

POTTERVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pottersville Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pottersville Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pottersville 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 Pottersville Public Schools, as of June 30, 2022, 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 Pottersville 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 X to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 Pottersville 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 Pottersville Public Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, including the schedule of expenditures of federal awards 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 20, 2022** on our consideration of Pottersville 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 Pottersville 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 Pottersville Public Schools' internal control over financial reporting and compliance.

October 20, 2022

POTTERVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pottersville 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, 2022. 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, 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.

**POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Net Position

The following schedule summarizes the net position at June 30, 2022 and 2021:

Table A-3 Pottersville Public Schools		
	2022	2021
Current and other assets	\$ 10,817,395	\$ 4,990,568
Capital assets	13,126,764	13,651,500
Total assets	23,944,159	18,642,068
Deferred outflows	3,014,484	4,653,400
Long-term obligations	15,593,692	11,517,421
Other liabilities	2,389,612	2,406,796
Net pension liability	10,783,260	16,639,670
Net other postemployment benefit liability	655,964	2,594,924
Total liabilities	29,422,528	33,158,811
Deferred inflows	8,000,034	3,094,003
Net position		
Net investment in capital assets	3,726,349	3,482,447
Restricted for capital projects (sinking fund)	1,764,409	1,133,464
Restricted for debt service	39,026	83,297
Unrestricted	(15,993,703)	(17,656,554)
Total net position	\$ (10,463,919)	\$ (12,957,346)

Analysis of Net Position

During the fiscal year ended June 30, 2022, the District's net position increased by \$2,496,427. A few of the more significant factors affecting net position during the year are discussed below:

➤ **Cash Equivalents and Deposits**

At June 30, 2022, the District's cash equivalents and deposits amounted to approximately \$8.552 million. This represented an increase of approximately \$5.359 million increase over the previous year, primarily as a result of proceeds from the 2022 Capital Projects Bond in the fund balances.

**POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2022, approximately \$40,000 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 decrease to capital assets in the amount of \$524,736 for the fiscal year ended June 30, 2022.

➤ 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, 2022, the District's bonded debt decreased by approximately \$3.415 million and School Loan Revolving Fund debt increased by approximately \$95,000 as a result of the draws in the current year.

➤ Accumulated Compensated Absences

At June 30, 2022, the District had an obligation to employees for the portion of earned compensated absences that they would be entitled to upon separation in the amount of \$86,010.

**POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Results of Operations

For the fiscal years ended June 30, 2022 and 2021, the results of operations, on a District-wide basis, were:

Table A-4 Changes in Potterville Public Schools' Net Position		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 190,174	\$ 207,344
Operating grants	4,273,925	4,093,767
General revenues		
Property taxes	2,510,823	2,442,669
Investment earnings	6,728	1,667
State sources - unrestricted	5,862,778	5,720,825
Other	221,074	159,108
Total revenues	<u>13,065,502</u>	<u>12,625,380</u>
Expenses		
Instruction	4,607,531	5,805,979
Support services	3,829,128	4,248,517
Community services	441,947	396,586
Food services	630,568	552,342
Student/school activities	75,320	88,625
Interest on long-term debt	380,862	293,696
Unallocated depreciation	606,719	603,030
Total expenses	<u>10,572,075</u>	<u>11,988,775</u>
Change in net position	<u>\$ 2,493,427</u>	<u>\$ 636,605</u>

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 2020 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, 2022, the District was owed \$0.

**POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

➤ **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 2021-2022 fiscal year, the District received \$8,700 per student full time equivalent, which is a \$598 increase from 2020-2021. The State's per pupil foundation allowance will be \$9,150 for the 2022-2023 fiscal year. This is an increase of \$450 from the \$8,700 per pupil foundation allowance in 2021-2022.

➤ **Operating Grants**

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2022, federal, state, and other grants amounted to approximately \$4.274 million. This represents a \$180,000 increase 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	2022	2021	Increase (Decrease)
Instruction	\$ 5,434,555	\$ 5,341,939	\$ 92,616
Support services	4,252,484	4,044,370	208,114
Community services	398,284	367,816	30,468
Food service activities	597,415	527,841	69,574
Student/school activities	75,320	88,625	(13,305)
Debt service	1,472,759	2,007,868	(535,109)
Capital outlay	129,532	607,854	(478,322)
Total expenditures	<u>\$ 12,360,349</u>	<u>\$ 12,986,313</u>	<u>\$ (625,964)</u>

**POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2022.

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, 2022.

	Original Budget	Final Budget	Actual	Variance with Budget	% variance
Total revenues	<u>\$ 9,836,228</u>	<u>\$ 10,514,993</u>	<u>\$ 10,570,572</u>	<u>\$ 55,579</u>	<u>0.53%</u>
Expenditures:					
Instruction	5,477,103	5,633,998	5,434,555	199,443	3.54%
Supporting services	4,156,810	4,437,522	4,252,484	185,038	4.17%
Community services	368,855	248,650	398,284	(149,634)	-60.18%
Other	-	110,500	110,108	392	0.35%
Debt services	-	-	7,202	(7,202)	0.00%
Total expenditures	<u>\$ 10,002,768</u>	<u>\$ 10,430,670</u>	<u>\$ 10,202,633</u>	<u>\$ 228,037</u>	<u>2.19%</u>

The original budget adopted by the Board in June 2021 was amended twice during the year. The amendments, approved in June 2022, reflected necessary changes to both revenues and expenditures based on projections made by the Finance Director.

Capital Assets

By the end of the 2021-2022 fiscal year, the District had invested approximately \$26.379 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 \$606,719, bringing the accumulated depreciation to roughly \$13.252 million as of June 30, 2022.

Table A-5 Pottersville Public Schools				
	2022			2021
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Construction in progress	\$ 42,150	\$ -	\$ 42,150	\$ -
Buildings and improvements	21,637,044	10,175,553	11,461,491	11,863,788
Site improvements	2,575,025	1,560,426	1,014,599	1,091,195
Furniture, fixtures and equipment	2,099,468	1,490,944	608,524	696,767
Buses and vehicles	25,277	25,277	-	750
Total	<u>\$ 26,378,964</u>	<u>\$ 13,252,200</u>	<u>\$ 13,126,764</u>	<u>\$ 13,652,500</u>

**POTTERVILLE PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-term Obligations

At June 30, 2022, the District had approximately \$15.6 million in long-term obligations which included \$15.3 million in outstanding bonded debt. The bonded debt obligation decreased during the year as a result of refunding bonds being issued and outstanding debt being paid down. The District has notes from direct borrowings and direct placements amounting to \$161,304 in borrowings from the School Loan Revolving Fund. In addition, the District has unamortized discounts/premiums of approximately \$1.1 million and an obligation for compensated absences estimated at roughly \$86,000 at the end of the fiscal year.

