

School District of the City of Pontiac

Financial Statements

June 30, 2021



Table of Contents

Section	Page
1 Members of the Board of Education and Administration	1 - 1
2 Independent Auditors' Report	2 - 1
3 Management's Discussion and Analysis	3 - 1
4 Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	4 - 1
Statement of Activities	4 - 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 4
Reconciliation of the Balance Sheet of	
Governmental Funds to the Statement of Net Position	4 - 6
Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 9
Proprietary Funds	
Statement of Net Position - Internal Service Fund	4 - 11
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Internal Service Fund	4 - 12
Statement of Cash Flows - Internal Service Fund	4 - 13
Notes to the Financial Statements	4 - 14

Section	Page
5 Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	5 - 1
Schedule of School District's Proportionate Share of Net Pension Liability	5 - 3
Schedule of School District's Pension Contributions	5 - 4
Schedule of School District's Proportionate Share of Net OPEB Liability	5 - 5
Schedule of School District's OPEB Contributions	5 - 6
6 Other Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 - 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2
General Fund	
Combining Balance Sheet	6 - 3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 4
Schedule of Outstanding Bonded Indebtedness	6 - 6

School District of the City of Pontiac
Members of the Board of Education and Administration
June 30, 2021

Members of the Board of Education

Mike McGuinness, President

Kenyada Bowman, Vice President

Gill Garrett, Secretary

ShaQuana Davis-Smith, Treasurer

William Carrington, Trustee

Kevin Gross, Trustee

Caroll Turpin, Trustee

Administration

Kelley Williams, Superintendent

James Graham, Director of Business Services



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Independent Auditors' Report

Management and the Board of Education
School District of the City of Pontiac
Pontiac, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District'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.

Auditors' 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 auditors' 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, each major fund, and the aggregate remaining fund information of School District of the City of Pontiac, as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Pontiac's basic financial statements. The other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. Such 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 other supplementary information, as identified in the table of contents, is 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 September 28, 2021 on our consideration of the School District of the City of Pontiac'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 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 the School District of the City of Pontiac's 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 School District of the City of Pontiac's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
September 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

School District of the City of Pontiac

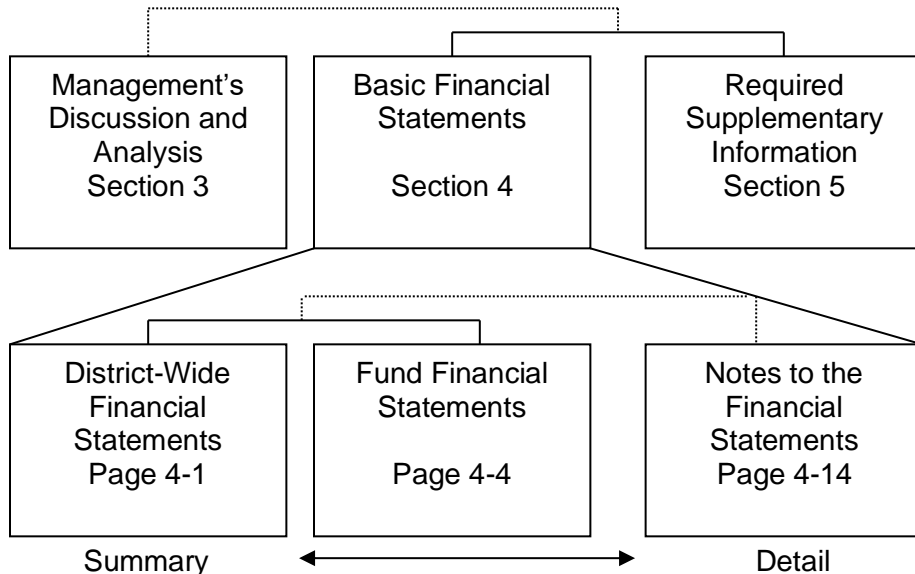
Management Discussion and Analysis

Year Ended June 30, 2021

The School District of the City of Pontiac is a K-12 public school district located in Oakland County, Michigan.

This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

Figure A-1
School District of the City of Pontiac
Organization of Annual Financial Report



This section of the School District of the City of Pontiac's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District of the City of Pontiac financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and Sinking Fund, with all other funds presented in one column as non-major funds. The Risk Related Activity Fund, an Internal Service Fund, accounts for all of the costs associated with the School District's property, unemployment and workman's compensation insurance programs provided to other funds of the School District on a cost-reimbursement basis.

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

School District of the City of Pontiac

Management Discussion and Analysis

Year Ended June 30, 2021

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects).

The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Proprietary funds - The School District maintains a propriety fund, which is considered an Internal Service Fund. The Internal Service Fund accounts for all of the District's property, unemployment and workman's compensation insurance programs provided to other funds of the District on a cost-reimbursement basis as well as providing a claims fluctuation reserve for future insurance liabilities.

School District of the City of Pontiac
Management Discussion and Analysis
Year Ended June 30, 2021

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2021 and 2020:

Table 1	Governmental Activities	
	June 30	
	2021	2020
	(in millions)	
Assets		
Current and other assets	\$ 117.5	\$ 15.5
Capital assets	<u>55.0</u>	<u>51.5</u>
Totals assets	<u>172.5</u>	<u>67.0</u>
Deferred outflows of resources	<u>24.2</u>	<u>29.3</u>
Liabilities		
Current liabilities	16.0	14.5
Long-term liabilities	<u>246.3</u>	<u>158.5</u>
Total liabilities	<u>262.3</u>	<u>173.0</u>
Deferred inflows of resources	<u>21.2</u>	<u>19.1</u>
Net Position		
Net investment in capital assets	132.6	33.8
Restricted	3.4	1.8
Unrestricted	<u>(222.8)</u>	<u>(131.4)</u>
Total net position	<u>\$ (86.8)</u>	<u>\$ (95.8)</u>

The analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$86.8 million) at June 30, 2021. Net investment in capital assets totaling \$132.6 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$3.4 will be used for capital projects in the upcoming years. The remaining amount of net position of (\$222.8 million) was unrestricted.

The (\$222.8 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position deficit represents the accumulated working capital and cash flow requirements of the School District as well as demonstrates the significant financial challenges that lie ahead. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. In addition, as required by GASB 68 and 75 the school district's proportionate share of the net pension and net OPEB liabilities are included in non-current liabilities.

School District of the City of Pontiac
Management Discussion and Analysis
Year Ended June 30, 2021

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years ended June 30, 2021 and 2020.

Table 2

	Governmental Activities	
	June 30	
	2021	2020
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.2	\$ 0.2
Operating grants and contributions	39.0	29.7
General Revenue:		
Property taxes	41.1	40.3
State aid	0.4	(0.8)
Other	1.7	0.8
Total revenue	82.4	70.2
Functions/Program Expenses		
Instruction	34.4	32.0
Support services	31.7	30.3
Food services	2.8	3.5
Community services	0.4	0.3
Interest on long-term debt	4.4	2.4
Total functions/program expenses	73.7	68.5
Increase in Net Position	8.7	1.7
Net Position - Beginning of year	(95.7)	(97.7)
Net Position - End of year	\$ (87.0)	\$ (96.0)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$73.7 million. Certain activities were partially funded from those who benefited from the programs (\$0.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$39 million). We paid for the remaining "public benefit" portion of our governmental activities with \$41.1 million in taxes, \$.4 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements, totaling \$1.7 million.

