POTTERVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2025

Maner Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Potterville Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Potterville Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools, as of June 30, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Potterville Public Schools 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the District adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 Potterville Public Schools' ability to continue as a going concern for twelve 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards 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 Potterville Public Schools' 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 Potterville Public Schools' 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Potterville Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents are presented for purposes of additional analysis 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 additional supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025 on our consideration of Potterville Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Potterville Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Potterville Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 1, 2025

POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Potterville Public Schools' ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-Wide Financial Statements

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation/amortization, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Summary of Net Position

The following schedule summarizes the net position at June 30, 2025 and 2024:

Table A-3
Potterville Public Schools

	2025	2024*
Current and other assets	$ 9,285,782	$ 3,485,777
Net other postemployment benefits asset	2,094,821	272,771
Capital assets	21,624,259	19,378,490
Total assets	33,004,862	23,137,038
Deferred outflows	5,144,057	5,928,354
Long-term obligations	20,479,754	14,204,950
Other liabilities	3,975,524	2,710,993
Net pension liability	11,882,234	14,837,676
Total liabilities	36,337,512	31,753,619
Deferred inflows	7,089,096	5,448,476
Net position		
Net investment in capital assets	6,913,247	6,346,655
Restricted for capital projects (sinking funds)	449,864	390,475
Restricted for debt service	113,328	19,247
Restricted for net other postemployment benefits	2,094,821	272,771
Unrestricted	(14,848,949)	(15,165,851)
Total net position	$ (5,277,689)	$ (8,136,703)

*The 2024 numbers have not been updated for the adoption of GASB 101.

Analysis of Net Position

During the fiscal year ended June 30, 2025, the District's restated net position increased by $2,916,904. A few of the more significant factors affecting net position during the year are discussed below:

- Cash Equivalents and Deposits

  At June 30, 2025, the District's cash equivalents and deposits amounted to approximately $7.3 million. This represented an increase of approximately $6.28 million from the previous year, primarily as a result of bond proceeds from the 2025 Capital Projects Bond.

- Capital Outlay Acquisitions

  For the fiscal year ended June 30, 2025, approximately $3.2 million of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

  The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net increase to capital assets in the amount of $2.25 million for the fiscal year ended June 30, 2025.

- Depreciation Expense

  GASB 34 requires school districts to maintain records of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in the net position.

- Bonded Debt

  For the fiscal year ended June 30, 2025, the District's bonded debt increased by approximately $6,083,000 due to proceeds from the 2025 Capital Projects Bond, netted down by scheduled principal payments on existing debt. School Loan Revolving Fund debt increased by approximately $70,000 as a result of the draws in the current year.

- Accumulated Compensated Absences

  At June 30, 2025, the District had an obligation to employees for the portion of earned compensated absences that they expect to use in the future and, upon meeting certain criteria, would be entitled to upon separation in the amount of $197,788.

Results of Operations

For the fiscal years ended June 30, 2025 and 2024, the results of operations, on a District-wide basis, were:

Table A-4
Changes in Potterville Public Schools' Net Position

	2025	2024*
Revenues		
Program revenues		
Charges for services	$ 402,127	$ 343,850
Operating grants	5,383,470	5,457,444
General revenues		
Property taxes	2,976,450	2,630,420
Investment earnings	23,093	43,212
State sources - unrestricted	6,595,046	6,455,834
Other	312,686	442,983
Total revenues	15,692,872	15,373,743
Expenses		
Instruction	5,571,868	6,061,717
Support services	4,618,656	5,441,927
Community services	363,907	586,545
Food services	706,187	680,052
Student/school activities	124,099	124,972
Interest on long-term debt	457,908	491,201
Unallocated depreciation	933,343	915,179
Total expenses	12,775,968	14,301,593
Change in net position	$ 2,916,904	$ 1,072,150

*The 2024 numbers have not been updated for the adoption of GASB 101.

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

- Property Taxes

  The District levied 18.0 mills of property taxes for operations on non-principal residence exempt property for the 2024 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2025, the District was owed approximately $105,000.

- State Sources

  The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. For the 2024-2025 fiscal year, the District received $9,608 per student full time equivalent, which is no increase from 2023-2024.

- Operating Grants

  The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2025, federal, state, and other grants amounted to approximately $5.4 million. This represents a decrease of approximately $100,000 over the prior year.

Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2025	2024	Increase (Decrease)
Instruction	$ 6,975,664	$ 6,576,179	$ 399,485
Support services	5,010,694	5,621,030	(610,336)
Community services	425,615	674,016	(248,401)
Food service activities	696,802	650,469	46,333
Student/school activities	124,099	124,972	(873)
Debt service	2,153,539	1,986,311	167,228
Capital outlay	3,218,350	1,277,674	1,940,676
Total expenditures	$ 18,604,763	$ 16,910,651	$ 1,694,112

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2025.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2025.

	Original Budget	Final Budget	Actual	Variance with Budget	% variance
Total revenues	$ 11,368,190	$ 12,582,324	$ 12,273,334	$ (308,990)	-2.46%
Expenditures					
Instruction	6,085,925	7,207,711	6,975,664	232,047	3.22%
Supporting services	4,543,191	5,382,381	5,010,694	371,687	6.91%
Community services	399,869	453,610	425,615	27,995	6.17%
Debt services	127,308	125,852	199,200	(73,348)	-58.28%
Total expenditures	$ 11,156,293	$ 13,169,554	$ 12,611,173	$ 558,381	4.24%

The original budget adopted by the Board in June 2024 was amended twice during the year. The amendments, approved in June 2025, reflected necessary changes to both revenues and expenditures based on projections made by the Finance Director.

Capital Assets

By the end of the 2024-2025 fiscal year, the District had invested approximately $37.4 million as the original cost in a broad range of capital assets, including buildings and improvements, site improvements, furniture, fixtures and equipment, and buses and vehicles. Depreciation expense for the year amounted to $933,343, bringing the accumulated depreciation to roughly $15.8 million as of June 30, 2025.

Table A-5
Potterville Public Schools

	2025			2024
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Construction in progress	$ 3,474,425	$ -	$ 3,474,425	$ 650,199
Buildings and improvements	28,572,728	12,072,245	16,500,483	16,952,263
Right to use - leased equipment	90,886	49,987	40,899	59,076
Site improvements	2,620,025	1,791,714	828,311	906,032
Furniture, fixtures and equipment	2,598,656	1,818,515	780,141	810,920
Buses and vehicles	25,277	25,277	-	-
Total	$ 37,381,997	$ 15,757,738	$ 21,624,259	$ 19,378,490

Long-term Obligations

At June 30, 2025, the District had approximately $20.5 million in long-term obligations which included approximately $19.0 million in outstanding bonded debt. The bonded debt obligation increased during the year as a result of proceeds received from the 2025 Capital Projects Bond. The District has notes from direct borrowings and direct placements amounting to $369,620 in borrowings from the School Loan Revolving Fund and long-term lease agreements. In addition, the District has unamortized discounts/premiums of approximately $857,000 and an obligation for compensated absences estimated at roughly $198,000 at the end of the fiscal year.

