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POTTERVILLE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Potterville Public Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Potterville Public Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools, as of June 30, 2024, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 28, 2024 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 28, 2024

POTTERVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pottersville Public Schools' ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2024. 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, 2024 and 2023:

Table A-3 Potterville Public Schools		
	2024	2023
Current and other assets	\$ 3,485,777	\$ 6,092,554
Net other postemployment benefits asset	272,771	-
Capital assets	19,378,490	19,546,784
Total assets	23,137,038	25,639,338
Deferred outflows	5,928,354	6,211,365
Long-term obligations	14,204,950	15,693,869
Other liabilities	2,710,993	3,627,688
Net pension liability	14,837,676	16,447,921
Net other postemployment benefit liability	-	906,828
Total liabilities	31,753,619	36,676,306
Deferred inflows	5,448,476	4,383,250
Net position		
Net investment in capital assets	6,346,655	5,346,208
Restricted for capital projects (sinking fund)	390,475	1,110,136
Restricted for debt service	19,247	43,499
Restricted for net other postemployment benefits	272,771	-
Unrestricted	(15,165,851)	(15,708,696)
Total net position	\$ (8,136,703)	\$ (9,208,853)

Analysis of Net Position

During the fiscal year ended June 30, 2024, the District's net position increased by \$1,072,150. A few of the more significant factors affecting net position during the year are discussed below:

➤ **Cash Equivalents and Deposits**

At June 30, 2024, the District's cash equivalents and deposits amounted to approximately \$1.03 million. This represented a decrease of approximately \$2.47 million from the previous year, primarily as a result of expenditures from the 2022 Capital Projects Bond and the Sinking Fund as well as debt service payments.

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

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2024, approximately \$747,000 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of \$168,294 for the fiscal year ended June 30, 2024.

➤ 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, 2024, the District's bonded debt decreased by approximately \$1,521,000 due to scheduled principal payments on existing debt. School Loan Revolving Fund debt increased by approximately \$58,000 as a result of the draws in the current year.

➤ Accumulated Compensated Absences

At June 30, 2024, 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 \$75,665.

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

Results of Operations

For the fiscal years ended June 30, 2024 and 2023, the results of operations, on a District-wide basis, were:

Table A-4		
Changes in Potterville Public Schools' Net Position		
	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 343,850	\$ 274,002
Operating grants	5,457,444	4,745,641
General revenues		
Property taxes	2,630,420	2,675,441
Investment earnings	43,212	191,991
State sources - unrestricted	6,455,834	6,092,144
Other	442,983	532,792
Total revenues	<u>15,373,743</u>	<u>14,512,011</u>
Expenses		
Instruction	6,061,717	5,428,834
Support services	5,441,927	5,234,195
Community services	586,545	583,462
Food services	680,052	715,605
Student/school activities	124,972	117,775
Interest on long-term debt	491,201	520,058
Unallocated depreciation	915,179	657,016
Total expenses	<u>14,301,593</u>	<u>13,256,945</u>
Change in net position	<u>\$ 1,072,150</u>	<u>\$ 1,255,066</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 2023 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, 2024, the District was owed approximately \$118,000.

**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 2023-2024 fiscal year, the District received \$9,608 per student full time equivalent, which is a \$458 increase from 2022-2023. The State's per pupil foundation allowance will be \$9,608 for the 2024-2025 fiscal year, representing no increase from 2023-2024.

➤ Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2024, federal, state, and other grants amounted to approximately \$5.5 million. This represents an increase of approximately \$700,000 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	2024	2023	Increase (Decrease)
Instruction	\$ 6,576,179	\$ 5,981,327	\$ 594,852
Support services	5,621,030	5,765,315	(144,285)
Community services	674,016	667,106	6,910
Food service activities	650,469	563,826	86,643
Student/school activities	124,972	117,775	7,197
Debt service	1,986,311	1,907,925	78,386
Capital outlay	1,277,674	7,511,616	(6,233,942)
Total expenditures	\$ 16,910,651	\$ 22,514,890	\$ (5,604,239)

**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, 2024.

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, 2024.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>% variance</u>
Total revenues	<u>\$ 11,414,425</u>	<u>\$ 12,333,332</u>	<u>\$ 12,314,870</u>	<u>\$ (18,462)</u>	<u>-0.15%</u>
Expenditures					
Instruction	5,624,875	6,509,543	6,576,179	(66,636)	-1.02%
Supporting services	5,143,967	5,166,118	5,621,030	(454,912)	-8.81%
Community services	362,520	655,400	674,016	(18,616)	-2.84%
Debt services	-	96,882	202,656	(105,774)	0.00%
Total expenditures	<u>\$ 11,131,362</u>	<u>\$ 12,427,943</u>	<u>\$ 13,073,881</u>	<u>\$ (645,938)</u>	<u>-5.20%</u>

The original budget adopted by the Board in June 2023 was amended once during the year. The amendments, approved in June 2024, reflected necessary changes to both revenues and expenditures based on projections made by the Finance Director.

Capital Assets

By the end of the 2023-2024 fiscal year, the District had invested approximately \$34.2 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 \$915,179, bringing the accumulated depreciation to roughly \$14.8 million as of June 30, 2024.

Table A-5 Pottersville Public Schools				
	2024			2023
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Construction in progress	\$ 650,199	\$ -	\$ 650,199	\$ 650,199
Buildings and improvements	28,300,742	11,348,479	16,952,263	17,175,898
Right to use - leased equipment	90,886	31,810	59,076	77,253
Site improvements	2,620,025	1,713,993	906,032	938,003
Furniture, fixtures and equipment	2,515,756	1,704,836	810,920	705,431
Buses and vehicles	25,277	25,277	-	-
Total	<u>\$ 34,202,885</u>	<u>\$ 14,824,395</u>	<u>\$ 19,378,490</u>	<u>\$ 19,546,784</u>

POTTERVILLE PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Obligations

At June 30, 2024, the District had approximately \$14.2 million in long-term obligations which included approximately \$13.0 million in outstanding bonded debt. The bonded debt obligation decreased during the year as a result of outstanding debt being paid down. The District has notes from direct borrowings and direct placements amounting to \$299,921 in borrowings from the School Loan Revolving Fund and long-term lease agreements. In addition, the District has unamortized discounts/premiums of approximately \$870,000 and an obligation for compensated absences estimated at roughly \$76,000 at the end of the fiscal year.