The School District experienced an increase in net position of \$8.7 million. The key reasons for this change include the receipt of Federal ESSER monies (Covid-19) that offset certain operating costs as well as operational savings due to primarily virtual instruction for the school year. Additionally, for the change in net position was the collection of additional property taxes. Also, the School District instructional costs were lower due to staffing vacancies.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

School District of the City of Pontiac

Management Discussion and Analysis

Year Ended June 30, 2021

As the School District completed this year, the governmental funds reported a combined fund balance of \$100M, which is an increase of \$100.2 million from last year. The primary reasons for the increase are as follows:

- The sale of \$103.8 million related to the 2020 School Building and Site Bond.
- The receipt of Federal ESSER monies (Covid-19) that offset certain operating costs
- Continuation of a 20 year 18 mill non-homestead.
- Continuing to structure the Tax Anticipation Note as a draw down note allowing the District to pay interest when used versus day of closing.
- Increase in Property Tax Revenues
- Lower expenditures due to instructional staffing vacancies
- Reduced cost in contracted services due to COVID-19 partial year school building closure

General Fund balance is available to fund costs related to allowable school operating purposes.

Due to the \$1.9 million 2019-2020 deficit the School District was required to file an updated Deficit Elimination Plan (DEP). The updated DEP covering the years 2020-2032, and was approved by the Michigan Department of Treasury on July 9, 2021. Due to the elimination of the deficit during the 2020-21 fiscal year, no further DEP's are required.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. There were revisions made to the 2020-2021 General Fund original budget. Budgeted revenues and other financing sources were increased by \$9.4 million mainly due to increased federal grant revenues, and transfers from other funds. Budgeted expenditures and other financing uses were increased by \$5.8 million as a result of the payoff of the 2018B Bond Debt and transfers to other funds.

A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had \$55 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$3.5 million, or approximately a 6.8 percent increase, from last year.

	2021	2020
Land	\$ 1,619,804	\$ 1,619,804
Construction in progress	4,914,011	547,654
Land improvements	7,108,742	7,108,742
Buildings and building improvements	75,231,911	73,638,476
Buses and other vehicles	107,372	72,137
Furniture and equipment	5,898,039	5,595,637
Total capital assets	94,879,879	88,582,450
Less accumulated depreciation	39,903,458	37,092,957
Net capital assets	<u>\$54,976,421</u>	<u>\$51,489,493</u>

Due to the approval of a \$147 million Capital Bond program and the first year of the 0.80 mill sinking fund, several major capital projects are planned for the 2021-22 fiscal year which includes the PHS infrastructure upgrades, WHRC infrastructure upgrades, Whitman doors and windows, PMS infrastructure upgrades, PHS/PMS Theatre upgrades, and PHS/PMS Science Lab upgrades. We present more detailed information about our capital assets in the notes to the financial statements.

School District of the City of Pontiac
Management Discussion and Analysis
Year Ended June 30, 2021

Debt

At the end of this year, the School District had \$135 million in bonds and notes outstanding versus \$53.1 million in the previous year - an increase of 154 percent due to the sale of the 2020 Building and Site Bonds of \$90.0 million as well as the payoff of the final \$5.0 million sinking fund revenue bond payment. Those notes and bonds consisted of the following:

	<u>2021</u>	<u>2020</u>
Notes and bonds payable	<u>\$ 135,045,000</u>	<u>\$ 53,126,000</u>

Other obligations include compensated absences and a capital lease. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2021-2022 fiscal year budget. One of the most important factors traditionally affecting the budget was our student count. However, since the School District's 18 mill non-homestead tax, multiplied by the non-homestead tax base of the District, generates more total dollars than the State foundation revenue calculation, the is now an "Out of Formula" district once again for the 2022 fiscal year. Therefore, the change in student enrollment and the amount of the foundation allowance are no longer be a determining factor in the major revenues for the District. The 2021-2022 budget was adopted in June 2021, based on the estimated tax revenues from the 18 mill non-homestead tax. The School District adopted the 2021-2022 General Fund budget with \$1.06 million in excess revenues.

Pursuant to Public Act 436 of 2012, on August 6, 2013 the Governor determined that a financial emergency existed within Pontiac School District. Subsequently, the District entered into a Consent Agreement with the Michigan Department of Treasury which became effective September 18, 2013. Under the terms of the Consent Agreement the District then entered into an Alternate Service Provider Agreement with

Oakland Schools dated October 28, 2013 which became effective on November 15, 2013. During the consent agreement, Oakland Schools reorganized and staffed the financial and human resource teams of the District. Beginning in October of 2019, the human resource team became direct employees of the District. Beginning in January of 2021, the business office team became direct employees of the District. The District had also, with the assistance of Oakland Schools, provided all the required documents of the Michigan Department of Treasury and Michigan Department of Education under the timelines established within the Consent Agreement. On October 12, 2018, the District was released from the Consent Agreement due to District complying and meeting the requirements of the agreement. The District will continue to voluntarily comply with certain requirements of the Consent Agreement to help ensure continued positive improvement.

In fiscal year 2021-2022, the District will launch a new data platform, Educlimber, which allows all staff to easily access real time student data (attendance, academic, assessment, and behavior data), each elementary school will be assigned an intervention assistant to support foundational skills at the Kindergarten, first, and second grade levels, adopt a new Math intervention resource, Agile Minds, at the Secondary level to support tier 2 and tier 3 students, adopt Springboard Resource for 11th graders in preparation of the SAT, provide virtual instruction for Kindergarten – 12th grade students if requested by parent/guardian, utilize E-Glass Devices at the elementary level to provide/support virtual instruction, provide after school tutoring programs for students, and adopt a new literacy resource for middle school (Wit and Wisdom), and high school (myPerspectives).

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office at 42700 Woodward Avenue, Pontiac, Michigan 48342, or telephone (248) 451-6836.

BASIC FINANCIAL STATEMENTS

School District of the City of Pontiac
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 84,577,532
Deposits	25,000
Due from other governmental units	10,744,569
Inventory	11,706
Investments	21,925,980
Prepays and other deposits	224,606
Capital assets not being depreciated	6,533,815
Capital assets - net of accumulated depreciation	<u>48,442,606</u>
Total assets	<u>172,485,814</u>
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	18,076,339
Deferred amount relating to net OPEB liability	<u>6,101,691</u>
Total deferred outflows of resources	<u>24,178,030</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Net Position
June 30, 2021

	Governmental Activities
Liabilities	
Accounts payable	\$ 3,602,284
State aid anticipation notes payable	2,577,234
Interest payable	2,200,660
Due to other governmental units	1,022,447
Claims payable	80,433
Accrued expenditures	272,500
Accrued salaries payable	4,062,877
MESSA Judgment payable	242,590
Unearned revenue	1,922,362
Long-term liabilities	
Debt due within one year	18,361,774
Debt due in more than one year	131,010,973
Net pension liability	84,094,596
Net OPEB liability	<u>12,804,485</u>
Total liabilities	<u>262,255,215</u>
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	9,200,321
Deferred amount relating to net OPEB liability	<u>12,047,460</u>
Total deferred inflows of resources	<u>21,247,781</u>
Net Position	
Net investment in capital assets	132,558,153
Restricted for:	
Capital projects	3,350,830
Unrestricted (deficit)	<u>(222,748,135)</u>
Total net position	<u><u>\$ (86,839,152)</u></u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Activities
For the Year Ended June 30, 2021