Table A-6
Potterville Public Schools
Outstanding Long-Term Obligations

	2025	2024*
General obligation bonds	$ 19,055,000	$ 12,960,000
Unamortized premiums	857,346	869,364
Notes from direct borrowings and direct placements	369,620	299,921
Compensated absences	197,788	75,665
	$ 20,479,754	$ 14,204,950

*The 2024 numbers have not been updated for the adoption of GASB 101

Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the more important factors affecting the District's budget is student count. General fund revenue is generated from the State's per pupil allowance, a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations. Potterville is currently assessing the maximum amount allowed. At the time of the adoption of the initial 25-26 budget, the District anticipated a pupil allowance increase of $392 and an increase in anticipated student full time equivalents of 15 students.

- The District completed the construction of its early childhood education center and it's been fully operational since July of the 23-24 school year. This construction project was funded by the bonded capital projects debt levy approved by the District's voters in August of 2021. The early childhood program is expected to attract and retain early learners to the District over the next several years. GSRP is up and running this year with 32 students. In addition to the early childhood education center, the capital projects will include multiple facility upgrades over the next several fiscal years.

- Considering projected enrollment along with the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities; District administration continues to remain diligent in its decision-making as the Board desires to improve the District's financial stability. A portion of the District's General Fund balance was used in the 24-25 fiscal year to fund necessary increases in wages for District employees and investments in curriculum and facility upgrades. District administration is reviewing the initial 25-26 budget for amendments to continue financial stability.

- The District successfully negotiated longer term contracts with its collective bargaining groups. This effort is anticipated to help the District attract and retain educators and allow it to compete with other local districts for talent.

- The District continues to work on strategies to attract additional students and retain existing students. A new large-scale single family home project has begun construction and is anticipated to be significantly completed in the next twelve to twenty four months. It is anticipated that the housing construction will provide additional students to the District.

- During fiscal year 2024-25, it was determined that the District would be in a deficit at the end of the fiscal year. A deficit elimination plan was approved by the Board of Education and the Michigan Department of Education. Initial projections estimated a deficit fund balance of just over $900,000. Due to additional special ed funds being available from Eaton RESA and mid-year vacancies that were not filled, the final fund balance projection was estimated at a deficit of $500,000. The District anticipates it will be out of a deficit at the end of 2027.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Interim Superintendent at Potterville Public Schools, 425 East Main Street Potterville, MI 48876.

BASIC FINANCIAL STATEMENTS

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 7,304,661
Receivables	
Accounts receivable	17,305
Taxes receivable	105,277
Intergovernmental	1,836,528
Inventories	10,906
Prepaids	11,105
Net other postemployment benefits asset	2,094,821
Capital assets not being depreciated	3,474,425
Capital assets, net of accumulated depreciation/amortization	18,149,834
TOTAL ASSETS	33,004,862
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	1,964
Related to pensions	4,493,586
Related to other postemployment benefits	648,507
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,144,057
LIABILITIES	
Accounts payable	1,156,563
Note payable	1,700,000
Accrued interest	159,439
Accrued salaries and related items	494,626
Accrued retirement	257,437
Unearned revenue	207,459
Noncurrent liabilities	
Due within one year	1,258,196
Due in more than one year	19,221,558
Net pension liability	11,882,234
TOTAL LIABILITIES	36,337,512
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	3,603,417
Related to other postemployment benefits	2,826,951
Related to state aid funding for pension	658,728
TOTAL DEFERRED INFLOWS OF RESOURCES	7,089,096
NET POSITION	
Net investment in capital assets	6,913,247
Restricted for capital projects (sinking funds)	449,864
Restricted for debt service	113,328
Restricted for net other postemployment benefits	2,094,821
Unrestricted	(14,848,949)
TOTAL NET POSITION	$ (5,277,689)

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 5,571,868	$ -	$ 3,283,700	$ (2,288,168)
Support services	4,618,656	-	1,407,301	(3,211,355)
Community services	363,907	349,494	-	(14,413)
Student/school activities	124,099	-	148,066	23,967
Food services	706,187	52,633	544,403	(109,151)
Interest on long-term debt	457,908	-	-	(457,908)
Unallocated depreciation/amortization	933,343	-	-	(933,343)
Total governmental activities	$ 12,775,968	$ 402,127	$ 5,383,470	(6,990,371)
General revenues				
Property taxes, levied for general purposes				893,723
Property taxes, levied for debt service				1,737,595
Property taxes, levied for sinking funds				345,132
State sources - unrestricted				6,595,046
Investment earnings				23,093
Other				312,686
Total general revenues				9,907,275
CHANGE IN NET POSITION				2,916,904
NET POSITION, beginning of year, as previously reported				(8,136,703)
Adjustment to beginning net position				(57,890)
NET POSITION, beginning of year, as restated				(8,194,593)
NET POSITION, end of year				$ (5,277,689)

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Sinking Fund	2022 Capital Projects	2025 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 862,139	$ 339,937	$ 101	$ 5,648,515	$ 453,969	$ 7,304,661
Receivables						
Accounts receivable	7,606	-	-	-	9,699	17,305
Taxes receivable	47,139	5,018	-	-	53,120	105,277
Due from other funds	-	-	8,464	-	458,089	466,553
Intergovernmental	1,801,115	-	-	-	35,413	1,836,528
Inventories	-	-	-	-	10,906	10,906
Prepaids	8,510	-	-	-	2,595	11,105
TOTAL ASSETS	$ 2,726,509	$ 344,955	$ 8,565	$ 5,648,515	$ 1,023,791	$ 9,752,335
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 112,418	$ -	$ -	$ 994,620	$ 49,525	$ 1,156,563
Due to other funds	155,783	299,190	-	8,327	3,253	466,553
Note payable	1,700,000	-	-	-	-	1,700,000
Accrued interest	63,042	-	-	-	-	63,042
Accrued salaries and related items	494,626	-	-	-	-	494,626
Accrued retirement	257,437	-	-	-	-	257,437
Unearned revenue	203,556	-	-	-	3,903	207,459
TOTAL LIABILITIES	2,986,862	299,190	-	1,002,947	56,681	4,345,680
FUND BALANCES						
Nonspendable						
Inventories	-	-	-	-	10,906	10,906
Prepaids	8,510	-	-	-	2,595	11,105
Restricted for:						
Food service	-	-	-	-	195,553	195,553
Capital projects	-	45,765	8,565	4,645,568	404,099	5,103,997
Debt service	-	-	-	-	209,725	209,725

See notes to financial statements.

