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POTTERVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2023

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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, 2023, 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, 2023, 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.

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 25, 2023 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.

Maney Costeiran PC

October 25, 2023

POTTERVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Potterville Public Schools' ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the District's financial statements which immediately follow this section. A comparative analysis with the prior year has been provided.

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

Summary of Net Position

The following schedule summarizes the net position at June 30, 2023 and 2022:

Table A-3 Pottersville Public Schools		
	2023	2022
Current and other assets	\$ 6,092,554	\$ 10,817,395
Capital assets	19,546,784	13,084,614
Total assets	25,639,338	23,902,009
Deferred outflows	6,211,365	3,014,484
Long-term obligations	15,693,869	15,593,692
Other liabilities	3,627,688	2,389,612
Net pension liability	16,447,921	10,783,260
Net other postemployment benefit liability	906,828	655,964
Total liabilities	36,676,306	29,422,528
Deferred inflows	4,383,250	8,000,034
Net position		
Net investment in capital assets	5,346,208	3,726,349
Restricted for capital projects (sinking fund)	1,110,136	1,764,409
Restricted for debt service	43,499	39,026
Unrestricted	(15,708,696)	(15,993,703)
Total net position	\$ (9,208,853)	\$ (10,463,919)

Analysis of Net Position

During the fiscal year ended June 30, 2023, the District's net position increased by \$1,255,066. A few of the more significant factors affecting net position during the year are discussed below:

➤ **Cash Equivalents and Deposits**

At June 30, 2023, the District's cash equivalents and deposits amounted to approximately \$3.5 million. This represented a decrease of approximately \$800,000 from the previous year, primarily as a result of expenditures from the 2022 Capital Projects Bond.

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

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2023, approximately \$7.1 million of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net increase to capital assets in the amount of \$6,420,020 for the fiscal year ended June 30, 2023.

➤ 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, 2023, the District's bonded debt increased by approximately \$135,000 due to the issuance of 2022 Energy bonds and scheduled principal payments on existing debt. School Loan Revolving Fund debt increased by approximately \$20,000 as a result of the draws in the current year.

➤ Accumulated Compensated Absences

At June 30, 2023, 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 \$83,916.

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

Results of Operations

For the fiscal years ended June 30, 2023 and 2022, the results of operations, on a District-wide basis, were:

Table A-4 Changes in Potterville Public Schools' Net Position		
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 274,002	\$ 190,174
Operating grants	4,745,641	4,273,925
General revenues		
Property taxes	2,675,441	2,510,823
Investment earnings	191,991	6,728
State sources - unrestricted	6,092,144	5,862,778
Other	532,792	221,074
Total revenues	<u>14,512,011</u>	<u>13,065,502</u>
Expenses		
Instruction	5,428,834	4,607,531
Support services	5,234,195	3,829,128
Community services	583,462	441,947
Food services	715,605	630,568
Student/school activities	117,775	75,320
Interest on long-term debt	520,058	380,862
Unallocated depreciation	657,016	606,719
Total expenses	<u>13,256,945</u>	<u>10,572,075</u>
Change in net position	<u>\$ 1,255,066</u>	<u>\$ 2,493,427</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 2022 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, 2023, the District was owed approximately \$79,000.

**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 2022-2023 fiscal year, the District received \$9,150 per student full time equivalent, which is a \$450 increase from 2021-2022. The State's per pupil foundation allowance will be \$9,608 for the 2023-2024 fiscal year. This is an increase of \$458 from the \$9,150 per pupil foundation allowance in 2022-2023.

➤ **Operating Grants**

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2023, federal, state, and other grants amounted to approximately \$4.8 million. This represents an increase of approximately \$472,000 over the prior year.

Comparative Expenditures

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

Expenditures	2023	2022	Increase (Decrease)
Instruction	\$ 5,981,327	\$ 5,434,555	\$ 546,772
Support services	5,765,315	4,252,484	1,512,831
Community services	667,106	398,284	268,822
Food service activities	563,826	597,415	(33,589)
Student/school activities	117,775	75,320	42,455
Debt service	1,907,925	1,472,759	435,166
Capital outlay	7,511,616	129,532	7,382,084
Total expenditures	\$ 22,514,890	\$ 12,360,349	\$ 10,154,541

**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, 2023.

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, 2023.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>% variance</u>
Total revenues	<u>\$ 10,749,598</u>	<u>\$ 11,655,471</u>	<u>\$ 12,181,694</u>	<u>\$ 526,223</u>	<u>4.51%</u>
Expenditures					
Instruction	5,970,358	5,620,274	5,981,327	(361,053)	-6.42%
Supporting services	4,387,914	5,360,177	5,765,315	(405,138)	-7.56%
Community services	326,921	400,852	667,106	(266,254)	-66.42%
Capital outlay	-	-	90,886	(90,886)	-100.00%
Debt services	-	180,000	182,597	(2,597)	0.00%
Total expenditures	<u>\$ 10,685,193</u>	<u>\$ 11,561,303</u>	<u>\$ 12,687,231</u>	<u>\$ (1,125,928)</u>	<u>-9.74%</u>

The original budget adopted by the Board in June 2022 was amended once during the year. The amendments, approved in June 2023, reflected necessary changes to both revenues and expenditures based on projections made by the Finance Director.

Capital Assets

By the end of the 2022-2023 fiscal year, the District had invested approximately \$33.5 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 \$657,016, bringing the accumulated depreciation to roughly \$13.9 million as of June 30, 2023.

Table A-5 Pottersville Public Schools				
	<u>2023</u>			<u>2022</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Construction in progress	\$ 650,199	\$ -	\$ 650,199	\$ 42,150
Buildings and improvements	27,810,626	10,634,728	17,175,898	11,461,491
Right to use - leased equipment	90,886	13,633	77,253	-
Site improvements	2,575,025	1,637,022	938,003	1,014,599
Furniture, fixtures and equipment	2,303,987	1,598,556	705,431	608,524
Buses and vehicles	25,277	25,277	-	-
Total	<u>\$ 33,456,000</u>	<u>\$ 13,909,216</u>	<u>\$ 19,546,784</u>	<u>\$ 13,126,764</u>

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

Long-term Obligations

At June 30, 2023, the District had approximately \$15.7 million in long-term obligations which included \$14.3 million in outstanding bonded debt. The bonded debt obligation increased during the year as a result of the issuance of 2022 Energy Bonds and outstanding debt being paid down. The District has notes from direct borrowings and direct placements amounting to \$259,583 in borrowings from the School Loan Revolving Fund and long-term lease agreements. In addition, the District has unamortized discounts/premiums of approximately \$1.0 million and an obligation for compensated absences estimated at roughly \$84,000 at the end of the fiscal year.