Table A-6 Pottersville Public Schools Outstanding Long-Term Obligations		
	2022	2021
General obligation bonds	\$ 14,215,000	\$ 10,800,000
Unamortized premiums	1,131,378	539,679
Notes from direct borrowings and direct placements	161,304	66,393
Compensated absences	86,010	111,349
	<u>\$ 15,593,692</u>	<u>\$ 11,517,421</u>

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 most 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. Pottersville is currently assessing the maximum amount allowed. At the time of the adoption of the initial 22-23 budget, the District anticipated a pupil allowance increase of \$435 and a student count decrease of 12.5 full time equivalents.
- The District has begun the construction of its early childhood education center and expect it to be completed and in operation by the beginning of the 23-24 school year. This construction project is being 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. 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. Gains have been made in stabilizing the District's finances over the last two fiscal years which resulted in the District's General Fund balance percentage recovering to nearly 12% of annual expenditures. The District is strategically reviewing its options for expending the remaining federal pandemic related funding over the next two fiscal years.

POTTERVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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.
- In November 2016, voters approved a 3.50 mill Sinking Fund Millage focusing on the purchase of real estate for sites, for the construction or repair of school buildings, for school security improvements and all other purposes authorized by law. In November 2018, an additional 1 mill was approved for the purpose of school safety and instructional technology purchases. Proceeds from each Sinking Fund Millage's are for a 10-year period to support the continuing needs of the district. The district is currently utilizing these funds to improve the district's facilities to ensure the district is maintaining safe, equitable and advantageous learning environment. As noted above, In August 2021 the District's taxpayers approved a \$28 million building and site bond proposal. The proceeds from this bond issuance will be used on various building projects over the next several years which will upgrade District indoor and outdoor spaces and provide improvements throughout the District. At the time the building and site bond proposal was passed, the 3.50 mill Sinking Fund millage was reduced to allow for an overall debt and sinking fund millage rate to remain unchanged in total for District taxpayers.

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 Finance Director at Potterville Public Schools, 422 N. High Street Potterville, MI 48876.

BASIC FINANCIAL STATEMENTS

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,308,941
Investments	\$ 4,242,640
Receivables	
Accounts Receivable	2,312
Intergovernmental	2,235,726
Inventories	7,052
Prepays	20,724
Capital assets, net of accumulated depreciation	13,126,764
TOTAL ASSETS	23,944,159
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	40,325
Related to pensions	2,126,035
Related to other postemployment benefits	848,124
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,014,484
LIABILITIES	
Accounts payable	120,111
Note payable	1,300,000
Accrued interest	106,028
Accrued salaries and related items	343,004
Accrued retirement	211,389
Unearned revenue	309,080
Noncurrent liabilities	
Due within one year	1,217,202
Due in more than one year	14,376,490
Net pension liability	10,783,260
Net other postemployment benefits liability	655,964
TOTAL LIABILITIES	29,422,528
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	4,401,295
Related to other postemployment benefits	2,909,912
Related to state aid funding for pension	688,827
TOTAL DEFERRED INFLOWS OF RESOURCES	8,000,034
NET POSITION	
Net investment in capital assets	3,726,349
Restricted for capital projects (sinking funds)	1,764,409
Restricted for debt service	39,026
Unrestricted	(15,993,703)
TOTAL NET POSITION	\$ (10,463,919)

See notes to financial statements.

**POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 4,607,531	\$ -	\$ 2,298,144	\$ (2,309,387)
Support services	3,829,128	-	1,237,462	(2,591,666)
Community services	441,947	174,964	-	(266,983)
Student/school activities	75,320	-	88,546	13,226
Food services	630,568	15,210	649,773	34,415
Interest on long-term debt	380,862	-	-	(380,862)
Unallocated depreciation	606,719	-	-	(606,719)
Total governmental activities	<u>\$ 10,572,075</u>	<u>\$ 190,174</u>	<u>\$ 4,273,925</u>	<u>(6,107,976)</u>
General revenues				
Property taxes, levied for general purposes				735,779
Property taxes, levied for debt service				1,115,386
Property taxes, levied for sinking funds				659,658
State sources - unrestricted				5,862,778
Investment earnings				6,728
Other				<u>221,074</u>
Total general revenues				<u>8,601,403</u>
CHANGE IN NET POSITION				<u>2,493,427</u>
NET POSITION, beginning of year				<u>(12,957,346)</u>
NET POSITION, end of year				<u>\$ (10,463,919)</u>

See notes to financial statements.

**POTTERVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,496,052	\$ 1,407,234	\$ 765,792	\$ 639,863	\$ 4,308,941
Investments	-	-	4,242,640	-	4,242,640
Receivables					
Accounts receivable	2,312	-	-	-	2,312
Due from other funds	360,673	30,056	45,575	643,316	1,079,620
Intergovernmental	2,207,227	-	-	28,499	2,235,726
Inventories	-	-	-	7,052	7,052
Prepays	16,439	-	-	4,285	20,724
TOTAL ASSETS	\$ 4,082,703	\$ 1,437,290	\$ 5,054,007	\$ 1,323,015	\$ 11,897,015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 81,153	\$ -	\$ -	\$ 38,958	\$ 120,111
Due to other funds	608,199	1,157	166,653	303,611	1,079,620
Note payable	1,300,000	-	-	-	1,300,000
Accrued interest	5,447	-	-	-	5,447
Accrued salaries and related items	343,004	-	-	-	343,004
Accrued retirement	211,389	-	-	-	211,389
Unearned revenue	303,040	-	-	6,040	309,080
TOTAL LIABILITIES	2,852,232	1,157	166,653	348,609	3,368,651
FUND BALANCES					
Nonspendable					
Inventories	984	-	-	7,052	8,036
Prepays	16,439	-	-	4,285	20,724
Restricted for:					
Food service	-	-	-	374,375	374,375
Capital projects	-	1,436,133	4,887,354	328,276	6,651,763

See notes to financial statements.