Table A-6 Potterville Public Schools Outstanding Long-Term Obligations		
	2024	2023
General obligation bonds	\$ 12,960,000	\$ 14,350,000
Unamortized premiums	869,364	1,000,370
Notes from direct borrowings and direct placements	299,921	259,583
Compensated absences	75,665	83,916
	\$ 14,204,950	\$ 15,693,869

Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the more important factors affecting the District's budget is student count. General fund revenue is generated from the State's per pupil allowance, a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations. Potterville is currently assessing the maximum amount allowed. At the time of the adoption of the initial 24-25 budget, the District anticipated a pupil allowance increase of \$475 and an increase in anticipated student full time equivalents of 30 students.
- The District completed the construction of its early childhood education center and it's been fully operational since July of the 23-24 school year. This construction project was funded by the bonded capital projects debt levy approved by the District's voters in August of 2021. The early childhood program is expected to attract and retain early learners to the District over the next several years. GSRP is up and running this year with 32 students. In addition to the early childhood education center, the capital projects will include multiple facility upgrades over the next several fiscal years.
- Considering projected enrollment along with the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities; District administration continues to remain diligent in its decision-making as the Board desires to improve the district's financial stability. A portion of the District's General Fund balance was used in the 23-24 fiscal year to fund necessary increases in wages for District employees and investments in curriculum and facility upgrades. District administration is reviewing the initial 24-25 budget for amendments to continue financial stability.

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

- The District successfully negotiated longer term contracts with its collective bargaining groups. This effort is anticipated to help the District attract and retain educators and allow it to compete with other local districts for talent.
- The District continues to work on strategies to attract additional students and retain existing students. A new large-scale single family home project has begun construction and is anticipated to be significantly completed in the next twelve to twenty four months. It is anticipated that the housing construction will provide additional students to the District.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,029,382
Receivables	
Accounts Receivable	8,460
Taxes Receivable	118,296
Intergovernmental	2,316,612
Inventories	13,027
Net other postemployment benefits asset	272,771
Capital assets not being depreciated	650,199
Capital assets, net of accumulated depreciation/amortization	<u>18,728,291</u>
 TOTAL ASSETS	 <u>23,137,038</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	2,291
Related to pensions	4,757,708
Related to other postemployment benefits	<u>1,168,355</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>5,928,354</u>
 LIABILITIES	
Accounts payable	229,800
Note payable	1,300,000
Accrued interest	121,060
Accrued salaries and related items	546,945
Accrued retirement	298,029
Unearned revenue	215,159
Noncurrent liabilities	
Due within one year	1,528,041
Due in more than one year	12,676,909
Net pension liability	<u>14,837,676</u>
 TOTAL LIABILITIES	 <u>31,753,619</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to pensions	2,107,118
Related to other postemployment benefits	2,386,660
Related to state aid funding for pension	<u>954,698</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>5,448,476</u>
 NET POSITION	
Net investment in capital assets	6,346,655
Restricted for capital projects (sinking funds)	390,475
Restricted for debt service	19,247
Restricted for net other postemployment benefits	272,771
Unrestricted	<u>(15,165,851)</u>
 TOTAL NET POSITION	 <u><u>\$ (8,136,703)</u></u>

See notes to financial statements.

**POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

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	\$ 6,061,717	\$ -	\$ 3,151,390	\$ (2,910,327)
Support services	5,441,927	-	1,696,903	(3,745,024)
Community services	586,545	293,960	-	(292,585)
Student/school activities	124,972	-	112,906	(12,066)
Food services	680,052	49,890	496,245	(133,917)
Interest on long-term debt	491,201	-	-	(491,201)
Unallocated depreciation/amortization	915,179	-	-	(915,179)
Total governmental activities	<u>\$ 14,301,593</u>	<u>\$ 343,850</u>	<u>\$ 5,457,444</u>	<u>(8,500,299)</u>
General revenues				
Property taxes, levied for general purposes				779,244
Property taxes, levied for debt service				1,545,323
Property taxes, levied for sinking funds				305,853
State sources - unrestricted				6,455,834
Investment earnings				43,212
Other				442,983
Total general revenues				<u>9,572,449</u>
CHANGE IN NET POSITION				1,072,150
NET POSITION, beginning of year				<u>(9,208,853)</u>
NET POSITION, end of year				<u>\$ (8,136,703)</u>

See notes to financial statements.

**POTTERVILLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 340,448	\$ 443,693	\$ 34,089	\$ 211,152	\$ 1,029,382
Receivables					
Accounts receivable	5,000	-	-	3,460	8,460
Taxes receivable	51,187	5,706	-	61,403	118,296
Due from other funds	57,913	1,556	46,500	343,288	449,257
Intergovernmental	2,272,352	-	-	44,260	2,316,612
Inventories	-	-	-	13,027	13,027
TOTAL ASSETS	\$ 2,726,900	\$ 450,955	\$ 80,589	\$ 676,590	\$ 3,935,034
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 130,632	\$ 61,627	\$ -	\$ 37,541	\$ 229,800
Due to other funds	115,638	226,383	72,506	34,730	449,257
Note payable	1,300,000	-	-	-	1,300,000
Accrued interest	51,531	-	-	-	51,531
Accrued salaries and related items	546,945	-	-	-	546,945
Accrued retirement	298,029	-	-	-	298,029
Unearned revenue	212,229	-	-	2,930	215,159
TOTAL LIABILITIES	2,655,004	288,010	72,506	75,201	3,090,721
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	13,027	13,027
Restricted for:					
Food service	-	-	-	151,791	151,791
Capital projects	-	162,945	8,083	227,530	398,558
Debt service	-	-	-	88,776	88,776

See notes to financial statements.