Table A-6 Potterville Public Schools Outstanding Long-Term Obligations		
	2023	2022
General obligation bonds	\$ 14,350,000	\$ 14,215,000
Unamortized premiums	1,000,370	1,131,378
Notes from direct borrowings and direct placements	259,583	161,304
Compensated absences	83,916	86,010
	<u>\$ 15,693,869</u>	<u>\$ 15,593,692</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. Potterville is currently assessing the maximum amount allowed. At the time of the adoption of the initial 23-24 budget, the District anticipated a pupil allowance increase of \$458 and no change in anticipated student full time equivalents.
- The District has completed the construction of its early childhood education center and it will be fully operational for the entire 23-24 school year. This construction project was funded by the bonded capital projects debt levy approved by the District's voters in August of 2021. The early childhood program is expected to attract and retain early learners to the District over the next several years. In addition to the early childhood education center, the capital projects will include multiple facility upgrades over the next several fiscal years.

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

- Considering projected enrollment along with the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities; District administration continues to remain diligent in its decision-making as the Board desires to improve the district's financial stability. A portion of the District's General Fund balance was used in the 22-23 fiscal year to fund necessary increases in wages for District employees and investments in curriculum and facility upgrades. District administration is reviewing the initial 23-24 budget for amendments to continue financial stability. The District is strategically reviewing its options for expending the remaining federal pandemic related funding during fiscal year 23-24.
- The District successfully negotiated longer term contracts with its collective bargaining groups. This effort is anticipated to help the District attract and retain educators and allow it to compete with other local districts for talent.
- The District continues to work on strategies to attract additional students and retain existing students. A new large-scale single family home project has begun construction and is anticipated to be significantly completed in the next twelve months. It is anticipated that the housing construction will provide additional students to the District.

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, 425 East Main Street Potterville, MI 48876.

BASIC FINANCIAL STATEMENTS

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,511,899
Receivables	
Accounts Receivable	140,425
Taxes Receivable	78,879
Intergovernmental	2,254,325
Inventories	7,828
Prepays	99,198
Capital assets not being depreciated	650,199
Capital assets, net of accumulated depreciation/amortization	<u>18,896,585</u>
 TOTAL ASSETS	 <u>25,639,338</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	21,308
Related to pensions	4,947,669
Related to other postemployment benefits	<u>1,242,388</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>6,211,365</u>
 LIABILITIES	
Accounts payable	1,112,598
Due to other governmental units	56,604
Note payable	1,300,000
Accrued interest	114,992
Accrued salaries and related items	496,559
Accrued retirement	320,310
Unearned revenue	226,625
Noncurrent liabilities	
Due within one year	1,424,828
Due in more than one year	14,269,041
Net pension liability	16,447,921
Net other postemployment benefits liability	<u>906,828</u>
 TOTAL LIABILITIES	 <u>36,676,306</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,013,974
Related to other postemployment benefits	2,203,543
Related to state aid funding for pension	<u>1,165,733</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>4,383,250</u>
 NET POSITION	
Net investment in capital assets	5,346,208
Restricted for capital projects (sinking funds)	1,110,136
Restricted for debt service	43,499
Unrestricted	<u>(15,708,696)</u>
 TOTAL NET POSITION	 <u><u>\$ (9,208,853)</u></u>

See notes to financial statements.

**POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

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	\$ 5,428,834	\$ -	\$ 2,735,684	\$ (2,693,150)
Support services	5,234,195	-	1,473,061	(3,761,134)
Community services	583,462	181,343	-	(402,119)
Student/school activities	117,775	-	129,295	11,520
Food services	715,605	92,659	407,601	(215,345)
Interest on long-term debt	520,058	-	-	(520,058)
Unallocated depreciation/amortization	657,016	-	-	(657,016)
Total governmental activities	<u>\$ 13,256,945</u>	<u>\$ 274,002</u>	<u>\$ 4,745,641</u>	<u>(8,237,302)</u>
General revenues				
Property taxes, levied for general purposes				786,102
Property taxes, levied for debt service				1,574,933
Property taxes, levied for sinking funds				314,406
State sources - unrestricted				6,092,144
Investment earnings				191,991
Other				532,792
Total general revenues				<u>9,492,368</u>
CHANGE IN NET POSITION				1,255,066
NET POSITION, beginning of year				<u>(10,463,919)</u>
NET POSITION, end of year				<u>\$ (9,208,853)</u>

See notes to financial statements.

**POTTERVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 522,401	\$ 1,192,818	\$ 1,089,291	\$ 707,389	\$ 3,511,899
Receivables					
Accounts receivable	140,425	-	-	-	140,425
Taxes receivable	25,162	5,002	-	48,715	78,879
Due from other funds	399,944	-	-	449,846	849,790
Intergovernmental	2,242,524	-	-	11,801	2,254,325
Inventories	-	-	-	7,828	7,828
Prepays	96,303	-	-	2,895	99,198
TOTAL ASSETS	\$ 3,426,759	\$ 1,197,820	\$ 1,089,291	\$ 1,228,474	\$ 6,942,344
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 178,140	\$ 84,729	\$ 453,172	\$ 396,557	\$ 1,112,598
Due to other governmental units	56,604	-	-	-	56,604
Due to other funds	-	300,183	390,177	159,430	849,790
Note payable	1,300,000	-	-	-	1,300,000
Accrued interest	36,711	-	-	-	36,711
Accrued salaries and related items	496,559	-	-	-	496,559
Accrued retirement	320,310	-	-	-	320,310
Unearned revenue	222,615	-	-	4,010	226,625
TOTAL LIABILITIES	2,610,939	384,912	843,349	559,997	4,399,197
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	7,828	7,828
Prepays	96,303	-	-	2,895	99,198
Restricted for:					
Food service	-	-	-	98,258	98,258
Capital projects	-	812,908	245,942	305,385	1,364,235
Debt service	-	-	-	121,780	121,780