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 34,382,024	\$ -	\$ 30,441,943	\$ (3,940,081)
Supporting services	31,661,535	-	6,099,348	(25,562,187)
Food services	2,770,962	-	2,425,082	(345,880)
Community services	389,124	244,945	-	(144,179)
Interest on long-term debt	4,363,219	-	-	(4,363,219)
Total governmental activities	<u>\$ 73,566,864</u>	<u>\$ 244,945</u>	<u>\$ 38,966,373</u>	<u>(34,355,546)</u>
General revenues				
Property taxes, levied for general purposes				32,524,061
Property taxes, levied for debt service				902,253
Property taxes, levied for sinking fund				7,718,524
State aid - unrestricted				373,766
Interest and investment earnings				127,086
Other				<u>1,605,832</u>
Total general revenues				<u>43,251,522</u>
Change in net position				8,895,976
Net position - beginning				<u>(95,735,128)</u>
Net position - ending				<u>\$ (86,839,152)</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 10,967,892	\$ 68,333,544	\$ 3,941,954	\$ 83,243,390
Due from other governmental units	10,502,890	-	241,679	10,744,569
Inventory	-	-	11,706	11,706
Investments	-	21,925,980	-	21,925,980
Prepaid and other deposits	211,643	500	12,463	224,606
Total assets	<u>\$ 21,682,425</u>	<u>\$ 90,260,024</u>	<u>\$ 4,207,802</u>	<u>\$ 116,150,251</u>
Liabilities				
Accounts payable	\$ 1,133,255	\$ 2,141,518	\$ 216,479	\$ 3,491,252
State aid anticipation notes payable	2,577,234	-	-	2,577,234
Interest payable	911,984	-	-	911,984
Due to other governmental units	1,006,188	-	16,259	1,022,447
Accrued expenditures	272,500	-	-	272,500
Accrued salaries payable	3,996,315	-	66,562	4,062,877
MESSA judgment payable	242,590	-	-	242,590
Unearned revenue	1,922,362	-	-	1,922,362
Total liabilities	<u>12,062,428</u>	<u>2,141,518</u>	<u>299,300</u>	<u>14,503,246</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable revenue				
Grants received	\$ 1,681,063	\$ -	\$ -	\$ 1,681,063
Fund Balances				
Non-spendable				
Inventory	-	-	11,706	11,706
Prepaid items	211,643	500	12,463	224,606
Restricted for				
Food service	-	-	363,785	363,785
Capital projects	-	88,118,006	3,350,830	91,468,836
Committed for school and student activities	-	-	169,718	169,718
Assigned for debt service	231,328	-	-	231,328
Unassigned	7,495,963	-	-	7,495,963
Total fund balances	7,938,934	88,118,506	3,908,502	99,965,942
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,682,425	\$ 90,260,024	\$ 4,207,802	\$ 116,150,251

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds	\$ 99,965,942
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	1,681,063
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	6,533,815
Capital assets - net of accumulated depreciation	48,442,606
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from the net pension liability	(9,200,321)
Deferred outflows of resources resulting from the net pension liability	18,076,339
Deferred inflows of resources resulting from the net OPEB liability	(12,047,460)
Deferred outflows of resources resulting from the net OPEB liability	6,101,691
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(1,288,676)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(84,094,596)
Net OPEB liability	(12,804,485)
Compensated absences and retirement incentives	(1,171,085)
Bonds payable	(135,045,000)
Capital lease	(36,774)
Premiums on bond	(13,119,888)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>1,167,677</u>
Net position of governmental activities	<u>\$ (86,839,152)</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 34,132,097	\$ 92,938	\$ 8,703,400	\$ 42,928,435
State sources	13,452,597	-	178,513	13,631,110
Federal sources	18,270,931	-	2,246,569	20,517,500
Interdistrict sources	4,968,815	-	-	4,968,815
Total revenues	<u>70,824,440</u>	<u>92,938</u>	<u>11,128,482</u>	<u>82,045,860</u>
Expenditures				
Current				
Education				
Instruction	29,947,507	-	-	29,947,507
Supporting services	26,974,242	569,439	42,512	27,586,193
Food services	-	-	2,410,932	2,410,932
Community services	338,566	-	-	338,566
Capital outlay	34,244	11,467,777	1,083,969	12,585,990
Debt service				
Principal	17,599,710	-	5,071,000	22,670,710
Interest and other expenditures	1,550,569	3,023,457	41,013	4,615,039
Total expenditures	<u>76,444,838</u>	<u>15,060,673</u>	<u>8,649,426</u>	<u>100,154,937</u>
Excess (deficiency) of revenues over expenditures	<u>(5,620,398)</u>	<u>(14,967,735)</u>	<u>2,479,056</u>	<u>(18,109,077)</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from issuance of bonds	\$ -	\$ 90,050,000	\$ -	\$ 90,050,000
Premium on issuance of bonds	-	13,709,328	-	13,709,328
Proceeds from loans	14,500,000	-	-	14,500,000
Transfers in	959,748	-	-	959,748
Transfers out	-	-	(959,748)	(959,748)
Total other financing sources (uses)	<u>15,459,748</u>	<u>103,759,328</u>	<u>(959,748)</u>	<u>118,259,328</u>
Net change in fund balances	9,839,350	88,791,593	1,519,308	100,150,251
Fund balances (deficit) - beginning	<u>(1,900,416)</u>	<u>(673,087)</u>	<u>2,389,194</u>	<u>(184,309)</u>
Fund balances - ending	<u>\$ 7,938,934</u>	<u>\$ 88,118,506</u>	<u>\$ 3,908,502</u>	<u>\$ 99,965,942</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
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

Net change in fund balances - Total governmental funds	\$ 100,150,251
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	416,980
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,810,501)
Capital outlay	6,297,429
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(293,519)
Compensated absences and retirement incentives	(159,717)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	1,786,874
Net change in deferrals of resources related to the net pension liability	(4,651,592)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in OPEB liability	5,508,831
Net change in deferrals of resources related to the net OPEB liability	(2,547,261)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
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

Bond and note proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	\$(118,259,328)
Repayments of long-term debt	22,631,000
Repayments of capital lease	39,710
Amortization of premiums	589,440
Amortization of deferred amount on debt refunding	(44,101)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	<u>241,480</u>
Change in net position of governmental activities	<u><u>\$ 8,895,976</u></u>

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2021

	Internal Service Fund
	<u> </u>
Assets	
Cash	\$ 1,334,142
Deposits	<u>25,000</u>
Total assets	<u>1,359,142</u>
Liabilities	
Accounts payable	111,032
Claims payable	<u>80,433</u>
Total liabilities	<u>191,465</u>
Net Position	
Unrestricted	<u><u>\$ 1,167,677</u></u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
June 30, 2021

	Internal Service Fund
	<u> </u>
Revenues	
Charges to other funds	\$ 959,607
	<u> </u>
Expenses	
Workers compensation, general liability, and unemployment expenses	718,127
	<u> </u>
Net income	241,480
Net position - beginning	926,197
	<u> </u>
Net position - ending	\$ 1,167,677

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
June 30, 2021

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Charges to other funds	\$ 959,607
Payments to providers	<u>(855,611)</u>
Net cash provided by operating activities	103,996
Cash - beginning of year	<u>1,230,146</u>
Cash - end of year	<u><u>\$ 1,334,142</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 241,480
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Accounts payable	54,138
Claims payable	<u>(191,622)</u>
Net cash provided by operating activities	<u><u>\$ 103,996</u></u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Pontiac (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days 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 judgments, are recorded only when payment is due.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds. The General Fund includes the General Fund, categorical funded programs, noncenter special education programs, and athletic programs.

Capital Project Fund - The 2020 School Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs.

Additionally, the School District reports the following fund types:

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Sinking Fund - The Sinking Fund is used to record bond proceeds, the sinking fund property tax levy or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds includes the Food Service Fund and Student and School Activity Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Internal Service Fund - The School District's proprietary fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for unemployment, workers compensation, and other liability claims. It is funded through charges primarily from the General Fund and Food Service Fund.

