.

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 School 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.

To the Board of Education
Waverly Community Schools

September 22, 2023

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

Very truly yours,

Plante & Moran, PLLC



Jamie L. Essenmacher, CPA
Partner



Tiffany N. Stacey, CPA
Principal

Informational Items

Managing the Changing Financial Resources Landscape

Since 2020, the School District has faced a continuously changing environment. The pandemic created significant uncertainty, followed by a significant infusion of federal resources, and ultimately a stable and growing fiscal platform for the state budget. As new resources are added, new challenges are created to effectively plan, develop, deliver, evaluate, and account for the programs and services. The new school aid budget will provide many significant opportunities for education. Once again, careful planning will be critical to put the School District in the best position to take advantage of these recurring and nonrecurring resources.

We understand the unique challenges school districts face within the changing funding landscape. We continue to work closely with state and federal decision-makers to both understand the changes and provide insight into potential implications. As a strategic partner and advocate for public education, we continue to meet with decision-makers before actions are finalized so that these groups can be well informed of the implications their actions will have on the students, your business office, and your financial statements. Our work continues with federal and state agencies as new or revised accounting and compliance guidance is developed so we can help school districts be better equipped to manage the new rules and requirements. As guidance is updated and opportunities are identified, we will continue to provide updates to aid the School District in managing changes and navigating complexities. We understand that the last several years have required substantial extra effort by the Board of Education, administration, teachers, and support staff to bring the School District through one of the most extraordinary times in education. We also understand that the work is not done, and we appreciate the opportunity to work side by side with your team during this next chapter.

School Funding - New Initiatives and More Resources for Public Schools

As Michigan exited the pandemic, the fiscal predictions for both the State's School Aid Fund and the General Fund have been strong. The May 2023 Consensus Revenue Estimating Conference predicted that there will be sufficient resources for current programs, with substantial resources for new initiatives. As schools entered the 2023/2024 fiscal year, the School Aid Bill was completed and signed into law. The bill provided for significant funding increases and resources to fund new initiatives agreed to by the governor and Legislature. Some key highlights include the following:

- In 2022/2023, schools saw the largest increase in per pupil funding since the start of Proposal A (1994/1995). In 2023/2024, that trend continues with a 5 percent increase (\$458 per pupil) in the target foundation allowance, now totaling \$9,608 per pupil.
- New funding available to declining enrollment districts to smooth the impact of resulting revenue decline.
- Fundamental change to the funding of special education. Starting in 2023/2024, the State's obligation under the Headlee Amendment will be funded from the special education allocation within the school aid budget. Previously, a portion of that obligation was paid from the School District's foundation allowance allocation.
- Continued contributions to reduce the long-term cost of the MPSERS retirement system, even with discontinuation of the one-time \$1 billion contribution occurring in the 2022/2023 fiscal year
- Increased focus on At-Risk, including both additional funding and a new allocation strategy using an opportunity index that provides additional resources where higher student need exists
- Food service universal free breakfast and lunch put in place, which goes beyond what is provided by the federal Child Nutrition Cluster programs

- Preschool programs funded under the Great Start Readiness Program (GSRP) received an increased per pupil revenue allocation and increased eligibility thresholds to 300 percent of the poverty level, which significantly increased access to the program.
- Additional one-time resources to assist in funding mental health and school safety initiatives
- Additional transportation funding to incorporate a formula, including riders per square mile

Many of these initiatives have their roots in the education issues encountered during the pandemic, along with the desire to continue to address the recommendations first identified in the Michigan School Finance Collaborative, which outlined priorities for responding to education needs. This school aid funding also comes at a time when districts are planning for the federal funding cliff, as federal-level education-focused pandemic aid is concluding in September 2024. Careful planning to effectively leverage these new funding sources, along with managing programs initiated during the pandemic, will be critical for school districts throughout the 2023/2024 school year.

State Aid Funding

The 2022/2023 fiscal year provided a glimpse of what might occur as we began to exit the pandemic. Funding included significant increases and some significant one-time resources. It also began to highlight areas requiring additional investment within education. For 2023/2024, improving predictions for state fiscal sustainability provided the governor and Legislature with the opportunity to continue their efforts in educational investment. As a result, the 2023/2024 budget provides significant resources for education, either as one-time funding or as additional recurring investments. This comes at a time when federal pandemic-related funding is nearing its end.

- **2022/2023 State Funding:** The May 2022 Consensus Revenue Estimating Conference predicted there would be sustainable revenue for the next few years. All schools, except for the few hold harmless districts, were funded at the target foundation allowance of \$9,150 per pupil. All schools, including hold harmless districts, received an increase from the previous year of \$450 per pupil. In addition, the State made additional strides related to recommendations resulting from the School Finance Research Collaborative, which includes increased funding levels for special education; At-Risk; wraparound services, such as nurses and counselors; and the Great Start Readiness Program.
- **2023/2024 State Funding:** Predictions from the May 2023 Consensus Revenue Estimating Conference reinforced the predictions for a growing and stable financial picture for the School Aid Fund for the next few years. These predictions provided the opportunity for the State to continue to make investments in education, shore up funding for long-standing programs, make investments where new needs were identified, and respond to the changing financial structure as federal pandemic-related funding begins to come to a close. Key highlights include the following:
 - Increasing the target foundation allowance by \$458 per pupil to \$9,608, a 5 percent increase. Hold harmless school districts also receive the \$458 per pupil increase. Cyber schools did not receive an increase and continue at \$9,150.
 - Continuing the traditional blended pupil count methodology, with 90 percent weighting for the October 2023 count and 10 percent weighting for the February 2023 count. However, for declining enrollment districts, a provision was added to use a two-year blended count to slow the impact of the decline on current year revenue. The definition in the State Aid Act suggests that a district would qualify if its 2023 final membership count is lower than the 2022 final membership count. In this case, the school will receive additional funding through Section 29. The additional amount is calculated based on the current foundation allowance multiplied by the difference between the sum of the membership blend of 50 percent of the blended 2022 count and 50 percent of the blended 2023 count and the blended 2023 membership count.

- Completing the change in funding of the state portion of special education. In 2023/2024, special education funding provided by the State will be provided from Section 51 of the State Aid Act. In the past, a portion of the funding was provided from Section 20, where the foundation allowance is determined. In short, special education funding is now fully treated as categorical and is not using foundation allowance amounts to supplement its required payments under the Headlee Amendment.
- Increasing funding for the Great Start Readiness Program by funding reimbursement at the same level as the target foundation allowance and increasing the income limits, which increases the number of families eligible to participate. These steps align with the goal of ultimately making preschool available to all in Michigan.
- Increasing funding for Section 31a/At-Risk programs and using an opportunity index to better weight funding based on need
- Revising Section 31d to provide universal free breakfast and lunch for the 2023/2024 fiscal year with the intention of continuing the program. The program is state funded and does not replace the federal Child Nutrition Cluster. The State is providing implementation guidance as to how the program works and how it interplays with the federal breakfast and lunch programs.
- Additional funding for and revisions to funding method for transportation services to include a formula based upon riders per square mile
- Additional one-time funding infusion for student mental health and school safety services
- One-time allocation for a student loan repayment program for districts to repay loans of employees who work directly with students
- Increasing allocation for contributions to the retirement system to reduce its long-term cost
- Intermediate school district (ISD) operations allocation increasing by 5 percent to mirror the increase in the foundation allowance

The State Aid Act amendments include many other initiatives. Some are policy changes, some are one-time funding initiatives, and others are for additional resources for current or expanded programming. A careful review by administration of the act and its components will be essential to ensure that all the elements impacting district operations are assessed and, if necessary, a district response is put in place.

- **Federal Resources:** Over the last several years, federal funding has been a significant theme related to school funding and school operations. Pandemic-related funding has assisted school districts in responding to the unique circumstances of COVID-19 and, in many cases, afforded districts the opportunity to fund specific one-time initiatives. As districts move into the 2023/2024 school year, many of the unique funding sources resulting from the pandemic have ended or will end shortly. The last major funding source is ARP ESSER III. It is funded as part of the Education Stabilization Fund and is scheduled to sunset in September 2024. For many districts, this last funding source is the largest. It also had the most restrictions attached to its operation. As a result, use of those funds through 2024 will require more careful planning and execution by the School District. Some of the funding may have been used by the School District to fund recurring costs of operations; therefore, it will be important for the School District to consider the budget impact this will have once these resources are no longer available. In short, districts must identify how these funds impacted recurring operations and plan now for if, or how, those operations will be funded once ESSER III funding has ended.

- **Looking Forward:** The May 2023 Consensus Revenue Estimating Conference estimates that the School Aid Fund will remain healthy when projecting out the financial picture over the next few years. As we look forward, one of the key questions is whether the State's economic engine will continue to be sufficient to fund initiatives taken in this budget cycle. Additionally, if there is a change in the political landscape in the next election cycle, the nature, type, focus, and level of resources available to public education could also change. Careful monitoring of these factors will be necessary to make reasonable budget assumptions moving into 2024 and beyond.

2023 Funding Implications for the School District

Entering the 2022/2023 fiscal year, the School Aid Fund and the General Fund showed improved financial health and more predictable revenue streams. The governor and Legislature were able to come to an agreement on the school aid package before the beginning of the School District's 2022/2023 fiscal year. The result was that the School District was able to estimate the financial inflows more accurately for 2022/2023 before the school year started. Further, with a continually improving financial picture, the State was able to pass a supplemental appropriation, providing additional resources for the 2023 fiscal year as well as some financial reserves for the School Aid Fund. Fiscal year 2023's funding process once again showcases the need for careful planning to ensure any new funding is carefully utilized. A few key elements impacting 2022/2023 include the following:

- **2022/2023 Foundation Allowance:** All school districts are at the target foundation allowance of \$9,150 except for the few hold harmless districts.
- **Pupil Membership Blend for 2022/2023:** Pupil count determinations use the 90 percent of the fall 2022 count and 10 percent of the spring 2022 count. The computed pupil count was used to determine the total foundation allowance paid to the School District.
- **MPSERS Cost for 2022/2023:** The basic structure continued, including cost support provided by the School Aid Fund. For 2023, the overall contribution rate increased to 45 percent of payroll from 43 percent, with the net cost to the School District continuing at up to approximately 28 percent. While the net cost to the School District is essentially the same as in 2022, the overall contribution rate continues to increase. By way of comparison, when Proposal A was adopted, the total contribution rate was 11 percent. The implication is that more resources are redirected from the funding of operations to the support of the retirement system funding requirement. The 2022/2023 amendments to the State Aid Act further increased investment in the retirement system, with the goal of reducing the overall cost of the program over time. The State's recurring funding support is provided in three separate sections of the State Aid Act: Sections 147a, 147c, and 147e. Total funding received by the School District was composed of \$249,222 in 147a(1), \$450,393 in 147a(2), \$3,604,119 in 147c(1), and \$126,476 in 147e.
- **One-time Retirement System Contribution:** With additional resources available in the School Aid Fund, in addition to the recurring funding discussed above, a one-time \$1 billion contribution was made to the MPSERS retirement system. This contribution was made with the goal of lowering the future cost, and ultimately the contribution requirements from school districts, of the retirement system. The contribution was provided ultimately to MPSERS via participating school districts. School districts received the funding as a Section 147c(2) categorical payment from the State and then were required to deposit the same amount with the retirement system. The amount allocated to the School District was \$2,098,996. Accounting rules require that the categorical payment be recorded as revenue and the contribution as an expenditure. The impact is that there will be an unusual, large, one-time event recorded as a revenue and an expenditure in the School District's June 30, 2023 financial statements. There was no impact to fund balance.

- **Special Education Services:** Beginning in the 2021/2022 fiscal year, the State increased the funding of its share of special education costs by 3 percent of those costs. In 2022/2023, that support continued, plus it reduced the amount of foundation allowance that is credited as payment against the State's required support. In 2023/2024, use of the foundation allowance to contribute to the State's support of special education was concluded, and the State's contribution to support special education is paid entirely from a categorical allocation. These changes in the funding formula will have the effect of providing more state support to cover the cost of special education operations. The implication to the School District will be that more funds will be freed up to support other general education activities. The actual amount of the shift varies by district and requires some analysis. Once determined, school districts will be better able to budget and plan for use of those funds.
- **New Initiatives for 2022/2023:** There were several new initiatives included in the 2022/2023 amendments to the State Aid Act. Since the revenue projections were well above expectations, there was room for funding most of the priorities from both branches of government. Many of the initiatives result from common themes, including the pandemic, mental health concerns of students and staff, addressing the teacher shortage, school security, continuing investment in preschool, vocational/career training, and beginning to focus on educational infrastructure investment. Many of these initiatives were carried forward and continued in the 2023/2024 amendments to the State Aid Act. These initiatives required assessment and planning by individual school districts. With new resources comes new responsibility to determine the most effective way to leverage these funds for the benefit of the students, staff, and the School District. The same challenges exist as districts assess the content of the 2023/2024 amendments to the State Aid Act.
- **Pupil Count Trends:** During the pandemic, most public schools across Michigan experienced a decline in enrollment. Statewide enrollment has historically been slightly under 1.5 million students. Prior to the pandemic, annual enrollment figures were declining annually at about 10,000 students per year. However, during the pandemic, statewide enrollment decreased in excess of 50,000 students. As part of the Consensus Revenue Estimating Conference process, total enrollment is tracked and estimated. A key consideration in the projections continues to be to what extent the 50,000 student reduction will recover. Current data suggests that some portion returned as the rate of decline slowed, but enrollment will not recover to pre-pandemic levels. While this data is important statewide, it is very important at the local district level. Since the foundation allowance is computed on a per pupil basis, a stable and predictable enrollment will have a substantial impact on the financial picture. As a practical example, on average, it takes about 10 students to fully fund a teacher position. As districts continue to operate in the post-pandemic period, continued focus on recruiting and retaining students and families will be essential to improving student enrollment.

Looking Forward to 2024 and Beyond

The May 2023 Consensus Revenue Estimating Conference provided a look into 2024, 2025, and 2026. There is a substantial surplus in 2023 to carry over to 2024, but the surplus is significantly reduced in 2024 with several one-time payments. However, 2025 is projected to return to a significant surplus once the one-time payments are removed from the analysis. The significant revenue influx and projected revenue levels expected through 2025 have provided an unusual opportunity for school funding in Michigan. This is especially significant since federal pandemic funding is nearing its end. The results of the May 2023 Consensus Revenue Estimating Conference suggest that the State will have significant resources to invest in public education funded through the School Aid Fund, as well as other programs funded through the State's General Fund. While optimism is high for the state budget, the two key matters that could negatively impact the financial picture are inflation and the potential for recession. The 5 percent increase in the 2023/2024 foundation mirrors the same increase in 2022/2023 and is at a higher rate than ever seen under Proposal A. However, inflation pressures, while improving, remain at higher levels and have a significant impact on operating costs for districts. Similarly, while the likelihood for a recession appears to be lowering, if it were to occur, it will likely negatively impact future revenue projections, limiting the potential to fund future school district operations. Balancing such factors when planning future budgets will be essential for sound financial management.

The strong fiscal outlook for the School Aid Fund comes as education-focused, pandemic-related federal funding is coming to a close. Many districts received a substantial federal ESSER III allocation and will need to conclude the use of these one-time funds by September 30, 2024. This period has been labeled the federal funding cliff. This is because, once these resources have concluded, the district will need to assess if other resources will be allocated to continue any programs or activities that were paid for using the pandemic-related funding. These funding factors place a high degree of need for school districts to carefully plan budgets and spending priorities. Choosing how best to manage needs and priorities will be a continuing challenge. Factors to consider as we look into the future include the following:

- The impact of a recession on school funding, if it were to occur
- How best to use the ESSER III allocation without negatively impacting future operations and what state resources may be used to offset any negative impact
- Staff retention and recruitment, including use of novel approaches, some of which are funded by state categoricals
- Continued efforts at attracting and retaining students to the School District
- Pupil count trends and projections for school districts and school buildings to better plan staffing, infrastructure, and operational needs
- Continuing commitment to address learning loss, including funding of programs once pandemic-related funding is concluded
- Planning for potentially expanded preschool services funded under an expanded GSRP
- Revising food service operations in light of the new state-funded free breakfast and lunch program
- Potential staffing cost increases
- Operating cost increases resulting from inflation
- Technology cost increases and access to technology learning tools
- Costs for school security and mental health services
- Identifying, recruiting, and retaining staff to provide mental health and school security services
- Cost trends for the retirement system and the extent to which state support is used from the School Aid Fund

The next Consensus Revenue Estimating Conference will occur in January 2024. As districts move into the 2023/2024 school year, they will need to carefully plan for how best to use the significant resources that have been provided during this unusual time in our school funding history.

Michigan School Meals

For the first time, beginning in the 2023/2024 school year, a free breakfast and lunch will be available to all students in Michigan schools. This program, initiated with the 2023/2024 amendments to the State Aid Act, provides state-funded meals to all students who do not qualify for a free meal under the National School Lunch and National School Breakfast programs. The Michigan Department of Education issued guidance for districts to apply for participation beginning with the 2023/2024 school year. Some key observations include the following:

- Participation is not automatic. Districts must apply using the 2024 Coordinated Application in the State's NexSys system.
- For a district to be eligible to participate, it must do the following:
 - Be a public school, charter school, or intermediate school district
 - Participate in the National School Lunch Program
 - Serve breakfast and lunch
 - Serve all meals at no cost to pre-K through 12th grade students
 - Adopt Community Eligibility Provision (CEP) to maximize federal reimbursement. Note that not all schools qualify for this provision under the federal program. If a district qualifies, the meals will be funded using that federal program, and the state program is not needed.
 - Collect relevant family income information
 - Write off all outstanding student negative balances
- The program is designed to work alongside and supplement the current federal National School Lunch and National School Breakfast programs and not replace them.
- Districts will need to track and claim meals served similar to what is done for the federal programs.
- As noted above, districts must eliminate negative student account balances. In doing so, the Food Service Fund is not allowed to absorb the write-off. That removal requires funding from sources outside the Food Service Fund. The MDE has developed guidance for how this should be accomplished.