	General Fund	Sinking Fund	2022 Capital Projects	2025 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)						
Committed for:						
Student/school activities	$ -	$ -	$ -	$ -	$ 144,232	$ 144,232
Unassigned	(268,863)	-	-	-	-	(268,863)
TOTAL FUND BALANCES	(260,353)	45,765	8,565	4,645,568	967,110	5,406,655
TOTAL LIABILITIES AND FUND BALANCES	$ 2,726,509	$ 344,955	$ 8,565	$ 5,648,515	$ 1,023,791	$ 9,752,335

Total governmental fund balances		$ 5,406,655
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources - deferred charge on refunding, net of accumulated amortization	$ 1,964	
Deferred outflows of resources - related to pensions	4,493,586	
Deferred outflows of resources - related to other postemployment benefits	648,507	
Deferred inflows of resources - related to pensions	(3,603,417)	
Deferred inflows of resources - related to other postemployment benefits	(2,826,951)	
Deferred inflows of resources - related to state pension funding	(658,728)	
		(1,945,039)
Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Noncurrent assets at year-end consist of:		
Net other postemployment benefits asset		2,094,821
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	37,381,997	
Accumulated depreciation/amortization is	(15,757,738)	
		21,624,259
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Bond obligations, net of unamortized discount and premiums		(19,912,346)
Notes from direct borrowings and direct placements		(369,620)
Compensated absences		(197,788)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(96,397)
Net pension liability		(11,882,234)
Net position of governmental activities		$ (5,277,689)

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Sinking Fund	2022 Capital Projects	2025 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local sources						
Property taxes	$ 893,723	$ 179,689	$ -	$ -	$ 1,903,038	$ 2,976,450
Food sales	-	-	-	-	47,339	47,339
Charges for services	170,726	-	-	-	-	170,726
Investment earnings	80	2,850	482	14,576	5,105	23,093
Student/school activities	-	-	-	-	148,066	148,066
Other	491,454	-	-	-	5,294	496,748
Total local sources	1,555,983	182,539	482	14,576	2,108,842	3,862,422
State sources	8,915,517	12,084	-	-	260,642	9,188,243
Federal sources	173,632	-	-	-	544,403	718,035
Intermediate school districts	1,628,202	-	-	-	-	1,628,202
TOTAL REVENUES	12,273,334	194,623	482	14,576	2,913,887	15,396,902
EXPENDITURES						
Current						
Instruction	6,975,664	-	-	-	-	6,975,664
Supporting services	5,010,694	-	-	-	-	5,010,694
Community services	425,615	-	-	-	-	425,615
Food service activities	-	-	-	-	696,802	696,802
Student/school activities	-	-	-	-	124,099	124,099

See notes to financial statements.

	General Fund	Sinking Fund	2022 Capital Projects	2025 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)						
Debt service						
Principal repayment	$ 75,000	$ -	$ -	$ -	$ 1,424,197	$ 1,499,197
Interest	124,200	-	-	-	392,374	516,574
Bond issuance costs	-	-	-	137,768	-	137,768
Capital outlay	-	311,803	-	2,895,015	11,532	3,218,350
TOTAL EXPENDITURES	12,611,173	311,803	-	3,032,783	2,649,004	18,604,763
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(337,839)	(117,180)	482	(3,018,207)	264,883	(3,207,861)
OTHER FINANCING SOURCES (USES)						
Transfers in	5,590	-	-	-	-	5,590
Transfers out	-	-	-	-	(5,590)	(5,590)
Proceeds from issuance of bonds	-	-	-	7,590,000	-	7,590,000
Premium on bonds	-	-	-	73,775	-	73,775
Proceeds from school loan revolving fund	-	-	-	-	106,428	106,428
TOTAL OTHER FINANCING SOURCES (USES)	5,590	-	-	7,663,775	100,838	7,770,203
NET CHANGE IN FUND BALANCES	(332,249)	(117,180)	482	4,645,568	365,721	4,562,342
FUND BALANCES						
Beginning of year	71,896	162,945	8,083	-	601,389	844,313
End of year	$ (260,353)	$ 45,765	$ 8,565	$ 4,645,568	$ 967,110	$ 5,406,655

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in fund balances total governmental funds	$ 4,562,342
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(933,343)
Capital outlay	3,179,112
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	69,529
Accrued interest payable, end of the year	(96,397)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from issuance of bonds	(7,590,000)
Premium on bond issuance	(73,775)
Proceeds from school loan revolving fund	(106,428)
Interest on school loan revolving fund	(11,428)
Payments on debt	1,543,157
Amortization of bond premiums/discounts	85,793
Amortization of deferred charge on refunding	(327)
Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year, as restated	133,555
Accrued compensated absences, end of the year	(197,788)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	1,195,021
Other postemployment benefit related items	861,911
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension, beginning of the year	954,698
State aid funding for pension, end of the year	(658,728)
Change in net position of governmental activities	$ 2,916,904

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following *Major Governmental Funds*:

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

The *Sinking Fund* is used to account for the voter approved sinking fund tax millage that is used to finance capital projects of the District. The capital projects *sinking fund* records capital project activities funded with sinking fund millage and other sources. For the sinking fund, the District has complied with the applicable provision of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

The *2022 Capital Projects Fund* accounts for the capital projects related to the 2022 capital projects bond. For the capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (continued):

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the Capital Projects Funds. The projects for which the 2022 School Building & Site Bonds Series I were issued were considered complete on June 30, 2023.

The *2025 Capital Projects Fund* accounts for the capital projects related to the 2025 capital projects bond. For the capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code. The fund is not yet considered substantially complete, and a subsequent year audit is expected.

The following is a summary of the cumulative revenue, other financing sources (uses), and expenditures for the 2022 and 2025 capital projects fund activity.

	2022 Capital Projects	2025 Capital Projects
Revenue and other financing sources	$ 5,191,513	$ 7,678,351
Expenditures and other financing uses	$ 5,182,948	$ 3,032,783

The above revenue and other financing sources figure does include total 2022 and 2025 bond proceeds and premium of $5,035,195 and $7,663,775, respectively.