Assets, Liabilities and Net Position or Equity

Receivables and Payables - All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2021, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
Sinking Fund	2.8700
MESSA Judgment	0.4000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 100% of the School District's tax roll lies within Oakland County.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-50 years
Equipment and furniture	5-20 years
Vehicles	8 years

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unpaid accumulated sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which the amount for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payment upon normal retirement are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using 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 during the current period.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School 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.

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years

and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

Compliance - Bond Proceeds

The 2020 School Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2020 School Building and Site Fund from the inception of the fund through the current fiscal year:

Revenues and other financing sources	\$ 103,852,266
Expenditures and other financing uses	<u>15,733,760</u>
	<u>\$ 88,118,506</u>

Compliance - Sinking Funds

The Sinking Fund records capital project activities funded with the Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking accounts, savings accounts, and money markets)	\$ 83,242,883
Petty cash and cash on hand	<u>507</u>
	83,243,390
Investments in securities, mutual funds, and similar vehicles	<u>21,925,980</u>
Total	<u>\$188,412,760</u>

As of year end, the School District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
U.S. Government Bonds				
FEDERAL FARM CR BKS CONS SYSTEMWIDE BDS	\$ 3,997,391	1 year	Aaa / AA+	Moody / S&P
FEDERAL NATL MTG ASSN	2,701,503	2 years	Aaa / AA+	Moody / S&P
Municipal Bonds				
ALLENDALE MICH PUB SCH DIST GO ULTD TAX REF BDS 2016	896,274	6 years	AA	S&P
CHIPPEWA VALLEY MICH SCHS TAXABLE UNLTD TAX GO REF BDS 2020	750,780	4 years	Aa1	Moody
CLAWSON MICH PUB SCHS GO ULID TAX REF BDS 2016	804,315	6 years	AA	S&P
FLAT ROCK MICH CMNTY SCH DIST GO ULID TAX REF BDS A	445,551	6 years	Aa1	Moody
GRAND RAPIDS MICH SAN SWR SYS REV SWR SYS REF REV BBS 2010	1,830,272	3 years	Aa2 / AA	Moody / S&P
HOLT MICH PUB SCHS GO UNLID TAX REF BDS 2019	471,490	3 years	AA	S&P
MICHIGAN FIN AUTH REV REV AND REF BBS TRINITY HLTH CREDIT GROUP 2015M1	550,457	17 years	Aa3 / AA-	Moody / S&P
MICHIGAN SI GO SCH LN REF BDS 2016 A	5,131,560	6 years	Aa1 / AA	Moody / S&P
MICHIGAN ST BLDG AUTH REV REF TAXABLE BBS 2020 II	733,792	3 years	Aa2	Moody
MICHIGAN ST TRUNK LINE REF BBS 2012	307,305	9 years	Aa2 / AA+	Moody / S&P
MICHIGAN ST TRUNK LINE REF BBS 2014	568,515	7 years	Aa2 / AA+	Moody / S&P
MICHIGAN ST TRUNK LINE REF FD BDS 2020 A	717,045	2 years	Aa2 / AA+	Moody / S&P
MONROE MICH LID TAX GO REF BBS 2020	564,550	2 years	A+	S&P
ROSE VILLE MICH CMNTY SCHS GO REF BDS 2014	1,037,792	7 years	AA	S&P
UNION VILLE-SEBE WAING AREA SCHS MICH TUSCOLA & HURON CNTYS GO UNLTD TAX	205,595	2 years	Aa1	Moody
WARREN MICH GO LTD TAX REF BDS 2015	<u>211,793</u>	8 years	AA	S&P
	<u>\$ 21,925,980</u>			

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Interest rate risk - In accordance with its investment policy, the School 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.

Credit risk - State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk - The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$22,750,727 of the School District's bank balance of \$84,562,411 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2021:

- The fair value of U.S. government and municipal bonds was determined primarily based on Level 2 inputs. The values are estimated using other inputs, such as interest rates and yield curves, which are observable at commonly quoted intervals.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,619,804	\$ -	\$ -	\$ 1,619,804
Construction-in-progress	547,654	4,987,478	621,121	4,914,011
Total capital assets not being depreciated	2,167,458	4,987,478	621,121	6,533,815
Capital assets being depreciated				
Land improvements	7,108,742	-	-	7,108,742
Building and building improvements	73,638,476	1,593,435	-	75,231,911
Equipment and furniture	5,595,637	302,402	-	5,898,039
Vehicles	72,137	35,235	-	107,372
Total capital assets being depreciated	86,414,992	1,931,072	-	88,346,064
Less accumulated depreciation for				
Land improvements	1,123,681	351,717	-	1,475,398
Building and building improvements	32,974,428	2,012,446	-	34,986,874
Equipment and furniture	2,931,216	443,502	-	3,374,718
Vehicles	63,632	2,836	-	66,468
Total accumulated depreciation	37,092,957	2,810,501	-	39,903,458
Net capital assets being depreciated	49,322,035	(879,429)	-	48,442,606
Net capital assets	\$51,489,493	\$4,108,049	\$ 621,121	\$54,976,421

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 1,396,202
Supporting services	1,286,113
Food services	112,402
Athletics	15,784
Total governmental activities	<u>\$ 2,810,501</u>

Construction Contracts

As of year-end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
PMS and PHS LED signs	\$ 137,082	\$ 90,082	\$ -
District Wide Playground - Phase 2	610,650	610,650	-
Fell Center Project	1,360,259	25,917	-
PMS Window and Doors Replacement	674,760	279,319	-
Teen Health Clinic Relocation - PHS	640,545	261,132	-
Roof Replacement WHRC/ITA and Administration Building	2,099,397	2,099,397	-
Food Service Equipment Fell Center	165,371	22,335	-
PHS Roof Replacement	1,948,552	371,050	-
PHS Athletics	2,932,709	1,895,432	-
WHRC Addition and Renovation	16,061,276	16,061,276	-
PHS / PMS Career Pathways	60,300	60,300	-
Total	<u>\$ 26,690,901</u>	<u>\$21,776,890</u>	<u>\$ -</u>

All projects are expected to be complete during the 2022 school year.

Note 6 - Interfund Transfers

Interfund transfers were made during the year, between the General Fund and the MESSA Levy Debt Fund, and the Food Service Fund totaling \$959,748. The transfers from MESSA Levy Debt Fund to the General Fund are to cover debt service payments for the MESSA Levy and the transfers from Food Service to General Fund is related to indirect Costs.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 1,922,362</u>
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Note 8 - State Aid Anticipation Notes

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$2,546,107</u>	<u>\$4,500,000</u>	<u>\$ 4,468,873</u>	<u>\$2,577,234</u>

Note 9 - MESSA Judgment Levy

In January 2013, a \$7.8 million judgment was levied against the School District related to outstanding health care premiums owed to its carrier, MESSA. This judgment was for the period from January 2012 through December 2013. Property taxes levied to satisfy this levy are being received by the School District over a one to ten year time period depending on how the respective jurisdiction issued its levy. Final payment will be received in fiscal year 2023 for the jurisdictions electing a ten year payback. As property taxes are collected and remitted to the School District by the taxing authority, they are submitted to the vendor as payment against the obligation. As of June 30, 2021, \$242,590 is the amount that is still owed.