During the pandemic, free breakfast and lunch were made available to essentially all students. The program was paid for with federal funds. During this period, schools experienced a significant increase in meals served. With this new initiative, the potential for high participation rates is likely. This will require districts to plan for the increased demand on food service operations, including staffing levels, timing of meals, cafeteria seating, menu planning, and food orders. Additionally, effective communication channels will be needed to inform students and families of the program and to gain the needed paperwork to document participation from a segment of the student body where such data has not been requested previously.

As with other initiatives included in the new school funding bill, careful planning will be essential for an effective rollout of the program.

Grants Management

Grants have always been a substantive area in school operations. Typical federal programs seen in most districts include Title I, Special Education, and Child Nutrition. These and other programs continue to be important and require significant skill, attention, and time to account for and adequately deploy those resources. With the advent of the pandemic, programs such as ESSER, GEER, and CRF have infused significant new federal resources into the School District. In addition, primarily through supplemental appropriations, the State has provided additional funding focused on pandemic relief. These events have significantly increased the workload, burden, and grants management risk across the School District. Some examples include the following:

- Superintendents and leadership team - Understanding what resources are available, what is required, how it will be measured, and how it will be staffed or equipped
- Board members - Setting policy in response to the pandemic and approving educational initiatives to respond to learning and operational needs
- Business office - Identifying, tracking, communicating, recording, and reporting on grant-related activities, when, in many cases, the rules and processes are unclear at the onset of the programmatic activity
- Staff - Delivering services in a pandemic-related environment
- Procurement - Identifying, initiating, acquiring, and delivering needed materials and equipment
- Information technology - Establishing and maintaining a safe, secure, and functional system so that learning is delivered and operations are maintained
- Support services - Transitioning from in-person connection to remote to identify and provide needed support services to students and staff
- Facilities - Installing upgrades, managing building access, cleaning, and PPE

Each of these areas has been significantly impacted by the new grants and the expanded grants management process. Clearly, the reach and implications of pandemic-related funding are extensive. With that reach comes a significant challenge for the School District to ensure that resources, processes, and controls are in place. As the School District moves into the 2024 fiscal year, we suggest performing a risk assessment of its key processes and controls. This assessment and related action items can help ensure the School District has the pieces in place for an effective and efficient response to the grants management challenges.

Budgeting Considerations

The pandemic will have a substantive impact on district budgeting considerations for years to come. This includes both state and federal funding sources. As the additional federal funding is expected to decrease in the coming years, it is imperative that the School District ensure it has sufficient operation funds to move forward.

As we have seen, funding from the School Aid Fund has varied widely over the last three years. Fortunately, School Aid Fund projections suggest funding stability through 2025. However, that stability presumes a continually improving financial picture for the State of Michigan. If assumptions do not hold, there is a risk for continued variability in school funding. Any variability would have a direct impact on funds made available for school operations.

Michigan Public School Employees' Retirement System (MPERS) - Update on the Plans' Net Pension/OPEB Liabilities

Similar to the State of Michigan, the MPERS plan has a September 30 year end. With the adoption of GASB Statement Nos. 68 and 75 several years ago, school districts have been reporting their share of the MPERS plan funded status in the government-wide financial statements of the School District.

At September 30, 2022, the pension portion of the MPERS plan had a net pension liability of approximately \$37.9 billion. This is an increase of approximately 57 percent from the reported amount of \$24.2 billion on September 30, 2021. One of the primary reasons for the increase in the net liability was net investment losses. The pension plan's annual investment rate of return was 27.2 percent for the year ended September 30, 2021, compared to an investment loss of 4.8 percent for the year ended September 30, 2022.

At September 30, 2022, the retiree health care portion (OPEB) of the MPERS plan had a net OPEB liability of approximately \$2.1 billion. This is an increase of approximately 40 percent from the reported amount of \$1.5 billion at September 30, 2021. The primary reason for the increase was a 27.2 percent annual investment return for the plan year ended September 30, 2021, as compared to an annual investment loss of 4.8 percent for the year ended September 30, 2022.

Fund Balance

The first year of the pandemic, more than ever, highlighted the importance of having adequate fund balance due to the uncertainty of the state budget and the impact on the foundation allowance with prorations that went into effect. Having sufficient fund balance will help to ensure the School District can continue to provide an adequate level of programming during periods of economic uncertainty.

The 2023/2024 school year will face many challenges that will have a direct effect on the School District's fund balance. The Consumer Price Index (CPI) continues to grow, which will put inflationary pressures on nearly all school districts. Couple that with the budgeting pressures faced with how to spend the COVID-19 relief funds, and business offices will have a lot to consider and plan for when projecting out fund balance for the upcoming school year.

During the 2022/2023 school year, the School District's General Fund revenue exceeded expenditures by approximately \$607,064. This resulted in increasing the General Fund fund balance to approximately \$8.1 million at June 30, 2023. Fund balance goals are often stated in terms of a percentage of total expenditures. As a point of reference, the statewide average for school districts at June 30, 2022 was approximately 20.30 percent of expenditures and outgoing transfers. Fund balance at the statewide average would approximately equal the School District's average operating costs for a 10.5 week period. The School District's fund balance percentage is 18.4 percent and equals approximately 9.6 weeks of operation.

Significant Changes in the Future to the GASB Financial Reporting Model

Under the current Governmental Accounting Standards Board (GASB) standards, school districts have been reporting using the current framework for approximately two decades. While the current financial statement presentation has worked, the GASB is looking to improve its effectiveness for all governments.

This project kicked off in August 2013. An exposure draft was issued in June 2020 titled "Financial Reporting Model Improvements." The exposure draft comment period ended during February 2021, and, as a firm, Plante & Moran, PLLC provided comments to the GASB on our thoughts of the proposed standards. The GASB's goal is to have final standards issued by March 2024.

Once adopted by the GASB, these new standards could have a significant impact on the accounting and financial reporting for school districts. Currently, school districts account for activity in the funds using the modified accrual basis of accounting. The exposure drafts argue that, under the current model, there is no sufficient framework that ensures that governmental entities are consistently reporting similar types of transactions in their financial statements. They also argue that the time period looked at for certain transactions in fund accounting is too short and that the current method has too many piecemeal guidance points rather than a conceptual framework against which transactions can be applied in order to determine the correct accounting. Other proposed changes include requiring additional information in the MD&A and a variance column in the budget to actual statement.

While the exposure draft has not yet been revised, it should be noted that, during the June 2023 GASB board meeting, the board tentatively decided to remove all issues related to the reporting of governmental funds from the scope of this proposed new statement. If this change makes its way to the final standard, the scope of this pronouncement would be significantly reduced, and many of the aforementioned impacts of this standard would ultimately not be applicable. We will continue to monitor the status of this proposed new standard and work with your business office to ensure a seamless adoption once a final standard is issued.

A separate but somewhat related project is also ongoing. In June 2020, the GASB released its preliminary views titled "Revenue and Expense Recognition." The objective of this project is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. When the new standard is issued and adopted, it could result in revenue and expense transactions being reported either earlier or later than they currently are in school district financial statements. The GASB's current work plan anticipates that this new standard could be issued during 2027.

Sinking Fund Legislation

The new legislation, which is effective August 6, 2023, amends previous sinking fund legislation to allow a school district to use its Sinking Fund to support certain transportation costs. Specifically, a sinking fund millage approved by voters after May 7, 2023 is now allowed to be used by school districts for the acquisition of student transportation vehicles and parts, supplies, and equipment used for the maintenance of student transportation vehicles. Funds may also be used for the acquisition of trucks and vans registered under the Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923, and used to carry parts, equipment, and personnel for or in the maintenance of school buildings or for the acquisition of parts, supplies, and equipment used to maintain those trucks and vans.

Sinking funds authorized (1) prior to March 29, 2017; (2) between March 29, 2017 and May 7, 2023; and (3) after May 7, 2023 should be accounted for separately in the audited financial statements. Each separate fund should have its own balance sheet and statement of revenue, expenditures, and changes in fund balance for the fiscal year. The previous sinking fund language regarding the use of funds for purchase of real estate, buildings, building improvements, and technology was not amended, as those are still allowable uses of sinking funds approved prior to this amendment. A school district that levies a Sinking Fund must have an independent audit of its Sinking Fund conducted annually, including a review of the uses of the sinking fund.

GASB Statement No. 101 - Compensated Absences

School districts have historically been required to account for certain types of accumulated employee leave time in their financial statements; however, the existing standards were written many years ago, and significant changes have occurred since then related to the various types of compensated absences that exist today. The GASB recently adopted a new pronouncement that addresses the accounting for compensated absences, which include vacation, sick, and other paid leave time. Under GASB 101, the School District will record a compensated absence liability in the full accrual financial statements for leave time that (1) is attributable to services already rendered, (2) accumulates, and (3) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability is to be recorded each reporting period, in the full accrual statements only, using each employee's pay rate as of the date of the financial statements. The new standard also removes the historic requirement related to disclosing the gross additions and reductions to the compensated absence liability in the financial statements, and, instead, a school district can disclose just the net change during the year. The new standard also removes the previous requirement to disclose which funds are responsible for liquidating compensated absence liabilities as they are paid.

This statement is effective for the School District's year ending June 30, 2025. The School District should begin to review the requirements of this new pronouncement, as it may have an impact on how the School District accounts for its compensated absence liability.

Michigan Department of Treasury - Numbered Letter 2023-1: Bonded Construction Fund and Sinking Fund Reporting Changes

School districts are currently required to comply with the Michigan Department of Treasury's (the "Treasury") Bulletin 7 and Numbered Letter 2004-4 as they relate to the audit and reporting requirements of a bond-funded construction fund and sinking funds. During fiscal year 2023/2024, the Treasury will release Numbered Letter 2023-1, which supersedes Bulletin 7 and Numbered Letter 2004-4. Plante & Moran, PLLC participated in reviewing and providing feedback on the exposure draft. The new guidance goes into effect for sinking fund and bond compliance audits that are required to be reported for the June 30, 2024 reporting period. School districts will need to review these changes in order to ensure they are in compliance with these new audit and reporting rules. Some of the primary changes are as follows:

- School districts will no longer submit financial information upon bond closeout to the Department of Treasury. Rather, the Treasury will gather the data it needs from the annual audited financial statements that are already being submitted to the Department of Education. School districts will, however, need to submit an annual transmittal letter to the Treasury that includes notification of status of the bond-funded Capital Projects Fund.
- The determination of the completion date has been simplified. The completion date will always be the June 30 immediately following the later of (1) the certificate of substantial completion or (2) 95 percent of the bond proceeds being spent. It will then be expected that the auditor completes its work in conjunction with the submission of the School District's audited financial statements.
- For bonds with multiple series, if the series being audited are for projects that were all approved by the electors at the same time, the audit closeout reporting can occur at the end of the final bond issue of the series. Approval is no longer required from the Treasury when taking this approach.
- The activity associated with any sinking fund levies renewed after May 7, 2023 should be accounted for in a capital projects fund that is separate from any remaining fund balance associated with levies authorized prior to May 7, 2023. This could potentially result in a situation where the School District may need to create a separate capital projects fund to account for activity associated with levies authorized after May 7, 2023 if the School District has not yet spent all of the fund balance associated with levies authorized prior to May 7, 2023.

Bond Investment Earnings - Arbitrage Considerations

Arbitrage is not a new topic; however, in the current environment of raising interest rates, it is a topic that has recently received more attention. So, what is arbitrage? To summarize, arbitrage is the difference between the interest expense paid by the bond debt issuer (school district) and the earnings on the invested bond proceeds. School districts are tax-exempt organizations and, therefore, subject to federal arbitrage compliance rules. As a result, the School District may be limited to the amount of investment earnings that it is allowed to retain. The arbitrage calculations are quite complex, and the School District should work with its bond advisor to ensure this computation is completed on a recurring basis. Generally, at the five-year anniversary of the original bond sale, a computation is also completed and used to report to the federal government any investment earnings in excess of what is allowed to be retained and is generally due back to the federal government (Internal Revenue Service). The annual arbitrage calculations are also utilized to determine if the School District should report an arbitrage liability at June 30 in the full accrual set of financial statements.

Inflation Reduction Act (IRA)

The Inflation Reduction Act was signed into law on August 16, 2022. Among other items, the IRA allocated \$369 billion over the next 10 years to fund energy and climate projects in an attempt to reduce emissions by approximately 40 percent by 2030. One of the components of the IRA is the availability of a direct-payment option, in lieu of a nonrefundable tax credit, to tax-exempt entities, including governmental entities like the School District, to reimburse the entity for a portion of the cost of qualifying capital improvements. The IRA provides a new opportunity to tax-exempt entities to reduce the cost of eligible projects while also enhancing an organization's sustainability efforts and reducing carbon footprint. For school districts, capital expenditures that may qualify include the purchase of certain electric vehicles and the installation of equipment that generates renewable energy (such as solar panels). As many of the program details are still being worked out, we will continue to keep the School District informed regarding future developments.

Understanding and Managing Potential Threats to Your Data

Education continues to be one of the top targets for ransomware attacks. Legislation called the K-12 Cybersecurity Act of 2021 was signed into law in October 2021 in recognition of the significant risk to school districts.

Working remotely during the pandemic has led to a global rise in cyberattacks. School districts quickly shifted to remote learning; in so doing, security controls may have been relaxed. In today's age of continual reports of cyberattacks, school districts need to be aware of where potential risks lie and how they are addressed and communicated to employees and the public.

When it comes to cybersecurity, the human element is still the weakest link and most targeted, as passwords like "August2023" can be easily guessed, and emails continue to trick people into clicking links and opening attachments. Information security is a district-wide issue, not just an IT department responsibility, requiring a combination of people, processes, and technology to effectively secure student, employee, and financial data. Now is the time to take a step back and assess exactly where your data is and the controls surrounding it. Key questions to ask include the following:

- Are our teachers and staff appropriately aware of phishing and other cyberattacks?
- Do you know where all of the various data resides in the school district? Are employees storing district data with personally identifiable information (PII) or data that is subject to FERPA on file-sharing sites or flash drives? Is the data being emailed to personal accounts?
- How secure is your data with at least a portion of your students and teachers working remotely?

Having an external party do an assessment on vulnerabilities may provide additional support to the IT team for initiatives it is implementing, providing peace of mind for the board that vulnerabilities have been assessed and addressed and allowing for confident communication to the public that its student and employee data is secure. If you are interested in discussing this further, we would be happy to continue the conversation.

ERP (Financial and HR Systems)

School districts rely heavily on their enterprise resource planning (ERP) system, which typically includes finance, payroll, human resources, and ancillary applications like applicant tracking and time and attendance. There have been several changes in the K-12 ERP marketplace, including the sale of SchoolFinance to Linq and Skyward's marketing of its newer financial system (Qmlative) in K-12 in Michigan.

In addition to these changes, many school districts either have moved or are moving to a hosted solution rather than maintaining the system in the districts' data centers. These systems can be hosted by either the vendor (e.g., Tyler Technologies or PowerSchool), a third party that the vendor contracts (e.g., Skyward), or an ISD.

We have assisted numerous districts in maximizing the impact of their ERP and would be happy to brainstorm solutions with you.

Operations Review and Controls Assessment

Roles and responsibilities have changed for many administrative and operations staff over the past few years due to increased reporting requirements, the pandemic, and reductions in staff count. Staff sizes have been reduced in many districts, while demands for services, technology, and reporting requirements have increased. An operations review can be very helpful to the School District in identifying ways to optimize the resources it has. The School District may benefit from reviewing and redesigning processes to ensure that only value-added steps are included in the process. Process redesign involves mapping current processes (e.g., facilities work orders, purchasing, and payroll) and identifying potential improvements by leveraging technology systems and/or eliminating steps.

When making changes to operations and processes, it is important for the proper controls to be implemented or remain in place. We have performed numerous reviews for school districts regarding the staffing, functions, responsibilities, controls, and communication within the business office, human resources, and facilities and operations to provide suggestions for increased efficiency, operational effectiveness, and/or improved reporting and analysis capabilities. We would be happy to discuss our capabilities in this area and the value we can bring to the process.

IT Assessment and Planning

Much of teaching and learning today is predicated on reliable, robust, and secure technology, as well as an effective IT support function. The pandemic was very disruptive, including from a technology perspective. In the span of a few months, the use of technology in teaching and learning shifted dramatically, with greater mobility, learning on demand, and an increase in 1-to-1 initiatives. Cybersecurity threats increased at the same time support requirements expanded. Even though the majority of students have returned to face-to-face learning, the School District's IT support requirements have changed.

This may be a good time to consider an IT assessment that reviews information technology from people, process, and technical perspectives. Areas of focus include governance, IT staff and organization, use of external service providers, service delivery, network and device management and monitoring, cybersecurity policies and procedures, and the technology itself. An IT assessment provides an objective evaluation of current operations, with an actionable plan for improvements and enhancements. Many districts use the results of an IT assessment as their action plan for the next two to three years. We would be happy to discuss how we can help.

Taking Advantage of Data Analytics within K-12 School Districts

The School District collects more data than ever before, but has it helped you take meaningful action? The complexity of drawing actionable insight from larger disparate data sources often stands in the way of making better data-driven decisions. The landscape of opportunity within advanced analytics can create order from the chaos and transform your data into actions that make a difference. Understanding the right approach is based on an assessment of the goals of the School District. Based on our experience, we suggest school districts begin considering a few initial questions:

1. How can we better understand the needs of our student population?

It has become increasingly important to develop a deeper understanding of individual student, school, and district-wide performance. Actionable insight into your student population to create data-driven strategies is achievable through advanced analytics.

