



## Vredevelde Haefner LLC

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November 23, 2021

Members of the Board  
City of Pottersville Tax Increment Finance Authority  
Pottersville, Michigan

We have audited the financial statements of the governmental activities and each major fund of the City of Pottersville Tax Increment Finance Authority (the Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 16, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority 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 2021. We noted no transactions entered into by the Authority 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 estimate of the useful lives of capital assets is based on previous activity and future expectations. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole

#### *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 trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures that required correction by management that 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, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 23, 2021.

*Specializing in services to governmental and nonprofit entities*

### *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 governmental unit’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 Authority’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), as itemized in the table of contents, 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.

### Restriction on Use

This information is intended solely for the use of the Authority Board of Directors, the City of Potterville Council, and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Uredeweld Haefner LLC*

**CITY OF POTTERVILLE**  
**TAX INCREMENT FINANCE AUTHORITY**  
(A COMPONENT UNIT OF THE CITY OF POTTERVILLE, MICHIGAN)  
**POTTERVILLE, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**



Vredeveld Haefner LLC  
CPAs and Consultants

# POTTERVILLE TIFA

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## INDEPENDENT AUDITORS' REPORT

November 23, 2021

Members of the Board  
City of Potterville Tax Increment Finance Authority  
Potterville, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Potterville Tax Increment Finance Authority (TIFA), a Component Unit of the City of Potterville, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the TIFA's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Potterville Tax Increment Finance Authority, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the budgetary comparison schedule on page 21 be presented to supplement the basic financial statements. Such information, 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the City of Pottersville Tax Increment Finance Authority's 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pottersville Tax Increment Finance Authority's internal control over financial reporting and compliance.

*Uredaxeld Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

### About the TIFA

As management of the City of Pottersville Tax Increment Finance Authority (the TIFA), we offer readers of the TIFA's financial statements this narrative overview and analysis of the financial activities of the TIFA for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

### Financial Highlights

- Long-term debt activity consisted of a normal principal payment made of \$40,000 on the tax increment bonds.
- Completed Lansing Road sidewalk improvement project.
- The TIFA continued with the finance director position being performed by the City of Pottersville utilizing BS&A software.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the TIFA's basic financial statements. The TIFA's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended in addition to the basic financial statements themselves.

### Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the TIFA's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the TIFA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TIFA is improving or deteriorating.

The *statement of activities* presents information showing how the TIFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (accrued interest on debt).

Both of the government-wide financial statements distinguish functions of the TIFA that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The TIFA currently has no business-type activities.

### Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TIFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The TIFA only utilizes a governmental fund.



## Governmental funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the TIFA's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the TIFA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The TIFA maintains one individual governmental fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund.

The TIFA did not adopt an annual appropriations budget for its general fund as required by state law. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate legal compliance.

## Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes this discussion and analysis as well as a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget.

## Government-wide Financial Analysis

The following table presents condensed information about the TIFA's financial position for the past two fiscal years. Net position decreased \$11,831 during the year. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the TIFA, net of related accumulated depreciation.

	<u>2021</u>	<u>2020</u>
Current and other assets	\$124,837	\$325,166
Capital assets	586,349	628,481
<b>Total assets</b>	<b>711,186</b>	<b>953,647</b>
Current and other liabilities	60,520	164,657
Long-term liabilities	405,000	450,000
<b>Total liabilities</b>	<b>465,520</b>	<b>614,657</b>
Net position		
Net investment in capital assets	136,349	138,481
Restricted	-	-
Unrestricted	109,317	200,509
<b>Total net position</b>	<b>\$245,666</b>	<b>\$338,990</b>

## Income and Expenses

The TIFA decreased its financial position during the year ended June 30, 2021 primarily due to the Lansing Road sidewalk improvement project during the year. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2021</u>	<u>2020</u>
<b>General revenues</b>		
Property taxes	\$172,038	\$160,233
Other general revenues	360	3,643
	<hr/>	<hr/>
<b>Total revenues</b>	<b>172,398</b>	<b>163,876</b>
	<hr/>	<hr/>
<b>Expenses</b>		
Community and Economic Development	245,059	201,912
Interest on long-term debt	20,663	22,153
	<hr/>	<hr/>
<b>Total expenses</b>	<b>265,722</b>	<b>224,065</b>
	<hr/>	<hr/>
<b>Change in net position</b>	<b>(93,324)</b>	<b>(60,189)</b>
	<hr/>	<hr/>
Net position, beginning of year	338,990	399,179
	<hr/>	<hr/>
<b>Net position, end of year</b>	<b>\$245,666</b>	<b>\$338,990</b>
	<hr/>	<hr/>

## General Fund Budgetary Highlights

The revenues and expenditures were consistent with the budget as amended. The appropriate for capital activity was increase during the year.