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
FUND BALANCES (continued)					
Committed for:					
Student/school activities	\$ -	\$ -	\$ -	\$ 120,265	\$ 120,265
Unassigned	71,896	-	-	-	71,896
TOTAL FUND BALANCES	71,896	162,945	8,083	601,389	844,313
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,726,900</u>	<u>\$ 450,955</u>	<u>\$ 80,589</u>	<u>\$ 676,590</u>	<u>\$ 3,935,034</u>

Total governmental fund balances

\$ 844,313

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	\$ 2,291
Deferred outflows of resources - related to pensions	4,757,708
Deferred outflows of resources - related to other postemployment benefits	1,168,355
Deferred inflows of resources - related to pensions	(2,107,118)
Deferred inflows of resources - related to other postemployment benefits	(2,386,660)
Deferred inflows of resources - related to state pension funding	<u>(954,698)</u>

479,878

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Noncurrent assets at year-end consist of:

Net other postemployment benefits asset

272,771

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

The cost of the capital assets is	34,202,885
Accumulated depreciation/amortization is	<u>(14,824,395)</u>

19,378,490

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	(13,829,364)
Notes from direct borrowings and direct placements	(299,921)
Compensated absences	(75,665)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid	(69,529)
Net pension liability	<u>(14,837,676)</u>

Net position of governmental activities

\$ (8,136,703)

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	\$ 779,244	\$ 156,942	\$ -	\$ 1,694,234	\$ 2,630,420
Food sales	-	-	-	49,477	49,477
Charges for services	127,445	-	-	-	127,445
Investment earnings	2,441	13,057	21,814	5,900	43,212
Student/school activities	-	-	-	112,906	112,906
Other	609,498	-	-	413	609,911
Total local sources	1,518,628	169,999	21,814	1,862,930	3,573,371
State sources	8,990,581	13,890	-	282,960	9,287,431
Federal sources	649,233	-	-	496,245	1,145,478
Intermediate school districts	1,156,428	-	-	-	1,156,428
TOTAL REVENUES	12,314,870	183,889	21,814	2,642,135	15,162,708
EXPENDITURES					
Current					
Instruction	6,576,179	-	-	-	6,576,179
Supporting services	5,621,030	-	-	-	5,621,030
Community services	674,016	-	-	-	674,016
Food service activities	-	-	-	650,469	650,469
Student/school activities	-	-	-	124,972	124,972

See notes to financial statements.

	General Fund	Sinking Fund	2022 Capital Projects	Total Nonmajor Funds	Total Governmental Funds
EXPENDITURES (continued)					
Debt service					
Principal repayment	\$ 87,207	\$ -	\$ -	\$ 1,320,000	\$ 1,407,207
Interest	115,449	-	-	415,924	531,373
Capital outlay	-	833,803	259,673	184,198	1,277,674
TOTAL EXPENDITURES	<u>13,073,881</u>	<u>833,803</u>	<u>259,673</u>	<u>2,743,294</u>	<u>16,910,651</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(759,011)</u>	<u>(649,914)</u>	<u>(237,859)</u>	<u>(101,159)</u>	<u>(1,747,943)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	15,087	-	-	35,700	50,787
Transfers out	-	(49)	-	(50,738)	(50,787)
Proceeds from school loan revolving fund	-	-	-	49,109	49,109
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,087</u>	<u>(49)</u>	<u>-</u>	<u>34,071</u>	<u>49,109</u>
NET CHANGE IN FUND BALANCES	(743,924)	(649,963)	(237,859)	(67,088)	(1,698,834)
FUND BALANCES					
Beginning of year	<u>815,820</u>	<u>812,908</u>	<u>245,942</u>	<u>668,477</u>	<u>2,543,147</u>
End of year	<u>\$ 71,896</u>	<u>\$ 162,945</u>	<u>\$ 8,083</u>	<u>\$ 601,389</u>	<u>\$ 844,313</u>

See notes to financial statements.

POTTERVILLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Net change in fund balances total governmental funds **\$ (1,698,834)**

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	(915,179)
Capital outlay	746,885

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	78,281
Accrued interest payable, end of the year	(69,529)

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

Proceeds from school loan revolving fund	(49,109)
Interest on school loan revolving fund	(8,436)
Payments on debt	1,407,207
Amortization of bond premiums/discounts	131,006
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	83,916
Accrued compensated absences, end of the year	(75,665)

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	327,140
Other postemployment benefit related items	922,449

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	1,165,733
State aid funding for pension, end of the year	(954,698)

Change in net position of governmental activities **\$ 1,072,150**

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. 2023-1.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Major Governmental Funds (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.

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

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>\$ 5,191,031</u>
Expenditures and other financing uses	<u>\$ 5,182,948</u>

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

The District reports the following *Other Nonmajor Funds*:

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

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

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

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.

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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

Measurement Focus and Basis of Accounting

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

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

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

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.
- 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.

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- e. The budget was amended during the year with supplemental appropriations. The final budget was approved prior to the June 30, 2024 year-end with more than originally expected revenues and appropriations due to previous uncertainty in state and federal funding when the original budget was adopted. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

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

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 \$239,000 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$16,428 has been included in the calculation of unrestricted net position. As of June 30, 2024, 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, 2024, the outstanding balance of the 2019 refunding bonds was \$4,580,000. 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 \$460,748. 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, 2024, 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, 2024 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, 2024, \$988,601 of the District's bank balance of \$1,238,601 was exposed to custodial credit risk because it was uninsured. The carrying balance was \$988,009.

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	\$ 41,373	N/A
Total fair value	<u>\$ 41,373</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	\$ 41,373	AAAm	Standard & Poor's
Total	<u>\$ 41,373</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.