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2022 Capital Prjects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES (continued)					
Committed for:					
Student/school activities	\$ -	\$ -	\$ -	\$ 120,811	\$ 120,811
Unassigned	<u>1,213,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,213,048</u>
TOTAL FUND BALANCES	<u>1,230,471</u>	<u>1,436,133</u>	<u>4,887,354</u>	<u>974,406</u>	<u>8,528,364</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,082,703</u>	<u>\$ 1,437,290</u>	<u>\$ 5,054,007</u>	<u>\$ 1,323,015</u>	<u>\$ 11,897,015</u>
Total governmental fund balances					\$ 8,528,364
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				\$ 40,325	
Deferred outflows of resources - related to pensions				2,126,035	
Deferred outflows of resources - related to other postemployment benefits				848,124	
Deferred inflows of resources - related to pensions				(4,401,295)	
Deferred inflows of resources - related to other postemployment benefits				(2,909,912)	
Deferred inflows of resources - related to state pension funding				<u>(688,827)</u>	
					(4,985,550)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
The cost of the capital assets is				26,378,964	
Accumulated depreciation is				<u>(13,252,200)</u>	
					13,126,764
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					(15,346,378)
Notes from direct borrowings and direct placements					(161,304)
Compensated absences					(86,010)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid					(100,581)
Net pension liability					(10,783,260)
Net other postemployment liability					<u>(655,964)</u>
Net position of governmental activities					<u>\$ (10,463,919)</u>

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2022 Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources					
Property taxes	\$ 735,779	\$ 512,969	\$ -	\$ 1,262,075	\$ 2,510,823
Food sales	-	-	-	2,815	2,815
Charges for services	115,631	-	-	-	115,631
Investment earnings	1,436	925	3,758	609	6,728
Student/school activities	-	-	-	88,546	88,546
Other	280,407	-	-	12,395	292,802
Total local sources	1,133,253	513,894	3,758	1,366,440	3,017,345
State sources	7,640,961	21,976	-	79,330	7,742,267
Federal sources	903,395	-	-	624,902	1,528,297
Intermediate school districts	892,963	-	-	-	892,963
TOTAL REVENUES	<u>10,570,572</u>	<u>535,870</u>	<u>3,758</u>	<u>2,070,672</u>	<u>13,180,872</u>
EXPENDITURES					
Current					
Instruction	5,434,555	-	-	-	5,434,555
Supporting services	4,252,484	-	-	-	4,252,484
Community services	398,284	-	-	-	398,284
Food service activities	-	-	-	597,415	597,415
Student/school activities	-	-	-	75,320	75,320

See notes to financial statements.

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>2022 Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ -	\$ -	\$ -	\$ 940,000	\$ 940,000
Interest	7,202	-	-	310,623	317,825
Bond issuance costs	-	-	102,926	-	102,926
Other	110,108.00	-	-	1,900	112,008
Capital outlay	-	57,895	48,673	22,964	129,532
	<u>-</u>	<u>57,895</u>	<u>48,673</u>	<u>22,964</u>	<u>129,532</u>
TOTAL EXPENDITURES	<u>10,202,633</u>	<u>57,895</u>	<u>151,599</u>	<u>1,948,222</u>	<u>12,360,349</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>367,939</u>	<u>477,975</u>	<u>(147,841)</u>	<u>122,450</u>	<u>820,523</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	75,466	75,466
Transfers out	-	-	-	(75,466)	(75,466)
Bond issuance	-	-	4,355,000	-	4,355,000
Premium on bond issuance	-	-	680,195	-	680,195
Proceeds from school loan revolving fund	-	-	-	93,000	93,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,000</u>	<u>93,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,035,195</u>	<u>93,000</u>	<u>5,128,195</u>
NET CHANGE IN FUND BALANCES	<u>367,939</u>	<u>477,975</u>	<u>4,887,354</u>	<u>215,450</u>	<u>5,948,718</u>
FUND BALANCES					
Beginning of year	<u>862,532</u>	<u>958,158</u>	<u>-</u>	<u>758,956</u>	<u>2,579,646</u>
End of year	<u>\$ 1,230,471</u>	<u>\$ 1,436,133</u>	<u>\$ 4,887,354</u>	<u>\$ 974,406</u>	<u>\$ 8,528,364</u>

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, 2022

Net change in fund balances total governmental funds	\$ 5,948,718
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(606,719)
Capital outlay	81,983
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	51,770
Accrued interest payable, end of the year	(100,581)
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:	
Bond issuance	(4,355,000)
Premium on bond issuance	(680,195)
Proceeds from school loan revolving fund	(93,000)
Interest on school loan revolving fund	(1,911)
Payments on debt	940,000
Amortization of bond premiums/discounts	88,496
Amortization of deferred charge on refunding	(19,017)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of year	(55,896)
Unavailable revenue, end of year	-
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	111,349
Accrued compensated absences, end of the year	(86,010)
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	545,124
Other postemployment benefit related items	783,790
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	629,353
State aid funding for pension, end of the year	(688,827)
Change in net position of governmental activities	\$ 2,493,427

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

Pottersville Public Schools (the "District") is governed by the Pottersville 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.

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.

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. 01-95.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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. 01-95.

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

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

Measurement Focus and Basis of Accounting

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

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

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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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.
4. 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.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2022. The District does not consider these amendments to be significant.

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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 (3) highest classifications established by not less than two (2) 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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$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. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	50
Site improvements	10 - 20
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 liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four 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 fourth item arises only under the modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 120 days of year-end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

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 \$66,000 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$393 has been included in the calculation of unrestricted net position. As of June 30, 2021, the outstanding balance of the 2020 Series B refunding bonds was \$3,210,000. Of this amount, 19% was not considered capital related debt as this amount was used to pay off accrued interest. In addition, as of June 30, 2021, the outstanding balance of the 2019 refunding bonds was \$5,640,000. Of this amount, 10.06% was not considered capital related debt as this amount was used to pay off accrued interest. 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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education 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.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Property Taxes (continued)

For the year ended June 30, 2022, 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	7.6500
Capital projects sinking fund	
PRE, Non-PRE, Commercial Personal Property	3.4895
Tech safety sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.9970

Compensated Absences

The District's contracts generally provide for granting sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, or retirements.