## Capital Asset and Long-Term Debt Activities

Long-term debt activity consisted of a normal principal payment made of \$40,000 on the tax increment bonds. Capital asset additions included equipment while depreciation was \$42,133 during the year. Additional information on capital assets and long-term debt can be found in notes 3 and 4, respectively.

## Economic Factors and Next Year's Budget

The 2021 budget was adopted with no change in property taxes from 2021 actual. Budgeted expenditures include \$155,000 of district improvements.

## Contacting the TIFA Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the TIFA's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact to the City of Potterville Tax Increment Finance Authority Director at (517) 645-7641.

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## **BASIC FINANCIAL STATEMENTS**

**POTTERVILLE TIFA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 124,837
Capital assets	
Depreciable capital assets, net	<u>586,349</u>
<b>Total assets</b>	<u>711,186</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	15,520
Due within one year	45,000
Noncurrent liabilities	
Due in more than one year	<u>405,000</u>
<b>Total liabilities</b>	<u>465,520</u>
<b>Net Position</b>	
Net investment in capital assets	136,349
Unrestricted	<u>109,317</u>
<b>Total net position</b>	<u>\$ 245,666</u>

The accompanying notes are an integral part of these financial statements.

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**POTTERVILLE TIFA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities					
Community	\$ 245,059	\$ -	\$ -	\$ -	\$ (245,059)
Interest on long-term debt	20,663	-	-	-	(20,663)
<b>Total primary government</b>	<b>\$ 265,722</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(265,722)</b>
General revenues					
Property taxes					172,038
Interest earnings					360
Total general revenues					172,398
Change in net position					(93,324)
Net position, beginning of year					338,990
<b>Net position, end of year</b>					<b>\$ 245,666</b>

The accompanying notes are an integral part of these financial statements.

**POTTERVILLE TIFA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2021**

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	<u>General</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 124,837
<b>Total assets</b>	<u>\$ 124,837</u>
 <b>Liabilities and fund balance</b>	
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 10,449
<b>Total liabilities</b>	<u>10,449</u>
 <b>Fund balances</b>	
Assigned	
Subsequent year expenditures	69,366
Unassigned	<u>45,022</u>
<b>Total fund balances</b>	<u>114,388</u>
 <b>Total liabilities and fund balance</b>	<u><u>\$ 124,837</u></u>

The accompanying notes are an integral part of these financial statements.



## POTTERVILLE TIFA

### ***RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION***

***JUNE 30, 2021***

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<b>Fund balances - total governmental funds</b>	<b>\$ 114,388</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	586,349
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds payable	(450,000)
Deduct - accrued interest on bonds payable	<u>(5,071)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 245,666</u></b>

The accompanying notes are an integral part of these financial statements.

**POTTERVILLE TIFA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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	<u><b>General</b></u>
<b>Revenues</b>	
Taxes	\$ 172,038
Intergovernmental	
Interest	<u>360</u>
<b>Total revenues</b>	<u>172,398</u>
<b>Expenditures</b>	
Current	
Community & Economic Development	202,927
Debt service	
Principal	40,000
Interest	<u>21,043</u>
<b>Total expenditures</b>	<u>263,970</u>
Net changes in fund balances	(91,572)
<b>Fund balances, beginning of year</b>	<u>205,960</u>
<b>Fund balances, end of year</b>	<u>\$ 114,388</u>

The accompanying notes are an integral part of these financial statements.

## POTTERVILLE TIFA

### **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2021**

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (91,572)</b>
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Deduct - depreciation expense	(42,132)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - payment of bond principal	40,000
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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 funds.

Add - decrease in accrued interest	<u>380</u>
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<b>Change in net position of governmental activities</b>	<b><u>\$ (93,324)</u></b>
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The accompanying notes are an integral part of these financial statements.

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# POTTERVILLE TIFA

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Potterville established the City of Potterville Tax Increment Finance Authority (the TIFA) on July 11, 1984, as authorized pursuant to P.A. 450 of 1980, as amended. The TIFA was established for the purpose of promoting growth and development and for other purposes as set forth in P.A. 450 of 1980, as amended.

The financial statements of the TIFA have been prepared in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting principles are described below.

#### ***Reporting Entity***

The TIFA is a component unit of the City of Potterville (the City). The financial statements of the TIFA present only the funds and account groups of the TIFA and are not intended to present fairly the financial position and results of the operations of the City in conformity with GAAP.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the TIFA. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the TIFA.

#### ***Government-wide and Fund 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 activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The TIFA has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

# POTTERVILLE TIFA

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2021

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#### ***Measurement Focus and Basis of Accounting***

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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the TIFA.

All individual governmental funds are reported as separate columns in the fund financial statements.

The TIFA reports the following major governmental funds

The *General Fund* is the general operating fund of the TIFA. It is used to account for all financial resources, except those required to be accounted for in another fund.