The District reports the following *Other Nonmajor Funds*:

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

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Tech Safety Sinking Fund* is used to account for the voter approved sinking fund tax millage that is used to finance capital projects of the District. The capital projects *sinking fund* records capital project activities funded with sinking fund millage and other sources. For the sinking fund, the District has complied with the applicable provision of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2023-1.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days (120 days for certain federal grants) of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end).

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

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

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

e. The budget was amended during the year with supplemental appropriations. The final budget was approved prior to the June 30, 2025, year-end with more than originally expected revenues and appropriations due to previous uncertainty in state and federal funding when the original budget was adopted. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers' acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Inventories and Prepaid Items

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include construction in progress, property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	50
Site improvements	10 - 20
Right to use - leased equipment	5
Furniture, fixtures and equipment	3 - 20
Buses and vehicles	8

Defined Benefit Plans

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

Deferred Outflows

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

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

Net Position Flow Assumption

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

In the computation of net investment in capital assets, school loan revolving fund principal proceeds of $324,809 are considered capital-related debt. Accrued interest on the school loan revolving fund of $1,804 has been included in the calculation of unrestricted net position. As of June 30, 2025, the outstanding balance of the 2020 Series B refunding bonds was $2,685,000. Of this amount, 19% was not considered capital related debt as this amount was used to pay off accrued interest, and the portion not related to capital related debt was $510,150. In addition, as of June 30, 2025, the outstanding balance of the 2019 refunding bonds was $4,005,000. Of this amount, 10.06% was not considered capital related debt as this amount was used to pay off accrued interest, and the portion not related to capital related debt was $402,903. These amounts are not included in the computation of net investment in capital assets.

Fund Balance Flow Assumptions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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

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

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

Leases

The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

For the year ended June 30, 2025, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	10.1000
Capital projects sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.0450
Tech safety sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.9617

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2025 the District had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, $2,449,913 of the District's bank balance of $2,699,913 was exposed to custodial credit risk because it was uninsured. The carrying balance was $1,655,693.

Custodial Credit Risk - Investments

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

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity
UMB Money Market Funds	$ 5,648,515	N/A
MILAF External Investment Pool - MAX	453	N/A
Total fair value	$ 5,648,968	

Concentration of Credit Risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
UMB Money Market Funds	$ 5,648,515	AAAm	Standard & Poor's
MILAF External Investment Pool - MAX	453	AAAm	Standard & Poor's
Total	$ 5,648,968		

Foreign Currency Risk

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

Fair Value Measurement

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Investment Type	Amortized Cost
UMB Money Market Funds	$ 5,648,515
MILAF External Investment Pool - MAX	453
Total	$ 5,648,968

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents and investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2025:

	Primary Government
Deposits	$ 1,655,693
Investments	5,648,968
Cash and cash equivalents	$ 7,304,661

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2025 consist of the following:

	Government-wide
State aid	$ 1,553,049
Federal revenue	101,533
Intermediate school district	171,200
Other	10,746
	$ 1,836,528

Intergovernmental receivables include amounts due from state, federal, and intermediate sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Assets not being depreciated				
Construction in progress	$ 650,199	$ 2,824,226	$ -	$ 3,474,425
Capital assets being depreciated/amortized				
Building and improvements	28,300,742	271,986	-	28,572,728
Right to use - leased equipment	90,886	-	-	90,886
Site improvements	2,620,025	-	-	2,620,025
Furniture, fixtures and equipment	2,515,756	82,900	-	2,598,656
Buses and vehicles	25,277	-	-	25,277
Subtotal	33,552,686	354,886	-	33,907,572
Accumulated depreciation/amortization				
Building and improvements	11,348,479	723,766	-	12,072,245
Right to use - leased equipment	31,810	18,177	-	49,987
Site improvements	1,713,993	77,721	-	1,791,714
Furniture, fixtures and equipment	1,704,836	113,679	-	1,818,515
Buses and vehicles	25,277	-	-	25,277
Total accumulated depreciation/amortization	14,824,395	933,343	-	15,757,738
Net capital assets being depreciated/amortized	18,728,291	(578,457)	-	18,149,834
Net governmental capital assets being depreciated/amortized	$ 19,378,490	$ 2,245,769	$ -	$ 21,624,259

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to $933,343. The District determined that it was impractical to allocate depreciation/amortization of the various activities as follows as they serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2025 are as follows:

Receivable Fund		Payable Fund	
General fund	$ -	General fund	$ 155,783
Sinking Fund	-	Sinking Fund	299,190
2022 Capital Projects	8,464	2022 Capital Projects	-
2025 Capital Projects	-	2025 Capital Projects	8,327
Nonmajor funds	458,089	Nonmajor funds	3,253
	$ 466,553		$ 466,553

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 6 - STATE AID ANTICIPATION NOTE

At June 30, 2025, the District has issued a state aid anticipation note payable in the amount of $1,700,000 which has an interest rate of 4.39% and matures on August 20, 2025. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the bank may impose a penalty interest rate and at the bank's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Payments	Balance June 30, 2025
State aid anticipation note	$ 1,300,000	$ 1,700,000	$ (1,300,000)	$ 1,700,000

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2025:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences*	Total
Balance, July 1, 2024, as restated	$ 13,829,364	$ 299,921	$ 133,555	$ 14,262,840
Additions	7,663,775	117,856	64,233	7,845,864
Deletions	(1,580,793)	(48,157)	-	(1,628,950)
Balance June 30, 2025	19,912,346	369,620	197,788	20,479,754
Due within one year	(1,200,000)	(18,638)	(39,558)	(1,258,196)
Due in more than one year	$ 18,712,346	$ 350,982	$ 158,230	$ 19,221,558

*The change in the compensated absences liability is presented as a net change.