MESSA judgment payable at the beginning of the year	\$ 1,147,682
Payments made	<u>(905,092)</u>
MESSA judgment payable at the end of the year	<u>\$ 242,590</u>

Note 10 - Leases

Capital Leases

The School District has a capital lease for workstations. The future minimum lease payments are as follows:

Year ending June 30, 2022	\$ 38,379
Less amount representing interest	<u>1,605</u>
Present value of minimum lease payments	<u>\$ 36,774</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

The assets acquired through capital leases are as follows:

Furniture and equipment	\$ 144,158
Less accumulated depreciation	<u>(108,119)</u>
Total	<u>\$ 36,039</u>

Note 11 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences and capital leases.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and loans payable					
General obligation bonds	\$ -	\$ 90,050,000	\$ -	\$ 90,050,000	\$ 1,795,000
Emergency loans	20,000,000	-	5,000	19,995,000	10,000
Revenue bonds	12,560,000	-	2,060,000	10,500,000	920,000
Sinking fund revenue bonds	5,071,000	-	5,071,000	-	-
Tax anticipation note	15,495,000	14,500,000	15,495,000	14,500,000	14,500,000
Total bonds and loans payable	<u>53,126,000</u>	<u>104,550,000</u>	<u>22,631,000</u>	<u>135,045,000</u>	<u>17,225,000</u>
Premium on bonds	<u>-</u>	<u>13,709,328</u>	<u>589,440</u>	<u>13,119,888</u>	<u>-</u>
Other liabilities					
Compensated absences	1,011,368	1,309,239	1,149,522	1,171,085	1,100,000
Capital leases	76,484	-	39,710	36,774	36,774
Total other liabilities	<u>1,087,852</u>	<u>1,309,239</u>	<u>1,189,232</u>	<u>1,207,859</u>	<u>1,136,774</u>
Total	<u>\$54,213,852</u>	<u>\$119,568,567</u>	<u>\$24,409,672</u>	<u>\$149,372,747</u>	<u>\$18,361,774</u>

For governmental activities, capital leases and compensated absences are primarily liquidated by the General Fund.

Bonds and loans payable at year end, consist of the following:

\$10,500,000 local government loan program revenue bonds due in annual installments of \$920,000 to \$1,450,000 through May 1, 2030, interest at 5.85%	\$ 10,500,000
\$10,000,000 emergency loan due in annual installments of \$5,000 to \$845,000 through May 1, 2044, interest at 2.75%	10,000,000
\$10,000,000 emergency loan due in annual installments of \$5,000 to \$795,000 through May 1, 2045, interest at 2.70%	9,995,000
\$14,500,000 TAN revenue loan due in one installment of \$14,500,000 due June 30, 2022, interest at 2.40%	14,500,000
\$90,050,000 serial bond due in annual installments of \$1,235,000 to \$5,945,000 through May 1, 2050, interest ranging from 4.00% to 5.00%	<u>90,050,000</u>
Total debt	<u>\$ 135,045,000</u>

Future principal and interest requirements for bonded debt and direct borrowings are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2022	\$ 17,225,000	\$ 5,443,320	\$ 22,668,320
2023	3,070,000	4,821,023	7,891,023
2024	3,430,000	4,660,212	8,090,212
2025	3,820,000	4,478,686	8,298,686
2026	2,400,000	4,279,397	6,679,397
2027 - 2031	14,600,000	19,247,825	33,847,825
2032 - 2036	18,050,000	15,710,805	33,760,805
2037 - 2041	23,295,000	12,090,223	35,385,223
2042 - 2046	27,135,000	7,438,722	34,573,722
2047 - 2050	<u>22,020,000</u>	<u>2,260,000</u>	<u>24,280,000</u>
Total	<u>\$ 135,045,000</u>	<u>\$80,430,213</u>	<u>\$ 215,475,213</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

All loans and bonds, except for sinking fund revenue bond, are payable from the General Fund. Future debt and interest will be payable from state aid and future tax levies.

Compensated Absences

Accrued compensated absences at year end, consist of \$11,842 of vacation hours earned and vested and \$1,159,243 in accrued sick time benefits.

Advance Refunding

On April 25, 2018, the School District issued local government revenue bonds of \$10,500,000 (par value) with an interest rate of 5.85% to advance refund local government revenue bonds with an interest rate of 4.50% to 4.55% and a par value of \$8,325,000. The revenue bonds mature on May 1, 2021. After paying issuance costs of \$250,000, the net proceeds of the new bonds were \$10,250,000. Of this total, \$8,526,773 of the net proceeds of the revenue bonds was deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements. An additional \$1,774,837 was placed in escrow and dedicated to the repayment of the interest on the refunding debt. This amount is adjusted to market value each year and as of June 30, 2021 the value of the account totaled \$0.

On November 1, 2018, the School District issued local government revenue bonds of \$2,245,000 (par value) with an interest rate of 5.50% to advance refund term bonds with an interest rate of 5.15% and a par value of \$2,190,000. The revenue bonds mature on November 1, 2028. After paying issuance costs of \$61,312, the net proceeds were \$2,183,690. The net proceeds from the issuance of the revenue bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$555,813.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded as liabilities in the Internal Service Fund in the amount of \$80,433.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Changes in the estimated liability for the past two fiscal years were as follows:

	2021	2020
Estimated liability at the beginning of the year	\$ 272,055	\$ 132,929
Estimated claims incurred including changes in estimates	718,127	899,742
Claim payments	(909,749)	(760,616)
Estimated liability end of year	<u>\$ 80,433</u>	<u>\$ 272,055</u>

Note 13 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	13.39 - 19.41%
Member Investment Plan	3.0 - 7.0%	13.39 - 19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$6,727,673 for the year ending September 30, 2019.

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

At June 30, 2021, School District reported a liability of \$84,094,596 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was .2448 percent, which was a decrease of 0.0145 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized pension expense of \$10,082,852 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$7,564,018.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

At June 30, 2021, the School District 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	Total
Difference between expected and actual experience	\$ 1,284,896	\$ (179,488)	\$ 1,105,408
Changes of assumptions	9,318,492	-	9,318,492
Net difference between projected and actual earnings on pension plan investments	353,328	-	353,328
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>-</u>	<u>(5,909,430)</u>	<u>(5,909,430)</u>
Total to be recognized in future	10,956,716	(6,088,918)	4,867,798
School District contributions subsequent to the measurement date	<u>7,119,623</u>	<u>(3,111,403)</u>	<u>4,008,220</u>
Total	<u>\$ 18,076,339</u>	<u>\$ (9,200,321)</u>	<u>\$ 8,876,018</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The District will offset the contribution expense in the year ended June 30, 2022 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)		
	2021	\$ 2,631,004
	2022	1,547,116
	2023	561,229
	2024	<u>128,449</u>
		<u>\$ 4,867,798</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

School District of the City of Pontiac

Notes to the Financial Statements

June 30, 2021

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4892 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.1% inflation.*

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension plus plan, 6.0% for the Pension Plus 2 plan), as well as what the School District'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 higher:

	Current Single Discount Rate Assumption *	
1% Decrease *		1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 108,846,189	\$ 84,094,596	\$ 63,581,042

**Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.*

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Note 14 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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. The board consists of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

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 were deposited into their 401(k) account.

Contributions

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

Employer OPEB 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 portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning Oct. 1, 2019 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$1,688,676 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$12,804,485 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employers statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.2390 percent, which was a decrease of 0.0161 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized OPEB expense of \$(1,030,374) for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$1,943,712.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (9,540,538)	\$ (9,540,538)
Changes of assumptions	4,221,893	-	4,221,893
Net difference between projected and actual earnings on OPEB plan investments	106,868	-	106,868
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>24,280</u>	<u>(2,506,922)</u>	<u>(2,482,642)</u>
Total to be recognized in future	4,353,041	(12,047,460)	(7,694,419)
School District contributions subsequent to the measurement date	<u>1,748,650</u>	<u>-</u>	<u>1,748,650</u>
Total	<u>\$ 6,101,691</u>	<u>\$ (12,047,460)</u>	<u>\$ (5,945,769)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred Inflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2021	\$ (2,091,635)
2022	(1,938,129)
2023	(1,598,335)
2024	(1,179,097)
2025	<u>(887,223)</u>
	<u>\$ (7,694,419)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.6018 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.1% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
<u>\$ 16,448,817</u>	<u>\$ 12,804,485</u>	<u>\$ 9,736,264</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2021

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 9,618,787	\$ 12,804,485	\$ 16,427,824

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 15 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment 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 costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2021.