#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the General Fund. The TIFA is required to follow these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the TIFA Director submits to the TIFA Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general funds.
5. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the TIFA are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various activities of the TIFA. Any amendment to the original budget must meet the requirements of Michigan Law. The TIFA budget was amended during the year. Any revisions that alter the expenditures at the activity level within the general fund must be approved by the TIFA Board.

# POTTERVILLE TIFA

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### ***Deposits and Investments***

State statutes authorize the TIFA to invest in:

- a. Bond, securities, other obligations and repurchase agreements 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 qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the TIFA to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

The TIFA's investment policy is more restrictive than state requirements and allows for investment in only those investment vehicles identified in items a. and b. above.

### ***Capital Assets***

Capital assets, which include buildings, land improvements, and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

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

# POTTERVILLE TIFA

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2021

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Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	20-50
Land improvements	20-50
Equipment	3-10

#### ***Property Taxes***

The TIFA is supported by taxes captured within the TIFA's district. Property tax assessments are determined as of each December 31. Taxes are levied on July 1 of the following year. TIFA property taxes are recognized in levied year as revenue in accordance with the guidelines of the State of Michigan.

#### ***Net Position and Fund Balance Reporting***

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by formal resolution of the TIFA Board.

Restricted net position represents those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

#### ***Net Position and Fund Balance Flow Assumptions***

Sometimes the government 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/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.



# POTTERVILLE TIFA

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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. Bonds payable are reported net of the applicable bond premium or discount. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expense regardless of fund or activity.

### Risk Management

The TIFA is exposed to various risks 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, 2021, the TIFA carried commercial insurance to cover risks of losses. The TIFA has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

## 2. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents on the financial statements is \$124,837.

This balance is in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the TIFA and a specific fund or common account. They are recorded in TIFA records at fair value.

### Deposit risk

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the TIFA's deposits may not be returned. As of year-end, \$124,958 of the TIFA's bank balance of \$124,958 was exposed to custodial credit risk because it was uninsured and uncollateralized.

## 3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<b>Governmental activities</b>				
<b>Capital assets, being depreciated</b>				
Building and improvements	\$842,657	\$ -	\$ -	\$842,657
Equipment	30,148	-	-	30,148
Total capital assets, being depreciated	872,805	-	-	872,805
Less accumulated depreciation for				
Building and improvements	214,176	42,132	-	256,308
Equipment	30,148	-	-	30,148
Total accumulated depreciation	244,324	42,132	-	286,456
<b>Governmental activities capital assets, net</b>	<b>\$628,481</b>	<b>\$(42,132)</b>	<b>\$ -</b>	<b>\$586,349</b>

# POTTERVILLE TIFA

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2021

#### 4. LONG-TERM DEBT

The following is a summary of the debt transactions of the TIFA for the year ended June 30, 2021.

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Private Placement					
2014 General Obligation Limited Tax Bonds, requiring annual principal payments from \$35,000 to 70,000 plus interest from 1.85 to 4.8% through 2024.	\$490,000	\$ -	\$40,000	\$450,000	\$45,000

The annual requirements to amortize all debt outstanding as of June 30, 2021 are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 45,000	\$ 19,382
2023	50,000	17,432
2024	50,000	15,282
2025	55,000	12,945
2026	55,000	10,457
2027-2029	195,000	14,379
<b>Total</b>	<b>\$450,000</b>	<b>\$89,877</b>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# POTTERVILLE TIFA

## **GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2021**

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	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes	\$ 160,233	\$ 172,037	\$ 172,038	\$ 1
Interest	3,900	350	360	10
<b>Total revenues</b>	<u>164,133</u>	<u>172,387</u>	<u>172,398</u>	<u>11</u>
<b>Expenditures</b>				
Current				
Community & Economic Development	156,475	225,498	202,927	22,571
Debt service				
Principal	40,000	40,000	40,000	-
Interest	22,503	21,043	21,043	-
<b>Total expenditures</b>	<u>218,978</u>	<u>286,541</u>	<u>263,970</u>	<u>22,571</u>
Net changes in fund balance	(54,845)	(114,153)	(91,572)	(22,560)
<b>Fund balance, beginning of year</b>	<u>205,960</u>	<u>205,960</u>	<u>205,960</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 151,115</u>	<u>\$ 91,807</u>	<u>\$ 114,388</u>	<u>\$ (22,560)</u>

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## **CONTROL AND COMPLIANCE**



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### **INDEPENDENT AUDITORS' 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**

November 23, 2021

Members of the Board  
City of Pottersville Tax Increment Finance Authority  
Pottersville, Michigan

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 and the major fund, of the City of Pottersville Tax Increment Finance Authority (TIFA), a Component Unit of the City of Pottersville, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Pottersville TIFA's basic financial statements and have issued our report thereon dated November 23, 2021.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Pottersville TIFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pottersville TIFA's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pottersville TIFA internal control.

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pottersville TIFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Vredendael Haefner LLC*