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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022 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, 2022, \$2,921,543 of the District's bank balance of \$3,171,543 was exposed to custodial credit risk because it was uninsured. The carrying balance was \$2,875,892.

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.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
UMB Investments	\$ 4,242,640	N/A
MILAF External Investment pool - MAX	667,257	N/A

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
UMB Investments	\$ 4,242,640	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	667,257	AAAm	Standard & Poor's

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The District did not have any investments subject to fair value disclosures as of June 30, 2022.

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.

<u>Investment Type</u>	<u>Amortized Cost</u>
UMB Investments	\$ 4,242,640
MILAF External Investment pool - MAX	<u>667,257</u>

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2022:

	<u>Primary Government</u>
Deposits	\$ 3,641,684
UMB Investments	\$ 4,242,640
MILAF External Investment pool - MAX	<u>667,257</u>
Cash and cash equivalents	<u><u>\$ 8,551,581</u></u>

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2022 consist of the following:

	Government- wide
State aid	\$ 1,299,738
Federal revenue	616,245
Intermediate school district	319,743
	<u>\$ 2,235,726</u>

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, 2021	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2022
Assets not being depreciated				
Construction in progress	\$ -	\$ 42,150	\$ -	\$ 42,150
Capital assets				
Building and improvements	21,597,211	39,833	-	21,637,044
Site improvements	2,575,025	-	-	2,575,025
Furniture, fixtures and equipment	2,099,468	-	-	2,099,468
Buses and vehicles	25,277	-	-	25,277
Subtotal	26,296,981	39,833	-	26,336,814
Accumulated depreciation				
Building and improvements	9,734,423	441,130	-	10,175,553
Site improvements	1,483,830	76,596	-	1,560,426
Furniture, fixtures and equipment	1,402,701	88,243	-	1,490,944
Buses and vehicles	24,527	750	-	25,277
Total accumulated depreciation	12,645,481	606,719	-	13,252,200
Net capital assets being depreciated	13,651,500	(566,886)	-	13,084,614
Net governmental capital assets	<u>\$ 13,651,500</u>	<u>\$ (524,736)</u>	<u>\$ -</u>	<u>\$ 13,126,764</u>

Depreciation expense is reported as unallocated in the statement of activities.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2022 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 360,673	General fund	\$ 608,199
Sinking fund	30,056	Sinking Fund	1,157
Food service fund	418,466	Food service fund	204,694
2019 Refunding	4,112	Student activity fund	13,637
2012 SBLF debt	25,117	2019 refunding	35,461
2020 series A debt	180,848	2020 series A debt	47,017
2020 series B debt	10,686	2020 series B debt	606
2022 Capital Projects	45,575	2022 Capital Projects	166,653
Tech safety sinking fund	4,087	Tech safety sinking fund	2,196
	<u>\$ 1,079,620</u>		<u>\$ 1,079,620</u>

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, 2022, the District has issued a state aid anticipation note payable in the amount of \$1,300,000 which has an interest rate of 0.50% and matures on August 22, 2022. 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, 2022 is as follows:

	Balance July 1, 2021	Additions	Payments	Balance June 30, 2022
State aid anticipation note	\$ 1,300,000	\$ 1,300,000	\$ (1,300,000)	\$ 1,300,000

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2022:

	Notes from Direct Borrowings and			
	General Obligation Bonds	Direct Placements	Compensated Absences	Total
Balance July 1, 2021	\$ 11,339,679	\$ 66,393	\$ 111,349	\$ 11,517,421
Additions	5,035,195	94,911	-	5,130,106
Deletions	<u>(1,028,496)</u>	<u>-</u>	<u>(25,339)</u>	<u>(1,053,835)</u>
Balance June 30, 2022	15,346,378	161,304	86,010	15,593,692
Due within one year	<u>(1,200,000)</u>	<u>-</u>	<u>(17,202)</u>	<u>(1,217,202)</u>
Due in more than one year	<u>\$ 14,146,378</u>	<u>\$ 161,304</u>	<u>\$ 68,808</u>	<u>\$ 14,376,490</u>

Borrowing from the State of Michigan - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate at June 30, 2021 was 3.00%. 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 7.65 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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Long-term obligation debt at June 30, 2022 is comprised of the following:

General Obligation Bonds

2019 refunding bonds due in annual installments of \$510,000 to \$1,290,000 through May 1, 2030 with interest of 3.00%.	\$ 5,640,000
2020 series A refunding bonds due in annual installments of \$470,000 to \$540,000 through May 1, 2024 with interest of 4.00%.	1,010,000
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 2.55%.	3,210,000
2022 School Building and Site bonds, Series I due in annual installments of \$220,000 to \$610,000 through May 1, 2038, with interest rates ranging from 4.00% to 5.00%.	4,355,000
Add bond issuance premium/discounts, net	<u>1,131,378</u>
Total general obligation bonds	<u>15,346,378</u>

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund. The interest rate at June 30, 2022 was 1.19%.	<u>161,304</u>
Total general obligation bonds and notes from direct borrowings and direct placements	15,507,682
Compensated absences	<u>86,010</u>
Total long-term obligations	<u><u>\$ 15,593,692</u></u>

Interest expense for the year ended June 30, 2022 was approximately \$381,000.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to amortize long-term obligation outstanding as of June 30, 2022, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2023	\$ 1,200,000	\$ 485,044	\$ -	\$ -	\$ -	\$ 1,685,044
2024	1,320,000	415,922	-	-	-	1,735,922
2025	1,420,000	366,322	-	-	-	1,786,322
2026	1,125,000	320,736	-	-	-	1,445,736
2027	1,160,000	291,278	-	-	-	1,451,278
2028 - 2032	5,200,000	993,778	-	-	-	6,193,778
2033 - 2037	2,540,000	339,500	-	-	-	2,879,500
2038	250,000	10,000	-	-	-	260,000
Total	14,215,000	3,222,580	-	-	-	17,437,580
School loan revolving fund	-	-	159,000	2,304	-	161,304
Bond issuance premium	1,131,378	-	-	-	-	1,131,378
Compensated absences	-	-	-	-	86,010	86,010
	<u>\$ 15,346,378</u>	<u>\$ 3,222,580</u>	<u>\$ 159,000</u>	<u>\$ 2,304</u>	<u>\$ 86,010</u>	<u>\$ 18,816,272</u>