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>
FUND BALANCES (continued)					
Committed for:					
Student/school activities	\$ -	\$ -	\$ -	\$ 132,331	\$ 132,331
Unassigned	719,517	-	-	-	719,517
 TOTAL FUND BALANCES	 815,820	 812,908	 245,942	 668,477	 2,543,147
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 3,426,759	 \$ 1,197,820	 \$ 1,089,291	 \$ 1,228,474	 \$ 6,942,344
 Total governmental fund balances					 \$ 2,543,147

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	\$ 21,308	
Deferred outflows of resources - related to pensions	4,947,669	
Deferred outflows of resources - related to other postemployment benefits	1,242,388	
Deferred inflows of resources - related to pensions	(1,013,974)	
Deferred inflows of resources - related to other postemployment benefits	(2,203,543)	
Deferred inflows of resources - related to state pension funding	<u>(1,165,733)</u>	1,828,115

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

The cost of the capital assets is	33,456,000	
Accumulated depreciation/amortization is	<u>(13,909,216)</u>	19,546,784

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	(15,350,370)
Notes from direct borrowings and direct placements	(259,583)
Compensated absences	(83,916)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(78,281)
Net pension liability	(16,447,921)
Net other postemployment liability	<u>(906,828)</u>

Net position of governmental activities \$ (9,208,853)

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<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	\$ 786,102	\$ 161,335	\$ -	\$ 1,728,004	\$ 2,675,441
Food sales	-	-	-	92,659	92,659
Charges for services	173,442	-	-	-	173,442
Investment earnings	21,674	25,624	130,264	14,830	192,392
Student/school activities	-	-	-	129,295	129,295
Other	540,693	-	-	-	540,693
Total local sources	1,521,911	186,959	130,264	1,964,788	3,803,922
State sources	8,445,543	22,282	-	123,458	8,591,283
Federal sources	1,254,187	-	-	379,873	1,634,060
Intermediate school districts	960,053	-	-	-	960,053
TOTAL REVENUES	<u>12,181,694</u>	<u>209,241</u>	<u>130,264</u>	<u>2,468,119</u>	<u>14,989,318</u>
EXPENDITURES					
Current					
Instruction	5,981,327	-	-	-	5,981,327
Supporting services	5,765,315	-	-	-	5,765,315
Community services	667,106	-	-	-	667,106
Food service activities	-	-	-	563,826	563,826
Student/school activities	-	-	-	117,775	117,775

See notes to financial statements.

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ 112,764	\$ -	\$ -	\$ 1,200,000	\$ 1,312,764
Interest	69,833	-	-	485,045	554,878
Bond issuance costs	-	-	-	37,716	37,716
Other	-	75	1,287	1,205	2,567
Capital outlay	90,886	248,035	4,770,389	2,402,306	7,511,616
TOTAL EXPENDITURES	12,687,231	248,110	4,771,676	4,807,873	22,514,890
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(505,537)	(38,869)	(4,641,412)	(2,339,754)	(7,525,572)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	620,072	620,072
Transfers out	-	(584,356)	-	(35,716)	(620,072)
Proceeds from issuance of bonds	-	-	-	1,435,000	1,435,000
Proceeds from leases	90,886	-	-	-	90,886
Proceeds from school loan revolving fund	-	-	-	14,469	14,469
TOTAL OTHER FINANCING SOURCES (USES)	90,886	(584,356)	-	2,033,825	1,540,355
NET CHANGE IN FUND BALANCES	(414,651)	(623,225)	(4,641,412)	(305,929)	(5,985,217)
FUND BALANCES					
Beginning of year	1,230,471	1,436,133	4,887,354	974,406	8,528,364
End of year	\$ 815,820	\$ 812,908	\$ 245,942	\$ 668,477	\$ 2,543,147

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, 2023

Net change in fund balances total governmental funds \$ (5,985,217)

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

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

Depreciation/amortization expense	(657,016)
Capital outlay	7,077,036

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	100,581
Accrued interest payable, end of the year	(78,281)

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

Proceeds from issuance of bonds	(1,435,000)
Proceeds from leases	(90,886)
Proceeds from school loan revolving fund	(14,469)
Interest on school loan revolving fund	(5,688)
Payments on debt	1,312,764
Amortization of bond premiums/discounts	131,008
Amortization of deferred charge on refunding	(19,017)

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	86,010
Accrued compensated absences, end of the year	(83,916)

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	544,294
Other postemployment benefit related items	849,769

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	688,827
State aid funding for pension, end of the year	(1,165,733)

Change in net position of governmental activities	\$ 1,255,066
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POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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.

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

	<u>2022 Capital Projects</u>
Revenue and other financing sources	<u>\$ 5,169,217</u>
Expenditures and other financing uses	<u>\$ 4,923,275</u>

The above revenue and other financing sources figure does include the total 2022 bond proceeds and premium of \$5,035,195.

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.

The *2022 Energy Bond Fund* is used to account for the receipt of debt proceeds that is used to finance capital projects related to the 2022 Energy Bond.

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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, 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.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

Budgetary Information

Budgetary Basis of Accounting

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

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

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- d. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- e. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2023. 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.

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.

**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)

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.

Capital Assets

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

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

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

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

Defined Benefit Plans

For purposes of measuring the net pension liability and other postemployment benefit 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.

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 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.

Deferred Inflows

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

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 approximately \$173,000 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$7,992 has been included in the calculation of unrestricted net position. As of June 30, 2023, 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, and the portion not related to capital related debt was \$609,900. In addition, as of June 30, 2023, the outstanding balance of the 2019 refunding bonds was \$5,130,000. Of this amount, 10.06% was not considered capital related debt as this amount was used to pay off accrued interest, and the portion not related to capital related debt was \$516,078. These amounts are not included in the computation of net investment in capital assets.

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 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.

Fund Balance Policies

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

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

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

Leases

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

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

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)

Leases (continued)

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the state

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, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund	
PRE, Non-PRE, Commercial Personal Property	10.1000
Capital projects sinking fund	
PRE, Non-PRE, Commercial Personal Property	1.0295
Tech safety sinking fund	
PRE, Non-PRE, Commercial Personal Property	0.9768

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, 2023 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, 2023, \$3,811,712 of the District's bank balance of \$4,061,712 was exposed to custodial credit risk because it was uninsured. The carrying balance was \$3,322,968.