Note 16 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, New Personal Property exemptions, and Payment in Lieu of Taxes (PILOT) abatement, granted by the Oakland County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; New Personal Property Exemption affords a 100% property tax exemption for specific businesses located within eligible distressed communities; PILOT programs provide exemption of housing taxes for low income persons and families.

For the fiscal year ended June 30, 2021, the School District's property tax revenues were reduced by \$6,452,981 under these programs.

REQUIRED SUPPLEMENTARY INFORMATION

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 32,823,447	\$ 33,247,454	\$ 34,132,097	\$ 884,643
State sources	12,513,333	12,883,674	13,452,597	568,923
Federal sources	14,136,572	20,384,467	18,270,931	(2,113,536)
Interdistrict sources	<u>5,657,734</u>	<u>5,615,498</u>	<u>4,968,815</u>	<u>(646,683)</u>
Total revenues	<u>65,131,086</u>	<u>72,131,093</u>	<u>70,824,440</u>	<u>(1,306,653)</u>
Expenditures				
Instruction	31,110,306	30,862,455	29,947,507	(914,948)
Supporting services				
Pupil	5,323,913	4,845,681	4,655,964	(189,717)
Instructional staff	3,035,704	3,061,567	2,536,393	(525,174)
General administration	1,527,699	1,352,196	1,083,672	(268,524)
School administration	3,280,944	3,110,056	3,039,367	(70,689)
Business	1,317,604	1,344,620	1,293,653	(50,967)
Operations and maintenance	8,047,524	8,676,298	8,005,753	(670,545)
Pupil transportation services	5,067,995	3,345,966	2,220,885	(1,125,081)
Central	3,170,689	5,395,244	3,939,899	(1,455,345)
Other	349,187	349,187	198,656	(150,531)
Community services	568,614	392,984	338,566	(54,418)
Capital outlay	-	-	34,244	34,244
Debt service				
Principal	15,535,000	17,830,000	17,599,710	(230,290)
Interest and other expenditures	<u>916,126</u>	<u>1,334,187</u>	<u>1,550,569</u>	<u>216,382</u>
Total expenditures	<u>79,251,305</u>	<u>81,900,441</u>	<u>76,444,838</u>	<u>(5,455,603)</u>
Deficiency of revenues over expenditures	<u>(14,120,219)</u>	<u>(9,769,348)</u>	<u>(5,620,398)</u>	<u>4,148,950</u>

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses)				
Proceeds from loans	\$ 15,500,000	\$ 15,000,000	\$ 14,500,000	\$ (500,000)
Proceeds from sale of capital assets	500,000	-	-	-
Transfers in	1,840,811	1,531,700	959,748	(571,952)
Transfers out	<u>(2,515,480)</u>	<u>(1,953,373)</u>	<u>-</u>	<u>(1,953,373)</u>
Total other financing sources (uses)	<u>15,325,331</u>	<u>14,578,327</u>	<u>15,459,748</u>	<u>(3,025,325)</u>
Net change in fund balances	1,205,112	4,808,979	9,839,350	1,123,625
Fund balances (deficit) - beginning	<u>(1,900,416)</u>	<u>(1,900,416)</u>	<u>(1,900,416)</u>	<u>-</u>
Fund balances (deficit) - ending	<u>\$ (695,304)</u>	<u>\$ 2,908,563</u>	<u>\$ 7,938,934</u>	<u>\$ 1,123,625</u>

School District of the City of Pontiac
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net pension liability (%)	0.2448%	0.2593%	0.2716%	0.2805%	0.2848%	0.2781%	0.2551%			
B. School District's proportionate share of net pension liability	\$ 84,094,596	\$ 85,881,470	\$ 81,634,867	\$ 72,679,845	\$ 71,064,251	\$ 67,929,260	\$ 56,197,431			
C. School District's covered payroll	\$ 21,207,667	\$ 22,297,505	\$ 22,647,665	\$ 23,192,189	\$ 24,167,230	\$ 23,316,483	\$ 21,011,654			
D. School District's proportionate share of net pension liability as a percentage of its covered payroll	397%	385%	360%	313%	294%	291%	267%			
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%			

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

School District of the City of Pontiac
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. Statutorily required contributions	\$ 7,564,018	\$ 6,745,026	\$ 6,910,572	\$ 7,422,054	\$ 4,462,848	\$ 4,605,551	\$ 5,101,493			
B. Contributions in relation to statutorily required contributions	<u>7,564,018</u>	<u>6,745,026</u>	<u>6,910,572</u>	<u>7,422,054</u>	<u>4,462,848</u>	<u>4,605,551</u>	<u>5,101,493</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 23,402,033	\$ 21,359,624	\$ 22,480,085	\$ 22,963,157	\$ 23,805,351	\$ 23,459,289	\$23,387,029			
E. Contributions as a percentage of covered-employee payroll	32.32%	31.58%	30.74%	32.32%	18.75%	19.63%	21.81%			

School District of the City of Pontiac
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net OPEB liability (%)	0.2390%	0.2551%	0.2660%	0.2812%						
B. School District's proportionate share of net OPEB liability	\$ 12,804,485	\$ 18,313,316	\$ 21,140,973	\$ 24,904,670						
C. School District's covered payroll	\$ 21,207,667	\$ 22,297,505	\$ 22,647,665	\$ 23,192,189						
D. School District's proportionate share of net OPEB liability as a percentage of its covered payroll	60%	82%	93%	107%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

School District of the City of Pontiac
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 1,943,712	\$ 1,694,529	\$ 1,737,224	\$ 1,851,950							
B. Contributions in relation to statutorily required contributions	<u>1,943,712</u>	<u>1,694,529</u>	<u>1,737,224</u>	<u>1,851,950</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. School District's covered payroll	\$ 23,402,033	\$ 21,359,624	\$ 22,480,085	\$22,963,157							
E. Contributions as a percentage of covered-employee payroll	8.31%	7.93%	7.73%	8.06%							

OTHER SUPPLEMENTARY INFORMATION

School District of the City of Pontiac
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Debt Service Fund	Capital Project Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
	MESSA Levy Debt Fund	Sinking Fund	Food Service Fund	Student and School Activity Fund	
Assets					
Cash	\$ -	\$ 3,395,854	\$ 376,209	\$ 169,891	\$ 3,941,954
Due from other governmental units	-	-	241,679	-	241,679
Inventory	-	-	11,706	-	11,706
Prepaid items	-	-	12,463	-	12,463
Total assets	<u>\$ -</u>	<u>\$ 3,395,854</u>	<u>\$ 642,057</u>	<u>\$ 169,891</u>	<u>\$ 4,207,802</u>
Liabilities					
Accounts payable	\$ -	\$ 45,024	\$ 171,282	\$ 173	\$ 216,479
Due to other governmental units	-	-	16,259	-	16,259
Accrued salaries payable	-	-	66,562	-	66,562
Total liabilities	<u>-</u>	<u>45,024</u>	<u>254,103</u>	<u>173</u>	<u>299,300</u>
Fund Balances					
Non-spendable					
Inventory	-	-	11,706	-	11,706
Prepaid items	-	-	12,463	-	12,463
Restricted for					
Food service	-	-	363,785	-	363,785
Capital projects	-	3,350,830	-	-	3,350,830
Committed for school and student activities	-	-	-	169,718	169,718
Total fund balance	<u>-</u>	<u>3,350,830</u>	<u>387,954</u>	<u>169,718</u>	<u>3,908,502</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 3,395,854</u>	<u>\$ 642,057</u>	<u>\$ 169,891</u>	<u>\$ 4,207,802</u>