At June 30, 2022, fund balance of \$139,607 is available in the debt service funds to service the general obligation debt.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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

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

Benefits Provided - Overall

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

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

Benefits Provided - Pension

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

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2010

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

Pension Reform 2012

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

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

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

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

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

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

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

Pension Reform of 2017

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2021 were determined as of the September 30, 2018 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2018 are amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Total pension contributions were approximately \$1,419,000. Of the total pension contributions approximately \$1,382,000 was contributed to fund the Defined Benefit Plan and approximately \$37,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. Total OPEB contributions were approximately \$33,000. Of the total OPEB contributions approximately \$309,000 was contributed to fund the Defined Benefit Plan and approximately \$24,000 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).

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

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

Pension Liabilities

The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2020 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.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total pension liability	\$ 86,392,473,395	\$ 85,290,583,799
Plan fiduciary net position	\$ 62,717,060,920	\$ 50,939,496,006
Net pension liability	\$ 23,675,412,475	\$ 34,351,087,793
Proportionate share	0.04555%	0.04844%
Net pension liability for the District	\$ 10,783,260	\$ 16,639,670

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

For the year ended June 30, 2022, the District recognized pension expense of \$837,310.

At June 30, 2022, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual pension plan investment earnings	\$ -	\$ 3,466,783
Differences between expected and actual experience	167,037	63,501
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,493	871,011
Changes of assumptions	679,738	-
Reporting Unit's contributions subsequent to the measurement date	1,274,765	-
	<u>\$ 2,126,033</u>	<u>\$ 4,401,295</u>

\$1,274,765, 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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (622,435)
2023	(865,851)
2024	(1,040,628)
2025	(1,021,113)

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2020 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPERS (Plan) Non-university Employers</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Total other postemployment benefits liability	\$ 12,046,393,511	\$ 13,206,903,534
Plan fiduciary net position	\$ 10,520,015,621	\$ 7,849,636,555
Net other postemployment benefits liability	\$ 1,526,377,890	\$ 5,357,266,979
Proportionate share	0.04298%	0.04844%
Net other postemployment benefits liability for the District	\$ 655,964	\$ 2,594,924

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

For the year ended June 30, 2022, the District recognized OPEB benefit of \$475,282.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

At June 30, 2022, 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	\$ -	\$ 494,412
Differences between expected and actual experience	-	1,872,404
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,097	461,042
Changes of assumptions	548,354	82,054
Reporting Unit's contributions subsequent to the measurement date	<u>264,672</u>	<u>-</u>
	<u><u>\$ 848,123</u></u>	<u><u>\$ 2,909,912</u></u>

\$264,672, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (599,057)
2023	(554,567)
2024	(501,305)
2025	(445,873)
2026	(199,488)

Actuarial Assumptions

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

Inflation - 3.0%.

Mortality Assumptions:

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

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

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

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2020. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

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

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

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

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

The target asset allocation at September 30, 2021 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.00%	5.4%
Private Equity Pools	16.00%	9.1%
International Equity Pools	15.00%	7.5%
Fixed Income Pools	10.50%	-0.7%
Real Estate and Infrastructure Pools	10.00%	5.4%
Absolute Return Pools	9.00%	2.6%
Real Return/Opportunistic Pools	12.50%	6.1%
Short Term Investment Pools	2.00%	-1.3%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.0% inflation.

Rate of Return - For fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.3% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 15,417,138	\$ 10,783,260	\$ 6,941,472

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

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 1,218,900	\$ 655,964	\$ 178,233

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

	Other Postemployment Benefit		
	Current Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 159,657	\$ 655,964	\$ 1,214,371

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2021 Comprehensive Annual Financial Report.

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

NOTE 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, 2022, 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 3 fiscal years.

NOTE 10 - TRANSFERS

There were various transfers among the debt service funds in order to allocate property taxes to make related debt service payments which totaled \$75,466.

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, 2022. There are no abatements made by the District.

NOTE 12 - SUBSEQUENT EVENT

In August 2022, the District issued \$1,300,000 of State Aid Notes due in August 2023 to replace the note describe in Note 6.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

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

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

**POTTERVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,204,909	\$ 1,077,257	\$ 1,133,253	\$ 55,996
State sources	7,158,618	7,615,909	7,640,961	25,052
Federal sources	502,492	923,206	903,395	(19,811)
Intermediate school districts and other	970,209	898,621	892,963	(5,658)
TOTAL REVENUES	9,836,228	10,514,993	10,570,572	55,579
EXPENDITURES				
Current				
Instruction				
Basic programs	4,023,372	4,395,922	4,276,035	119,887
Added needs	1,247,285	1,071,201	989,607	81,594
Adult and continuing education	206,446	166,875	168,913	(2,038)
Total instruction	5,477,103	5,633,998	5,434,555	199,443
Supporting services				
Pupil	733,296	752,262	745,634	6,628
Instructional staff	470,232	448,404	434,673	13,731
General administration	286,950	357,919	373,704	(15,785)
School administration	452,090	509,398	515,660	(6,262)
Business	271,300	323,510	333,692	(10,182)
Operations and maintenance	1,049,850	960,270	920,100	40,170
Pupil transportation	470,400	447,936	397,624	50,312
Central	208,952	227,271	251,411	(24,140)
Other supporting services	213,740	410,552	279,986	130,566
Total supporting services	4,156,810	4,437,522	4,252,484	185,038
Community services	368,855	248,650	398,284	(149,634)
Other	-	110,500	110,108	392
Debt service	-	-	7,202	(7,202)
TOTAL EXPENDITURES	10,002,768	10,430,670	10,202,633	228,037
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(166,540)	84,323	367,939	283,616
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(25,000)	-	25,000
NET CHANGE IN FUND BALANCE	\$ (166,540)	\$ 59,323	367,939	\$ 308,616
FUND BALANCE				
Beginning of year			862,532	
End of year			<u>\$ 1,230,471</u>	