Investment Type	Amortized Cost
MILAF External Investment Pool - MAX	\$ 41,373

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, 2024:

	Primary Government
Deposits	\$ 988,009
Investments - MILAF	41,373
Cash and cash equivalents	\$ 1,029,382

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2024 consist of the following:

	Government- wide
State aid	\$ 1,602,870
Federal revenue	489,408
Intermediate school district	182,378
Other	41,956
	\$ 2,316,612

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, 2023	Additions / Reclassifications	Deletions / Reclassifications	Balance June 30, 2024
Assets not being depreciated				
Construction in progress	\$ 650,199	\$ -	\$ -	\$ 650,199
Capital assets being depreciated/amortized				
Building and improvements	27,810,626	490,116	-	28,300,742
Right to use - leased equipment	90,886	-	-	90,886
Site improvements	2,575,025	45,000	-	2,620,025
Furniture, fixtures and equipment	2,303,987	211,769	-	2,515,756
Buses and vehicles	25,277	-	-	25,277
Subtotal	<u>32,805,801</u>	<u>746,885</u>	<u>-</u>	<u>33,552,686</u>
Accumulated depreciation/amortization				
Building and improvements	10,634,728	713,751	-	11,348,479
Right to use - leased equipment	13,633	18,177	-	31,810
Site improvements	1,637,022	76,971	-	1,713,993
Furniture, fixtures and equipment	1,598,556	106,280	-	1,704,836
Buses and vehicles	25,277	-	-	25,277
Total accumulated depreciation/amortization	<u>13,909,216</u>	<u>915,179</u>	<u>-</u>	<u>14,824,395</u>
Net capital assets being depreciated/amortized	<u>18,896,585</u>	<u>(168,294)</u>	<u>-</u>	<u>18,728,291</u>
Net governmental capital assets being depreciated/amortized	<u>\$ 19,546,784</u>	<u>\$ (168,294)</u>	<u>\$ -</u>	<u>\$ 19,378,490</u>

Depreciation/amortization for the fiscal year ended June 30, 2024 amounted to \$915,179. 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, 2024 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 57,913	General fund	\$ 115,638
Sinking Fund	1,556	Sinking Fund	226,383
2022 Capital Projects	46,500	2022 Capital Projects	72,506
Nonmajor funds	<u>343,288</u>	Nonmajor funds	<u>34,730</u>
	<u>\$ 449,257</u>		<u>\$ 449,257</u>

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

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - STATE AID ANTICIPATION NOTE

At June 30, 2024, the District has issued a state aid anticipation note payable in the amount of \$1,300,000 which has an interest rate of 4.77% and matures on August 20, 2024. 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, 2024 is as follows:

	Balance July 1, 2023	Additions	Payments	Balance June 30, 2024
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, 2024:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2023	\$ 15,350,370	\$ 259,583	\$ 83,916	\$ 15,693,869
Additions	-	57,545	-	57,545
Deletions	(1,521,006)	(17,207)	(8,251)	(1,546,464)
Balance June 30, 2024	13,829,364	299,921	75,665	14,204,950
Due within one year	(1,495,000)	(17,908)	(15,133)	(1,528,041)
Due in more than one year	\$ 12,334,364	\$ 282,013	\$ 60,532	\$ 12,676,909

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, 2024 was 4.56%. 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 \$60,915 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, 2024 is comprised of the following:

General Obligation Bonds

2019 refunding bonds due in annual installments of \$575,000 to \$1,290,000 through May 1, 2030 with interest of 3.00%.	\$ 4,580,000
2020 series B refunding bonds due in annual installments of \$470,000 to \$715,000 through May 1, 2031 with interest from 1.50% to 2.35%.	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%.	3,905,000
2022 Energy Conservation Improvement Bonds due in annual installments of \$75,000 to \$125,000 through May 1, 2037, with interest rates ranging from 3.92% to 4.26%.	1,265,000
Add bond issuance premium/discounts, net	<u>869,364</u>
Total general obligation bonds	<u>13,829,364</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, 2024 was 4.56%.	239,006
Copier lease due in monthly installments of \$1,668 through September 30, 2027, with an imputed interest rate of 4%.	<u>60,915</u>
Total notes from direct borrowings and direct placements	<u>299,921</u>
Total general obligation bonds and notes from direct borrowings and direct placements	14,129,285
Compensated absences	<u>75,665</u>
Total long-term obligations	<u><u>\$ 14,204,950</u></u>

Interest expense for the year ended June 30, 2024 was approximately \$470,000.

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, 2024, 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		
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	1,305,000	269,578	-	-	-	1,574,578
2030 - 2034	4,425,000	838,287	-	-	-	5,263,287
2035 - 2038	2,025,000	173,718	-	-	-	2,198,718
Total	12,960,000	2,705,398	60,915	4,147	-	15,730,460
School loan revolving fund	-	-	222,578	16,428	-	239,006
Bond issuance premium	869,364	-	-	-	-	869,364
Compensated absences	-	-	-	-	75,665	75,665
	<u>\$ 13,829,364</u>	<u>\$ 2,705,398</u>	<u>\$ 283,493</u>	<u>\$ 20,575</u>	<u>\$ 75,665</u>	<u>\$ 16,914,495</u>

At June 30, 2024, fund balance of \$88,776 is available in the debt service funds to service the general obligation debt.

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

**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, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over an 16-year period beginning October 1, 2022 and ending September 30, 2038.

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

	Pension	Other Postemployment Benefit
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

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, 2024 were equal to the required contribution total. Total pension contributions were approximately \$2,015,000. Of the total pension contributions approximately \$1,945,000 was contributed to fund the Defined Benefit Plan and approximately \$70,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total OPEB contributions were approximately \$447,000. Of the total OPEB contributions approximately \$408,000 was contributed to fund the Defined Benefit Plan and approximately \$39,000 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

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 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, 2023</u>	<u>September 30, 2022</u>
Total pension liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan fiduciary net position	\$ 62,581,762,238	\$ 58,268,076,344
Net pension liability	\$ 32,366,066,319	\$ 37,608,719,276
Proportionate share	0.04584%	0.04373%
Net pension liability for the District	\$ 14,837,676	\$ 16,447,921

For the year ended June 30, 2024, the District recognized pension expense of \$1,617,882.