<u>Borrowing from the State of Michigan</u>

The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2025, was 4.22%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.35 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 10.10 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $43,007 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Long-term obligation debt at June 30, 2025 is comprised of the following:

General Obligation Bonds	
2019 refunding bonds due in annual installments of $620,000 to $1,290,000 through May 1, 2030 with interest of 3.00%.	$ 4,005,000
2020 series B refunding bonds due in annual installments of $470,000 to $715,000 through May 1, 2031 with interest from 1.50% to 2.35%.	2,685,000
2022 School Building and Site bonds, Series I due in annual installments of $200,000 to $610,000 through May 1, 2038, with interest rates ranging from 4.00% to 5.00%.	3,585,000
2022 Energy Conservation Improvement Bonds due in annual installments of $75,000 to $125,000 through May 1, 2037, with interest rates ranging from 3.92% to 4.26%.	1,190,000
2025 School Building and Site bonds, Series II due in annual installments of $100,000 to $1,120,000 through May 1, 2044, with an interest rate of 5.00%.	7,590,000
Add bond issuance premium/discounts, net	857,346
Total general obligation bonds	19,912,346
Notes from Direct Borrowings and Direct Placements	
Borrowings from the State of Michigan under the School Loan Revolving Fund including the interest rate at June 30, 2025 was 4.22%.	326,613
Copier lease due in monthly installments of $1,668 through September 30, 2027, with an imputed interest rate of 4%.	43,007
Total notes from direct borrowings and direct placements	369,620
Total general obligation bonds and notes from direct borrowings and direct placements	20,281,966
Compensated absences	197,788
Total long-term obligations	$ 20,479,754

Interest expense for the year ended June 30, 2025 was approximately $458,000.

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligation outstanding as of June 30, 2025, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements			
	Principal	Interest	Principal	Interest	Compensated Absences	Total
2026	$ 1,200,000	$ 733,136	$ 18,638	$ 1,381	$ -	$ 1,953,155
2027	1,240,000	715,278	19,397	622	-	1,975,297
2028	1,270,000	681,972	4,972	33	-	1,956,977
2029	1,405,000	649,078	-	-	-	2,054,078
2030	1,380,000	607,508	-	-	-	1,987,508
2031 - 2035	3,895,000	2,553,722	-	-	-	6,448,722
2036 - 2040	4,445,000	1,703,776	-	-	-	6,148,776
2041 - 2044	4,220,000	538,750	-	-	-	4,758,750
Total	19,055,000	8,183,220	43,007	2,036	-	27,283,263
School loan revolving fund	-	-	324,809	1,804	-	326,613
Bond issuance premium	857,346	-	-	-	-	857,346
Compensated absences	-	-	-	-	197,788	197,788
	$ 19,912,346	$ 8,183,220	$ 367,816	$ 3,840	$ 197,788	$ 28,665,010

At June 30, 2025, fund balance of $209,725 is available in the debt service funds to service the general obligation debt.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

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

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

New employees hired between February 1, 2018, and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

Retiree Healthcare Reform of 2012

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

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Retiree Healthcare Reform of 2012 (continued)

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2024, were determined as of the September 30, 2021, actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021, are amortized over a 15-year period beginning October 1, 2023, and ending September 30, 2038.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

	Pension	Other Postemployment Benefit
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The District's pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Total pension contributions were approximately $2,240,000. Of the total pension contributions approximately $2,158,000 was contributed to fund the Defined Benefit Plan and approximately $82,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. Total OPEB contributions were approximately $77,000. Of the total OPEB contributions approximately $28,000 was contributed to fund the Defined Benefit Plan and approximately $49,000 was contributed to fund the Defined Contribution Plan.

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

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

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2024	September 30, 2023
Total pension liability	$ 95,765,499,515	$ 94,947,828,557
Plan fiduciary net position	$ 71,283,482,728	$ 62,581,762,238
Net pension liability	$ 24,482,016,787	$ 32,366,066,319
Proportionate share	0.04853%	0.04584%
Net pension liability for the District	$ 11,882,234	$ 14,837,676

For the year ended June 30, 2025, the District recognized pension expense of $963,009.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

At June 30, 2025, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	$ -	$ 2,267,634
Differences between expected and actual experience	322,373	129,102
Changes in proportion and differences between employer contributions and proportionate share of contributions	987,734	336,089
Changes of assumptions	1,238,793	870,592
Reporting Unit's contributions subsequent to the measurement date	1,944,686	-
	$ 4,493,586	$ 3,603,417

$1,944,686, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending June 30,	Amount
2025	$ (269,656)
2026	334,143
2027	(607,760)
2028	(511,244)
	$ (1,054,517)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures.

The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2024	September 30, 2023
Total other postemployment benefits liability	$ 9,991,545,923	$ 11,223,648,949
Plan fiduciary net position	$ 14,295,943,589	$ 11,789,347,341
Net other postemployment benefits liability (asset)	$ (4,304,397,666)	$ (565,698,392)
Proportionate share	0.04867%	0.04822%
Net other postemployment benefits liability (asset) for the District	$ (2,094,821)	$ (272,771)

For the year ended June 30, 2025, the District recognized OPEB benefit of $834,187.

At June 30, 2025, the Reporting Unit 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
Net difference between projected and actual other postemployment benefits plan investment earnings	$ -	$ 396,574
Differences between expected and actual experience	-	2,219,871
Changes in proportion and differences between employer contributions and proportionate share of contributions	183,221	157,916
Changes of assumptions	457,539	52,590
Reporting Unit's contributions subsequent to the the measurement date	7,747	-
	$ 648,507	$ 2,826,951

$7,747, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Year Ending June 30,	Amount
2025	$ (744,095)
2026	(464,192)
2027	(399,310)
2028	(348,523)
2029	(190,617)
2030	(39,454)
	$ (2,186,191)

Actuarial Assumptions

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

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

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

Inflation - 3.0%.

Mortality Assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023, valuation.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

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

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

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

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

The target asset allocation at September 30, 2024, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.3%
Private Equity Pools	16.00%	9.0%
International Equity Pools	15.00%	6.5%
Fixed Income Pools	13.00%	2.2%
Real Estate and Infrastructure Pools	10.00%	7.1%
Absolute Return Pools	9.00%	5.2%
Real Return/Opportunistic Pools	10.00%	6.9%
Short Term Investment Pools	2.00%	1.4%
	100.00%	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	$ 17,419,483	$ 11,882,234	$ 7,271,409

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	$ (1,618,895)	$ (2,094,821)	$ (2,506,310)

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Other Postemployment Benefits		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	$ (2,506,314)	$ (2,094,821)	$ (1,653,497)

Pension and OPEB Plan Fiduciary Net Position

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

Pension and OPEB Plan Fiduciary Net Position (continued)

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

NOTE 9 - CONTINGENT LIABILITIES

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

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the year ended June 30, 2025, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 10 - TRANSFERS

The District transferred $5,590 from the food service fund to the general fund for indirect costs for the year ended June 30, 2025.

NOTE 11 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*. The District was not significantly impacted by tax abatements during the year ended June 30, 2025. There are no abatements made by the District.