**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 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.04555%	0.04844%	0.04866%	0.04998%	0.05009%	0.04884%	4.80100%	4.65300%
Reporting Unit's proportionate share of net pension liability	\$ 10,783,260	\$ 16,639,670	\$ 16,114,165	\$ 15,025,594	\$ 12,981,638	\$ 12,185,348	\$ 11,726,792	\$ 10,249,778
Reporting Unit's covered-employee payroll	\$ 3,950,080	\$ 4,287,988	\$ 4,192,298	\$ 4,212,785	\$ 4,231,229	\$ 4,170,339	\$ 4,202,610	\$ 3,707,321
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	272.99%	388.05%	384.38%	356.67%	306.81%	292.19%	279.04%	276.47%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-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 PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,382,434	\$ 1,330,274	\$ 1,328,508	\$ 1,297,568	\$ 1,260,469	\$ 1,174,717	\$ 1,067,163	\$ 953,475
Contributions in relation to statutorily required contributions	<u>1,382,434</u>	<u>1,330,274</u>	<u>1,328,508</u>	<u>1,297,568</u>	<u>1,260,469</u>	<u>1,174,717</u>	<u>1,067,163</u>	<u>953,475</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 4,037,961	\$ 4,047,562	\$ 4,288,290	\$ 4,181,187	\$ 4,195,199	\$ 4,239,002	\$ 4,209,871	\$ 4,280,417
Contributions as a percentage of covered- employee payroll	34.24%	32.87%	30.98%	31.03%	30.05%	27.71%	25.35%	22.28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-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 PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	2021	2020	2019	2018	2017
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.04298%	0.04844%	0.04802%	0.04980%	0.05013%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 655,964	\$ 2,594,924	\$ 3,446,603	\$ 3,958,236	\$ 4,439,626
Reporting Unit's covered-employee payroll	\$ 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 as a percentage of its covered-employee payroll	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)	87.33%	59.44%	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-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 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2022	2021	2020	2019	2018
Statutorily required other postemployment benefit contributions	\$ 308,508	\$ 332,853	\$ 363,221	\$ 357,045	\$ 301,005
Other postemployment benefit contributions in relation to statutorily required contributions	308,508	332,853	363,221	357,045	301,005
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll (OPEB)	\$ 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	7.64%	8.22%	8.47%	8.54%	7.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-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, 2022**

NOTE 1 - PENSION INFORMATION

Benefit changes - there were no changes of benefit terms in 2021.

Changes of assumptions - there were no changes of assumptions in 2021.

NOTE 2 - OPEB INFORMATION

Benefit changes - there were no changes of benefit terms in 2021.

Changes of assumptions - the assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

ADDITIONAL SUPPLEMENTARY INFORMATION

**POTTERVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Special Revenue		Debt Service				Capital Projects	
	Food Service	Student/ School Activities	2012 SBLF Debt	2019 Debt	2020 Series A Debt	2020 Series B Debt	Tech Safety Sinking Fund	Total Nonmajor Funds
ASSETS								
Cash and cash equivalents	\$ 174,986	\$ 136,564	\$ -	\$ 252	\$ 1,519	\$ 157	\$ 326,385	\$ 639,863
Receivables								
Due from other funds	418,466	-	25,117	4,112	180,848	10,686	4,087	643,316
Due from other governmental units	28,499	-	-	-	-	-	-	28,499
Inventories	7,052	-	-	-	-	-	-	7,052
Prepaid expenditures	4,285	-	-	-	-	-	-	4,285
TOTAL ASSETS	\$ 633,288	\$ 136,564	\$ 25,117	\$ 4,364	\$ 182,367	\$ 10,843	\$ 330,472	\$ 1,323,015
LIABILITIES								
Accounts payable	\$ 36,842	\$ 2,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,958
Due to other funds	204,694	13,637	-	35,461	47,017	606	2,196	303,611
Unearned revenue	6,040	-	-	-	-	-	-	6,040
TOTAL LIABILITIES	247,576	15,753	-	35,461	47,017	606	2,196	348,609
FUND BALANCES								
Nonspendable								
Inventories	7,052	-	-	-	-	-	-	7,052
Prepaid expenditures	4,285	-	-	-	-	-	-	4,285
Restricted for food service	374,375	-	-	-	-	-	-	374,375
Restricted for debt service	-	-	25,117	(31,097)	135,350	10,237	-	139,607
Restricted for capital projects	-	-	-	-	-	-	328,276	328,276
Committed for student/school activities	-	120,811	-	-	-	-	-	120,811
TOTAL FUND BALANCES	385,712	120,811	25,117	(31,097)	135,350	10,237	328,276	974,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 633,288	\$ 136,564	\$ 25,117	\$ 4,364	\$ 182,367	\$ 10,843	\$ 330,472	\$ 1,323,015

POTTERVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022

	Special Revenue		Debt Retirement				Capital Projects	
	Food Service	Student/ School Activities	2012 SBLF Debt	2019 Debt	2020 Series A Debt	2020 Series B Debt	Tech Safety Sinking Fund	Total Nonmajor Funds
REVENUES								
Local sources								
Property taxes	\$ -	\$ -	\$ -	\$ 132,716	\$ 939,412	\$ 43,258	\$ 146,689	\$ 1,262,075
Food sales	2,815	-	-	-	-	-	-	2,815
Investment earnings	110	-	-	-	494	5	-	609
Student/school activities	-	88,546	-	-	-	-	-	88,546
Other	12,395	-	-	-	-	-	-	12,395
State sources	24,871	-	-	5,731	40,558	1,889	6,281	79,330
Federal sources	624,902	-	-	-	-	-	-	624,902
TOTAL REVENUES	665,093	88,546	-	138,447	980,464	45,152	152,970	2,070,672
EXPENDITURES								
Current								
Food service	597,415	-	-	-	-	-	-	597,415
Student/school activities	-	75,320	-	-	-	-	-	75,320
Capital outlay	22,964	-	-	-	-	-	-	22,964
Debt service								
Principal repayment	-	-	-	-	940,000	-	-	940,000
Interest	-	-	-	169,200	78,000	63,423	-	310,623
Other expenses	-	-	-	500	500	900	-	1,900
TOTAL EXPENDITURES	620,379	75,320	-	169,700	1,018,500	64,323	-	1,948,222
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	44,714	13,226	-	(31,253)	(38,036)	(19,171)	152,970	122,450
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	73,566	1,900	-	75,466
Transfers out	-	-	(73,566)	(1,900)	-	-	-	(75,466)
Proceeds from school loan revolving fund	-	-	-	-	93,000	-	-	93,000
Total other financing sources (uses)	-	-	(73,566)	(1,900)	166,566	1,900	-	93,000
NET CHANGE IN FUND BALANCES	44,714	13,226	(73,566)	(33,153)	128,530	(17,271)	152,970	215,450
FUND BALANCES								
Beginning of year	340,998	107,585	98,683	2,056	6,820	27,508	175,306	758,956
End of year	\$ 385,712	\$ 120,811	\$ 25,117	\$ (31,097)	\$ 135,350	\$ 10,237	\$ 328,276	\$ 974,406