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)

At June 30, 2024, 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	\$ -	\$ 303,627
Differences between expected and actual experience	468,380	22,729
Changes in proportion and differences between employer contributions and proportionate share of contributions	504,606	621,512
Changes of assumptions	2,010,573	1,159,250
Reporting Unit's contributions subsequent to the measurement date	1,774,149	-
	<u>\$ 4,757,708</u>	<u>\$ 2,107,118</u>

\$1,774,149, 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
2024	\$ 138,108
2025	156,991
2026	736,259
2027	(154,917)

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The net OPEB liability (asset) was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total other postemployment benefits liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan fiduciary net position	\$ 11,789,347,341	\$ 10,404,650,683
Net other postemployment benefits liability (asset)	\$ (565,698,392)	\$ 2,118,062,641
Proportionate share	0.04822%	0.04281%
Net other postemployment benefits liability (asset) for the District	\$ (272,771)	\$ 906,828

For the year ended June 30, 2024, the District recognized OPEB benefit of \$514,465.

At June 30, 2024, 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	\$ 832	\$ -
Differences between expected and actual experience	-	2,061,199
Changes in proportion and differences between employer contributions and proportionate share of contributions	217,966	252,338
Changes of assumptions	607,236	73,123
Reporting Unit's contributions subsequent to the measurement date	342,321	-
	<u>\$ 1,168,355</u>	<u>\$ 2,386,660</u>

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

\$342,321, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

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>
2024	\$ (551,449)
2025	(492,556)
2026	(215,294)
2027	(150,485)
2028	(100,068)
2029	(50,774)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality Assumptions -

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

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-202 adjusted for mortality improvements using projection scale from 2010.

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

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

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, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% 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 electing two-person coverage are assumed to have coverage continuing after the retiree's death.

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

**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, 2023 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%	5.8%
Private Equity Pools	15.00%	6.8%
International Equity Pools	16.00%	9.6%
Fixed Income Pools	10.00%	6.4%
Real Estate and Infrastructure Pools	13.00%	1.3%
Absolute Return Pools	9.00%	4.8%
Real Return/Opportunistic Pools	10.00%	7.3%
Short Term Investment Pools	2.00%	0.3%
	<u>100.00%</u>	

* Long term rate of return are net of administrative expenses and 2.7% inflation.

Rate of Return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, 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	\$ 20,045,657	\$ 14,837,676	\$ 10,501,844

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

	Other Postemployment Benefits		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	\$ 282,782	\$ (272,771)	\$ (750,215)

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

	Other Postemployment Benefits		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability (asset)	\$ (751,405)	\$ (272,771)	\$ 245,267

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 2023 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, 2024, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 10 - TRANSFERS

There were various transfers among the debt service funds in order to allocate property taxes to make related debt service payments which totaled \$35,700. The District also transferred \$6,850 from the food service fund to the general fund for indirect costs and \$8,188 from the energy bond fund to the general fund for reimbursement of 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, 2024. There are no abatements made by the District.

NOTE 12 - SUBSEQUENT EVENT

In August 2024, the District issued \$1,700,000 of State Aid Notes due in August 2025 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. 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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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

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

POTTERVILLE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2024, the District implemented the following new pronouncement: GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*.

Summary: 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.

There was no material impact on the District's financial statement after the adoption of GASB Statement 100.

NOTE 15 - COMMITMENTS

The District has active capital projects outstanding at June 30, 2024. Approximately \$8,000 is restricted and recorded as fund balance in the 2022 capital projects fund.

REQUIRED SUPPLEMENTARY INFORMATION

**POTTERVILLE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,230,883	\$ 1,561,215	\$ 1,518,628	\$ (42,587)
State sources	8,531,869	9,077,839	8,990,581	(87,258)
Federal sources	686,595	595,593	649,233	53,640
Intermediate school districts and other	965,078	1,098,685	1,156,428	57,743
TOTAL REVENUES	11,414,425	12,333,332	12,314,870	(18,462)
EXPENDITURES				
Current				
Instruction				
Basic programs	4,405,268	5,464,244	5,375,863	88,381
Added needs	1,133,502	877,269	1,041,897	(164,628)
Adult and continuing education	86,105	168,030	158,419	9,611
Total instruction	5,624,875	6,509,543	6,576,179	(66,636)
Supporting services				
Pupil	798,053	931,203	1,129,375	(198,172)
Instructional staff	633,285	451,630	599,429	(147,799)
General administration	380,875	451,913	490,990	(39,077)
School administration	612,725	715,625	657,665	57,960
Business	367,810	445,572	364,512	81,060
Operations and maintenance	1,155,605	1,056,879	1,252,311	(195,432)
Pupil transportation	516,874	521,724	564,156	(42,432)
Central	135,390	126,604	130,978	(4,374)
Other supporting services	543,350	464,968	431,614	33,354
Total supporting services	5,143,967	5,166,118	5,621,030	(454,912)
Community services	362,520	655,400	674,016	(18,616)
Debt service	-	96,882	202,656	(105,774)
TOTAL EXPENDITURES	11,131,362	12,427,943	13,073,881	(645,938)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	283,063	(94,611)	(759,011)	(664,400)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,087	15,087
Transfers out	(180,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(180,000)	-	15,087	15,087
NET CHANGE IN FUND BALANCE	\$ 103,063	\$ (94,611)	(743,924)	\$ (649,313)
FUND BALANCE				
Beginning of year			815,820	
End of year			\$ 71,896	

**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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.04584%	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	\$ 14,837,676	\$ 16,447,921	\$ 10,783,260	\$ 16,639,670	\$ 16,114,165	\$ 15,025,594	\$ 12,981,638	\$ 12,185,348	\$ 11,726,792	\$ 10,249,778
Reporting Unit's covered-employee payroll	\$ 4,836,042	\$ 4,173,657	\$ 3,950,080	\$ 4,287,988	\$ 4,192,298	\$ 4,212,785	\$ 4,231,229	\$ 4,170,339	\$ 4,202,610	\$ 3,707,321
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	306.81%	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)	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 1,945,022	\$ 2,052,555	\$ 1,382,434	\$ 1,330,274	\$ 1,328,508	\$ 1,297,568	\$ 1,260,469	\$ 1,174,717	\$ 1,067,163	\$ 953,475
Contributions in relation to statutorily required contributions	<u>1,945,022</u>	<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>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 5,155,861	\$ 4,654,746	\$ 4,037,961	\$ 4,047,562	\$ 4,288,290	\$ 4,181,187	\$ 4,195,199	\$ 4,239,002	\$ 4,209,871	\$ 4,280,417
Contributions as a percentage of covered-employee payroll	37.72%	44.10%	34.24%	32.87%	30.98%	31.03%	30.05%	27.71%	25.35%	22.28%

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

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

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

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

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

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

**POTTERVILLE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 - PENSION INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 - OPEB INFORMATION

Benefit Changes - there were no changes of benefit terms in 2023.