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>
MILAF External Investment pool - MAX	\$ 188,931	N/A
Total fair value	<u>\$ 188,931</u>	

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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>
MILAF External Investment pool - MAX	<u>\$ 188,931</u>	AAAm	Standard & Poor's
Total	<u><u>\$ 188,931</u></u>		

Foreign Currency Risk

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

Fair Value Measurement

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

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

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>
MILAF External Investment pool - MAX	<u>\$ 188,931</u>

Fair Value Measurement (continued)

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents and investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2023:

	<u>Primary Government</u>
Deposits	\$ 3,322,968
Investments - MILAF	<u>188,931</u>
Cash and cash equivalents	<u>\$ 3,511,899</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023 consist of the following:

	<u>Government- wide</u>
State aid	\$ 1,510,180
Federal revenue	430,306
Intermediate school district	<u>313,839</u>
	<u>\$ 2,254,325</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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2022	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2023
Assets not being depreciated				
Construction in progress	\$ 42,150	\$ 608,049	\$ -	\$ 650,199
Capital assets being depreciated/amortized				
Building and improvements	21,637,044	6,173,582	-	27,810,626
Right to use - leased equipment	-	90,886	-	90,886
Site improvements	2,575,025	-	-	2,575,025
Furniture, fixtures and equipment	2,099,468	204,519	-	2,303,987
Buses and vehicles	25,277	-	-	25,277
Subtotal	26,336,814	6,468,987	-	32,805,801
Accumulated depreciation/amortization				
Building and improvements	10,175,553	459,175	-	10,634,728
Right to use - leased equipment	-	13,633	-	13,633
Site improvements	1,560,426	76,596	-	1,637,022
Furniture, fixtures and equipment	1,490,944	107,612	-	1,598,556
Buses and vehicles	25,277	-	-	25,277
Total accumulated depreciation/amortization	13,252,200	657,016	-	13,909,216
Net capital assets being depreciated/amortized	13,084,614	5,811,971	-	18,896,585
Net governmental capital assets being depreciated/amortized	\$ 13,126,764	\$ 6,420,020	\$ -	\$ 19,546,784

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$657,016. The District determined that it was impractical to allocate depreciation/amortization of the various activities as follows as they serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 399,944	Sinking Fund	\$ 300,183
Nonmajor funds	449,846	2022 Capital Projects	390,177
		Nonmajor funds	159,430
	\$ 849,790		\$ 849,790

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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - STATE AID ANTICIPATION NOTE

At June 30, 2023, the District has issued a state aid anticipation note payable in the amount of \$1,300,000 which has an interest rate of 3.37% and matures on August 21, 2023. 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, 2023 is as follows:

	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
State aid anticipation note	\$ 1,300,000	\$ 1,300,000	\$ (1,300,000)	\$ 1,300,000

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2022	\$ 15,346,378	\$ 161,304	\$ 86,010	\$ 15,593,692
Additions	1,435,000	111,043	-	1,546,043
Deletions	(1,431,008)	(12,764)	(2,094)	(1,445,866)
Balance June 30, 2023	15,350,370	259,583	83,916	15,693,869
Due within one year	(1,390,000)	(17,207)	(17,621)	(1,424,828)
Due in more than one year	\$ 13,960,370	\$ 242,376	\$ 66,295	\$ 14,269,041

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, 2023 was 4.11%. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.0 mills. The school district is required to levy 7.35 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 10.10 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$78,122 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Long-term obligation debt at June 30, 2023 is comprised of the following:

General Obligation Bonds

2019 refunding bonds due in annual installments of \$550,000 to \$1,290,000 through May 1, 2030 with interest of 3.00%.	\$ 5,130,000
2020 series A refunding bonds due in an annual installment of \$540,000 on May 1, 2024 with interest of 4.00%.	540,000
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 \$200,000 to \$610,000 through May 1, 2038, with interest rates ranging from 4.00% to 5.00%.	4,135,000
2022 Energy Conservation Improvement Bonds due in annual installments of \$70,000 to \$125,000 through May 1, 2037, with interest rates ranging from 3.88% to 4.26%.	1,335,000
Add bond issuance premium/discounts, net	<u>1,000,370</u>
Total general obligation bonds	<u>15,350,370</u>

Notes from Direct Borrowings and Direct Placements

Borrowings from the State of Michigan under the School Loan Revolving Fund including the interest rate at June 30, 2023 was 4.11%.	181,461
Copier lease due in monthly installments of \$1,668 through September 30, 2027, with an imputed interest rate of 4%.	<u>78,122</u>
Total notes from direct borrowings and direct placements	<u>259,583</u>
Total general obligation bonds and notes from direct borrowings and direct placements	15,609,953
Compensated absences	<u>83,916</u>
Total long-term obligations	<u><u>\$ 15,693,869</u></u>

Interest expense for the year ended June 30, 2023 was approximately \$520,000.

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, 2023, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Compensated Absences	Total
	Principal	Interest	Principal	Interest		
2024	\$ 1,390,000	\$ 469,686	\$ 17,207	\$ 2,812	\$ -	\$ 1,879,705
2025	1,495,000	417,174	17,908	2,111	-	1,932,193
2026	1,200,000	368,393	18,638	1,381	-	1,588,412
2027	1,240,000	335,778	19,397	622	-	1,595,797
2028	1,270,000	302,472	4,972	33	-	1,577,477
2029 - 2033	5,105,000	1,001,989	-	-	-	6,106,989
2034 - 2038	2,650,000	279,593	-	-	-	2,929,593
Total	14,350,000	3,175,084	78,122	6,959	-	17,610,165
School loan revolving fund	-	-	173,469	7,992	-	181,461
Bond issuance premium	1,000,370	-	-	-	-	1,000,370
Compensated absences	-	-	-	-	83,916	83,916
	<u>\$ 15,350,370</u>	<u>\$ 3,175,084</u>	<u>\$ 251,591</u>	<u>\$ 14,951</u>	<u>\$ 83,916</u>	<u>\$ 18,875,912</u>

At June 30, 2023, fund balance of \$121,780 is available in the debt service funds to service the general obligation debt.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided - Overall

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

<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%.

Pension Reform 2010

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

Pension Reform 2012

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

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform 2012 (continued)

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

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

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

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

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

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

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

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution 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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension Reform of 2017

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

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Employer Contributions (continued)

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$2,116,000. Of the total pension contributions approximately \$2,053,000 was contributed to fund the Defined Benefit Plan and approximately \$63,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$430,000. Of the total OPEB contributions approximately \$393,000 was contributed to fund the Defined Benefit Plan and approximately \$37,000 was contributed to fund the Defined Contribution Plan.