NOTE 12 - SUBSEQUENT EVENT

In August 2025, the District issued $2,000,000 of State Aid Notes due in August 2026 to replace the note describe in Note 6.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
    ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

NOTE 15 - ADJUSTMENTS TO BEGINNING NET POSITION

During fiscal year 2025, changes to beginning net position, are as follows:

	Governmental Activities
Net position, as previously reported	$ (8,136,703)
Change in accounting principal (GASB 101)	(57,890)
Net position, as restated	$ (8,194,593)

NOTE 16 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2025. Approximately $8,600 and $4,646,000 is restricted and recorded as fund balance in the 2022 and 2025 capital projects fund, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

POTTERVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 1,450,776	$ 1,464,709	$ 1,555,983	$ 91,274
State sources	8,479,337	9,087,860	8,915,517	(172,343)
Federal sources	179,165	284,444	173,632	(110,812)
Intermediate school districts and other	1,258,912	1,745,311	1,628,202	(117,109)
TOTAL REVENUES	11,368,190	12,582,324	12,273,334	(308,990)
EXPENDITURES				
Current				
Instruction				
Basic programs	4,698,516	5,763,532	5,578,628	184,904
Added needs	1,387,409	1,444,179	1,397,003	47,176
Adult and continuing education	-	-	33	(33)
Total instruction	6,085,925	7,207,711	6,975,664	232,047
Supporting services				
Pupil	829,155	878,843	826,987	51,856
Instructional staff	141,238	566,999	478,021	88,978
General administration	361,059	361,411	362,149	(738)
School administration	531,413	662,217	649,991	12,226
Business	395,942	372,727	265,900	106,827
Operations and maintenance	1,087,518	1,211,321	1,089,519	121,802
Pupil transportation	550,000	666,169	670,133	(3,964)
Central	247,883	338,306	330,521	7,785
Other supporting services	398,983	324,388	337,473	(13,085)
Total supporting services	4,543,191	5,382,381	5,010,694	371,687
Community services	399,869	453,610	425,615	27,995
Debt service	127,308	125,852	199,200	(73,348)
TOTAL EXPENDITURES	11,156,293	13,169,554	12,611,173	558,381
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	211,897	(587,230)	(337,839)	249,391
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,590	5,590
NET CHANGE IN FUND BALANCE	$ 211,897	$ (587,230)	(332,249)	$ 254,981
FUND BALANCE				
Beginning of year			71,896	
End of year			$ (260,353)	

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Reporting Unit's proportion of net pension liability (%)	0.04583%	0.04584%	0.04373%	0.04555%	0.04844%	0.04866%	0.04998%	0.05009%	0.04884%	4.80100%
Reporting Unit's proportionate share of net pension liability	$ 11,882,234	$ 14,837,676	$ 16,447,921	$ 10,783,260	$ 16,639,670	$ 16,114,165	$ 15,025,594	$ 12,981,638	$ 12,185,348	$ 11,726,792
Reporting Unit's covered-employee payroll	$ 5,158,660	$ 4,836,042	$ 4,173,657	$ 3,950,080	$ 4,287,988	$ 4,192,298	$ 4,212,785	$ 4,231,229	$ 4,170,339	$ 4,202,610
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	230.34%	306.81%	394.09%	272.99%	388.05%	384.38%	356.67%	306.81%	292.19%	279.04%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	$ 2,158,030	$ 1,945,022	$ 2,052,555	$ 1,382,434	$ 1,330,274	$ 1,328,508	$ 1,297,568	$ 1,260,469	$ 1,174,717	$ 1,067,163
Contributions in relation to statutorily required contributions	2,158,030	1,945,022	2,052,555	1,382,434	1,330,274	1,328,508	1,297,568	1,260,469	1,174,717	1,067,163
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 5,050,757	$ 5,155,861	$ 4,654,746	$ 4,037,961	$ 4,047,562	$ 4,288,290	$ 4,181,187	$ 4,195,199	$ 4,239,002	$ 4,209,871
Contributions as a percentage of covered-employee payroll	42.73%	37.72%	44.10%	34.24%	32.87%	30.98%	31.03%	30.05%	27.71%	25.35%

POTTERVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2024	2023	2022	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability/asset (%)	0.04867%	0.04822%	0.04281%	0.04298%	0.04844%	0.04802%	0.04980%	0.05013%
Reporting Unit's proportionate share of net other postemployment benefits liability (asset)	$ (2,094,821)	$ (272,771)	$ 906,828	$ 655,964	$ 2,594,924	$ 3,446,603	$ 3,958,236	$ 4,439,626
Reporting Unit's covered-employee payroll	$ 5,158,660	$ 4,836,042	$ 4,173,657	$ 3,950,080	$ 4,287,988	$ 4,192,298	$ 4,212,785	$ 4,231,229
Reporting Unit's proportionate share of net other postemployment benefits liability (asset) as a percentage of its covered-employee payroll	-40.61%	-5.64%	21.73%	16.61%	60.52%	82.21%	93.96%	104.93%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required other postemployment benefit contributions	$ 27,724	$ 407,984	$ 392,940	$ 308,508	$ 332,853	$ 363,221	$ 357,045	$ 301,005
Other postemployment benefit contributions in relation to statutorily required contributions	27,724	407,984	392,940	308,508	332,853	363,221	357,045	301,005
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll (OPEB)	$ 5,050,757	$ 5,155,861	$ 4,654,746	$ 4,037,961	$ 4,047,562	$ 4,288,290	$ 4,181,187	$ 4,195,199
Other postemployment benefit contributions as a percentage of covered-employee payroll	0.55%	7.91%	8.44%	7.64%	8.22%	8.47%	8.54%	7.17%

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

POTTERVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - PENSION INFORMATION

Benefit Changes

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

Changes in Assumptions

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

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

- 2022 - The discount rate 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.

NOTE 2 - OPEB INFORMATION

Benefit Changes

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

Changes in Assumptions

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

- 2024 - The health care cost trend rate used in the September 30, 2023, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.