2. Where might we be overspending?

When faced with tighter budgets in an evolving and fiercely competitive funding environment, schools are relying more heavily on their data than their instinct to detect leakages and eliminate inefficiencies in their operations. Leveraging advanced analytics can optimize your in-district delivery model and identify opportunities to reduce operational costs.

3. How can we develop a data-driven strategy?

A staggering volume of education data is underutilized by school districts. Asking meaningful questions about the alignment of your data vision, people, processes, technology, and data governance is the first step toward preparing a data-driven strategy.

Planning for the Future with Pupil Enrollment Projections

In the course of our review, we noted that the School District is assessing its capital needs in preparation for planning a potential bond or sinking fund. Because districts rely heavily on student enrollment to determine funding, define future academic offerings, and make facility decisions, we recommend the School District conduct a pupil enrollment projection annually. Detailed projections allow your school board to create financial models and understand current and projected facility needs to accommodate the student population.

To the extent it would be helpful, we would be happy to introduce Plante & Moran, PLLC's real estate consulting team, Plante Moran Cresa, one of four authorized enrollment projection service providers in the state of Michigan. The team has developed a projection model that has proven to be more than 99 percent accurate in helping districts predict enrollment for years into the future. It can conduct projections for the entire district or focus solely on specific buildings, grades, or areas.

Building Utilization and Facility Assessments

Enrollment changes could be affecting the utilization of the School District's facilities. We suggest you consider conducting a utilization study and facility assessment to analyze your facilities well before planning an investment in renovations or new construction.

To the extent it would be helpful, Plante Moran Cresa, an affiliate of Plante & Moran, PLLC, can help you conduct an assessment based on your current enrollment and curriculum needs to help you locate areas of potential changing enrollment and understand its impact on facility usage. Plante Moran Cresa's assessments involve a complete review and report of every district building related to the following:

- Capital requirements for upgrades, renovations, upkeep, and improvements
- Specific identification and timeline for replacement of exterior components (i.e., roofing, windows, site improvements, etc.); interior components (i.e., flooring, doors, hardware, ceilings, etc.); and mechanical, electrical, and plumbing systems
- Summary of the current use of the facility (for classrooms, support rooms, storage, etc.)
- Summary of current and future enrollment needs by building
- Recommendations for best utilizing the existing space and future plans for programming

Waverly Community Schools

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with Supplementary Information
June 30, 2023**

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Independent Auditor's Report

To the Board of Education
Waverly Community Schools

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Education
Waverly Community Schools

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

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

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Waverly Community Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 22, 2023

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

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Waverly Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the Debt Service Fund, and the 2022 Building and Site Series I capital project fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for donor-sponsored scholarships. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

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Schedule of Pension Contributions

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

Schedule of OPEB Contributions

Other Supplementary Information

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

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

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

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

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

Waverly Community Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
Assets		
Current and other assets	\$ 71.0	\$ 78.2
Capital assets	56.0	45.1
Total assets	127.0	123.3
Deferred Outflows of Resources	30.2	16.2
Liabilities		
Current liabilities	7.6	6.3
Noncurrent liabilities	62.1	65.7
Net pension liability	79.4	50.1
Net OPEB liability	4.5	3.2
Total liabilities	153.6	125.3
Deferred Inflows of Resources	15.8	32.6
Net Position (Deficit)		
Net investment in capital assets	44.8	43.0
Restricted	2.0	0.5
Unrestricted	(59.0)	(61.9)
Total net position (deficit)	<u>\$ (12.2)</u>	<u>\$ (18.4)</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(12.2) million at June 30, 2023. Net investment in capital assets totaling \$44.8 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position, \$(59.0) million, was unrestricted.

The \$(59.0) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, net of the pension and OPEB liabilities.

Waverly Community Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2023 and 2022:

	Governmental Activities	
	2023	2022
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.8	\$ 0.7
Operating grants	18.8	15.2
General revenue:		
Taxes	15.9	15.1
State aid not restricted to specific purposes	18.0	16.9
Other	2.1	0.1
Total revenue	55.6	48.0
Expenses		
Instruction	26.5	22.6
Support services	17.3	15.5
Athletics	1.0	1.0
Food services	1.8	1.5
Community services	0.4	0.3
Debt service	2.4	1.2
Total expenses	49.4	42.1
Change in Net Position	6.2	5.9
Net Position (Deficit) - Beginning of year	(18.4)	(24.3)
Net Position (Deficit) - End of year	\$ (12.2)	\$ (18.4)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$49.4 million. Certain activities were partially funded from those who benefited from the programs (\$0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$18.8 million). We paid for the remaining public benefit portion of our governmental activities with \$15.9 million in taxes, \$18.0 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$6.2 million. The key reason for this change was the increased funding due to the COVID-19 pandemic.

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

The School District's Funds

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

Waverly Community Schools

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$63.8 million, which is a decrease of \$8.5 million from last year. The primary reason for the decrease is related to an increase in capital outlay expenditures due to the first full year of spending 2022 Building and Site Series I Bond proceeds.

Fund balance of our General Fund and special revenue funds remained stable. The School District continues to maintain a General Fund fund balance in excess of 10 percent of current operating expenditures as a strategic effort to absorb significant changes in state funding or a significant decline in enrollment and to minimize the cost of borrowing to meet current cash obligations.

The fund balance of the 2022 Building and Site Series I Fund decreased by \$12.0 million, as the School District continued to spend proceeds from the 2022 Building and Site Series I bond issuance.

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

Combined, the fund balance of our non-major capital project funds increased by \$1.9 million. This increase is primarily due to funds transferred into the Board Designated Capital Projects Fund for various school construction projects designated by the Board of Education. The School District collected \$1.0 million in voter-approved Sinking Fund millage. This millage is available to fund specific capital projects allowed by state law and approved by the voters.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2023. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the School District had \$56.0 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, equipment, and construction in progress. This represents a net increase (including additions, disposals, and depreciation) of approximately \$10.9 million, or 24.3 percent, from last year.

	<u>2023</u>	<u>2022</u>
Land	\$ 100,500	\$ 100,500
Construction in progress	12,413,904	2,193,212
Buildings and improvements	82,367,807	79,615,507
Furniture and equipment	8,528,740	7,665,108
Buses and other vehicles	<u>2,223,717</u>	<u>2,519,208</u>
Total capital assets	105,634,668	92,093,535
Less accumulated depreciation	<u>49,645,146</u>	<u>47,037,388</u>
Total capital assets - Net of accumulated depreciation	<u>\$ 55,989,522</u>	<u>\$ 45,056,147</u>

This year's additions of \$14.0 million included technology, classroom furniture, food service equipment, buses, site improvements, and building renovations. We present more detailed information about our capital assets in the notes to the financial statements.

Waverly Community Schools

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$55.6 million in bonds outstanding versus \$58.9 million in the previous year. Those bonds consisted of the following:

	<u>2023</u>	<u>2022</u>
2013 School Facility Improvement Bonds	\$ -	\$ 70,000
2021 Building and Site Series IV Bonds	-	1,990,000
2022 Building and Site Series I Bonds	<u>55,580,000</u>	<u>56,850,000</u>
Total	<u>\$ 55,580,000</u>	<u>\$ 58,910,000</u>

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2023-2024 budget was adopted in June 2023 based on an estimate of students who will enroll in August 2023.

Contacting the School District's Management

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

June 30, 2023

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 7,407,656
Receivables:	
Accrued interest receivable	100,879
Other receivables	63,121
Due from other governments	6,483,041
Inventories	38,081
Prepaid expenses	180,750
Restricted assets - Unspent bond proceeds and taxes levied	56,674,434
Capital assets:	
Assets not subject to depreciation (Note 6)	12,514,404
Assets subject to depreciation - Net (Note 6)	43,475,118
Total assets	126,937,484

Deferred Outflows of Resources

Deferred pension costs (Note 9)	24,183,405
Deferred OPEB costs (Note 9)	6,044,506
Total deferred outflows of resources	30,227,911

Liabilities

Accounts payable	2,431,449
Due to other governmental units	1,037,397
Accrued liabilities and other	3,506,019
Unearned revenue (Note 10)	646,882
Noncurrent liabilities:	
Due within one year (Note 7)	3,858,267
Due in more than one year (Note 7)	58,235,026
Net pension liability (Note 9)	79,406,174
Net OPEB liability (Note 9)	4,453,161
Total liabilities	153,574,375

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 9)	5,703,115
Deferred pension costs (Note 9)	732,223
Deferred OPEB costs (Note 9)	9,322,431
Total deferred inflows of resources	15,757,769

Net Position (Deficit)

Net investment in capital assets	44,817,617
Restricted:	
Debt service	755,023
Capital projects	1,219,207
Unrestricted	(58,958,596)
Total net position (deficit)	\$ (12,166,749)

Waverly Community Schools

Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 26,509,542	\$ 12,442	\$ 16,370,051	\$ (10,127,049)
Support services	17,296,046	12,100	493,951	(16,789,995)
Athletics	979,542	94,547	-	(884,995)
Food services	1,791,377	78,625	1,929,443	216,691
Community services	403,839	645,778	-	241,939
Interest	2,345,899	-	-	(2,345,899)
Other debt costs	7,330	-	-	(7,330)
Total primary government	\$ 49,333,575	\$ 843,492	\$ 18,793,445	(29,696,638)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				9,025,720
Property taxes, levied for debt service				5,903,053
Property taxes, levied for capital projects				922,278
State aid not restricted to specific purposes				17,951,376
Interest and investment earnings				1,664,512
Penalties, interest, and other taxes				14,477
Gain on sale of capital assets				12,528
Other				412,059
Total general revenue				35,906,003
Change in Net Position				6,209,365
Net Position (Deficit) - Beginning of year				(18,376,114)
Net Position (Deficit) - End of year				\$ (12,166,749)

Waverly Community Schools

Governmental Funds Balance Sheet

June 30, 2023

	General Fund	Debt Service Fund	2022 Building and Site Series I Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 6,430,608	\$ -	\$ -	\$ 977,048	\$ 7,407,656
Receivables:					
Accrued interest receivable	-	-	100,879	-	100,879
Other receivables	25,453	-	-	35,268	60,721
Due from other governments	6,404,866	-	-	78,175	6,483,041
Due from other funds (Note 5)	2,515,427	237,860	-	2,428,211	5,181,498
Inventories	-	-	-	38,081	38,081
Prepaid expenses	180,750	-	-	-	180,750
Restricted assets - Unspent bond proceeds and taxes levied (Note 4)	-	980,330	51,560,620	4,133,484	56,674,434
Total assets	\$ 15,557,104	\$ 1,218,190	\$ 51,661,499	\$ 7,690,267	\$ 76,127,060
Liabilities					
Accounts payable	\$ 180,467	\$ -	\$ 2,155,531	\$ 95,451	\$ 2,431,449
Due to other governmental units	1,037,397	-	-	-	1,037,397
Due to other funds (Note 5)	2,541,280	-	2,258,319	379,499	5,179,098
Accrued liabilities and other	3,014,389	-	-	28,463	3,042,852
Unearned revenue	642,734	-	-	4,148	646,882
Total liabilities	7,416,267	-	4,413,850	507,561	12,337,678
Fund Balances					
Nonspendable:					
Inventories	-	-	-	38,081	38,081
Prepays	180,750	-	-	-	180,750
Restricted:					
Debt service	-	1,218,190	-	-	1,218,190
Capital projects	-	-	47,247,649	3,791,142	51,038,791
Food service	-	-	-	552,823	552,823
Committed:					
Capital projects	-	-	-	2,068,613	2,068,613
Community service	-	-	-	431,801	431,801
Student activities	-	-	-	300,246	300,246
Assigned - Subsequent year's budget	939,963	-	-	-	939,963
Unassigned	7,020,124	-	-	-	7,020,124
Total fund balances	8,140,837	1,218,190	47,247,649	7,182,706	63,789,382
Total liabilities and fund balances	\$ 15,557,104	\$ 1,218,190	\$ 51,661,499	\$ 7,690,267	\$ 76,127,060

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

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 63,789,382
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	105,634,668
Accumulated depreciation	<u>(49,645,146)</u>
Net capital assets used in governmental activities	55,989,522
Bonds payable and related premiums are not due and payable in the current period and are not reported in the funds	(60,991,489)
Accrued interest is not due and payable in the current period and is not reported in the funds	(463,167)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,101,804)
Net pension liability and related deferred inflows and outflows	(55,954,992)
Net OPEB liability and related deferred inflows and outflows	(7,731,086)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(5,703,115)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (12,166,749)</u></u>

Waverly Community Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	Debt Service Fund	2022 Building and Site Series I Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 9,458,090	\$ 5,947,141	\$ 1,364,053	\$ 2,016,307	\$ 18,785,591
State sources	29,941,775	94,416	-	88,668	30,124,859
Federal sources	2,466,130	-	-	2,473,036	4,939,166
Interdistrict sources	4,088,377	-	-	2,724	4,091,101
Total revenue	45,954,372	6,041,557	1,364,053	4,580,735	57,940,717
Expenditures					
Current:					
Instruction	25,378,583	-	-	332,815	25,711,398
Support services	17,798,474	-	-	204,870	18,003,344
Athletics	703,910	-	-	-	703,910
Food services	-	-	-	1,854,871	1,854,871
Community services	7,579	-	-	417,648	425,227
Debt service:					
Principal (Note 7)	70,000	3,260,000	-	-	3,330,000
Interest	700	2,454,222	-	-	2,454,922
Other debt costs	-	6,830	500	-	7,330
Capital outlay	197,824	-	13,332,072	481,906	14,011,802
Total expenditures	44,157,070	5,721,052	13,332,572	3,292,110	66,502,804
Excess of Revenue Over (Under) Expenditures	1,797,302	320,505	(11,968,519)	1,288,625	(8,562,087)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	22,413	-	-	-	22,413
Transfers in (Note 5)	137,349	-	-	1,350,000	1,487,349
Transfers out (Note 5)	(1,350,000)	-	-	(137,349)	(1,487,349)
Total other financing (uses) sources	(1,190,238)	-	-	1,212,651	22,413
Net Change in Fund Balances	607,064	320,505	(11,968,519)	2,501,276	(8,539,674)
Fund Balances - Beginning of year	7,533,773	897,685	59,216,168	4,681,430	72,329,056
Fund Balances - End of year	<u>\$ 8,140,837</u>	<u>\$ 1,218,190</u>	<u>\$ 47,247,649</u>	<u>\$ 7,182,706</u>	<u>\$ 63,789,382</u>

Waverly Community Schools

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ (8,539,674)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	13,977,413
Depreciation expense	(3,034,153)
Net book value of assets disposed of	(9,885)
Revenue in support of pension contributions made subsequent to the measurement date	(2,410,305)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	3,523,267
Interest expense is recognized in the government-wide statements as it accrues	(84,244)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	2,786,946
Change in Net Position of Governmental Activities	<u>\$ 6,209,365</u>

Waverly Community Schools

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2023

Custodial Funds

Assets - Cash (Note 4)	\$ 8,064
Liabilities - Due to other funds (Note 5)	<u>2,400</u>
Net Position - Restricted for individuals, organizations, and other governments	<u><u>\$ 5,664</u></u>

Waverly Community Schools

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions - Fundraising and contributions	\$ 2,571
Deductions	
Scholarships	500
Other	<u>1,596</u>
Total deductions	<u>2,096</u>
Net Change in Fiduciary Net Position	475
Net Position - Beginning of year	<u>5,189</u>
Net Position - End of year	<u><u>\$ 5,664</u></u>

June 30, 2023

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Report Presentation

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

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

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

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

June 30, 2023

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.
- The 2022 Building and Site Series I capital project fund is used to record bond proceeds and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades. The fund will operate until the purpose for which it was created is accomplished.

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

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

Fiduciary Funds

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

Interfund Activity

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

Note 2 - Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

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

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories accounted for using the purchase method are recorded as expenditures when purchased and include all inventories of governmental funds other than commodities within the Food Services Fund. Inventories accounted for using the consumption method are recorded as expenditures when consumed rather than when purchased and include commodities within the Food Services Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The following amounts are reported as restricted assets:

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

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

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

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

Net Position

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

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

Note 2 - Significant Accounting Policies (Continued)

Property Tax Revenue

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

Grants and Contributions

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

Pension and Other Postemployment Benefit (OPEB) Plans

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

Compensated Absences (Vacation and Sick Leave)

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

Use of Estimates

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

Tax Abatements

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

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that capital outlay expenditures are budgeted within the functions. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased budgeted state revenue sources and related expenditure amounts during the year in response to increases in 147c(2) and at-risk funding.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. At June 30, 2023, encumbrances totaled approximately \$590,000 in the 2021 Building and Site Series IV capital project fund and \$32,850,000 in the 2022 Building and Site Series I capital project fund.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Project Fund Compliance

The 2021 Building and Site Series IV and 2022 Building and Site Series I capital project funds include project activities funded or that will be funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

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

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

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

Note 4 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District had bank deposits totaling \$10,020,626 (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2023, the School District does not have investments with custodial credit risk.

Interest Rate Risk

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

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

Primary Government	Carrying Value	Less Than 1 Year
U.S. Treasury notes	\$ 42,003,278	\$ 42,003,278
Primary Government	Carrying Value	Weighted- average Maturity (Years)
U.S. Treasury notes	\$ 42,003,278	0.47

Note 4 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. At June 30, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Michigan liquid asset fund (MILAF) - Cash management class	\$ 6,947,732	AAAm	Standard & Poor's
MILAF Plus MAX class funds	5,172,412	AAAm	Standard & Poor's
Total	<u>\$ 12,120,144</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of issuer will be minimized. At June 30, 2023, the School District did not have any investments subject to concentration of credit risk.