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

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

Pension Liabilities

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 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><i>MPSERS (Plan) Non-university Employers</i></u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total pension liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan fiduciary net position	\$ 58,268,076,344	\$ 62,717,060,920
Net pension liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate share	0.04373%	0.04555%
Net pension liability for the District	\$ 16,447,921	\$ 10,783,260

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

For the year ended June 30, 2023, the District recognized pension expense of \$1,508,261.

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)

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual pension plan investment earnings	\$ 38,570	\$ -
Differences between expected and actual experience	164,537	36,776
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,185	977,198
Changes of assumptions	2,826,342	-
Reporting Unit's contributions subsequent to the measurement date	1,915,035	-
	<u>\$ 4,947,669</u>	<u>\$ 1,013,974</u>

\$1,915,035 , reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ending September 30,	Amount
2023	\$ 477,073
2024	311,601
2025	334,972
2026	895,014

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 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, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefits liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefits liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.04281%	0.04298%
Net other postemployment benefits liability for the District	\$ 906,828	\$ 655,964

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$456,829.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ 70,876	\$ -
Differences between expected and actual experience	-	1,776,129
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,512	361,599
Changes of assumptions	808,285	65,815
Reporting Unit's contributions subsequent to the measurement date	336,715	-
	<u>\$ 1,242,388</u>	<u>\$ 2,203,543</u>

**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)

\$336,715, 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>
2023	\$ (446,129)
2024	(393,007)
2025	(337,681)
2026	(92,246)
2027	(28,308)
2028	(499)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

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

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. 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 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.75% 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.

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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

The target asset allocation at September 30, 2022 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%	5.1%
Private Equity Pools	16.00%	8.7%
International Equity Pools	15.00%	6.7%
Fixed Income Pools	13.00%	-0.2%
Real Estate and Infrastructure Pools	10.00%	5.3%
Absolute Return Pools	9.00%	2.7%
Real Return/Opportunistic Pools	10.00%	5.8%
Short Term Investment Pools	2.00%	-0.5%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.2% inflation.

Rate of Return - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 21,705,146	\$ 16,447,921	\$ 12,115,732

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 6.00%, 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	\$ 1,521,117	\$ 906,828	\$ 389,521

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		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 379,736	\$ 906,828	\$ 1,498,500

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 2022 Annual Comprehensive Financial Report.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension and OPEB Plan Fiduciary Net Position (continued)

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

NOTE 9 - CONTINGENT LIABILITIES

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

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the year ended June 30, 2023, 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 \$35,716. The District also transferred \$584,356 from the sinking fund to the 2022 energy bond fund for costs incurred.

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, 2023. There are no abatements made by the District.

NOTE 12 - SUBSEQUENT EVENT

In August 2023, the District issued \$1,300,000 of State Aid Notes due in August 2024 to replace the note describe in Note 6.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. 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.

There was no material impact on the District's financial statement after the adoption of GASB Statement 96.

NOTE 15 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2023. Approximately \$246,000 is restricted and recorded as fund balance in the 2022 capital projects fund. Approximately \$8,000 is restricted and recorded as fund balance in the energy bond fund.

REQUIRED SUPPLEMENTARY INFORMATION

**POTTERVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,126,748	\$ 1,204,713	\$ 1,521,911	\$ 317,198
State sources	7,788,533	8,456,973	8,445,543	(11,430)
Federal sources	1,012,292	1,028,707	1,254,187	225,480
Intermediate school districts and other	822,025	965,078	960,053	(5,025)
TOTAL REVENUES	10,749,598	11,655,471	12,181,694	526,223
EXPENDITURES				
Current				
Instruction				
Basic programs	4,767,864	4,522,420	4,837,286	(314,866)
Added needs	1,035,619	1,011,749	1,007,072	4,677
Adult and continuing education	166,875	86,105	136,969	(50,864)
Total instruction	5,970,358	5,620,274	5,981,327	(361,053)
Supporting services				
Pupil	808,503	880,570	962,515	(81,945)
Instructional staff	342,165	723,345	901,863	(178,518)
General administration	321,508	457,414	482,859	(25,445)
School administration	549,578	514,377	532,401	(18,024)
Business	369,068	396,081	362,168	33,913
Operations and maintenance	982,670	1,212,565	1,274,783	(62,218)
Pupil transportation	476,736	505,974	542,521	(36,547)
Central	130,596	125,900	140,130	(14,230)
Other supporting services	407,090	543,951	566,075	(22,124)
Total supporting services	4,387,914	5,360,177	5,765,315	(405,138)
Community services	326,921	400,852	667,106	(266,254)
Capital outlay	-	-	90,886	(90,886)
Debt service	-	180,000	182,597	(2,597)
TOTAL EXPENDITURES	10,685,193	11,561,303	12,687,231	(1,125,928)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	64,405	94,168	(505,537)	(599,705)
OTHER FINANCING SOURCES (USES)				
Proceeds from leases	-	-	90,886	90,886
Transfers out	(25,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	-	90,886	90,886
NET CHANGE IN FUND BALANCE	\$ 39,405	\$ 94,168	(414,651)	\$ (508,819)
FUND BALANCE				
Beginning of year			1,230,471	
End of year			\$ 815,820	

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.04373%	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	\$ 16,447,921	\$ 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	\$ 4,173,657	\$ 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	394.09%	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)	60.77%	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 ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

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

	<u>2023</u>	<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	\$ 2,052,555	\$ 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>2,052,555</u>	<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>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 4,654,746	\$ 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	44.10%	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 ten years. However, until a full ten-year trend is compiled, the District presents information for those years for which information is available.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.04281%	0.04298%	0.04844%	0.04802%	0.04980%	0.05013%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 906,828	\$ 655,964	\$ 2,594,924	\$ 3,446,603	\$ 3,958,236	\$ 4,439,626
Reporting Unit's covered-employee payroll	\$ 4,173,657	\$ 3,950,080	\$ 4,287,988	\$ 4,192,298	\$ 4,212,785	\$ 4,231,229
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	21.73%	16.61%	60.52%	82.21%	93.96%	104.93%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net other postemployment benefits liability (%)	0.04281%	0.04298%	0.04844%	0.04802%	0.04980%	0.05013%
Reporting Unit's proportionate share of net other postemployment benefits liability	\$ 906,828	\$ 655,964	\$ 2,594,924	\$ 3,446,603	\$ 3,958,236	\$ 4,439,626
Reporting Unit's covered-employee payroll	\$ 4,173,657	\$ 3,950,080	\$ 4,287,988	\$ 4,192,298	\$ 4,212,785	\$ 4,231,229
Reporting Unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	21.73%	16.61%	60.52%	82.21%	93.96%	104.93%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university)	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2022 were:

- Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2022.