- 2023 - The health care cost trend rate used in the September 30, 2022, actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

NOTE 2 - OPEB INFORMATION (continued)

Changes in Assumptions (continued)

- 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 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 and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

- 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 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 lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

ADDITIONAL SUPPLEMENTARY INFORMATION

POTTERVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2025

	Special Revenue		Debt Service				Capital Projects	
	Food Service	Student/ School Activities	2019 Debt	2020 Series A Debt	2020 Series B Debt	2022 Debt	Tech Safety Sinking Fund	Total Nonmajor Funds
ASSETS								
Cash and cash equivalents	$ 134,589	$ 150,217	$ 29,995	$ 4	$ 4,284	$ 34,540	$ 100,340	$ 453,969
Receivables								
Accounts receivable	8,380	-	527	-	442	350	-	9,699
Taxes receivable	-	-	18,921	-	15,608	13,971	4,620	53,120
Due from other funds	67,867	-	6,155	48,793	5,471	30,664	299,139	458,089
Due from other governmental units	35,413	-	-	-	-	-	-	35,413
Inventories	10,906	-	-	-	-	-	-	10,906
Prepaid expenditures	2,595	-	-	-	-	-	-	2,595
TOTAL ASSETS	$ 259,750	$ 150,217	$ 55,598	$ 48,797	$ 25,805	$ 79,525	$ 404,099	$ 1,023,791
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	$ 48,204	$ 1,321	$ -	$ -	$ -	$ -	$ -	$ 49,525
Due to other funds	-	3,253	-	-	-	-	-	3,253
Unearned revenue	2,492	1,411	-	-	-	-	-	3,903
TOTAL LIABILITIES	50,696	5,985	-	-	-	-	-	56,681
FUND BALANCES								
Nonspendable								
Inventories	10,906	-	-	-	-	-	-	10,906
Prepaid expenditures	2,595	-	-	-	-	-	-	2,595
Restricted for food service	195,553	-	-	-	-	-	-	195,553
Restricted for debt service	-	-	55,598	48,797	25,805	79,525	-	209,725
Restricted for capital projects	-	-	-	-	-	-	404,099	404,099
Committed for student/school activities	-	144,232	-	-	-	-	-	144,232
TOTAL FUND BALANCES	209,054	144,232	55,598	48,797	25,805	79,525	404,099	967,110
TOTAL LIABILITIES AND FUND BALANCES	$ 259,750	$ 150,217	$ 55,598	$ 48,797	$ 25,805	$ 79,525	$ 404,099	$ 1,023,791

POTTERVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2025

	Special Revenue		Debt Service				Capital Projects	
	Food Service	Student/ School Activities	2019 Debt	2020 Series A Debt	2020 Series B Debt	2022 Debt	Tech Safety Sinking Fund	Total Nonmajor Funds
REVENUES								
Local sources								
Property taxes	$ -	$ -	$ 677,835	$ -	$ 559,129	$ 500,631	$ 165,443	$ 1,903,038
Food sales	47,339	-	-	-	-	-	-	47,339
Investment earnings	105	-	1,126	517	1,576	1,781	-	5,105
Student/school activities	-	148,066	-	-	-	-	-	148,066
Other	5,294	-	-	-	-	-	-	5,294
State sources	161,019	-	34,522	-	28,477	25,498	11,126	260,642
Federal sources	544,403	-	-	-	-	-	-	544,403
TOTAL REVENUES	758,160	148,066	713,483	517	589,182	527,910	176,569	2,913,887
EXPENDITURES								
Current								
Food service	696,802	-	-	-	-	-	-	696,802
Student/school activities	-	124,099	-	-	-	-	-	124,099
Capital outlay	11,532	-	-	-	-	-	-	11,532
Debt service								
Principal repayment	-	-	576,637	-	526,351	321,209	-	1,424,197
Interest	-	-	147,559	-	71,812	173,003	-	392,374
TOTAL EXPENDITURES	708,334	124,099	724,196	-	598,163	494,212	-	2,649,004
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,826	23,967	(10,713)	517	(8,981)	33,698	176,569	264,883
OTHER FINANCING SOURCES (USES)								
Transfers out	(5,590)	-	-	-	-	-	-	(5,590)
Proceeds from school loan revolving fund	-	-	41,517	-	34,247	30,664	-	106,428
TOTAL OTHER FINANCING SOURCES (USES)	(5,590)	-	41,517	-	34,247	30,664	-	100,838
NET CHANGE IN FUND BALANCES	44,236	23,967	30,804	517	25,266	64,362	176,569	365,721
FUND BALANCES								
Beginning of year	164,818	120,265	24,794	48,280	539	15,163	227,530	601,389
End of year	$ 209,054	$ 144,232	$ 55,598	$ 48,797	$ 25,805	$ 79,525	$ 404,099	$ 967,110

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

$5,640,000 refunding bonds issued in 2019:

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 620,000	$ 60,075	$ 60,075	2026	$ 740,150
655,000	50,775	50,775	2027	756,550
695,000	40,950	40,950	2028	776,900
745,000	30,525	30,525	2029	806,050
1,290,000	19,350	19,350	2030	1,328,700
$ 4,005,000	$ 201,675	$ 201,675		$ 4,408,350

The bonds were approved by the Board of Education to be used for the purpose of refunding all or a portion of the District's outstanding indebtedness to the State of Michigan under the State of Michigan School Bond Loan Qualification and Loan Program. The bonds carry an interest rate of 3.00%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

$3,680,000 refunding bonds issued in 2020:

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 505,000	$ 25,543	$ 25,543	2026	$ 556,086
505,000	20,114	20,114	2027	545,228
490,000	14,938	14,938	2028	519,876
470,000	10,650	10,650	2029	491,300
-	5,363	5,363	2030	10,726
715,000	5,363	5,363	2031	725,726
$ 2,685,000	$ 81,971	$ 81,971		$ 2,848,942

The bonds were approved by the Board of Education to be used for the purpose of refunding a portion of the District's outstanding 2012 bonds as well as a portion of the District's outstanding indebtedness to the State of Michigan under the State of Michigan School Bond Loan Qualification and Loan Program. The bonds carry interest rates between 1.50% and 2.35%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

$4,355,000 building and site bonds issued in 2022:

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ -	$ 74,750	$ 74,750	2026	$ 149,500
-	74,750	74,750	2027	149,500
-	74,750	74,750	2028	149,500
-	74,750	74,750	2029	149,500
-	74,750	74,750	2030	149,500
200,000	74,750	74,750	2031	349,500
595,000	70,750	70,750	2032	736,500
610,000	58,850	58,850	2033	727,700
515,000	43,600	43,600	2034	602,200
535,000	33,300	33,300	2035	601,600
560,000	22,600	22,600	2036	605,200
320,000	11,400	11,400	2037	342,800
250,000	5,000	5,000	2038	260,000
$ 3,585,000	$ 694,000	$ 694,000		$ 4,973,000

The bonds were approved by the Board of Education at the March 7, 2022, meeting for school building and site purpose. The bonds will carry interest rates ranging from 4.00% to 5.00%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

$1,435,000 Energy Bond issued in 2023:

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ 75,000	$ 23,829	$ 23,829	2026	$ 122,658
80,000	22,250	22,250	2027	124,500
85,000	20,598	20,598	2028	126,196
90,000	18,864	18,864	2029	127,728
90,000	17,041	17,041	2030	124,082
95,000	15,237	15,237	2031	125,474
100,000	13,356	13,356	2032	126,712
105,000	11,396	11,396	2033	127,792
110,000	9,338	9,338	2034	128,676
115,000	7,171	7,171	2035	129,342
120,000	4,888	4,888	2036	129,776
125,000	2,500	2,500	2037	130,000
$ 1,190,000	$ 166,468	$ 166,468		$ 1,522,936

The bonds were approved by the Board of Education at the October 2022, meeting for school building and site purposes. The bonds will carry interest rates ranging from 3.92% to 4.26%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2025

$7,590,000 building and site bonds issued in 2025:

	Interest Due		Debt Service Requirement for Fiscal Year	
Principal Due May 1	May 1	November 1	June 30,	Amount
$ -	$ 189,750	$ 174,992	2026	$ 364,742
-	189,750	189,750	2027	379,500
-	189,750	189,750	2028	379,500
100,000	189,750	189,750	2029	479,500
-	187,250	187,250	2030	374,500
-	187,250	187,250	2031	374,500
-	187,250	187,250	2032	374,500
-	187,250	187,250	2033	374,500
100,000	187,250	187,250	2034	474,500
100,000	184,750	184,750	2035	469,500
185,000	182,250	182,250	2036	549,500
475,000	177,625	177,625	2037	830,250
590,000	165,750	165,750	2038	921,500
885,000	151,000	151,000	2039	1,187,000
935,000	128,875	128,875	2040	1,192,750
985,000	105,500	105,500	2041	1,196,000
1,035,000	80,875	80,875	2042	1,196,750
1,080,000	55,000	55,000	2043	1,190,000
1,120,000	28,000	28,000	2044	1,176,000
$ 7,590,000	$ 2,954,875	$ 2,940,117		$ 13,484,992

The bonds were approved by the Board of Education at the December 2024, meeting for school building and site purposes. The bonds will carry an interest rate of 5.00%.

Maner Costerisan

2425 E. Grand River Ave.,
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of
Potterville Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Potterville Public Schools' basic financial statements, and have issued our report thereon dated October 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Potterville Public Schools' 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 Potterville Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Potterville Public Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Potterville Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2025-001.

Potterville Public Schools' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Potterville Public Schools' response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Potterville Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of This Report

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

Maner Costerisan PC

October 1, 2025

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

Finding 2025-001: Considered a material weakness and noncompliance.

Criteria: Compliance with the Uniform Budgeting and Accounting Act. The Revised School Code states that a school district shall not adopt or operate under a deficit budget and a school district shall not incur an operating deficit in a fund during a school year.

Condition: The District adopted a deficit budget for the General Fund and incurred an operating deficit in the General Fund for the year ended June 30, 2025.

Effect: At June 30, 2025, the District's final budget anticipated a deficit in fund balance of $587,230. The actual result had a deficit in fund balance of $332,249.

Cause: The District utilized conservative assumptions in the underlying data for expenditures to prepare the final budget amendment in an effort to reflect the anticipated deficit fund balance in the General Fund at June 30, 2025.

Recommendation: The District should adhere to the deficit elimination plan approved by the Michigan Department of Education.

District's Response: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

POTTERVILLE PUBLIC SCHOOLS

POTTERVILLE PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2025

Potterville Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2025.

Auditor: Maner Costerisan
2425 E. Grand River Avenue, Suite 1
Lansing, MI 48912

Audit period: Year ended June 30, 2025.

District Contact Person: Michelle Falcon, Interim Superintendent

The findings from the June 30, 2025, schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding: Financial Statement Audit

Finding 2025-001: Considered Material Weakness and Noncompliance

Recommendation: The District should adhere to the deficit elimination plan approved by the Michigan Department of Education.

Action to be taken: The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

Maner Costerisan

2425 E. Grand River Ave.,
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October 1, 2025

To the Board of Education
Potterville Public Schools

In planning and performing our audit of the financial statements of Potterville Public Schools as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Potterville Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 30, 2025 on the financial statements of Potterville Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

<u>Current Year Comments</u>

Internal Control Considerations

- Check documentation
  - Documentation and explanations should be maintained for all missing checks and any gaps in the check register. This includes voided checks, skipped check numbers, or any discrepancies in check sequencing.

- Journal entries
  - Journal entries should be reviewed and approved by someone independent of the preparer. This review should be documented by initialing the journal entry or the supporting documentation.

- District safes
  - We recommend the District utilize logs to keep track of money going into, and out of, each safe.

Prior Year Comments

Internal Control Considerations

- Bank reconciliations
  - Bank statements should be reviewed when received by someone other than the employee responsible for reconciling the account. This should be documented by initialing the bank statement.
  - Bank reconciliations should be completed in a timely fashion and reviewed by someone other than the person who performed the reconciliation. This should be documented by initialing the bank reconciliation.

  Status: Continuing comment for the year ended June 30, 2025, however, we noted the District implemented these procedures in April 2025.

- Disbursements
  - Document review and approval to pay invoices by initialing the invoice. Maintain all invoices and supporting documentation for disbursements.
  - Purchase orders should be prepared for applicable disbursements and kept with the associated invoice for the purchase.

  Status: Continuing comment for the year ended June 30, 2025.

- Credit Card
  - Credit card statements should be reviewed and approved by someone other than the person submitting the request. All receipts should be attached to the credit card statement prior to being approved for payment.

  Status: Continuing comment for the year ended June 30, 2025.

Budget Transparency

During our audit procedures on District budgeting, we noted that the amended 2024-2025 budget had not uploaded to the District website within the state required 30 day window. We recommend that all up to date and Board approved budgets are posted to the District website for transparency purposes in accordance with State requirements.

Implementation of Positive Pay

In order to prevent against possible instances of fraud, losses, or other liabilities to the District, we continue to recommend the implementation of positive pay in their banking institutions. Using positive pay would match checks issued by the District with those it presents for payment. Checks that are considered suspicious are sent back to the District for examination, which would improve internal control and disbursement tracking.

This report is intended solely for the information and use of management and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

October 1, 2025

To the Board of Education of the
Potterville Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Potterville Public Schools are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences*, during the year ended June 30, 2025. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Potterville Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate in calculating the liability for employee compensated absences. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2025.

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 Potterville Public Schools financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

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

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

<u>Restriction on Use</u>

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

Very truly yours,

Maner Costerisan PC