School District of the City of Pontiac
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Debt Service Fund	Capital Project Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
	MESSA Levy Debt Fund	Sinking Fund	Food Service Fund	Student and School Activity Fund	
Revenues					
Local sources	\$ 902,253	\$ 7,718,904	\$ 32	\$ 82,211	\$ 8,703,400
State sources	-	-	178,513	-	178,513
Federal sources	-	-	2,246,569	-	2,246,569
Total revenues	<u>902,253</u>	<u>7,718,904</u>	<u>2,425,114</u>	<u>82,211</u>	<u>11,128,482</u>
Expenditures					
Current					
Education					
Supporting services	-	6,000	-	36,512	42,512
Food services	-	-	2,410,932	-	2,410,932
Capital outlay	-	1,083,969	-	-	1,083,969
Debt service					
Principal	-	5,071,000	-	-	5,071,000
Interest and other expenditures	-	41,013	-	-	41,013
Total expenditures	<u>-</u>	<u>6,201,982</u>	<u>2,410,932</u>	<u>36,512</u>	<u>8,649,426</u>
Excess of revenues over expenditures	902,253	1,516,922	14,182	45,699	2,479,056
Other Financing Uses					
Transfers out	<u>(902,253)</u>	<u>-</u>	<u>(57,495)</u>	<u>-</u>	<u>(959,748)</u>
Net change in fund balances	-	1,516,922	(43,313)	45,699	1,519,308
Fund balance - beginning	<u>-</u>	<u>1,833,908</u>	<u>431,267</u>	<u>124,019</u>	<u>2,389,194</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,350,830</u>	<u>\$ 387,954</u>	<u>\$ 169,718</u>	<u>\$ 3,908,502</u>

School District of the City of Pontiac
Other Supplementary Information
General Fund
Combining Balance Sheet
June 30, 2021

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Total
Assets							
Cash	\$ 18,391,062	\$ -	\$ 150,161	\$ -	\$ 231,328	\$ (7,804,659)	\$ 10,967,892
Due from other governmental units	1,654,605	7,132,913	-	1,715,372	-	-	10,502,890
Prepaid items and other deposits	<u>202,565</u>	<u>2,576</u>	<u>1,802</u>	<u>4,700</u>	<u>-</u>	<u>-</u>	<u>211,643</u>
Total assets	<u>\$ 20,248,232</u>	<u>\$ 7,135,489</u>	<u>\$ 151,963</u>	<u>\$ 1,720,072</u>	<u>\$ 231,328</u>	<u>\$ (7,804,659)</u>	<u>\$ 21,682,425</u>
Liabilities							
Checks written against future deposits	\$ -	\$ 2,183,776	\$ -	\$ 5,620,883	\$ -	\$ (7,804,659)	\$ -
Accounts payable	821,085	119,323	-	192,847	-	-	1,133,255
State aid anticipation notes payable	2,577,234	-	-	-	-	-	2,577,234
Interest payable	911,984	-	-	-	-	-	911,984
Due to other governmental units	616,369	246,191	704	142,924	-	-	1,006,188
Accrued expenditures	272,500	-	-	-	-	-	272,500
Accrued salaries payable	2,203,350	1,180,776	1,605	610,584	-	-	3,996,315
MESSA judgments payable	242,590	-	-	-	-	-	242,590
Unearned revenue	<u>-</u>	<u>1,922,161</u>	<u>201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,922,362</u>
Total liabilities	<u>7,645,112</u>	<u>5,652,227</u>	<u>2,510</u>	<u>6,567,238</u>	<u>-</u>	<u>(7,804,659)</u>	<u>12,062,428</u>
Deferred Inflows of Resources							
Unavailable revenue							
Grant funds	<u>1,317</u>	<u>1,244,922</u>	<u>-</u>	<u>434,824</u>	<u>-</u>	<u>-</u>	<u>1,681,063</u>
Fund Balances							
Non-spendable							
Prepaid items	202,565	2,576	1,802	4,700	-	-	211,643
Assigned for debt service	-	-	-	-	231,328	-	231,328
Unassigned (deficit)	<u>12,399,238</u>	<u>235,764</u>	<u>147,651</u>	<u>(5,286,690)</u>	<u>-</u>	<u>-</u>	<u>7,495,963</u>
Total fund balance (deficit)	<u>12,601,803</u>	<u>238,340</u>	<u>149,453</u>	<u>(5,281,990)</u>	<u>231,328</u>	<u>-</u>	<u>7,938,934</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 20,248,232</u>	<u>\$ 7,135,489</u>	<u>\$ 151,963</u>	<u>\$ 1,720,072</u>	<u>\$ 231,328</u>	<u>\$ (7,804,659)</u>	<u>\$ 21,682,425</u>

School District of the City of Pontiac
Other Supplementary Information
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2021

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Funds
Revenues							
Local sources	\$ 32,672,095	\$ 1,460,002	\$ -	\$ -	\$ -	\$ -	\$ 34,132,097
State sources	4,844,492	4,823,104	-	3,785,001	-	-	13,452,597
Federal sources	-	16,332,373	-	1,938,558	-	-	18,270,931
Interdistrict sources	83,072	-	-	4,885,743	-	-	4,968,815
Total revenues	37,599,659	22,615,479	-	10,609,302	-	-	70,824,440
Expenditures							
Current							
Education							
Instruction	10,038,562	12,547,063	-	7,361,882	-	-	29,947,507
Supporting services	16,325,641	6,305,787	198,624	4,144,190	-	-	26,974,242
Community services	441	333,304	-	4,821	-	-	338,566
Capital outlay	34,244	-	-	-	-	-	34,244
Debt service							
Principal	15,539,710	-	-	-	2,060,000	-	17,599,710
Interest and other expenditures	141,897	-	-	-	1,408,672	-	1,550,569
Total expenditures	42,080,495	19,186,154	198,624	11,510,893	3,468,672	-	76,444,838
Excess (deficiency) of revenues over expenditures	(4,480,836)	3,429,325	(198,624)	(901,591)	(3,468,672)	-	(5,620,398)

School District of the City of Pontiac
Other Supplementary Information
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2021

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Funds
Other Financing Sources (Uses)							
Proceeds from loans	\$ 14,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,500,000
Transfers in	959,748	-	323,187	-	3,700,000	4,023,187	9,006,122
Transfers out	(3,492,840)	(499,967)	-	(30,380)	-	(4,023,187)	(8,046,374)
Total other financing sources (uses)	11,966,908	(499,967)	323,187	(30,380)	3,700,000	-	15,459,748
Net change in fund balances	7,486,072	2,929,358	124,563	(931,971)	231,328	-	9,839,350
Fund balances (deficit) - beginning	5,115,731	(2,691,018)	24,890	(4,350,019)	-	-	(1,900,416)
Fund balances (deficit) - ending	<u>\$ 12,601,803</u>	<u>\$ 238,340</u>	<u>\$ 149,453</u>	<u>\$ (5,281,990)</u>	<u>\$ 231,328</u>	<u>\$ -</u>	<u>\$ 7,938,934</u>

School District of the City of Pontiac
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2021