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

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

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ 510,000	\$ 84,600	\$ 84,600	2023	\$ 679,200
550,000	76,950	76,950	2024	703,900
575,000	68,700	68,700	2025	712,400
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
<u>\$ 5,640,000</u>	<u>\$ 431,925</u>	<u>\$ 431,925</u>		<u>\$ 6,503,850</u>

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, 2022

\$1,950,000 refunding bonds issued in 2020:

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ 470,000	\$ 20,200	\$ 20,200	2023	\$ 510,400
540,000	10,800	10,800	2024	561,600
<u>\$ 1,010,000</u>	<u>\$ 31,000</u>	<u>\$ 31,000</u>		<u>\$ 1,072,000</u>

The bonds were approved by the Board of Education for the purpose of refunding all of the District's outstanding 2011 refunding bonds. The bonds carry an interest rate of 4.00%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

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

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ -	\$ 31,711	\$ 31,711	2023	\$ 63,422
-	31,711	31,711	2024	63,422
525,000	31,711	31,711	2025	588,422
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
<u>\$ 3,210,000</u>	<u>\$ 177,104</u>	<u>\$ 177,104</u>		<u>\$ 3,564,208</u>

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 2.55%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

\$4,355,000 refunding bonds issued in 2022:

Principal Due May 1,	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1,	November 1,	June 30,	Amount
\$ 220,000	\$ 94,000	\$ 118,022	2023	\$ 432,022
230,000	88,500	88,500	2024	407,000
320,000	82,750	82,750	2025	485,500
-	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
<u>\$ 4,355,000</u>	<u>\$ 959,250</u>	<u>\$ 983,272</u>		<u>\$ 6,297,522</u>

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

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued Revenue 6/30/2022
U.S. DEPARTMENT OF AGRICULTURE									
Passed Through the Michigan Department of Education									
Child Nutrition Cluster									
Non-Cash Assistance (Donated Foods)									
National School Lunch Program - Entitlement	10.555	N/A	\$ 29,822	\$ -	\$ -		\$ 29,822	\$ 29,822	\$ -
Cash Assistance									
COVID-19 - National School Lunch Program	10.555	211961	57,837	-	-		57,837	57,837	-
COVID-19 - National School Lunch Program		221961	378,973	-	-		378,973	378,973	-
COVID-19 - National School Lunch Program		220910	22,476	-	-		22,476	22,476	-
Total ALN #10.555			489,108	-	-		489,108	489,108	-
COVID-19 - School Breakfast Program	10.553	211971	12,542	-	-		12,542	12,542	-
COVID-19 - School Breakfast Program		221971	90,514	-	-		90,514	90,514	-
Total ALN #10.553			103,056	-	-		103,056	103,056	-
COVID-19 - Summer Food Service Program for Children	10.559	220904	10,986	-	-		10,986	-	10,986
		210904	54,679	33,721	33,721		20,958	54,679	-
Total ALN #10.559			65,665	33,721	33,721		31,944	54,679	10,986
Total cash assistance			628,007	33,721	33,721		594,286	617,021	10,986
Total Child Nutrition Cluster			657,829	33,721	33,721		624,108	646,843	10,986
COVID-19 Child and Adult Care Food Program	10.558	211925	180	-	-		180	180	-
Child Nutrition Discretionary Grants Limited Availability	10.579	191991-EAG2021	25,000	25,000	25,000		-	25,000	-
Pandemic EBT Local Level Cost	10.649	210980	614	-	-		614	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			683,623	58,721	58,721		624,902	672,637	10,986

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued Revenue 6/30/2022
U.S. DEPARTMENT OF EDUCATION									
Passed Through the Michigan Department of Education									
Adult Education - Basic Grants to States	84.002	221190-221047	\$ 35,543	\$ -	\$ -		\$ 17,789	\$ -	\$ 17,789
Adult Education - Basic Grants to States		221130-221047	90,304	-	-		78,622	-	78,622
Adult Education - Basic Grants to States		211130-211047	88,930	46,648	75,395		-	46,648	-
Adult Education - Basic Grants to States		211190-211047	35,000	8,615	15,489		-	8,615	-
Total ALN #84.002			249,777	55,263	90,884		96,411	55,263	96,411
Title I Grants to Local Educational Agencies	84.010	221530-2122	\$ 135,031	\$ -	\$ -		\$ 110,947	\$ -	\$ 110,947
Title I Grants to Local Educational Agencies		211530-2021	51,614	27,853	27,853		9,862	27,853	9,862
Title I Grants to Local Educational Agencies		211700-2021	19,584	15,998	17,723		-	15,998	-
Total ALN #84.010			206,229	43,851	45,576		120,809	43,851	120,809
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	201700-1920	\$ 29,051	\$ 633	\$ 7,126	\$ (633)	\$ -	\$ -	\$ -
Supporting Effective Instruction State Grants	84.367	210534-2021	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -
		220520-2122	32,947	-	-	-	28,900	-	28,900
		210520-2021	10,000	5,997	5,997	-	-	5,997	-
Total ALN #84.367			52,947	5,997	5,997	-	38,900	15,997	28,900
Title IV Part A - Student Support & Academic Enrichment	84.424	21075-2021	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -
Education Stabilization Fund									
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	201200-2021	\$ 45,041	\$ 33,766	\$ 33,766	\$ -	\$ 11,275	\$ -	\$ 45,041
Relief Fund (GEER II - Teacher and Support Staff Payments)	84.425C	211202-2122	16,000	-	-	-	15,924	-	15,924
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II - Formula)	84.425D	213712-2021	286,443	-	-	-	205,441	-	205,441
Emergency Relief Fund (ESSER III - Formula)	84.425U	213713-2122	643,767	-	-	-	64,260	-	64,260
Total ALN #84.425 and Education Stabilization Fund			991,251	33,766	33,766	-	296,900	-	330,666
TOTAL U.S. DEPARTMENT OF EDUCATION			1,539,255	139,510	183,349	(633)	563,020	125,111	576,786