Changes of Assumptions - the assumption changes for 2023 were:

- Healthcare cost trend rate
 - Pre 65 decreased to 7.50% for year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
 - Post 65 increased to 6.25% for year one and graded to 3.5% for year fifteen from 5.25% for year one and graded to 3.5% for year fifteen.
- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**POTTERVILLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2024**

	Special Revenue		Debt Service				Capital Projects		
	Food Service	Student/ School Activities	2019 Debt	2020 Series A Debt	2020 Series B Debt	2022 Debt	Tech Safety Sinking Fund	Energy Bond Fund	Total Nonmajor Funds
ASSETS									
Cash and cash equivalents	\$ 1,714	\$ 139,191	\$ 645	\$ 2,073	\$ 573	\$ 1,460	\$ 65,396	\$ 100	\$ 211,152
Receivables									
Accounts receivable	3,460	-	-	-	-	-	-	-	3,460
Taxes receivable	-	-	22,783	18,016	1,386	13,803	5,415	-	61,403
Due from other funds	136,298	-	3,500	36,191	10,580	-	156,719	-	343,288
Due from other governmental units	44,260	-	-	-	-	-	-	-	44,260
Inventories	13,027	-	-	-	-	-	-	-	13,027
TOTAL ASSETS	\$ 198,759	\$ 139,191	\$ 26,928	\$ 56,280	\$ 12,539	\$ 15,263	\$ 227,530	\$ 100	\$ 676,590
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 31,011	\$ 6,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,541
Due to other funds	-	12,396	2,134	8,000	12,000	100	-	100	34,730
Unearned revenue	2,930	-	-	-	-	-	-	-	2,930
TOTAL LIABILITIES	33,941	18,926	2,134	8,000	12,000	100	-	100	75,201
FUND BALANCES									
Nonspendable									
Inventories	13,027	-	-	-	-	-	-	-	13,027
Restricted for food service	151,791	-	-	-	-	-	-	-	151,791
Restricted for debt service	-	-	24,794	48,280	539	15,163	-	-	88,776
Restricted for capital projects	-	-	-	-	-	-	227,530	-	227,530
Committed for student/school activities	-	120,265	-	-	-	-	-	-	120,265
TOTAL FUND BALANCES	164,818	120,265	24,794	48,280	539	15,163	227,530	-	601,389
TOTAL LIABILITIES AND FUND BALANCES	\$ 198,759	\$ 139,191	\$ 26,928	\$ 56,280	\$ 12,539	\$ 15,263	\$ 227,530	\$ 100	\$ 676,590

POTTERVILLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2024

	Special Revenue		Debt Service				Capital Projects		
	Food Service	Student/ School Activities	2019 Debt	2020 Series A Debt	2020 Series B Debt	2022 Debt	Tech Safety Sinking Fund	Energy Bond Fund	Total Nonmajor Funds
REVENUES									
Local sources									
Property taxes	\$ -	\$ -	\$ 627,925	\$ 500,391	\$ 37,685	\$ 379,322	\$ 148,911	\$ -	\$ 1,694,234
Food sales	49,477	-	-	-	-	-	-	-	49,477
Investment earnings	588	-	-	3,613	34	1,634	-	31	5,900
Student/school activities	-	112,906	-	-	-	-	-	-	112,906
State sources	166,576	-	41,998	33,210	2,555	25,444	13,177	-	282,960
Federal sources	496,245	-	-	-	-	-	-	-	496,245
TOTAL REVENUES	713,299	112,906	669,923	537,214	40,274	406,400	162,088	31	2,642,135
EXPENDITURES									
Current									
Food service	650,469	-	-	-	-	-	-	-	650,469
Student/school activities	-	124,972	-	-	-	-	-	-	124,972
Capital outlay	143	-	-	-	-	-	184,055	-	184,198
Debt service									
Principal repayment	-	-	550,000	540,000	-	230,000	-	-	1,320,000
Interest	-	-	153,901	21,600	63,423	177,000	-	-	415,924
Other	-	-	-	-	-	-	47,731	-	47,731
TOTAL EXPENDITURES	650,612	124,972	703,901	561,600	63,423	407,000	231,786	-	2,743,294
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,687	(12,066)	(33,978)	(24,386)	(23,149)	(600)	(69,698)	31	(101,159)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	21,500	-	14,200	-	-	-	35,700
Transfers out	(6,850)	-	-	(24,700)	-	(11,000)	-	(8,188)	(50,738)
Proceeds from school loan revolving fund	-	-	-	49,109	-	-	-	-	49,109
TOTAL OTHER FINANCING SOURCES (USES)	(6,850)	-	21,500	24,409	14,200	(11,000)	-	(8,188)	34,071
NET CHANGE IN FUND BALANCES	55,837	(12,066)	(12,478)	23	(8,949)	(11,600)	(69,698)	(8,157)	(67,088)
FUND BALANCES									
Beginning of year	108,981	132,331	37,272	48,257	9,488	26,763	297,228	8,157	668,477
End of year	<u>\$ 164,818</u>	<u>\$ 120,265</u>	<u>\$ 24,794</u>	<u>\$ 48,280</u>	<u>\$ 539</u>	<u>\$ 15,163</u>	<u>\$ 227,530</u>	<u>\$ -</u>	<u>\$ 601,389</u>

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

\$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
\$ 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>\$ 4,580,000</u>	<u>\$ 270,375</u>	<u>\$ 270,375</u>		<u>\$ 5,120,750</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, 2024

\$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
\$ 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>\$ 113,682</u>	<u>\$ 113,682</u>		<u>\$ 3,437,364</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 2.35%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

\$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
\$ 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>\$ 3,905,000</u>	<u>\$ 776,750</u>	<u>\$ 776,750</u>		<u>\$ 5,458,500</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, 2024

\$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
\$ 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>\$ 1,265,000</u>	<u>\$ 191,892</u>	<u>\$ 191,892</u>		<u>\$ 1,648,784</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 3.92% to 4.26%.

POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued (Unearned) Revenue 7/1/2023	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue 6/30/2024
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	\$ 35,525	\$ -	\$ -	\$ -	\$ 35,525	\$ 35,525	\$ -
Total non-cash assistance			35,525	-	-	-	35,525	35,525	-
Cash Assistance									
National School Lunch Program	10.555	231960	38,948	-	-	-	38,948	38,948	-
National School Lunch Program	10.555	240910	24,679	-	-	-	24,679	24,679	-
National School Lunch Program	10.555	241960	253,857	-	-	-	253,857	252,023	1,834
			317,484	-	-	-	317,484	315,650	1,834
Total ALN 10.555			353,009	-	-	-	353,009	351,175	1,834
School Breakfast Program	10.553	231970	11,568	-	-	-	11,568	11,568	-
School Breakfast Program	10.553	241970	79,684	-	-	-	79,684	78,284	1,400
Total ALN 10.553			91,252	-	-	-	91,252	89,852	1,400
Summer Food Service Program for Children	10.559	220900	48,031	7,738	48,031	-	-	7,738	-
Summer Food Service Program for Children	10.559	230900	32,022	-	-	-	32,022	14,365	17,657
Total ALN 10.559			80,053	7,738	48,031	-	32,022	22,103	17,657
Total cash assistance			488,789	7,738	48,031	-	440,758	427,605	20,891
Total Child Nutrition Cluster			524,314	7,738	48,031	-	476,283	463,130	20,891
Local Food For Schools Cooperative Program	10.185	230985	102	-	-	-	102	102	-
Child and Adult Care Food Program	10.558	231920	1,355	-	-	-	1,355	1,355	-
Child and Adult Care Food Program	10.558	232010	82	-	-	-	82	82	-
Child and Adult Care Food Program	10.558	241920	17,371	-	-	-	17,371	17,352	19
Child and Adult Care Food Program	10.558	242010	1,052	-	-	-	1,052	1,052	-
Total ALN 10.558			19,860	-	-	-	19,860	19,841	19
TOTAL U.S. DEPARTMENT OF AGRICULTURE			544,276	7,738	48,031	-	496,245	483,073	20,910

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, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued (Unearned) Revenue 7/1/2023	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue 6/30/2024
U.S. DEPARTMENT OF EDUCATION									
Passed Through the Michigan Department of Education									
Adult Education - Basic Grants to States	84.002	231130-231047	\$ 92,237	\$ 70,305	\$ 70,305	\$ -	\$ -	\$ 70,305	\$ -
Adult Education - Basic Grants to States	84.002	231190-231047	36,314	13,678	13,678	-	-	13,678	-
Adult Education - Basic Grants to States	84.002	241130-231047	94,457	-	-	-	64,973	-	64,973
Adult Education - Basic Grants to States	84.002	241190-231047	37,200	-	-	-	23,883	-	23,883
Total ALN 84.002			260,208	83,983	83,983	-	88,856	83,983	88,856
Title I Grants to Local Educational Agencies	84.010	22153- 2122	135,031	-	114,162	-	(5,690)	(5,690)	-
Title I Grants to Local Educational Agencies	84.010	231530-2223	107,124	29,387	84,821	-	10,691	40,078	-
Title I Grants to Local Educational Agencies	84.010	241530-2324	142,300	-	-	-	114,462	-	114,462
Total ALN 84.010			384,455	29,387	198,983	-	119,463	34,388	114,462
Supporting Effective Instruction State Grants	84.367	230520-2223	29,947	16,637	16,637	-	-	16,637	-
Supporting Effective Instruction State Grants	84.367	240520-2324	20,740	-	-	-	20,458	-	20,458
Total ALN 84.367			50,687	16,637	16,637	-	20,458	16,637	20,458
Student Support & Academic Enrichment Program	84.424	230750-2223	10,000	-	-	10,000	-	10,000	-
Student Support & Academic Enrichment Program	84.424	240750-2324	10,000	-	-	-	7,822	-	7,822
Total ALN 84.424			20,000	-	-	10,000	7,822	10,000	7,822
Education Stabilization Fund									
COVID-19 Elementary and Secondary School									
Emergency Relief Fund (ESSER II - Formula)	84.425D	213712-2021	286,443	(17,246)	247,395	-	39,049	21,803	-
Emergency Relief Fund (ESSER III - Formula)	84.425U	213713-2122	643,427	194,392	542,711	-	92,786	194,392	92,786
Emergency Relief Fund (ESSER III - 11T)	84.425U	213723-2122	214,457	81,966	81,966	-	105,396	81,966	105,396
Emergency Relief Fund (ESSER II - 98c Learning Loss)	84.425D	213782-2223	38,132	15,539	15,539	-	22,042	37,043	538
Total ALN 84.425			1,182,459	274,651	887,611	-	259,273	335,204	198,720
Passed through Eaton Regional Education Service Agency									
Education for Homeless Children and Youth	84.196	242320-2324	8,708	-	-	-	8,014	-	8,014
Passed Through Marquette-Alger RESA									
Special Education Cluster									
Special Education Grants to States	84.027A	240470-2D33	9,288	-	-	-	9,288	9,288	-
TOTAL U.S. DEPARTMENT OF EDUCATION			1,915,805	404,658	1,187,214	10,000	513,174	489,500	438,332