Foreign Currency Risk

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

Fair Value Measurements

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

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

The School District has the following recurring fair value measurements as of June 30, 2023:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Assets - Debt securities - U.S.				
Treasury notes	\$ -	\$ 42,003,278	\$ -	\$ 42,003,278

June 30, 2023

Note 4 - Deposits and Investments (Continued)

The fair value of U.S. Treasury securities at June 30, 2023 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From					
	General Fund	2022 Building and Site Series I Fund	Nonmajor Funds	Total	Fiduciary Funds	Total
General Fund	\$ -	\$ 2,258,319	\$ 254,708	\$ 2,513,027	\$ 2,400	\$ 2,515,427
Nonmajor Funds	2,303,420	-	124,791	2,428,211	-	2,428,211
Debt Service Fund	237,860	-	-	237,860	-	237,860
Total	\$ 2,541,280	\$ 2,258,319	\$ 379,499	\$ 5,179,098	\$ 2,400	\$ 5,181,498

Interfund balances owed to the General Fund represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund accounts. Interfund balances owed to the nonmajor funds represent reimbursements for allocated expenditures. Interfund balances owed to the Debt Service Fund relate to property tax revenue collected and due from the General Fund.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Board Designated Capital Projects Fund	\$ 1,350,000
Food Services Fund	General Fund	124,995
Student Activities Fund	General Fund	12,354
	Total	\$ 1,487,349

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

June 30, 2023

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 100,500	\$ -	\$ -	\$ -	\$ 100,500
Construction in progress	2,193,212	(30,300)	10,250,992	-	12,413,904
Subtotal	2,293,712	(30,300)	10,250,992	-	12,514,404
Capital assets being depreciated:					
Buildings and improvements	79,615,507	30,300	2,798,545	(76,545)	82,367,807
Furniture and equipment	7,665,108	-	898,810	(35,178)	8,528,740
Buses and other vehicles	2,519,208	-	29,066	(324,557)	2,223,717
Subtotal	89,799,823	30,300	3,726,421	(436,280)	93,120,264
Accumulated depreciation:					
Buildings and improvements	40,043,847	-	2,194,632	(76,545)	42,161,934
Furniture and equipment	5,056,015	-	681,065	(35,178)	5,701,902
Buses and other vehicles	1,937,526	-	158,456	(314,672)	1,781,310
Subtotal	47,037,388	-	3,034,153	(426,395)	49,645,146
Net capital assets being depreciated	42,762,435	30,300	692,268	(9,885)	43,475,118
Net governmental activities capital assets	<u>\$ 45,056,147</u>	<u>\$ -</u>	<u>\$ 10,943,260</u>	<u>\$ (9,885)</u>	<u>\$ 55,989,522</u>

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

Governmental activities:	
Instruction	\$ 2,427,323
Support services	303,415
Athletics	303,415
Total governmental activities	<u>\$ 3,034,153</u>

Construction Commitments

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2021 Building and Site Bonds Series IV	\$ 2,699,217	\$ 592,104
2022 Building and Site Bonds Series I	13,355,646	32,854,418
Total	<u>\$ 16,054,863</u>	<u>\$ 33,446,522</u>

June 30, 2023

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligations	\$ 58,910,000	\$ -	\$ (3,330,000)	\$ 55,580,000	\$ 3,665,000
Unamortized bond premiums	5,604,756	-	(193,267)	5,411,489	193,267
Total bonds payable - other debt	64,514,756	-	(3,523,267)	60,991,489	3,858,267
Compensated absences	1,103,594	153,398	(155,188)	1,101,804	-
Total governmental activities long-term debt	\$ 65,618,350	\$ 153,398	\$ (3,678,455)	\$ 62,093,293	\$ 3,858,267

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2023 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing	Outstanding
Governmental Activities				
\$55,580,000 Building and Site Series I Bonds (2022)	\$1,360,000 - \$3,665,000	3.0 - 5.0	May 1, 2051	\$ 55,580,000

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities - Other Debt		
	Principal	Interest	Total
2024	\$ 3,665,000	\$ 2,144,700	\$ 5,809,700
2025	1,360,000	1,989,075	3,349,075
2026	1,380,000	1,920,950	3,300,950
2027	1,395,000	1,851,700	3,246,700
2028	1,420,000	1,781,700	3,201,700
2029-2033	7,555,000	7,813,600	15,368,600
2034-2038	8,795,000	6,061,850	14,856,850
2039-2043	10,185,000	4,197,725	14,382,725
2044-2048	11,840,000	2,233,125	14,073,125
2049-2051	7,985,000	426,300	8,411,300
Total	\$ 55,580,000	\$ 30,420,725	\$ 86,000,725

Note 8 - Risk Management

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

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

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

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

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

Benefits Provided

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

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

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

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

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

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

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

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

Contributions

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

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

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

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

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

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

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$10,334,253, which includes the School District's contributions required for those members with a defined contribution benefit. For the year ended June 30, 2023, the School District's required and actual pensions contributions include an allocation of \$3,604,119 in revenue received from the State of Michigan and remitted to the System to fund the MPSERs unfunded actuarial accrued liability (UAAL) stabilization rate and \$2,098,996 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2023 were \$1,912,046, which includes the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2023, the School District reported a liability of \$79,406,174 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.21 and 0.21 percent, respectively, representing a change of (0.32) percent.

Net OPEB Liability

At June 30, 2023, the School District reported a liability of \$4,453,161 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022 and 2021, the School District's proportion was 0.21 and 0.21 percent, respectively, representing a change of 0.32 percent.

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

For 2023, the School District recognized pension expense of \$10,308,853, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 794,339	\$ (177,544)
Changes in assumptions	13,644,826	-
Net difference between projected and actual earnings on pension plan investments	186,208	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	549,192	(554,679)
The School District's contributions to the plan subsequent to the measurement date	9,008,840	-
Total	<u>\$ 24,183,405</u>	<u>\$ (732,223)</u>

June 30, 2023

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

The \$5,703,115 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2024	\$ 4,387,887
2025	2,988,576
2026	2,523,523
2027	4,542,356
Total	<u>\$ 14,442,342</u>

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

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

For the year ended June 30, 2023, the School District recognized OPEB recovery of \$1,494,773.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (8,722,037)
Changes in assumptions	3,969,246	(323,199)
Net difference between projected and actual earnings on OPEB plan investments	348,050	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	395,464	(277,195)
Employer contributions to the plan subsequent to the measurement date	1,331,746	-
Total	<u>\$ 6,044,506</u>	<u>\$ (9,322,431)</u>

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

Years Ending	Amount
2024	\$ (1,517,783)
2025	(1,468,947)
2026	(1,371,043)
2027	(169,705)
2028	(84,305)
Thereafter	2,112
Total	<u>\$ (4,609,671)</u>

June 30, 2023

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

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2022 are based on the results of an actuarial valuation as of September 30, 2021 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant
		Mortality tables, scaled 100% (retirees: 82% for
		males and 78% for females) and adjusted for
		mortality improvements using projection scale MP-
		2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2021, for the pension and OPEB plans include a decrease in the discount rate used in the September 30, 2022 measurement date by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return used in the September 30, 2022 measurement date decreased by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

Discount Rate

The discount rate used to measure the total pension and OPEB liability was 6.00 percent as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2023

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %
Private equity pools	16.00	8.70
International equity pools	15.00	6.70
Fixed-income pools	13.00	(0.02)
Real estate and infrastructure pools	10.00	5.30
Absolute return pools	9.00	2.70
Short-term investment pools	10.00	5.80
Real return/opportunistic pools	2.00	(0.50)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

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

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

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability of the School District	\$ 104,786,649	\$ 79,406,174	\$ 58,491,518

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

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

	1 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability of the School District	\$ 7,469,750	\$ 4,453,161	\$ 1,912,820

June 30, 2023

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

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

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

	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 1,864,771	\$ 4,453,161	\$ 7,358,681

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2023, the School District reported a payable of \$1,401,507 and \$146,686 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

Note 10 - Unavailable/Unearned Revenue

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

At June 30, 2023, the School District had no unavailable revenue and \$646,882 of unearned revenue, primarily related to tuition/fees not yet earned and grant/categorical aid payment received prior to meeting all eligibility requirements.

Required Supplementary Information

Waverly Community Schools

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 9,139,585	\$ 9,386,578	\$ 9,458,090	\$ 71,512
State sources	24,998,428	30,009,531	29,941,775	(67,756)
Federal sources	2,469,835	2,741,472	2,466,130	(275,342)
Interdistrict sources	3,634,780	4,057,720	4,088,377	30,657
Total revenue	40,242,628	46,195,301	45,954,372	(240,929)
Expenditures				
Current:				
Instruction:				
Basic programs	16,836,804	18,652,460	18,076,430	(576,030)
Added needs	6,659,145	6,946,408	7,320,581	374,173
Total instruction	23,495,949	25,598,868	25,397,011	(201,857)
Support services:				
Pupil	4,842,304	4,844,237	4,845,510	1,273
Instructional staff	2,646,899	2,753,485	2,632,337	(121,148)
General administration	393,623	411,658	408,163	(3,495)
School administration	2,655,358	2,556,333	2,562,021	5,688
Business	757,823	749,515	774,822	25,307
Operations and maintenance	3,847,304	4,142,808	3,972,158	(170,650)
Pupil transportation services	1,195,740	1,172,250	1,242,824	70,574
Central	1,298,864	1,280,893	1,313,671	32,778
Other	248,645	268,413	211,112	(57,301)
Total support services	17,886,560	18,179,592	17,962,618	(216,974)
Athletics	710,256	734,407	719,162	(15,245)
Community services	3,484	4,665	7,579	2,914
Debt service	70,700	70,700	70,700	-
Total expenditures	42,166,949	44,588,232	44,157,070	(431,162)
Excess of Expenditures (Under) Over Revenue	(1,924,321)	1,607,069	1,797,302	190,233
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	22,413	22,413
Transfers in	125,000	137,354	137,349	(5)
Transfers out	(457,291)	(1,350,000)	(1,350,000)	-
Total other financing uses	(332,291)	(1,212,646)	(1,190,238)	22,408
Net Change in Fund Balance	(2,256,612)	394,423	607,064	212,641
Fund Balance - Beginning of year	7,533,773	7,533,773	7,533,773	-
Fund Balance - End of year	\$ 5,277,161	\$ 7,928,196	\$ 8,140,837	\$ 212,641

Waverly Community Schools

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

	Last Nine Plan Years								
	Years Ended September 30								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.21114 %	0.21181 %	0.21392 %	0.21044 %	0.20231 %	0.19595 %	0.19448 %	0.18841 %	0.19694 %
School District's proportionate share of the net pension liability	\$ 79,406,174	\$ 50,146,065	\$ 73,483,734	\$ 69,691,226	\$ 60,817,605	\$ 50,780,227	\$ 48,522,117	\$ 46,018,023	\$ 43,379,599
School District's covered payroll	\$ 20,389,653	\$ 18,895,255	\$ 18,997,113	\$ 18,516,731	\$ 17,729,779	\$ 16,322,786	\$ 16,578,967	\$ 15,684,300	\$ 16,735,115
School District's proportionate share of the net pension liability as a percentage of its covered payroll	389.44 %	265.39 %	386.82 %	376.37 %	343.03 %	311.10 %	292.67 %	293.40 %	259.21 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

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Waverly Community Schools

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

	Last Nine Fiscal Years Years Ended June 30								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 10,109,645	\$ 7,285,143	\$ 6,411,953	\$ 5,961,088	\$ 5,592,189	\$ 5,157,127	\$ 4,577,160	\$ 4,394,123	\$ 3,447,307
Contributions in relation to the statutorily required contribution	<u>10,109,645</u>	<u>7,285,143</u>	<u>6,411,953</u>	<u>5,961,088</u>	<u>5,592,189</u>	<u>5,157,127</u>	<u>4,577,160</u>	<u>4,394,123</u>	<u>3,447,307</u>
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 22,073,816	\$ 20,104,556	\$ 18,590,639	\$ 19,093,685	\$ 18,266,919	\$ 17,408,712	\$ 16,219,099	\$ 15,836,354	\$ 15,893,807
Contributions as a Percentage of Covered Payroll	45.80 %	36.24 %	34.49 %	31.22 %	30.61 %	29.62 %	28.22 %	27.75 %	21.69 %

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Waverly Community Schools

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.21025 %	0.20957 %	0.21452 %	0.21215 %	0.20756 %	0.19555 %
School District's proportionate share of the net OPEB liability	\$ 4,453,161	\$ 3,198,790	\$ 11,492,402	\$ 15,227,338	\$ 16,498,661	\$ 17,316,480
School District's covered payroll	\$ 20,389,653	\$ 18,895,255	\$ 18,997,113	\$ 18,516,731	\$ 17,729,779	\$ 16,322,786
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.84 %	16.93 %	60.50 %	82.24 %	93.06 %	106.09 % ⁶⁷
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Waverly Community Schools

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

	Last Six Fiscal Years Years Ended June 30					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 1,776,766	\$ 1,638,360	\$ 1,547,066	\$ 1,534,292	\$ 1,434,871	\$ 1,257,383
Contributions in relation to the statutorily required contribution	<u>1,776,766</u>	<u>1,638,360</u>	<u>1,547,066</u>	<u>1,534,292</u>	<u>1,434,871</u>	<u>1,257,383</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 22,073,816	\$ 20,104,556	\$ 18,590,639	\$ 19,093,685	\$ 18,266,919	\$ 17,408,712
Contributions as a Percentage of Covered Payroll	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %	7.22 % ⁶⁸

June 30, 2023

Pension Information

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

The required contributions for the year ended June 30, 2023 include a one-time contribution of \$2,098,996, referred to as 147c(2), related to funding received from the State and remitted to the System for the purpose of contributing additional assets to the System.

Benefit Changes

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

Changes in Assumptions

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

- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

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

Benefit Changes

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

Changes in Assumptions

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

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

June 30, 2023

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

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

Other Supplementary Information

Waverly Community Schools

Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds				Capital Project Funds					Total
	Food Services Fund	Community Services Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	Board Designated Capital Projects Fund	2021 Building and Site Series IV Fund	Total Capital Project Funds		
Assets										
Cash and investments	\$ 160	\$ 97,411	\$ 160,864	\$ 258,435	\$ -	\$ 718,613	\$ -	\$ 718,613	\$ 977,048	
Receivables:										
Other receivables	-	35,268	-	35,268	-	-	-	-	35,268	
Due from other governments	78,175	-	-	78,175	-	-	-	-	78,175	
Due from other funds	615,141	323,688	139,382	1,078,211	-	1,350,000	-	1,350,000	2,428,211	
Inventories	38,081	-	-	38,081	-	-	-	-	38,081	
Restricted assets	-	-	-	-	3,141,054	-	992,430	4,133,484	4,133,484	
Total assets	\$ 731,557	\$ 456,367	\$ 300,246	\$ 1,488,170	\$ 3,141,054	\$ 2,068,613	\$ 992,430	\$ 6,202,097	\$ 7,690,267	
Liabilities										
Accounts payable	\$ 367	\$ 7,450	\$ -	\$ 7,817	\$ -	\$ -	\$ 87,634	\$ 87,634	\$ 95,451	
Due to other funds	124,791	-	-	124,791	26,126	-	228,582	254,708	379,499	
Accrued liabilities and other	12,747	15,716	-	28,463	-	-	-	-	28,463	
Unearned revenue	2,748	1,400	-	4,148	-	-	-	-	4,148	
Total liabilities	140,653	24,566	-	165,219	26,126	-	316,216	342,342	507,561	
Fund Balances										
Nonspendable	38,081	-	-	38,081	-	-	-	-	38,081	
Restricted:										
Capital projects	-	-	-	-	3,114,928	-	676,214	3,791,142	3,791,142	
Food service	552,823	-	-	552,823	-	-	-	-	552,823	
Committed	-	431,801	300,246	732,047	-	2,068,613	-	2,068,613	2,800,660	
Total fund balances	590,904	431,801	300,246	1,322,951	3,114,928	2,068,613	676,214	5,859,755	7,182,706	
Total liabilities and fund balances	\$ 731,557	\$ 456,367	\$ 300,246	\$ 1,488,170	\$ 3,141,054	\$ 2,068,613	\$ 992,430	\$ 6,202,097	\$ 7,690,267	

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

Year Ended June 30, 2023

	Special Revenue Funds				Capital Project Funds				Total
	Food Services Fund	Community Services Fund	Student Activities Fund	Total Special Revenue Funds	Sinking Fund	Board Designated Capital Projects Fund	2021 Building and Site Series IV Fund	Total Capital Project Funds	
Revenue									
Local sources	\$ 78,625	\$ 645,601	\$ 271,538	\$ 995,764	\$ 981,100	\$ 12,137	\$ 27,306	\$ 1,020,543	\$ 2,016,307
State sources	88,668	-	-	88,668	-	-	-	-	88,668
Federal sources	1,849,038	623,998	-	2,473,036	-	-	-	-	2,473,036
Interdistrict sources	-	-	2,724	2,724	-	-	-	-	2,724
Total revenue	2,016,331	1,269,599	274,262	3,560,192	981,100	12,137	27,306	1,020,543	4,580,735
Expenditures									73
Current:									
Instruction	-	332,815	-	332,815	-	-	-	-	332,815
Support services	48	-	203,756	203,804	1,066	-	-	1,066	204,870
Food services	1,854,871	-	-	1,854,871	-	-	-	-	1,854,871
Community services	-	417,648	-	417,648	-	-	-	-	417,648
Capital outlay	24,703	-	-	24,703	-	-	457,203	457,203	481,906
Total expenditures	1,879,622	750,463	203,756	2,833,841	1,066	-	457,203	458,269	3,292,110
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	1,350,000	-	1,350,000	1,350,000
Transfers out	(124,995)	-	(12,354)	(137,349)	-	-	-	-	(137,349)
Total other financing (uses) sources	(124,995)	-	(12,354)	(137,349)	-	1,350,000	-	1,350,000	1,212,651
Net Change in Fund Balances	11,714	519,136	58,152	589,002	980,034	1,362,137	(429,897)	1,912,274	2,501,276
Fund Balances (Deficit) - Beginning of year	579,190	(87,335)	242,094	733,949	2,134,894	706,476	1,106,111	3,947,481	4,681,430
Fund Balances - End of year	\$ 590,904	\$ 431,801	\$ 300,246	\$ 1,322,951	\$ 3,114,928	\$ 2,068,613	\$ 676,214	\$ 5,859,755	\$ 7,182,706

**Other Supplementary Information
Schedule of Bonded Indebtedness**

June 30, 2023

Years Ending June 30	2022 Building and Site Series I Principal
2024	\$ 3,665,000
2025	1,360,000
2026	1,380,000
2027	1,395,000
2028	1,420,000
2029	1,455,000
2030	1,470,000
2031	1,500,000
2032	1,530,000
2033	1,600,000
2034	1,660,000
2035	1,705,000
2036	1,760,000
2037	1,810,000
2038	1,860,000
2039	1,920,000
2040	1,980,000
2041	2,035,000
2042	2,095,000
2043	2,155,000
2044	2,220,000
2045	2,300,000
2046	2,370,000
2047	2,440,000
2048	2,510,000
2049	2,585,000
2050	2,660,000
2051	2,740,000
Total remaining payments	\$ 55,580,000
Interest rate	3.0% - 5.0%
Original issue	\$ 55,850,000

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

Waverly Community Schools

Federal Awards Supplemental Information
June 30, 2023

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Independent Auditor's Report

To the Board of Education
Waverly Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly Community Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated September 22, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to September 22, 2023.