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued Revenue 7/1/2021	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued Revenue 6/30/2022
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Passed through Eaton Regional Education Service Agency Medicaid Cluster Medical Assistance Program	93.778	N/A	\$ 1,324	\$ -	\$ -		\$ 1,324	\$ 1,324	\$ -
Passed through Capital Area Michigan Works! Temporary Assistance for Needy Families									
Ingham 21-22	93.558	N/A	\$ 88,901	\$ -	\$ -	\$ -	\$ 88,901	\$ 63,778	\$ 25,123
Ingham 20-21		N/A	27,563	844	27,563	-	-	844	-
Eaton 21-22		N/A	20,086	-	-	(73)	14,614	14,687	-
Eaton 20-21		N/A	6,084	285	6,084	-	-	285	-
Clinton 21-22		N/A	12,134	-	-	-	12,134	8,784	3,350
Clinton 20-21		N/A	4,443	222	4,443	-	-	222	-
Total ALN #93.558			159,211	1,351	38,090	(73)	115,649	88,600	28,473
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			160,535	1,351	38,090	(73)	116,973	89,924	28,473
TOTAL FEDERAL AWARDS			\$ 2,383,413	\$ 199,582	\$ 280,160	\$ (706)	\$ 1,304,895	\$ 887,672	\$ 616,245

POTTERVILLE PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Potterville Public Schools under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Potterville Public Schools it is not intended to and does not present the financial position or changes in net position of Potterville Public Schools. The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. During the year, the District did not pass through any federal funds.

Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Potterville Public Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenue in the governmental funds:

General fund	\$ 903,395
Other nonmajor governmental funds (special revenue funds)	<u>624,902</u>
Total all funds	1,528,297
Prior year federal revenue not reported in the fund level financial statements due to not being received within 120 days of year end	(55,263)
Federal assistance funding not subject to single audit act	<u>(168,139)</u>
Federal expenditures reported in the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,304,895</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made for Assistance Listing #93.558 (\$73) and #84.013 (\$633) for prior year federal expenditures incurred but not reported on the prior year SEFA and current year receipts over expenditures, respectively.

**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
Pottersville 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 Pottersville Public Schools, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pottersville Public Schools' basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pottersville 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 Pottersville Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Pottersville 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

October 20, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Pottersville Public Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pottersville Public Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pottersville Public Schools' major federal programs for the year ended June 30, 2022. Pottersville Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pottersville Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reporting in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Potterville Public Schools' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Potterville Public Schools' response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as disclosed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be significant deficiencies.

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

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

October 20, 2022

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|---------------|---------------|
| ➤ Material weakness(es) identified? | _____ | Yes | _____ X _____ | No |
| ➤ Significant deficiency(ies) identified? | _____ | Yes | _____ X _____ | None reported |

Noncompliance material to financial statements noted?	_____	Yes	_____ X _____	No
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Federal Awards

Internal control over major programs:

- | | | | | |
|---|---------------|-----|---------------|---------------|
| ➤ Material weakness(es) identified? | _____ | Yes | _____ X _____ | No |
| ➤ Significant deficiency(ies) identified? | _____ X _____ | Yes | _____ | None reported |

Type of auditor's report issued on compliance for major		<i>Unmodified</i>
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Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	_____ X _____	Yes	_____	No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.559, 10.579	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	_____	Yes	_____ X _____	No
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Section II - Financial Statement Findings

None

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-001 – Considered a Significant Deficiency

Federal Program: Child Nutrition Cluster – CFDA #10.555 and #10.559

CFDA: CFDA #10.555, #10.559, and #10.579

Federal Agency: U.S. Department of Agriculture

Pass-through Entity: Michigan Department of Education

Pass-through Number: 200902, 200900, 210904, 191991-EAG2021

Criteria: The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition: The District currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund cannot be transferred to the general fund.

Question Costs: None

Cause: The District participated in the unanticipated closure meal reimbursements from July through June causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2022, the District's food service fund balance was greater than three months of expenditures.

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

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
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-001 – Considered a Significant Deficiency

Federal Program: Child Nutrition Cluster – CFDA #10.555 and #10.559

CFDA: CFDA #10.555, #10.559, and #10.579

Federal Agency: U.S. Department of Agriculture

Pass-through Entity: Michigan Department of Education

Pass-through Number: 200902, 200900, 210904, 191991-EAG2021

Criteria: The District's fund balance in the food service fund is required to be less than three months of food service expenditures.

Condition: The District currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2021-2022 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess fund cannot be transferred to the general fund.

Question Costs: None

Cause: The District participated in the unanticipated closure meal reimbursements from July through June causing a larger than normal increase in the food service fund balance.

Effect: At June 30, 2021, the District's food service fund balance was greater than three months of expenditures.

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2021-2022 school year that will adequately reduce the food service fund balance.

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

Status: As of fiscal year end June 30, 2022 we do not consider this issue resolved. See 2022-001.



POTTERVILLE PUBLIC SCHOOLS

POTTERVILLE PUBLIC SCHOOLS CORRECTION ACTION PLAN YEAR ENDED JUNE 30, 2022

Pottersville Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2022.

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

Audit Period: Year ended June 30, 2022

District Contact Person: Kim Lindsay, Contracted Director of Finance

The findings from the June 30, 2022 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding - Federal Award Findings and Question Costs

Finding 2022-001 - Significant Deficiency

Recommendation: The District should implement a budget, as well as the required corrective action plan, for the 2022-2023 school year that will adequately reduce the food service fund balance.

Action to Be Taken: Management agrees with the finding and we are in the process of developing and implementing a plan to spend down the food service fund balance.