Changes of Assumptions - the assumption changes for 2021 were:

- Discount rate decreased to 6.00% from 6.95%.

ADDITIONAL SUPPLEMENTARY INFORMATION

**POTTERVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2023**

	Special Revenue		Debt Service					Capital Projects		
	Food Service	Student/ School Activities	2012 SBLF Debt	2019 Debt	2020 Series A Debt	2020 Series B Debt	2022 Debt	Tech Safety Sinking Fund	Energy Bond Fund	Total Nonmajor Funds
ASSETS										
Cash and cash equivalents	\$ 63,100	\$ 147,937	\$ -	\$ 20,097	\$ 13,051	\$ 2,254	\$ 14,368	\$ 438,325	\$ 8,257	\$ 707,389
Receivables										
Taxes receivable	-	-	-	18,808	11,015	1,654	12,495	4,743	-	48,715
Due from other funds	52,799	-	-	-	24,191	5,580	-	-	367,276	449,846
Due from other governmental units	11,801	-	-	-	-	-	-	-	-	11,801
Inventories	7,828	-	-	-	-	-	-	-	-	7,828
Prepaid expenditures	2,895	-	-	-	-	-	-	-	-	2,895
TOTAL ASSETS	\$ 138,423	\$ 147,937	\$ -	\$ 38,905	\$ 48,257	\$ 9,488	\$ 26,863	\$ 443,068	\$ 375,533	\$ 1,228,474
LIABILITIES										
Accounts payable	\$ 25,432	\$ 3,749	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,376	\$ 396,557
Due to other funds	-	11,857	-	1,633	-	-	100	145,840	-	159,430
Unearned revenue	4,010	-	-	-	-	-	-	-	-	4,010
TOTAL LIABILITIES	29,442	15,606	-	1,633	-	-	100	145,840	367,376	559,997
FUND BALANCES										
Nonspendable										
Inventories	7,828	-	-	-	-	-	-	-	-	7,828
Prepaid expenditures	2,895	-	-	-	-	-	-	-	-	2,895
Restricted for food service	98,258	-	-	-	-	-	-	-	-	98,258
Restricted for debt service	-	-	-	37,272	48,257	9,488	26,763	-	-	121,780
Restricted for capital projects	-	-	-	-	-	-	-	297,228	8,157	305,385
Committed for student/school activities	-	132,331	-	-	-	-	-	-	-	132,331
TOTAL FUND BALANCES	108,981	132,331	-	37,272	48,257	9,488	26,763	297,228	8,157	668,477
TOTAL LIABILITIES AND FUND BALANCES	\$ 138,423	\$ 147,937	\$ -	\$ 38,905	\$ 48,257	\$ 9,488	\$ 26,863	\$ 443,068	\$ 375,533	\$ 1,228,474

POTTERVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2023

	Special Revenue		Debt Service					Capital Projects		
	Food Service	Student/ School Activities	2012 SBLF Debt	2019 Debt	2020 Series A Debt	2020 Series B Debt	2022 Debt	Tech Safety Sinking Fund	Energy Bond Fund	Total Nonmajor Funds
REVENUES										
Local sources										
Property taxes	\$ -	\$ -	\$ -	\$ 672,966	\$ 395,793	\$ 59,259	\$ 446,915	\$ 153,071	\$ -	\$ 1,728,004
Food sales	92,659	-	-	-	-	-	-	-	-	92,659
Investment earnings	535	-	-	289	2,304	85	1,752	-	9,865	14,830
Student/school activities	-	129,295	-	-	-	-	-	-	-	129,295
State sources	27,728	-	-	31,904	18,685	2,806	21,196	21,139	-	123,458
Federal sources	379,873	-	-	-	-	-	-	-	-	379,873
TOTAL REVENUES	500,795	129,295	-	705,159	416,782	62,150	469,863	174,210	9,865	2,468,119
EXPENDITURES										
Current										
Food service	563,826	-	-	-	-	-	-	-	-	563,826
Student/school activities	-	117,775	-	-	-	-	-	-	-	117,775
Capital outlay	213,700	-	-	-	-	-	-	205,258	1,983,348	2,402,306
Debt service										
Principal repayment	-	-	-	510,000	470,000	-	220,000	-	-	1,200,000
Interest	-	-	-	169,200	40,400	63,423	212,022	-	-	485,045
Bond issuance costs	-	-	-	-	-	-	-	-	37,716	37,716
Other expenses	-	-	401	575	75	76	78	-	-	1,205
TOTAL EXPENDITURES	777,526	117,775	401	679,775	510,475	63,499	432,100	205,258	2,021,064	4,807,873
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(276,731)	11,520	(401)	25,384	(93,693)	(1,349)	37,763	(31,048)	(2,011,199)	(2,339,754)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	28,516	6,600	600	-	-	584,356	620,072
Transfers out	-	-	(24,716)	-	-	-	(11,000)	-	-	(35,716)
Proceeds from school loan revolving fund	-	-	-	14,469	-	-	-	-	-	14,469
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	1,435,000	1,435,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(24,716)	42,985	6,600	600	(11,000)	-	2,019,356	2,033,825
NET CHANGE IN FUND BALANCES	(276,731)	11,520	(25,117)	68,369	(87,093)	(749)	26,763	(31,048)	8,157	(305,929)
FUND BALANCES										
Beginning of year	385,712	120,811	25,117	(31,097)	135,350	10,237	-	328,276	-	974,406
End of year	\$ 108,981	\$ 132,331	\$ -	\$ 37,272	\$ 48,257	\$ 9,488	\$ 26,763	\$ 297,228	\$ 8,157	\$ 668,477

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

\$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
\$ 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>\$ 5,130,000</u>	<u>\$ 347,325</u>	<u>\$ 347,325</u>		<u>\$ 5,824,650</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, 2023

\$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
<u>\$ 540,000</u>	<u>\$ 10,800</u>	<u>\$ 10,800</u>	2024	<u>\$ 561,600</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, 2023