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

Plante & Moran, PLLC

September 22, 2023

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*

Independent Auditor's Report

To Management and the Board of Education
Waverly 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waverly Community Schools (the "School District") as of and for the year ended June 30, 2023 and the related notes to the basic financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's 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 School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's 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 financial statements. 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*.

To Management and the Board of Education
Waverly Community Schools

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 22, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Waverly Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Board of Education
Waverly Community Schools

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

To the Board of Education
Waverly Community Schools

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

Plante & Moran, PLLC

September 22, 2023

Waverly Community Schools

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2023	Current Year Cash Transferred to Subrecipients
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Noncash Assistance (Commodities):										
National Lunch Program Entitlement Commodities 2022-2023	N/A	10.555	\$ 99,472	\$ -	\$ -	\$ -	\$ 99,472	\$ 99,472	\$ -	\$ -
National Lunch Program Bonus Commodities 2022-2023	N/A	10.555	5,029	-	-	-	5,029	5,029	-	-
Noncash Assistance (Commodities) subtotal			104,501	-	-	-	104,501	104,501	-	-
Cash Assistance:										
National School Lunch Program 2021-2022	221960/221980	10.555	171,846	-	-	-	171,846	171,846	-	-
National School Lunch Program 2022-2023	231960/231980	10.555	978,781	-	-	-	941,476	978,781	37,305	-
Supply Chain Assistance 2021-2022	220910	10.555	55,886	-	-	-	55,886	55,886	-	-
Supply Chain Assistance 2022-2023	230910	10.555	31,033	-	-	-	31,033	31,033	-	-
Seamless Summer Option (SSO) Lunch	221961	10.555	1,065,396	1,065,396	13,364	-	13,364	-	-	-
National School Lunch Program (incl. commodities) subtotal			2,407,443	1,065,396	13,364	-	1,318,106	1,342,047	37,305	-
School Breakfast Program 2021-2022	221970	10.553	69,321	-	-	-	69,321	69,321	-	-
School Breakfast Program 2022-2023	231970	10.553	405,727	-	-	-	386,790	405,727	18,937	-
School Breakfast Program subtotal			475,048	-	-	-	456,111	475,048	18,937	-
Summer Food Service Program 2022-2023	220900/220904	10.559	58,257	38,855	2,444	-	19,577	19,402	2,269	-
Seamless Summer Option (SSO) Breakfast	221971	10.559	449,506	449,506	4,967	-	4,967	-	-	-
Summer Food Service Program for Children subtotal			507,763	488,361	7,411	-	24,544	19,402	2,269	-
Total Child Nutrition Cluster			3,390,254	1,553,757	20,775	-	1,798,761	1,836,497	58,511	-
Special Education Cluster - U.S. Department of Education - Passed through Ingham Intermediate School District - ARP Special Education Preschool - IDEA ARP Preschool 2021-2022										
IDEA Preschool Incentive:										
IDEA Preschool 2021-2022	220460-2022	84.173	40,263	40,263	40,263	-	40,263	-	-	-
IDEA Preschool 2022-2023	230460-2023	84.173	42,612	-	-	-	-	42,612	42,612	-
Total IDEA Preschool Incentive			84,173	40,263	40,263	-	40,263	42,612	42,612	-
IDEA Flowthrough:										
IDEA Flowthrough 2020-2021	210450-2021	84.027	6,928	6,277	6,277	-	6,928	651	-	-
IDEA Flowthrough 2021-2022	220450-2022	84.027	5,739	-	-	-	-	5,739	5,739	-
Total IDEA Flowthrough Incentive			84,027	6,277	6,277	-	6,928	6,390	5,739	-
Total Special Education Cluster			99,630	46,540	46,540	-	47,191	49,797	49,146	-
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through Ingham Intermediate School District - Medicaid Outreach 2022-2023										
	N/A	93.778	28,705	-	-	-	28,705	28,705	-	-
Total clusters			3,518,589	1,600,297	67,315	-	1,874,657	1,914,999	107,657	-

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2023	Current Year Cash Transferred to Subrecipients
Other federal awards:										
U.S. Department of Health and Human Services -										
Passed through Ingham Intermediate School District:										
Healthcare Resource Advocates (HRA) Grant	222810-HRA2022	93.323	\$ 47,937	\$ 47,937	\$ 47,937	\$ -	\$ 47,937	\$ -	\$ -	\$ -
Healthcare Resource Advocates (HRA) Grant	232810-HRA2023	93.323	112,000	-	-	-	30,161	91,780	61,619	-
Total HRA Grant		93.323	159,937	47,937	47,937	-	78,098	91,780	61,619	-
U.S. Department of Agriculture -										
Passed through the Michigan Department of Education:										
COVID-19 Pandemic EBT Local Level Costs	210980-2021	10.649	3,135	-	-	-	3,135	3,135	-	-
Local Food for Schools	230985	10.185	12,541	-	-	-	12,541	12,541	-	-
Title I, Technical Assistance Grant - U.S. Department of Education:										
Passed through Calhoun Intermediate School District -										
Title I Technical Assistance Grant 2022-23	231580-2223	84.010	20,000	-	-	-	-	9,014	9,014	-
Passed through the Michigan Department of Education:										
Title I, Part A 2021-22	221530-2122	84.010	465,799	465,799	34,963	-	34,963	-	-	-
Title I, Part A 2022-23	231530-2223	84.010	465,147	-	-	-	298,590	447,651	149,061	-
Total Title I, Part A		84.010	950,946	465,799	34,963	-	333,553	456,665	158,075	-
Improving Teacher Quality, Title II, Part A - U.S. Department of Education - Passed through the Michigan Department of Education:										
Title II, Part A 2122	220520-2122	84.367	123,383	123,383	13,266	-	13,266	-	-	-
Title II, Part A 2223	230520-2223	84.367	116,808	-	-	34,557	71,446	104,211	32,765	-
Total Title II, Part A		84.367	240,191	123,383	13,266	34,557	84,712	104,211	32,765	-
English Language Acquisition Grant - U.S. Department of Education - Passed through the Michigan Department of Education:										
Title III, Part A - Limited English Proficient Students 2122	220580-2122	84.365	14,579	14,067	2,393	-	2,393	-	-	-
Title III, Part A - Limited English Proficient Students 2223	230580-2223	84.365	16,239	-	-	-	7,615	11,132	3,517	-
Total Title III, Part A		84.365	30,818	14,067	2,393	-	10,008	11,132	3,517	-
Student Support and Academic Enrichment Grants - U.S. Department of Education - Passed through the Michigan Department of Education -										
Title IV, Part A 2223	230750-2223	84.424	-	-	-	(34,557)	-	-	-	-
Education Stabilization Fund Grants - U.S. Department of Education - Passed through the Michigan Department of Education:										
COVID-19 ESSER Summer School	213722-2122	84.425D	120,450	120,450	8,949	-	8,949	-	-	-
COVID-19 ESSER Credit Recovery	213742-2122	84.425D	97,350	97,350	14,654	-	14,654	-	-	-
COVID-19 ESSER II Funds - Formula	213712-2021	84.425D	1,601,466	1,601,466	276,693	-	276,693	-	-	-
COVID-19 GEER Funds 98c Learning Loss	213782-2223	84.425D	145,718	-	-	-	99,540	145,718	46,178	-
COVID-19 ESSER III Funds - Formula	213713-2122	84.425U	3,599,224	-	-	-	1,103,312	1,574,987	471,675	-
Total Education Stabilization Fund Grants		84.425	5,564,208	1,819,266	300,296	-	1,503,148	1,720,705	517,853	-
Total federal awards			\$10,480,365	\$ 4,070,749	\$ 466,170	\$ -	\$ 3,899,852	\$ 4,315,168	\$ 881,486	\$ -

Waverly Community Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Revenue from federal sources - As reported on the basic financial statements (includes all funds)	\$ 4,939,166
MDE Child Care Relief Fund payments - Beneficiary payments not subject to single audit	<u>(623,998)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 4,315,168</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as outlined in the Compliance Supplement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The School District has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized the Michigan Department of Education NexSys Grant Auditor Report (GAR) in preparing the schedule of expenditures of federal awards. Differences, if any, between the GAR and the schedule of expenditures of federal awards relate to the timing of payments and the fiscal year to which the payments relate.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance and is reported on the schedule of expenditures of federal awards.

Note 5 - Adjustments and Transfers

During the year ended June 30, 2023, the School District transferred \$34,557 of awarded Title IV, Part A funds to Title II, Part A. The Title II, Part A payments received and expenditures presented on the schedule of expenditures of federal awards include \$20,949 and \$34,557, respectively, of amounts related to the transfer of Title IV, Part A funds awarded. The transfer was approved by the Michigan Department of Education.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555, 10.559	Child Nutrition Cluster	Unmodified
84.425D, 84.425U	Education Stabilization Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	88

September 22, 2023

To Mr. Evan Nuffer
Waverly Community Schools
515 Snow Road
Lansing, MI 48917

Dear Evan:

Enclosed are your annual financial reports and report to the Board of Education for the year ended June 30, 2023 as follows:

- Financial statements
- Single audit report
- Required communication, under AU 260, to the Board of Education

To assist you in determining the distribution requirements of your annual reports, the filing requirements for several agencies are summarized below. In general, please ensure that the financial statements are included with any distributions of the single audit report.

The single audit report package (as referred to below) includes the following:

- Financial statements
- Single audit report

Single Audit Filing Requirements

The OMB announced that the General Services Administration will be accepting single audit package submissions starting on October 1, 2023 in its transition to becoming the new Federal Audit Clearinghouse. The portal to file the 2023 single audit reports is not available. We will communicate the process when the portal is made available.

Additional State Filing Requirements for School Districts

- One copy of the financial statements, single audit report, and report to the Board of Education will be transmitted to the Michigan Department of Education on your behalf. We will also notify the Department once the data collection form has been submitted.
- One copy of the financial statements, single audit report, report to the Board of Education, and data collection form, which can be printed from the GSA website, should be forwarded to the intermediate school district by November 1.

Securities and Exchange Commission

Please be advised that, because you have issued bonds after July 1, 1995, you may be required to submit information, including your annual financial statements, to the Municipal Securities Rulemaking Board (MSRB). Submissions must be made electronically as PDFs to the Electronic Municipal Market Access (EMMA) system (www.emma.msrb.org). In addition, you are obligated to provide continuing disclosure documents to a State Information Depository (SID) if required by applicable state law or by an outstanding continuing disclosure agreement in effect prior to July 1, 2009. The SID for Michigan is as follows:

Municipal Advisory Council of Michigan
Buhl Building - 535 Griswold, Suite 1850
Detroit, MI 48226-3699

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To Mr. Evan Nuffer
Waverly Community Schools

September 22, 2023

In addition to the report submission requirement, it is also likely that your bond documents (either the bond awarding resolution or the bond official statement) may have committed you to make additional nonfinancial disclosures (such as population, taxable valuation, millage rates, and other demographic data). As a result, there may be additional information required to be sent to the above repositories (which will also have a due date - often 180 days after year end). Please contact your bond financial advisors to determine if these disclosure requirements apply to you. If you, your bond counsel, or financial advisors need assistance in supplying the appropriate information, please contact us.

Thank you for the opportunity to serve as your auditors. Please contact us if you have any questions regarding these filing requirements.

Very truly yours,

Plante & Moran, PLLC

Minutes of Regular Meeting

The Board of Trustees Waverly Community Schools

Opening of Meeting

The regular monthly meeting of the Waverly Community Schools Board of Education was held on Monday, September 18, 2023 in the Waverly Board of Education Meeting Room, located at 515 Snow Rd., Lansing, MI 48917. President Guevara Warren called the meeting to order at 6:00 PM. The pledge to the flag was led by Vice President Holly Nester.

Members Present: Alicia Guevara Warren
 Holly Nester
 Vince Perkins
 Deborah Lopez
 Cathy Pike
 Mary Ann Martin
 Amy Krause

Members Absent: None

Staff Present: Kelly Blake, Superintendent
 Evan Nuffer, Director of Finance & Facilities
 Shawn Lewis, Director of School Culture
 Chris Huff, Director of Teaching & Learning
 Jon Harpst, Director of IT
 Ann Marie Lindsay
 Tony Terranova
 Molly Francis
 Bernard Colton
 Doreatha Rusher
 Susan Ruegsegger
 Todd Simon

Correspondence:

President Guevara Warren reminded all board members of the upcoming opportunity to listen to speaker Jamie Vollmer, who will share why investing in our schools is the best investment. Invitations were forwarded to the each BOE Waverly emails.

Public Comment for Agenda Items:

Staff Member Todd Simon voiced concern for the safety and security of the High School as there is a large number of construction workers entering and exiting the building all day and there have been times when outside doors have been propped open. Mr. Simon also mentioned the lack of IDs as a concern when he talked about the large number of construction workers entering and exiting the building. Mr. Simon stated he had addressed these concerns with the High School Administrators and the School Resource Officer.

Superintendent Blake will communicate with High School Administrators regarding the need for all outside doors to remain locked at all times and is confident they are doing everything possible to keep students and staff safe throughout the construction process.

Board Member Comment:

Member Lopez:

- The Waverly Cross Country team received a new pair of shoes from Playmakers for all participants in both Middle School and High School. The Cross Country Alumni group donated enough funds to ensure all participants a new pair of running shoes.
- The soccer field shed at Elmwood was painted by a community member and looks amazing.

Member Martin:

- Relieved that the weather has been cooler and that the buildings/classrooms are not so hot.

Member Perkins:

- Was at the Middle School on the first day of school for students and heard a student tell Mr. Colten that he was her favorite Principal of all time and when asked how she knew that as it was the first day of school, she said because I know you care.

Member Pike:

- Has been reviewing the 7th & 8th grade proposed curriculum and is very impressed with the content and materials.

Member Guevara Warren:

- Attended Colt on the first day of school and was very impressed with staff and how they handled the first day jitters of students and parents.
- The Homecoming Parade was well attended and fun. There was a large amount of participants from all groups represented.
- There is a Board of Education Professional Development session scheduled on October 30, 2023 from 4 – 7 pm to work on working norms. A list will be emailed to all board members with additional information. The Board will also work on the protocols that were recommended by MASB. A board assessment link will also be sent to board members to complete before the October PD session.
- The New Board Member orientation process is being reviewed and revamped for better onboarding.
- NEOLA policy review will begin and is a lengthy process, up to 2 years to complete.
- Strategic planning work will begin in November led by Waverly Administration.
- The Board will be entering into 2 separate closed sessions to discuss personnel matters, one after the Approval of Agenda and Acceptance of Reports and the 2nd at the end of the regular meeting.

Approval of Agenda and Acceptance of Reports

A motion was presented by Member Krause and supported by Member Pike to adopt the September 18, 2023 agenda as presented and accept all reports into discussion.

Motion PASSED

Vote: Ayes – 7; Nays – 0; Absent –0

A motion was presented by Member Perkins and supported by Member Martin to meet in closed session under section 8(e) of the Open Meetings Act, for the purpose of discussing a personnel matter.

Roll Call Vote:

A. Krause - Yes	H. Nester – Yes
C. Pike - Yes	A. Guevara Warren – Yes
V. Perkins - Yes	M. Martin – Yes
D. Lopez – Yes	

The Board entered into closed session at 6:14 pm.
The Board returned to open session at 6:30 pm.

Approval Consent Agenda Items

A motion was presented by Member Perkins and supported by Member Pike to approve the consent agenda as presented.