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, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Project Number	Program or Award Amount	Accrued (Unearned) Revenue 7/1/2023	Prior Year Expenditures (Memorandum Only)	Adjustments	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue 6/30/2024
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through Eaton Regional Education Service Agency									
Medicaid Cluster									
Medical Assistance Program	93.778	N/A	\$ 1,833	\$ -	\$ -	\$ -	\$ 1,833	\$ 1,833	\$ -
Total Medicaid Cluster			1,833	-	-	-	1,833	1,833	-
Passed through Capital Area Michigan Works!									
Temporary Assistance for Needy Families Cluster									
Ingham 21-22	93.558	N/A	69,990	363	30,383	-	39,050	39,413	-
Ingham 22-23	93.558	N/A	69,990	-	-	-	52,397	30,820	21,577
Eaton 21-22	93.558	N/A	15,000	199	7,495	-	7,505	7,704	-
Eaton 22-23	93.558	N/A	15,000	-	-	-	13,798	7,578	6,220
Clinton 21-22	93.558	N/A	9,998	102	4,206	-	4,710	4,812	-
Clinton 22-23	93.558	N/A	9,998	-	-	-	6,766	4,397	2,369
Total ALN 93.558			189,976	664	42,084	-	124,226	94,724	30,166
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			191,809	664	42,084	-	126,059	96,557	30,166
TOTAL FEDERAL AWARDS			\$ 2,651,890	\$ 413,060	\$ 1,277,329	\$ 10,000	\$ 1,135,478	\$ 1,069,130	\$ 489,408

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, 2024

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, 2024. 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	\$ 649,233
Other nonmajor governmental funds (special revenue funds)	<u>496,245</u>
Total all funds	1,145,478
Adjustments	<u>(10,000)</u>
Federal expenditures reported in the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,135,478</u></u>

NOTE 4 - ADJUSTMENTS

Adjustments were made for Assistance Listing #84.424 \$10,000 for prior year expenditures incurred but not reported on the SEFA.



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

To the Board of Education of
Potterville Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Potterville Public Schools' basic financial statements, and have issued our report thereon dated October 28, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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 2024-001.

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 28, 2024



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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, 2024. 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, 2024.

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 28, 2024

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

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> X </u> | Yes | <u> </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:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

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, 2024**

Section II - Financial Statement Findings

Finding 2024-001: 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 usage of fund balance less than actual usage of fund balance.

Effect: At June 30, 2024, the District's final budget anticipated drawing \$94,611 from the District's fund balance. The actual result had the District using up \$743,924 of fund balance. This created a negative budget to actual variance of \$649,313 and was a result of expenditures exceeding the budget by \$645,938. The District's fund balance is below 5% of total budgeted revenues.

Cause: The primary reason was due to using aggressive assumptions in the underlying data used to prepare the final budget amendment.

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.

Finding 2024-002: Considered a significant deficiency

Criteria: Internal controls should be in-place in order to provide for timely and accurate handling and recording of cash receipts from events.

Condition: The District's record-keeping for the handling of cash receipts from events was incomplete.

Effect: It was difficult to determine that certain cash receipts from events were deposited timely and accurately and properly classified in the general ledger.

Cause: The District did not maintain a log of cash receipts entering or exiting the safe in the central office. The District did not maintain adequate detail of deposit receipts in order to allow for accurate classification of the transactions in the general ledger.

Recommendation: All cash should be counted by two people, logged, and each person should initial the log. The District should implement a log to track cash that is placed into, or taken out of, the safe in the central office and the athletic office. The District should maintain all deposit receipts as well as detail to describe the funding source and amounts that are included in the deposits.

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

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section III - Federal Award Findings and Questioned Costs

None

**POTTERVILLE PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Status: Refer to Finding 2024-001.



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, 2024.

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

Audit period: Year ended June 30, 2024.

District Contact Person: Sam Sinicropi, Interim Superintendent

The findings from the June 30, 2024 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 2024-001

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.

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

Finding 2024-002

Recommendation: All cash should be counted by two people, logged, and each person should initial the log. The District should implement a log to track cash that is placed into, or taken out of, the safe in the central office and the athletic office. The District should maintain all deposit receipts as well as detail to describe the funding source and amounts that are included in the deposits.

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



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

☎ 517.323.7500

🖨 517.323.6346

October 28, 2024

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, 2024, 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 June 30, 2024 on the financial statements of Pottersville Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Internal Control Considerations

- Bank Reconciliations
 - Bank statements should be reviewed when received by someone other than the employee responsible for reconciling the account. This should be documented by initialing the bank statement.
 - Bank reconciliations should be completed in a timely fashion and reviewed by someone other than the person who performed the reconciliation. This should be documented by initialing the bank reconciliation.
- Disbursements
 - Document review and approval to pay invoices by initialing the invoice.
 - Purchase orders should be prepared for applicable disbursements and kept with the associated invoice for the purchase.
- Credit Card
 - Credit card statements should be reviewed and approved by someone other than the person submitting the request. All receipts should be attached to the credit card statement prior to being approved for payment.

Budget Transparency

During our audit procedures on District budgeting, we noted that both the final 2023-24 and original 2024-25 budgets were not uploaded to the District website. We recommend that all up to date and Board approved budgets are posted to the District website for transparency purposes in accordance with State requirements.

Implementation of Positive Pay

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

Early Warning Legislation

Public Acts 109-113 of 2015 established requirements for school districts whose fund balance is less than 5% of total general fund unrestricted revenues. The District's fund balance in the General Fund at June 30, 2024 was below that threshold. The District should anticipate communication coming from Treasury.

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,

Manes Costeiran PC



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

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October 28, 2024

To the Board of Education of
Potterville Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Potterville Public Schools for the year ended June 30, 2024. 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 Potterville Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by Potterville Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

Management's calculation of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

The calculation of the net pension liability and related deferred outflows and inflows of resources is based on an actuarial study which utilized certain actuarial assumptions.

The calculation of the net other post-employment benefits asset and related deferred outflows and inflows of resources is based upon an actuarial study which utilized certain actuarial assumptions.

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 28, 2024.

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