\$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	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>\$ 145,393</u>	<u>\$ 145,393</u>		<u>\$ 3,500,786</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, 2023

\$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
\$ 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>\$ 4,135,000</u>	<u>\$ 865,250</u>	<u>\$ 865,250</u>		<u>\$ 5,865,500</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 BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2023

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

Principal Due May 1	Interest Due		Debt Service Requirement for Fiscal Year	
	May 1	November 1	June 30,	Amount
\$ 70,000	\$ 26,882	\$ 26,882	2024	\$ 123,764
75,000	25,426	25,426	2025	125,852
75,000	23,829	23,829	2026	122,657
80,000	22,250	22,250	2027	124,500
85,000	20,598	20,598	2028	126,196
90,000	18,864	18,864	2029	127,728
90,000	17,041	17,041	2030	124,083
95,000	15,237	15,237	2031	125,474
100,000	13,356	13,356	2032	126,712
105,000	11,396	11,396	2033	127,792
110,000	9,338	9,338	2034	128,676
115,000	7,171	7,171	2035	129,342
120,000	4,888	4,888	2036	129,776
125,000	2,500	2,500	2037	130,000
<u>\$ 1,335,000</u>	<u>\$ 218,774</u>	<u>\$ 218,774</u>		<u>\$ 1,772,548</u>

The bonds were approved by the Board of Education at the October 2022 meeting for school building and site purposes. The bonds will carry interest rates ranging from 3.88% to 4.26%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue 6/30/2023
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	\$ 42,243	\$ -	\$ -	\$ -	\$ 42,243	\$ 42,243	\$ -
National School Lunch Program - Bonus	10.555	N/A	4,196	-	-	-	4,196	4,196	-
Total non-cash assistance			46,439	-	-	-	46,439	46,439	-
Cash Assistance									
National School Lunch Program									
COVID-19 Supply Chain Assistance	10.555	220910	22,810	-	-	-	22,810	22,810	-
COVID-19 Supply Chain Assistance	10.555	230910	12,226	-	-	-	12,226	12,226	-
Supply Chain Assistance	10.555	221960	22,336	-	-	-	22,336	22,336	-
Supply Chain Assistance	10.555	231960	172,451	-	-	-	172,451	172,451	-
			229,823	-	-	-	229,823	229,823	-
Total ALN 10.555			276,262	-	-	-	276,262	276,262	-
School Breakfast Program	10.553	221970	4,860	-	-	-	4,860	4,860	-
School Breakfast Program	10.553	231970	41,568	-	-	-	41,568	41,568	-
Total ALN 10.553			46,428	-	-	-	46,428	46,428	-
Summer Food Service Program for Children	10.559	220904	10,986	10,986	10,986	-	-	10,986	-
Summer Food Service Program for Children	10.559	220900	48,031	-	-	-	48,031	40,293	7,738
Total ALN 10.559			59,017	10,986	10,986	-	48,031	51,279	7,738
Total cash assistance			335,268	10,986	10,986	-	324,282	327,530	7,738
Total Child Nutrition Cluster			381,707	10,986	10,986	-	370,721	373,969	7,738
Local Food For Schools Cooperative Program	10.185	230985	4,532	-	-	-	4,532	4,532	-
Child and Adult Care Food Program	10.558	231920	3,716	-	-	-	3,716	3,716	-
Child and Adult Care Food Program	10.558	232010	276	-	-	-	276	276	-
Total ALN 10.558			3,992	-	-	-	3,992	3,992	-
Pandemic EBT Local Level Cost	10.649	220980	628	-	-	-	628	628	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			390,859	10,986	10,986	-	379,873	383,121	7,738

The accompanying notes are an integral part of this schedule.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue 6/30/2023
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	\$ -	\$ -	\$ 17,789	\$ -
Adult Education - Basic Grants to States	84.002	221130-221047	90,304	78,622	78,622	-	-	78,622	-
Adult Education - Basic Grants to States	84.002	231130-231047	92,237	-	-	-	70,305	-	70,305
Adult Education - Basic Grants to States	84.002	231190-231047	36,314	-	-	-	13,678	-	13,678
Total ALN 84.002			254,398	96,411	96,411	-	83,983	96,411	83,983
Title I Grants to Local Educational Agencies	84.010	221530-2122	135,031	110,947	110,947	-	3,215	114,162	-
Title I Grants to Local Educational Agencies	84.010	211530-2021	51,614	9,862	37,715	(9,862)	-	-	-
Title I Grants to Local Educational Agencies	84.010	231530-2223	107,124	-	-	-	84,821	55,434	29,387
Total ALN 84.010			293,769	120,809	148,662	(9,862)	88,036	169,596	29,387
Supporting Effective Instruction State Grants	84.367	220520-2122	32,947	28,900	28,900	-	-	28,900	-
	84.367	230520-2223	29,947	-	-	-	16,637	-	16,637
Total ALN 84.367			62,894	28,900	28,900	-	16,637	28,900	16,637
Title IV Part A - Student Support & Academic Enrichment	84.424	220750-2122	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	45,041	45,041	-	-	45,041	-
Relief Fund (GEER II - Teacher and Support Staff Payments)	84.425C	211202-2122	15,000	15,924	15,924	(924)	-	15,000	-
COVID-19 Elementary and Secondary School									
Emergency Relief Fund (ESSER II - Formula)	84.425D	213712-2021	286,443	205,441	205,441	-	41,954	264,641	(17,246)
Emergency Relief Fund (ESSER II - Summer Program K-8)	84.425D	213722-2122	50,050	-	-	-	29,562	29,562	-
Emergency Relief Fund (ESSER II - Credit Recovery 9-12)	84.425D	213742-2122	26,400	-	-	-	20,125	20,125	-
Emergency Relief Fund (ESSER III - Formula)	84.425U	213713-2122	643,427	64,260	64,260	-	478,451	348,319	194,392
Emergency Relief Fund (ESSER III - 11T)	84.425U	213723-2122	214,457	-	-	-	81,966	-	81,966
Emergency Relief Fund (ESSER II - 98c Learning Loss)	84.425D	213782-2223	38,132	-	-	-	15,539	-	15,539
Total ALN 84.425			1,318,950	330,666	330,666	(924)	667,597	722,688	274,651
Passed Through Marquette-Alger RESA									
Special Education Cluster									
Special Education Grants to States	84.027A	230470-2D33	4,536	-	-	-	4,536	4,536	-
TOTAL U.S. DEPARTMENT OF EDUCATION			1,944,547	576,786	604,639	(10,786)	870,789	1,032,131	404,658