Motion PASSED
Vote: Ayes – 7; Nays – 0; Absent –0

PRESENTATION OF REPORTS

Finance and Facilities

For Action – Report #23-19, Certification of Winter Tax Levy

A motion was presented by Member Nester and supported by Member Guevara Warren and Member Martin to adopt the proposed winter tax levy for the City of Lansing, Delta Township, Lansing Township, Watertown Township and Windsor Township (L-4029) as presented.

Motion PASSED
Vote: Ayes – 7; Nays – 0; Absent –0

For Action – Report #23-20, 2022 Building and Site, Series I/II Construction Award, Bid Package 5 Middle School

A motion was presented by Member Pike and supported by Member Perkins to approve awards to the lowest responsible bidder(s) from Bid Package 5 as presented and in accordance with Board Policy 6320 (Purchasing).

Motion PASSED
Vote: Ayes – 7; Nays – 0; Absent – 0

Superintendent’s Report:

Superintendent Blake:

- Thanked Principal Colten for his hard work and making students happy to come to school. She continually sees positive interaction between him and the Middle School students.
- Thanked Principal Terranova for organizing and executing a great Homecoming Parade and dance.

- The facia on the front of High School has been painted and looks really nice.
- The District has started the year-long Accreditation process, as our current expires June 30, 2024.
- The Strategic Plan review/update will begin in November 2023.
- The annual Superintendent Conference is September 19 – 21, 2023.
- The District had the East Intermediate and athletic fields “punch list” meeting with contractors to go over any outstanding issues with the completed construction at that building.
- Winans and Elmwood Elementary construction planning is happening.
-

Public Comment – Open Comment for District Issues

None

Other Board Business:

None

A motion was presented by Member Nester and supported by Member Martin to meet in closed session under section 8(e) of the Open Meetings Act, for the purpose of discussing a personnel matter.

Roll Call Vote:

A. Krause - Yes
 C. Pike - Yes
 V. Perkins - Yes
 D. Lopez – Yes

H. Nester – Yes
 A. Guevara Warren – Yes
 M. Martin – Yes

The board adjourned to closed session at 6:43 pm.
 The board reconvened to open session at 7:22 pm.

The meeting adjourned at 7:22 pm.

Respectfully submitted,

Vincent Perkins, Secretary
 aml

WAVERLY COMMUNITY SCHOOLS
BOARD OF EDUCATION REGULAR MEETING
October 16, 2023

Report #23-21

Subject: Personnel Report

A. Employment – Certified

<u>Name</u>	<u>Position</u>	<u>Building</u>	<u>Salary</u>	<u>Effective</u>
Cullen Turner	Special Education Teacher	Middle School	MA Step 1/\$46,458	10/30/2023

B. Employment – Non-Certified

<u>Name</u>	<u>Position</u>	<u>Building</u>	<u>Salary</u>	<u>Effective</u>
Christina Godert	Food Service Worker FS3	High School	\$13.40/hr	9/14/2023
Bonnie Rowe	FS3 Lunch Aide	Elmwood Ele	\$13.40/hr	9/18/2023
Kelly Kisell	Para Educator	Middle School	\$17.02/hr	9/18/2023
Russell Ostrom	Para Educator	Winans Ele	\$17.02/hr	9/18/2023

C. Resignation – Certified

<u>Name</u>	<u>Position</u>	<u>Building</u>	<u>Effective</u>
Gabe Lopez	Special Ed Teacher	Middle School	9/29/2023

D. Staff Transfer

<u>Name</u>	<u>From Position</u>	<u>To Position</u>	<u>Effective</u>
Ivy Herron	Colt Spec Ed Teacher	Elmwood SE Teacher	9/18/2023
Shari McCarthy	Middle School Para Educator	High School Para Educator	9/18/2023
Shelby Zick	Colt Spec Ed Para Educator	GSRP Assoc Para Educator	9/25/2023
Brenda Curtis	Regular Food Service FS3	Food Service Substitute	10/16/2023

**WAVERLY COMMUNITY SCHOOLS
BOARD OF EDUCATION
REGULAR BOARD MEETING
OCTOBER 16, 2023**

FOR ACTION***

Subject:

Finance Report

Recommendation:

The Superintendent recommends the Board of Education review and approve the following report:

Financial Report:

The cash balance as of August 31, 2023 was \$6,158,271.84. Receipts during September, consisting of property taxes and other revenues/transfers-in in the amount of \$7,231,826.29 minus disbursements during September of \$7,519,672.81, left the district with a General Fund cash balance, as of September 30, 2023, of \$5,870,425.32.

2023-24 General Fund expenditures/transfers-out exceed revenues/transfers-in by \$2,124,540. A summary of year to date activity in comparison to the budget is included in the supporting documentation.

2023-24 Student Activity Fund expenditures/transfers-out exceed revenues/transfers-in by \$8,713. A summary of year to date activity in comparison to the budget is included in the supporting documentation.

2023-24 Sinking Fund revenues exceed expenditures by \$435,161. A summary of year to date activity in comparison to the budget is included in the supporting documentation.

2023-24 Public Improvement Fund expenditures/transfers-out exceed revenues/transfers-in by \$342,680. A summary of year to date activity in comparison to the budget is included in the supporting documentation.

The balance of the 2021 Building and Site, Series IV Bonds remaining to be allocated, including \$34,758 of accrued interest, is \$157,066. A summary of life to date activity is included in the supporting documentation

The balance of the 2022 Building and Site, Series I Bonds remaining to be allocated, including \$1,579,550 of accrued interest/change in market value, is \$0. A summary of life to date activity is included in the supporting documentation

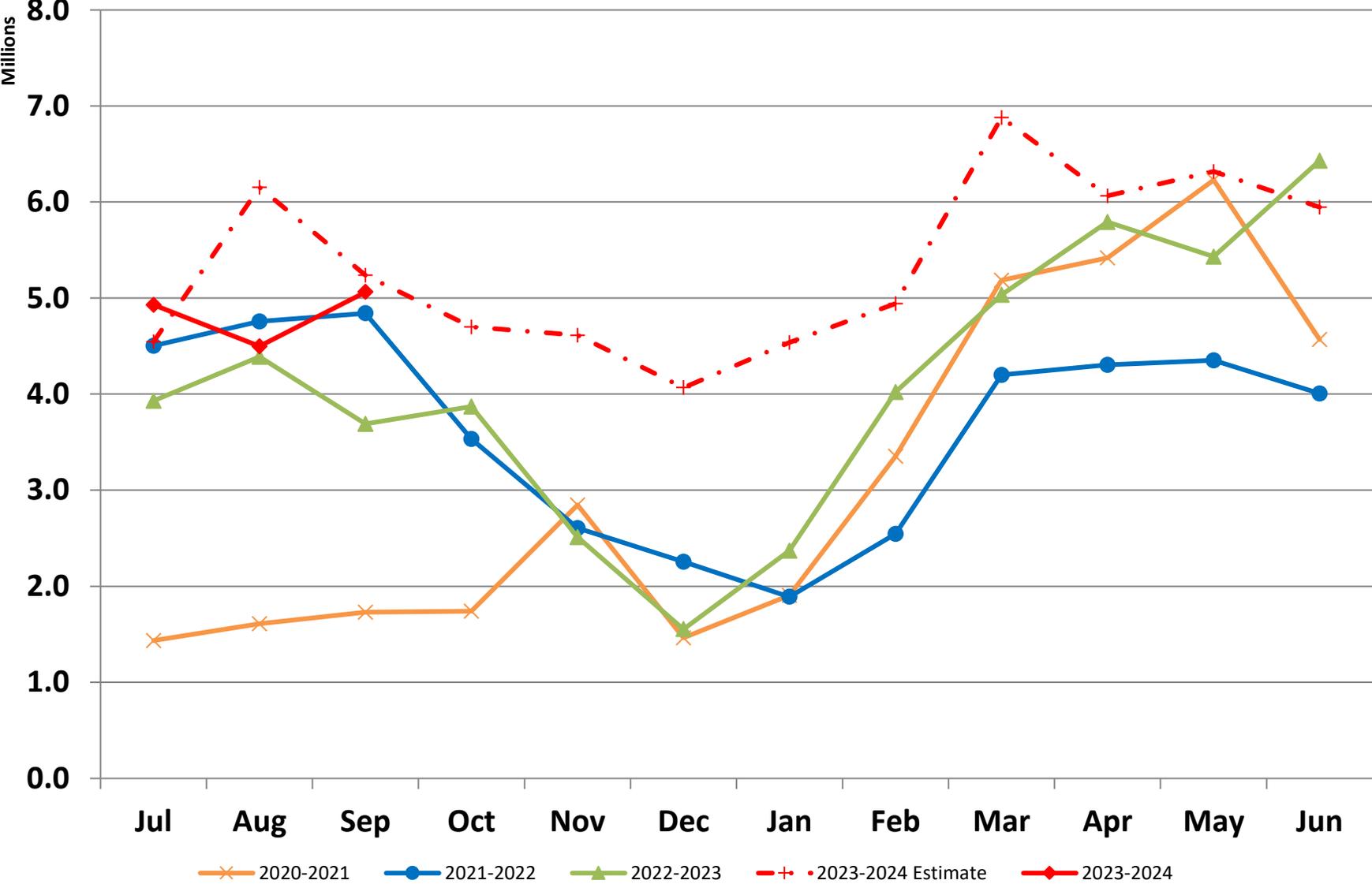
Waverly Community Schools

Finance Committee - Cash Position Report

For the Month Ended September 30, 2023

Balance on Hand August 31, 2023	6,158,271.84
Revenues	
State Aid	-
Taxes	3,262,637.08
Other Revenue	219,189.21
Interfund Transfers In	3,750,000.00
State Aid Note Proceeds	-
	<u>7,231,826.29</u>
Disbursements	
Payroll and Related Liabilities	(3,376,619.95)
Other Expenditures	(4,143,052.86)
State Aid Repayment	-
	<u>(7,519,672.81)</u>
Prior Month Adjustments - September 2023	-
Balance on Hand September 30, 2023	<u><u>5,870,425.32</u></u>
PNC Bank - General	3,084,215.99
MILAF	2,597,509.52
PNC Bank - Payroll	188,699.81
Comerica - Checking	-
	<u><u>5,870,425.32</u></u>
Difference	-

Waverly Community Schools Cash Flow Analysis (Monthly Lows)



Waverly Community Schools
General Fund - Budgetary Comparison Schedule
For the Month Ended September 30, 2023

	Original Budget	Actual	Over (Under) Budget	% Available
Revenue				
Local sources	9,538,439	3,956,226	(5,582,213)	58.5%
State sources	31,467,600	697,735	(30,769,865)	97.8%
Federal sources	2,571,666	5,940	(2,565,726)	99.8%
Intergovernmental	4,057,720	-	(4,057,720)	100.0%
Transfers In	125,000	-	(125,000)	100.0%
Total revenue	47,760,425	4,659,902	(43,100,523)	90.2%
Expenditures				
Current:				
Instruction:				
Basic program	18,246,155	2,286,639	(15,959,516)	87.5%
Added needs	8,044,082	966,816	(7,077,267)	88.0%
Total instruction	26,290,238	3,253,455	(23,036,783)	87.6%
Support Services:				
Pupil	5,259,270	543,564	(4,715,706)	89.7%
Instructional staff	2,978,182	526,352	(2,451,830)	82.3%
General administration	425,529	143,790	(281,739)	66.2%
School administration	2,996,981	656,907	(2,340,074)	78.1%
Business	591,575	117,779	(473,796)	80.1%
Operations and maintenance	4,239,857	800,160	(3,439,697)	81.1%
Pupil transportation services	1,319,128	186,207	(1,132,921)	85.9%
Central	996,662	284,851	(711,811)	71.4%
Other	307,004	53,547	(253,457)	82.6%
Total support services	19,114,188	3,313,157	(15,801,031)	82.7%
Athletics	721,373	150,785	(570,588)	79.1%
Community services	-	-	-	0.0%
Non Publics	4,665	-	(4,665)	100.0%
Facility Acquisition	-	-	-	0.0%
Debt service:				
Principal	-	-	-	0.0%
Interest	-	-	-	0.0%
Capital outlay	7,500	15,271	7,771	-103.6%
Payments to other public schools	1,462,424	51,774	(1,410,650)	96.5%
Total expenditures	47,600,388	6,784,441	(40,815,947)	85.7%
Excess of Revenue (Under)Over Expenditures	160,037	(2,124,540)	(2,284,577)	
Transfers Out	1,100,000	-	(1,100,000)	100.0%
Change in Fund Balance	(939,963)	(2,124,540)	(1,184,577)	
Favorable Expenditure Variance (1.5%)	714,006			
Projected Change in Fund Balance	(225,957)			
Fund Balance - Beginning of year	8,140,837			
Fund Balance - End of year	7,914,880			
	16.6%			

Waverly Community Schools
Student Activity Fund - Budgetary Comparison Schedule
For the Month Ended September 30, 2023

	Original Budget	Actual	Over (Under) Budget	% Available
Revenue				
Local sources	172,456	26,016	(146,440)	84.9%
State sources	-	-	-	0.0%
Federal sources	-	-	-	0.0%
Intergovernmental	-	1,000	1,000	0.0%
Transfers In	-	-	-	0.0%
Total revenue	172,456	27,016	(145,440)	84.3%
Expenditures				
Student Activities	108,104	13,185	(94,919)	87.8%
Athletics	58,298	22,545	(35,753)	61.3%
Total expenditures	166,401	35,729	(130,672)	78.5%
Excess of Revenue (Under)Over Expenditures	6,055	(8,713)	(14,768)	
Transfers Out	-	-	-	0.0%
Change in Fund Balance	6,055	(8,713)	(14,768)	
Fund Balance - Beginning of year	300,246			
Fund Balance - End of year	306,301			

Waverly Community Schools
Sinking Fund - Budgetary Comparison Schedule
For the Month Ended September 30, 2023

	Original Budget	Actual	Over (Under) Budget	% Available
Revenue				
Local sources	1,053,282	435,231	(618,051)	58.7%
State sources	-	-	-	0.0%
Federal sources	-	-	-	0.0%
Intergovernmental	-	-	-	0.0%
Transfers In	-	-	-	0.0%
Total revenue	1,053,282	435,231	(618,051)	58.7%
Expenditures				
Current:				
Support Services - Business	-	70	70	0.0%
Support Services - Central	-	-	-	0.0%
Facilities Acquisition, Construction and Improvements:				
Site Acquisition Services	-	-	-	0.0%
Site Improvement Services	-	-	-	0.0%
Architecture and Engineering Services	-	-	-	0.0%
Building Acquisition and Construction Services	-	-	-	0.0%
Building Improvement Services	-	-	-	0.0%
Other Acquisition and Construction Services	-	-	-	0.0%
Total expenditures	-	70	70	0.0%
Excess of Revenue (Under)Over Expenditures	1,053,282	435,161	(618,121)	
Transfers Out	-	-	-	
Net Change in Fund Balance	1,053,282	435,161	(618,121)	
Fund Balance - Beginning of year	3,114,928			
Fund Balance - End of year	4,168,210			

Waverly Community Schools
Public Improvement Fund - Budgetary Comparison Schedule
For the Month Ended September 30, 2023

	Original Budget	Actual	Over (Under) Budget	% Available
Revenue				
Local sources	50,000	11,500	(38,500)	77.0%
State sources	-	-	-	0.0%
Federal sources	-	-	-	0.0%
Intergovernmental	-	-	-	0.0%
Transfers In	1,100,000	-	-	0.0%
Total revenue	1,150,000	11,500	(38,500)	3.3%
Expenditures				
Current:				
Support Services - Business	-	-	-	0.0%
Support Services - Operations and Maintenance	-	-	-	0.0%
Support Services - Transportation	-	354,180	-	0.0%
Support Services - Central	-	-	-	0.0%
Facilities Acquisition, Construction and Improvements:				
Site Acquisition Services	-	-	-	0.0%
Site Improvement Services	-	-	-	0.0%
Architecture and Engineering Services	-	-	-	0.0%
Building Acquisition and Construction Services	-	-	-	0.0%
Building Improvement Services	-	-	-	0.0%
Other Acquisition and Construction Services	-	-	-	0.0%
Total expenditures	-	354,180	-	0.0%
Excess of Revenue (Under)Over Expenditures	1,150,000	(342,680)	-	
Transfers Out	-	-	-	
Net Change in Fund Balance	1,150,000	(342,680)	-	
Fund Balance - Beginning of year	2,068,613	2,068,613		
Fund Balance - End of year	3,218,613	1,725,933		

Waverly Community Schools

2021 Building and Site Bonds, Series IV

Budget Summary

As of September 30, 2023

	Budget	Actual	Encumbered	Balance Remaining
Construction				
Remodeling	2,625,538	2,149,748	315,393	160,397
Site Improvements	-	-	-	-
Technology Infrastructure	-	-	-	-
Construction Base Budget Subtotal	2,625,538	2,149,748	315,393	160,397
Technology Equipment - Contract				
Interactive Classroom	-	-	-	-
Network Equipment	-	663	-	(663)
Wireless Network	-	-	-	-
Phone System	-	750	-	(750)
AV Systems	-	-	-	-
Video Distribution/Video Production	-	-	-	-
Tech Equipment Contract Subtotal	-	1,413	-	(1,413)
Technology Equipment - Owner PO				
Computers/Mobile Devices	507,752	607,191	-	(99,439)
Servers/Backend Systems	-	-	-	-
Printers	-	3,455	-	(3,455)
AV Equipment	-	27,264	-	(27,264)
Non-Instructional Equipment (from FFE)	-	-	-	-
Tech Equipment Owner PO Subtotal	507,752	637,909	-	(130,157)
District				
Loose Equipment (Furniture & Transportation)	-	5,436	-	(5,436)
Project Contingency	-	-	-	-
Owner GC/Contingency/Issuance Costs	155,116	36,211	-	118,905
Field General Conditions	-	-	-	-
Architect	-	19,988	-	(19,988)
Tech Design/Construction Mgr	146,594	146,594	-	-
District Subtotal	301,710	208,229	-	93,481
Totals	3,435,000	2,997,299	315,393	122,308
Bank Interest/Proceeds				34,758
Total Available				157,066