The accompanying notes are an integral part of this schedule.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued (Unearned) Revenue 7/1/2022	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue 6/30/2023
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through Eaton Regional Education Service Agency									
Medicaid Cluster									
Medical Assistance Program	93.778	N/A	\$ 1,079	\$ -	\$ -	\$ -	\$ 1,079	\$ 1,079	\$ -
Total Medicaid Cluster			1,079	-	-	-	1,079	1,079	-
Passed through Capital Area Michigan Works!									
Temporary Assistance for Needy Families Cluster									
Ingham 21-22	93.558	N/A	69,995	25,123	50,574	-	18,905	44,028	-
Ingham 22-23	93.558	N/A	69,990	-	-	-	30,382	30,019	363
Eaton 21-22	93.558	N/A	15,000	-	5,899	5,399	3,702	9,101	-
Eaton 22-23	93.558	N/A	15,000	-	-	-	7,495	7,296	199
Clinton 21-22	93.558	N/A	10,000	3,350	6,922	-	2,746	6,096	-
Clinton 22-23	93.558	N/A	9,998	-	-	-	4,206	4,104	102
Total ALN 93.558			189,983	28,473	63,395	5,399	67,436	100,644	664
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			191,062	28,473	63,395	5,399	68,515	101,723	664
TOTAL FEDERAL AWARDS			\$ 2,526,468	\$ 616,245	\$ 679,020	\$ (5,387)	\$ 1,319,177	\$ 1,516,975	\$ 413,060

The accompanying notes are an integral part of this schedule.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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	\$ 1,254,187
Other nonmajor governmental funds (special revenue funds)	<u>379,873</u>
Total all funds	1,634,060
Federal assistance funding not subject to single audit act	<u>(314,883)</u>
Federal expenditures reported in the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,319,177</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made for Assistance Listing 93.558 \$5,399 for prior year expenditures incurred but not reported on the SEFA. Adjustments were made for Assistance Listing 84.010 (\$9,862) for prior year federal expenditures incurred that were not claimed in the current year. Adjustments were made for Assistance Listing 84.425 (\$924) for prior year federal expenditures incurred that were not claimed in the current year.



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

To the Board of Education
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, 2023, and the related notes to the financial statements, which collectively comprise Pottersville Public Schools' basic financial statements, and have issued our report thereon dated October 25, 2023.

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 identify a certain deficiency in internal controls, as described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (2023-001).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pottersville Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

Pottersville Public Schools' Response to Findings

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

Purpose of This Report

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

Maney Costeiran PC

October 25, 2023



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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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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.

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.

Report on Internal Control Over Compliance

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

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

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

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.

Maney Costeiran PC

October 25, 2023

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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? | <u> X </u> | Yes | <u> </u> | No |
| ➤ Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None reported |

Noncompliance material to financial statements noted?	<u> X </u>	Yes	<u> </u>	No
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Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------------------|-----|------------------|---------------|
| ➤ Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| ➤ Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None reported |

Type of auditor's report issued on compliance for major

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

<u> </u>	Yes	<u> X </u>	No
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Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u> X </u>	Yes	<u> </u>	No
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**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II - Financial Statement Findings

Finding 2023-001: Considered a material weakness.

Criteria: Compliance with the Uniform Budgeting and Accounting Act. MCL (Michigan Compile Laws) 141.437 states that if it becomes apparent during the year that the probable expenses will be more than the budgeted expenditures an amendment should be adopted to prevent expenditures from exceeding available revenues including prior year fund balance.

Condition: The District's budget reflects an estimated net change in fund balance more than actual change in fund balance.

Effect: At June 30, 2023, the District's final budget anticipated adding \$94,168 to the District's fund balance. The actual result had the District using up \$414,651 of fund balance. This created a negative budget to actual variance of \$508,819.

Cause: The primary reason was due to a miscalculation in the spending of ESSER funds during the budgeting process.

Recommendation: The District should implement budgeting procedures more conservatively for expenditures. The District should also implement procedures to schedule emergency board meetings for budget amendments, if needed.

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

Section III - Federal Award Findings and Questioned Costs

None

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-001 - Considered a Significant Deficiency

Federal Program: Child Nutrition Cluster – ALN 10.555, 10.553 and 10.559

Federal Agency: U.S. Department of Agriculture

Pass-through Entity: Michigan Department of Education

Pass-through Number: 211961, 221961, 220910, 211971, 221971, 220904, 210904

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.

Status: Resolved.



POTTERVILLE PUBLIC SCHOOLS

POTTERVILLE PUBLIC SCHOOLS CORRECTION ACTION PLAN YEAR ENDED JUNE 30, 2023

Pottersville Public Schools respectfully submits the following corrective action plan for the year ended June 30, 2023.

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

Audit period: Year ended June 30, 2023.

District Contact Person: Kim Lindsay, Contracted Director of Finance

The findings from the June 30, 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding: Financial statement audit

Finding 2023-001

Recommendation: The District should implement budgeting procedures to budget more conservatively for expenditures. The District should also implement procedures to schedule emergency board meetings for budget amendments, if needed.

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



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October 25, 2023

To the Board of Education
Pottersville Public Schools

In planning and performing our audit of the financial statements of Pottersville Public Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Pottersville Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 25, 2023 on the financial statements of Pottersville Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Prior Year Comments

Internal Control Considerations:

- Various instances of a lack of supporting documentation for disbursements, expense reimbursements, and credit card transactions. All disbursements in these areas should be properly supported with invoices, purchase orders, and/or receipts.

Status: While improvements have been made in this area, we consider this matter open.

- Various instances of a lack of documentation of review in the disbursements, account reconciliation, and credit card processes. These processes should include documented review on, at least, a monthly basis by a person independent of the underlying step in the process.

Status: While improvements have been made in this area, we consider this matter open.

- We recommend keeping a log to account for how much money is taken out and put into the safe for athletic events. We also recommend moving to electronic systems to collect payments for events.

Status: While improvements have been made in this area, we consider this matter open.

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

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

Very truly yours,

Maney Costeiran PC



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October 25, 2023

To the Board of Education
Pottersville Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pottersville Public Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Pottersville Public Schools are described in Note 1 to the financial statements. In the current year, the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements*, during the year ended June 30, 2023. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Pottersville Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Maney Costeiran PC