Waverly Community Schools
2022 Building and Site Bonds, Series I
Budget Summary
As of September 30, 2023

	Budget	Actual	Encumbered	Balance Remaining
Construction				
New Construction	-	-	-	-
Remodeling	40,263,287	7,436,252	40,015,985	(7,188,950)
Site Improvements	3,442,005	3,187,625	4,020,117	(3,765,737)
Construction Base Budget Subtotal	43,705,292	10,623,877	44,036,102	(10,954,687)
Instructional Technology				
Computers and Mobile Devices	1,468,271	814,443	-	653,828
Audio / Visual	1,797,737	185,972	1,316,231	295,534
Instructional Technology Subtotal	3,266,008	1,000,415	1,316,231	949,362
Loose Furnishings and Equipment				
Non-Instructional Computers and Mobile Devices	73,904	-	-	73,904
Non-Instructional Audio / Visual	-	-	-	-
Furnishings, Fixtures and Equipment (FF&E)	4,021,389	687,462	19,468	3,314,459
Loose Furnishings and Equipment Subtotal	4,095,293	687,462	19,468	3,388,363
District				
Buses	449,946	-	-	449,946
Contingency	2,920,570	38,928	2,411,308	470,334
Election/Issuance Costs	839,463	712,248	-	127,215
General Conditions	994,618	416,277	1,024,014	(445,673)
Architect and Engineering Fees	2,753,715	2,959,073	(205,358)	-
A/E Reimbursables	431,821	412,466	163,508	(144,153)
Technology Design	393,305	261,149	132,156	(0)
Construction Mgr	3,050,990	2,020,113	1,030,877	-
District Subtotal	11,834,428	6,820,254	4,556,505	457,669
Bank Interest/Proceeds	(446,265)	(1,579,550)	-	1,133,285
Totals	62,454,756	17,552,458	49,928,306	(5,026,008)

**WAVERLY COMMUNITY SCHOOLS
BOARD OF EDUCATION
REGULAR BOARD MEETING
OCTOBER 16, 2023
Report #23-23**

FOR ACTION ***

Subject:

Summer Tax Collection Resolution

Recommendation:

The Superintendent recommends the Board of Education adopt the Annual Summer Tax Resolution, invoking for 2024 its previously adopted, ongoing resolution imposing a summer tax levy of one-half (1/2) of school property taxes upon property located within the School District. A copy will be affixed to the official minutes of this meeting.

Statement of Purpose:

Adoption of the summer tax collection resolution will allow local units of government to collect summer property taxes for the District.

Budget Impact:

If the resolution is not adopted, the district may not be able to collect summer taxes. This would create cash flow problems as well as added expense in interest and legal fees.

Historical Perspective:

By January 1st of each year, the school district is required to notify the various taxing authorities of the intention to request collection of summer taxes.

Through correspondence from the school district's legal counsel, it has been suggested that the district adopt a resolution to meet legal requirements of School Code Section 1613, more particularly, 1982 P.A. 333 (Summer Tax Collection Statute).

A Michigan Court of Appeals decision has been issued "...Where a school board has adopted an ongoing resolution establishing summer tax collection, the board is required each year, before January 1, to take official action invoking the previously adopted resolution to collect the summer tax levy by requesting each township and city to collect. The ongoing resolution eliminates the yearly need to publish notice of a public meeting to institute a summer tax levy...".

Discussion of Options:

The Board may entertain a motion to adopt the resolution as presented or reject the resolution. If the resolution is rejected the District will only levy property taxes for the winter tax levy.

Rationale for Proposal:

It is necessary to adopt this resolution to allow for the collection of summer property taxes, which will aid the District in cash flow.

Strategic Plan Reference:

Strategy #2 – Communication: We will enhance communications within the district and with the community to improve relationships among all key constituent groups to better achieve our mission.

WAVERLY COMMUNITY SCHOOLS
ANNUAL SUMMER TAX RESOLUTION

Ingham, Eaton, and Clinton Counties, Michigan

A regular meeting of the Board of Education of said District was held at the Administrative Center, 515 Snow Road, Lansing, Michigan, in said District, on the 16th day of October 2023, at 6:00 o'clock p.m.

The meeting was called to order by _____.

PRESENT:

ABSENT:

The following preamble and resolution were offered by Member _____ and supported by Member _____.

WHEREAS, this Board of Education by resolution of January 26, 1983, determined to impose a summer property tax levy to collect one-half (1/2) of school property taxes, including debt services, upon property located within the School District, beginning with 1983 and continuing from year to year until specifically revoked by the Board of Education.

NOW THEREFORE, BE IT RESOLVED THAT:

1. This Board of Education, pursuant to 1976 PA 451, as amended, hereby invokes for 2024 its previously adopted ongoing resolution imposing a summer tax levy of one-half (1/2) of school property taxes, including debt service, beginning with 1983, and continuing from year to year until specifically revoked by this Board of Education, and requests each city and/or township in which this District is located to collect those summer taxes.
2. The Superintendent or designee is authorized and directed to forward to the governing body of each city and/or township in which this district is located, a copy of this Board's resolution imposing a summer property tax levy on an ongoing basis and a copy of this resolution requesting that each such city and/or township agree to collect the summer tax levy for 2024 in the amount specified in this resolution. Such forwarding of the resolutions and the request to collect the summer tax levy shall be sent so that the appropriate governing bodies receive them before January 1, 2024.
3. The Superintendent or designee is authorized and directed to negotiate on behalf of this District, with the governing body of each city and/or township in which the District is located for the reasonable expenses for collection of the District's summer tax levy that the city and/or township may bill under MCLA 380.1611 or MCLA 380.1612. Any such property agreement shall be brought before this Board for its approval or disapproval.
4. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are and the same are hereby rescinded.

Ayes:

Nays:

Absent:

RESOLUTION DECLARED ADOPTED.

**Vince Perkins, Secretary
Waverly Community Schools
Board of Education**

The undersigned, duly qualified Secretary of the Board of Education of Waverly Community Schools of Lansing, Michigan, hereby certifies that the foregoing constitutes a true and complete copy of a resolution adopted by said Board of Education at a regular meeting held on October 16, 2023, the original of which is part of the Board's official minutes. The undersigned further certifies that notice of the meeting was given to the public pursuant to the provisions of the "Open Meetings Act" (Act 267, PA 1976, as amended).

**Vince Perkins, Secretary
Waverly Community Schools
Board of Education**

**WAVERLY COMMUNITY SCHOOLS
BOARD OF EDUCATION
REGULAR BOARD MEETING
OCTOBER 16, 2023**

Report #23-24

FOR ACTION

Subject:

2022 Building and Site, Series I Change Order Recommendations

Recommendation:

The Superintendent recommends the Board of Education approve a change order for SC Technologies.

Statement of Purpose:

The purpose of the change order is to incorporate the new systems controls for our existing equipment which will remain after construction is complete. The base bid included new controls only for the new equipment.

Background Information:

On May 4, 2021 a special election was held for the purpose of proposing a ballot question to authorize Waverly Community Schools to borrow the sum of \$125,000,000 and issue its general obligation unlimited tax bonds therefor, in one or more series for the purpose of erecting additions to, remodeling, including security improvements to, furnishing and refurnishing, and equipping and re-equipping school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; purchasing school buses; and developing, equipping and improving playgrounds, play fields, athletic fields, parking areas and sites. The ballot proposal having received sufficient votes was approved.

On February 13, 2023 the Board adopted a resolution to take action on any change order for an amount exceeding One Hundred Thousand and No/100 Dollars (\$100,000.00) or Ten Percent (10%) of the original contract sum, whichever is greater.

Budget Impact:

The total cost of the recommendation for this change order is One Hundred Fifty-Seven Thousand Six Hundred Nintey-Three and 00/100 Dollars (\$157,693.00). The contract will be funded entirely by the proceeds from the 2022 Building and Site, Series I bonds. This recommendation is within the contingency amount budgeted for this project.

Discussion of Options:

The Board may entertain a motion to take one of the following actions:

- 1) Accept the change order recommendation, as presented
- 2) Reject the change order recommendation, and proceed with the base bid work
- 3) Table the recommendation for further discussion



7 June 2023

Attn: Barton Mallow and Waverly Schools

Subject: Waverly Schools BP3 – High School/ Mechanical Controls that were not on Base Bid.

We are pleased to provide a quotation for the control work at Waverly Schools BP3 – High School project. This proposal is based on Equipment that was not part of the Base Bid. Scope of work as follows:

Scope of Work:

Roof Top Unit's: (Qty-15)

- Provide BACnet Controller
- Wire Existing Relays, Actuators and Devises.
- Provide Install and Wire (2) Temp Sensors, DAT and RAT
- Provide Install and Wire Network Thermostat.

AHU: (Qty-5)

- Provide BACnet Controller
- Wire Existing Relays, Actuators and Devises.
- Provide Install and Wire (2) Temp Sensors, DAT and MAT
- Provide Install and Wire Network Thermostat.

H & V: (Qty-7)

- Provide BACnet Controller
- Wire Existing Relays, Actuators and Devises.
- Provide Install and Wire (2) Temp Sensors, DAT and MAT
- Replace and Wire Control Valve Actuator
- Provide Install and Wire Network Thermostat.

Unit Ventilators: (Qty-8)

- Provide BACnet Controller
- Wire Existing Relays, Actuators and Devises.
- Provide Install and Wire (2) Temp Sensors, DAT and MAT
- Replace and Wire Control Valve Actuator
- Provide Install and Wire Network Thermostat.

Fan Coil Unit: (Qty-2)

- Provide BACnet Controller
- Wire Existing Relays, Actuators and Devises.
- Provide Install and Wire (2) Temp Sensors, DAT and MAT
- Replace and Wire Control Valve Actuator
- Provide Install and Wire Network Thermostat.

Misc Controller

Exhaust Fans- 26, 27 & 28

- Provide BACnet Controller
- Wire (3) Relays
- Wire (3) CT's for Status

Misc Controller

Exhaust Fans- 23, 139 & 130

- Provide BACnet Controller
- Wire (3) Relays



- Wire (3) CT's for Status
- Provide Install and Wire Space Temp Sensor for IDF Rm.

Lab Control:

- Provide BACnet Controller
- Control of EF-25
- EF-25 Bleed Damper
- EF-25 Pressure Sensor
- Monitor Fume Hood CFM (qty-4)

Price: \$ 157,693.00

Respectfully,

-- Brian Lapham
Director of Operations
S.C. Technologies, LLC.
A Division of Summit Contractors, Inc.

See Following page for Notes for consideration in the pricing for this project.



Note: Location of equipment for Voluntary Alternate

Section-A Lower Level

HV-Existing (Athletic Storage)

HV-3 (Locker Rm)

HV-4 (Locker Rm)

Section-A Main Level

RTU-1 (New Gym), 9 (Athletic Training), 10(Showers), 11(Band), 12(Office-A104) & 13(Classroom-A114)

Misc – EF-26, 27 & 28

Section-B

RTU-2(Office-B142), 3(Athletic Office-B112), 14(Orchestra), 15(Choir) & 16(Prop/Stage)

AHU-1 & 2 (Auditorium)

Section-C

AHU-3 & 4 (Existing Gym)

FC-8 (Rm. C111)

Section-D

RTU-4 (Wrestling-D110)

HV-1 (W. Locker), 2(E. Locker), 5(W. Pool) & 6(E. Pool)

EF-23 (Pool Equip Rm.)

Section-E

RTU-21 (Storage – E108)

Section-F

RTU-17 (Server – F120)

RTU-18 (Cafeteria)

AHU-5 (Cafeteria)

Misc – EF-129 & EF-130 (Restrooms) / Space Temp (IDF)

Section-H Lower Level

UV-27 (H001),28(H002),29(H003) & 30(H004)

FC-7 (Staff Work Rm. – H013)

Lab Controls – (4) hoods and EF-25 (H005 & H006)

Section-H Main Level

UV-24 (H201),25(H202),26H203) & 58 (Staff Work Rm. – H209)

See Following page for clarifications into consideration in the pricing for this project.



Scope Clarification and Qualification Waverly Schools BP3 – High School

SC Technologies has taken the following clarifications into consideration in the pricing for this project.

Wiring Notes

1. SC Technologies (SCT) to provide low voltage raceway and low voltage cable.

Clarifications

2. Sales Tax has been included in this proposal.
3. Normal working hours are 7am – 3:30pm Monday through Friday.
4. Shift Time and/ or Overtime was NOT considered.
5. One (1) year Warranty on Parts SCT provides.
6. SCT to reuse existing panels/transformers/relays/valves/actuators.
7. SCT to program controls per existing sequence of operations.
8. SCT to provide Graphics/Alarms/Histories of Additional equipment listed above.

Exclusions: *Provide and or Installation*

9. Any work on existing controls that is not described above.
10. Fixing any mechanical equipment.
11. Replacement of valves
12. Replacement of Actuators unless noted above.
13. Line Voltage
14. Installation of Valves
15. Providing and/or Installing Dampers
16. Providing and/or Installing VFD's
17. Providing AFMS or any other devices on Equipment with factory provided controls.
18. UVC Lights
19. Cutting, Patching and Painting and any other Architectural work was not considered.
20. Water or Air Balancing
21. Temporary Heat and or Cooling.
22. Design Assist not Included.

General Conditions:

- 1) All applicable taxes and permits are included in our submission.
- 2) The contractor shall not be held liable for errors or omissions in designs by others, nor inadequacies of materials and equipment specified or supplied by others.
- 3) Equipment and materials supplied by the contractor are warranted only to the extent that the same are warranted by the manufacturer.
- 4) The contractor shall not be liable for indirect loss or damage.
- 5) Unless included in this proposal, all bonding and/or special insurance requirements are supplied at additional cost.
- 6) If a formal contract is required, its conditions must not deviate from this proposal without our permission.
- 7) Anything (verbal or written) expressed or implied elsewhere, which is contrary to these conditions shall be null and void.
- 8) Due to recent volatility in the commodities market SC Technologies reserves the right to update pricing in the event of a significant change in the commodities market if not awarded within **thirty** days.

By signing this Contract, you affirm that you have read and agree to its terms; you further agree that you have read and agree to the terms of the Contract Documents incorporated by reference herein. This Contract, including the Contract Documents described above, contains the entire Agreement between the Parties and supersedes and annuls all other agreements, contracts, promises or representations, with respect to the work describe above, whether written or oral, between the Parties. No subsequent agreements, contracts, promises or representations shall be binding or effective between the Parties unless set forth in writing and signed by both Parties. Notwithstanding any provision herein to the contrary, in the event that, during the performance of the agreement, the price of Copper, Steel and/or any other necessary commodities significantly increases, through no fault of Summit Contractors, Inc., the price of any materials, components, or goods to be furnished under this agreement shall be equitably adjusted by an amount reasonably necessary to cover any such significant price increases. As used herein, a significant price increase shall mean any increase in price experienced by Summit Contractors, Inc. from the date of the execution of this agreement. Such price increases shall be documented through commercial quotes, invoices, receipts or other such documentation. Where the delivery of materials, components, or goods required under this agreement is delayed, through no fault of Summit Contractors, Inc., as a result of the shortage or unavailability of commodities, raw materials, components and/or products, Summit Contractors, Inc. shall not be liable for any additional costs or damages associated with such delay(s).

Evan Nuffer

From: Matthew Van Duinen <mvanduinen@towerpinkster.com>
Sent: Wednesday, September 27, 2023 6:45 PM
To: Evan Nuffer
Cc: Edward Talaga
Subject: Re: FW: High School Control Quote

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Evan,
Good evening, the cost for the controls is adequate from what we're seeing on other projects.
\$4 - 6 per SF is typical currently for controls. The high school is 240,150 SF total.
Also it adds up based on SC Technologies prior quote compared to East Intermediate.
Thank you

On Wed, Sep 27, 2023 at 9:17 AM Evan Nuffer <enuffer@waverlyk12.net> wrote:
Mimecast Attachment Protection has deemed this file to be safe, but always exercise caution when opening files.

Ed/Matt,

Can you please review the attached quote to connect all the remaining equipment at the High School which is not scheduled for replacement to our new controls? I just want to ensure this is reasonable based on your expertise. We paid approx.. \$70k to do this at East Intermediate and I believe our base bid at the Middle School included the connections for the existing equipment into the new controls, so this was our request so that we have only one standard system to control all of our equipment in each building.

Thanks,
Evan

Evan Nuffer

Director, Finance and Operations

Waverly Community Schools

515 Snow Road, Lansing, MI 48917

(517) 319-3027 | (517) 321-8577 Fax

**WAVERLY COMMUNITY SCHOOLS
BOARD OF EDUCATION
REGULAR BOARD MEETING
OCTOBER 16, 2023
Report #23-25**

FOR ACTION

Subject:

Altria Settlement

Recommendation:

The Superintendent recommends the Board of Education accept the proposed settlement with Altria Group, Inc. as presented.

Statement of Purpose:

The Board believes that it is in the District's best interests to accept the Settlement Amount and to authorize and direct the Superintendent or designee to sign settlement documents on behalf of the District and to take such action as necessary to obtain the Settlement Amount and to settle the Lawsuit against the Altria Defendants, subject to review and approval by the District's legal counsel.

Budget Impact:

The District shall receive, in one or more payments, the gross total of Fifteen Thousand Five Hundred Sixty-Eight and NO/100 (\$15,568.00) Dollars. From this gross total will be paid the attorney and other fees necessary to settle this litigation.

Historical Perspective:

On July 19, 2021 the Board of Education adopted a resolution to join the Lawsuit against Juul Labs, Inc. and other producers of vaping products, specifically Case No. 3:19-md-2913-WHO in the United States District Court for the Northern District of California. Certain Lawsuit defendants established a court-supervised settlement program to resolve the Lawsuit against them, specifically Juul and Juul-related parties. The District accepted the gross settlement amount of \$51,708 in exchange for releasing its claim against Juul and Juul-related parties. The litigation against Altria Group, Inc. continued beyond the terms of this original settlement agreement.

Discussion of Options:

The Board may entertain a motion to accept the proposed settlement or reject the proposed settlement.

Rationale for Proposal:

If the district fails to accept the settlement, its claims against the Altria Defendants will continue, which may result in the District expending significant time and costs pursuing its claims, and which may result in no recovery from the Altria Defendants.

DESCRIPTION OF SETTLEMENT AGREEMENT
BETWEEN ALTRIA
AND SETTLING GOVERNMENT ENTITY PLAINTIFFS

Altria Group, Inc., Philip Morris USA, Inc., Altria Client Services LLC, Altria Enterprises LLC, and Altria Group Distribution Company (collectively “Altria”) has entered into a Settlement Agreement with court-appointed Plaintiffs’ Leadership in MDL No. 2913 and JCCP No. 5052 (together “Plaintiffs’ Leadership”¹) on behalf of all Settling Government Entity Plaintiffs. The Settlement Agreement establishes a program to resolve, only as against Altria and the other Released Parties², the actions and claims that the Settling Government Entity Plaintiffs had, now have, or will have in the future against Altria in connection with: the design, manufacture, production, advertisement, marketing, distribution, sale, use, and performance of JUUL Products; Altria’s conduct related to its investment in JUUL Labs, Inc. (“JLI”); and Altria’s interactions with JLI and JLI-related persons.

Total Value of Settlement and Payment Schedule

Plaintiffs’ Leadership negotiated a total gross Government Entity settlement fund with Altria of \$168,250,000.

The total settlement funds will be paid by Altria into the Government Entity Qualified Settlement Account within sixty (60) days of Final Approval of the Altria Class Action settlement. The settlement funds will be divided such that the Municipality Portion is 21.5% and the School District Portion is 78.5%, *if all* Eligible Government Entity Plaintiffs agree to participate in this Settlement Program. Thus, the total *maximum* Settlement Payment funds to be received by the Settling Municipalities is \$36,173,750 and by the Settling School Districts is \$132,076,250. This allocation of the total Government Entity settlement fund was recommended and ultimately approved by the Mediator, Thomas J. Perrelli, who was appointed by the MDL Court.

If an Eligible Government Entity Plaintiff declines to participate in this Settlement Program, an amount equal to that Government Entity’s allocated share of the settlement funds shall be deducted from the total settlement fund amount.

Settlement Offer Values and the Claim Valuation Process

In order to be an Eligible Government Entity Plaintiff and participate in the Settlement Program, the Government Entity must have (1) filed a claim or cause of action against Altria as of May 10, 2023, whether or not those claim(s) or causes of action have been consolidated into *In re: JUUL Labs, Inc. Marketing Sales Practices & Products Liability Litigation* (N.D. Cal.) or *JUUL Labs*

¹ “Plaintiffs’ Leadership” means the court-appointed Plaintiffs’ Co-Lead Counsel in MDL No. 2913 (Sarah London, Dena Sharp, Ellen Relkin, and Dean Kawamoto), MDL Government Entity Liaison Counsel Tom Cartmell, and the court-appointed Public Entity Plaintiffs Co-Lead Counsel in JCCP No. 5052 (John Fiske and Rahul Ravipudi).

² The “Released Parties” are set out in the “Government Entity Release of All Claims” in Definition 10 (page 3).

Product Cases, JCCP No. 5052; or (2) been represented by Plaintiffs' Counsel to pursue a cause of action against Altria and/or any other Released Party and executed a signed retainer as of May 10, 2023. (The San Francisco Unified School District is excluded from this settlement and is entering a separate settlement agreement.) A Government Entity under the Settlement Agreement is any U.S. domestic government entity, including but not limited to school districts, counties, cities, and municipalities (but not including Native American Tribes, U.S. States, or U.S. territories).

A total of approximately 1,596 Eligible Government Entity Plaintiffs are covered by the Settlement Agreement. The School District Portion of the Settlement Funds will be allocated to approximately 1,540 of these Entities (1,508 School Districts and 32 Regional Offices of Education), and the Municipality Portion of the Settlement Funds will be allocated to 56 of these Entities (46 Counties, 9 Cities, and 1 County Health Agency). As noted above, the total Settlement Payment will be divided such that the Municipality Portion is 21.5% and the School District Portion is 78.5%, assuming that *all* Eligible Government Entity Plaintiffs agree to participate in this Settlement Program. Thus, the total maximum Settlement Payment funds to be received by the Settling Municipalities is \$36,173,750 and by the Settling School Districts is \$132,076,250.

The accompanying "Altria School District Allocation Approach" document sets out in detail the method and factors approved by the court-appointed Mediator for allocating the School District Portion of the Settlement Funds among the 1,540 Eligible School Districts. (A similar method is used to determine the allocation for the Municipality portion of the Settlement Funds.) The accompanying "Final Allocation: School District" document sets out each of the 1,540 Eligible School District's allocated percentage and dollar amount share of the \$132,076,250 total Settlement Payment along with each School District's relevant allocation factors.

We believe that each Eligible Government Entity's settlement offer value under this Settlement Agreement fairly reflects the circumstances of each Government Entity's case against Altria. If you have any questions regarding the court-appointed Mediator's allocation factors and method, the amount of your allocated share of the Settlement Funds, or any aspect of the information provided in this "Description of Settlement Agreement" document, please contact us and we will be happy to answer your questions.

Use of Settlement Proceeds

The settlement proceeds are intended to be used for "compensatory restitution or remediation," and no amount to be distributed under the Settlement Agreement "represents reimbursement to any Settling Government Entity Plaintiff for the costs of any investigation or litigation." Nothing in the Settlement Agreement prohibits or impairs the payment of Attorneys' Fees and Expenses by Settling Government Entity Plaintiffs out of the settlement proceeds. Compensatory restitution or remediation are broad terms that are not specifically enumerated or defined in the Settlement and thus provide flexibility to Settling Government Entity Plaintiffs to use the settlement proceeds to address the problem of youth vaping and nicotine addiction.

Attorneys' Fees, Litigation Costs, and Common Benefit Assessment

Each Eligible Government Entity's Settlement Allocation -- set out in the accompanying court-appointed Mediator's "Final Allocation: School Districts" document -- is the Entity's gross

settlement amount before the reduction for attorney's fees, case expenses, the court-ordered Common Benefit assessment, and any applicable liens.

The attorneys' fees to be paid by each settling Government Entity are those set forth in the Entity's attorney-client contract. Expenses to be reimbursed by a settling Entity will be reflected on the final "Disbursement Statement" (to be provided in the future) and will include case-specific and general expenses. Case-specific expenses are those that benefit a specific Entity (e.g., the costs of filing the Entity's lawsuit). General expenses are those that benefit a larger group of Entities represented by the same law firm. General expenses are allocated across the group of benefited Entities in accordance with the Entity's attorney-client contract. In addition, each settling Entity's net settlement amount will reflect a court-ordered assessment for the Common Benefit Fee and Expense fund of between 7% and 10% of the Claimant's total gross settlement amount.³ The common benefit Fee and Expense Fund assessment is used by the Court to reimburse the attorneys who spent time and outlaid expenses in connection with Common Benefit Work in the coordinated Federal and California litigation.

Liens

The "Government Entity Release of All Claims" ("Release") to be signed by each Settling Government Entity Plaintiff provides that the Entity "shall identify to the Government Entity Settlement Administrator for the Government Entity Settlement all Persons and entities known to it to hold or assert any Lien with respect to any Settlement Payment." The Release further provides that the settling Government Entity is solely responsible for the "satisfaction and discharge of any and all Liens with respect to any Settlement Payment," and that prior to the first time that an Individual Government Entity Settlement Payment is made to it, the Entity "shall represent and warrant that any and all Liens with respect to any and all Settlement Payments (and/or the right to receive any and all Settlement Payments) have been satisfied and discharged."

Right of Termination

Under the terms of the Settlement Agreement, Altria retains the right to terminate this Settlement Agreement if more than a certain number of Eligible Government Entity Plaintiffs do not timely accept their settlement offers through the Settlement Program and submit a properly executed "Government Entity Release of All Claims." Altria also retains the right to terminate this Settlement Agreement if the MDL Court does not grant Preliminary or Final Approval to the Class Settlement Agreement. If this Settlement Agreement is terminated for any reason, the JUUL-related claims of each Eligible Government Entity against Altria shall revert to the same position

³ This assessment is required by parallel federal and state court orders: Case Management Order 5(A) "Establishing a Common Benefit Fee and Expense Fund," entered on May 27, 2020, by Judge William H. Orrick, U.S. District Court Northern District of California in *In re: JUUL Labs, Inc., Marketing, Sales Practices, and Products Liability Litigation* (MDL No. 2913); and Case Management Order 10 -- "Public Entity Plaintiffs' Supplemental Common Benefit Order," entered on July 28, 2020, by Judge Ann I. Jones, Superior Court of the State of California, County of Los Angeles-Spring Street in *JUUL Labs Product Cases* (JCCP No. 5052). Both orders provide for a Costs Assessment of 2% and a Fee Assessment of 5% (or, in one instance, 8%) of the gross settlement amount. "Late Participating Counsel" under Judge Orrick's CMO 5(A) are the lone exception and are subject to an 8% Fee Assessment. The specific allocation of the overall hold back, i.e. the percentage for fees and the percentage for costs, may be altered by court order.

they were in immediately prior to the execution of this Settlement Agreement, and those claims against Altria will continue to be prosecuted in the court system.

School District Altria Final Allocation

AL	COLBERT COUNTY	School District	0100840	MDL-6033	Filing Group 1	2,618	8	\$16,505
NY	LONG BEACH CITY SCHOOL DISTRICT	School District	3617730	MDL-10448	Filing Group 2	3,656	6	\$16,425
IN	GREATER JASPER CONSOLIDATED SCHS	School District	1803960	MDL-9537	Filing Group 1	3,209	5	\$16,396
DE	LAKE FOREST SCHOOL DISTRICT	School District	1000790	MDL-9043	Filing Group 1	3,505	7	\$16,383
PA	MARS AREA SD	School District	4214790	MDL-3619	Filing Group 1	3,334	5	\$16,369
DE	SEAFORD SCHOOL DISTRICT	School District	1001530	MDL-6027	Filing Group 1	3,224	7	\$16,345
FL	GILCHRIST	School District	1200630	MDL-9718	Filing Group 1	2,736	8	\$16,300
MI	AIRPORT COMMUNITY SCHOOLS	School District	2601980	MDL-6447	Filing Group 1	2,604	9	\$16,282
OH	WOOSTER CITY	School District	3910032	MDL-4503	Filing Group 1	3,273	7	\$16,256
MI	MARSHALL PUBLIC SCHOOLS	School District	2622970	MDL-9486	Filing Group 1	2,634	8	\$16,208
CA	BRAWLEY UNION HIGH	School District	0605820	JCCP-4585	Filing Group 1	2,019	3	\$16,087
AL	FORT PAYNE CITY	School District	0101560	MDL-6040	Filing Group 1	3,482	4	\$16,064
NY	MONROE 2-ORLEANS BOCES	Regional Education Service Agency	3680520	MDL-9109	Filing Group 1	32,067	53	\$16,062
IN	FRANKTON-LAPEL COMMUNITY SCHOOLS	School District	1812880	MDL-9721	Filing Group 1	3,049	5	\$16,001
OH	LAKE LOCAL	School District	3904986	MDL-9801	Filing Group 1	3,404	3	\$15,982
TN	HUMPHREYS COUNTY	School District	4701980	MDL-4680	Filing Group 1	2,849	7	\$15,938
MI	MASON PUBLIC SCHOOLS (INGHAM)	School District	2623070	MDL-5500	Filing Group 1	3,205	6	\$15,795
NY	INDIAN RIVER CENTRAL SCHOOL DISTRICT	School District	3615300	MDL-6136	Filing Group 1	3,319	8	\$15,768
OH	FRANKLIN CITY	School District	3904400	MDL-4499	Filing Group 1	2,623	8	\$15,761
ME	SOUTH PORTLAND PUBLIC SCHOOLS	School District	2312330	MDL-6083	Filing Group 1	2,913	8	\$15,748
OH	ALLIANCE CITY	School District	3904349	MDL-5964	Filing Group 1	2,975	5	\$15,727
PA	PENNCREST SD	School District	4218740	MDL-4187; 10547	Filing Group 1	2,574	6	\$15,709
MI	DEWITT PUBLIC SCHOOLS	School District	2611550	MDL-9128	Filing Group 1	3,124	5	\$15,651
IN	KANKAKEE VALLEY SCHOOL CORP	School District	1805280	MDL-9773	Filing Group 1	3,224	5	\$15,646
CA	CLAYTON VALLEY CHARTER HIGH DISTRICT	School District	0602342	MDL-9073	Filing Group 1	2,266	1	\$15,638
MI	OWOSSO PUBLIC SCHOOLS	School District	2627210	MDL-6101	Filing Group 1	2,995	6	\$15,607
MI	WAVERLY COMMUNITY SCHOOLS	School District	2635520	MDL-5604	Filing Group 1	2,883	6	\$15,568
WV	PUTNAM COUNTY SCHOOLS	School District	5401200	MDL-11355	Filing Group 3	9,147	23	\$15,554

**WAVERLY COMMUNITY SCHOOLS
BOARD OF EDUCATION
REGULAR BOARD MEETING
October 16, 2023**

Report #23-25

FOR ACTION

Subject:

Student Trip – 1 day – Cedar Point

Recommendation:

Superintendent recommends approval of the Senior Student 1-day trip to Cedar Point trip in May 2024, date to be determined.

Background Information:

Students will visit:

- Cedar Point

PROPOSAL FOR OVERNIGHT/EXTENDED STUDENT TRIPS

Type of Trip Senior field trip to Cedar Point

Proposed Departure Date _____ Return Date _____

Proposer Nicole Ohi-Shaw Position Senior class adviser

Date by which response is needed asap Proposal Date September 18, 2023

A. Purpose

1. What is the major place to be visited or event to be attended?

Cedar Point (Sandusky, Ohio)

2. How is the trip related to the educational program of the District?

Offer an opportunity for the seniors to celebrate their upcoming graduation

3. In what ways will the students benefit?

An opportunity to spend time together before they graduate

4. In what ways will the District benefit?

By offering seniors this opportunity

5. How will the trip be evaluated to determine the extent to which these benefits were realized?

Get feedback from participating seniors

B. Students and Staff

1. Which students, (grade, class, or organization), will be going?

Seniors (Class of 2024)

B. Students and Staff (cont'd)

2. How many students in total?

100-150 (depending on who signs up and how many buses are available)

3. How many students are currently experiencing academic problems?

Not known at this time

4. Which staff member will be in charge?

Nicole Ohi-Shaw

5. What previous experience has the staff member had in conducting overnight or extended field trips?

I have chaperoned two Cedar Point trips now
I have also chaperoned two overseas trips (Europe in 2018, Costa Rica in 2022)

6. What other staff members will be going?

We will have enough staff based on the number of students attending

7. How many chaperones, in addition to staff members, will be going?

Only staff members will be chaperoning

8. What are their names and affiliations with the students?

N/A

9. How many school days will be missed?

One school day

10. How will teachers be advised in advance that the students will be out of school?

Teachers will be notified ahead of the trip that students will be gone

C. School Work

1. How will missed work be made up?

Upon return from the trip

2. What special assistance will be provided students with academic problems?

This close to graduation, seniors should be aware of their graduation status

D. Itinerary

1. What is the destination?

Cedar Point (Sandusky, Ohio)

2. What will be the mode of transportation? What liability insurance does the carrier have?

Charter buses through Educational Tours Inc.
\$4,000,000 liability insurance
Travel protection, which includes accident and sickness, trip interruption, and travel delay protection for all participants after departure

3. Where will the group be housed and fed?

This is not an overnight trip; a meal plan may be offered through ticket purchases

D. Itinerary (cont'd)

4. What enroute or supplementary activities are planned?

None

5. What arrangements have been made for dealing with emergency situations?

Emergency phone 24/7/365 (1-800-654-4560); will have student emergency contacts

6. If tour guides are involved, what liability insurance do they carry?

See #2 above

E. Finances

1. What is the estimated total cost and cost per student?

\$200-250, depending on how many students sign up

2. What is the source of funds?

Students can sign up for payments; fundraising offered through MSU concessions

3. How will the funds be collected and safeguarded?

Students will make payments directly to the tour company

4. How will any shortfall be made up or excess funds used?

N/A

5. What provision has been made for students who are financially unable to pay any necessary costs?

Opportunity to fundraise through MSU concessions

F. Communications

1. How will you communicate to parents prior to, during, and after the trip?

Emails to senior families; Google Form to collect information

2. List telephone numbers at destination and where group will be housed.

Emergency phone 24/7/365 (1-800-654-4560); housing N/A

3. What information will be provided to the media and the community?

N/A

<i>Nicole Ohl-Shaw</i>	9-18-23
Signature of the Requestor	Date

Approved:

Principal	Date
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	Date
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Board of Education	Date
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9/26/11