Year Ending June 30,	2020 School Building and Site Bonds	Emergency Loan 2014	Emergency Loan 2015	2018A Revenue Bond	Tax Anticipation Note	Total
2022	\$ 1,795,000	\$ 5,000	\$ 5,000	\$ 920,000	\$ 14,500,000	\$ 17,225,000
2023	2,085,000	5,000	5,000	975,000	-	3,070,000
2024	2,390,000	5,000	5,000	1,030,000	-	3,430,000
2025	2,720,000	5,000	5,000	1,090,000	-	3,820,000
2026	1,235,000	5,000	5,000	1,155,000	-	2,400,000
2027	1,355,000	5,000	5,000	1,220,000	-	2,585,000
2028	1,480,000	5,000	5,000	1,290,000	-	2,780,000
2029	1,610,000	5,000	5,000	1,370,000	-	2,990,000
2030	1,750,000	5,000	5,000	1,450,000	-	3,210,000
2031	1,900,000	590,000	545,000	-	-	3,035,000
2032	2,055,000	610,000	560,000	-	-	3,225,000
2033	2,220,000	625,000	575,000	-	-	3,420,000
2034	2,370,000	645,000	590,000	-	-	3,605,000
2035	2,530,000	660,000	610,000	-	-	3,800,000
2036	2,695,000	680,000	625,000	-	-	4,000,000
2037	2,870,000	700,000	640,000	-	-	4,210,000
2038	3,050,000	715,000	660,000	-	-	4,425,000
2039	3,235,000	735,000	675,000	-	-	4,645,000
2040	3,435,000	755,000	695,000	-	-	4,885,000
2041	3,640,000	775,000	715,000	-	-	5,130,000
2042	3,855,000	800,000	735,000	-	-	5,390,000
2043	4,080,000	820,000	755,000	-	-	5,655,000
2044	4,310,000	845,000	775,000	-	-	5,930,000
2045	4,555,000	-	795,000	-	-	5,350,000
2046	4,810,000	-	-	-	-	4,810,000
2047	5,075,000	-	-	-	-	5,075,000
2048	5,355,000	-	-	-	-	5,355,000
2049	5,645,000	-	-	-	-	5,645,000
2050	5,945,000	-	-	-	-	5,945,000
Total	<u>\$ 90,050,000</u>	<u>\$ 10,000,000</u>	<u>\$ 9,995,000</u>	<u>\$ 10,500,000</u>	<u>\$ 14,500,000</u>	<u>\$ 135,045,000</u>
Principal payments due	May 1	May 1	May 1	May 1	June 30	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	June 30	
Interest rate	4.00% - 5.00%	2.75%	2.70%	5.85%	3.36%	
Original issue	<u>\$ 90,050,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,500,000</u>	<u>\$ 14,500,000</u>	

School District of the City of Pontiac

Single Audit Report

June 30, 2021

Table of Contents

	<u>Page</u>
Single Audit Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	13
Corrective Action Plan	14



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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*

Independent Auditors' Report

Members of the Board of Education
School District of the City of Pontiac
Pontiac, 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, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District of the City of Pontiac's basic financial statements, and have issued our report thereon dated September 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District of the City of Pontiac's 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 School District of the City of Pontiac's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of the City of Pontiac's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District of the City of Pontiac'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District of the City of Pontiac's Response to Findings and Corrective Action Plan

The School District of the City of Pontiac's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. School District of the City of Pontiac's 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.

Yeo & Yeo, P.C.

Auburn Hills, MI
September 28, 2021

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Members of the Board of Education
School District of the City of Pontiac
Pontiac, Michigan

Report on Compliance for Each Major Federal Program

We have audited the School District of the City of Pontiac's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of School District of the City of Pontiac's major federal programs for the year ended June 30, 2021. The School District of the City of Pontiac's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of the City of Pontiac's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District of the City of Pontiac's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District of the City of Pontiac's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District of the City of Pontiac 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, 2021.

Report on Internal Control Over Compliance

Management of the School District of the City of Pontiac is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of the City of Pontiac's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Pontiac's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise School District of the City of Pontiac's basic financial statements. We issued our report thereon dated September 28, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
September 28, 2021

School District of the City of Pontiac
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor / Pass Through Grantor / Program Title	Grant / Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year(s) Expenditures	Accrued (Unearned) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2021
U.S. Department of Agriculture									
Passed through the Michigan Department of Education:									
Child Nutrition Cluster									
Noncash Assistance (Commodities):									
National School Lunch Program:									
Entitlement Commodities	N/A	10.555	\$ 117,780	\$ -	\$ -	\$ -	\$ 117,780	\$ 117,780	\$ -
Cash Assistance:									
School Breakfast Program	201970	10.553	42,658	455,324	-	42,658	42,658	-	-
National School Lunch Program									
COVID-19 SFSP (Unanticipated Grant Payments)	200902	10.555	200,048	426,245	200,048	-	200,048	-	-
COVID-19 SFSP (Unanticipated Grant Payments)	201960	10.555	103,625	1,021,800	-	103,625	103,625	-	-
Total National School Lunch Program					200,048	103,625	303,673	-	-
Summer Food Service Program									
COVID-19 SFSP Operating	200900	10.559	117,396	-	-	-	117,396	117,396	-
COVID-19 SFSP Extended	210904	10.559	1,680,235	-	-	-	1,457,884	1,680,235	222,351
Total Summer Food Service Program					-	-	1,575,280	1,797,631	222,351
Total Child Nutrition Cluster					200,048	146,283	2,039,391	1,915,411	222,351
Child and Adult Care Food Program									
Child & Adult Care Food Program	211920	10.558	123,106	-	-	-	120,776	123,106	2,330
Child & Adult Care Food Program - Snack	212010	10.558	139	-	-	-	139	139	-
Total Child & Adult Care Food Program					-	-	120,915	123,245	2,330
Fresh Fruit and Vegetable Program	210950	10.582	61,631	-	-	-	53,669	61,631	7,962
Total U.S. Department of Agriculture					200,048	146,283	2,213,975	2,100,287	232,643
U.S. Department of Defense									
Direct Programs:									
Project Number JROTC 2019 Grant	MI-171530	12.357	55,560	52,044	2,260	-	2,260	-	-
Project Number JROTC 2021 Grant	MI-171531	12.357	53,352	-	-	-	53,352	53,352	-
Total U.S. Department of Defense					2,260	-	55,612.49	53,352	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

School District of the City of Pontiac
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor / Pass Through Grantor / Program Title	Grant / Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year(s) Expenditures	Accrued (Unearned) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2021
U.S. Department of Treasury									
Passed through the Michigan Department of Education:									
Coronavirus Relief Funds									
COVID-19 103(2) District Covid Costs	2020-2021	21.019	\$ 48,517	\$ -	\$ -	\$ -	\$ 48,517	\$ 48,517	\$ -
COVID-19 11p Coronavirus Relief Funds	2020-2021	21.019	1,378,332	-	-	-	1,378,332	1,134,331	(244,001)
Passed Through Oakland Schools									
COVID-19 OC Oakland Together Schools	N/A	21.019	998,155	-	-	-	998,155	998,155	-
Passed through Copper County Intermediate School District:									
COVID-19 MAISA MiConnect	N/A	21.019	272,827	-	-	-	55,584	55,584	-
Total U.S. Department of Treasury					-	-	2,480,588	2,236,587	(244,001)
U.S. Department of Education									
Passed through Oakland Schools									
Special Education Cluster									
Special Education Grants to States									
IDEA Flowthrough	190450	84.027	1,459,491	1,456,677	132,829	-	135,643	2,814	-
IDEA Flowthrough	200450	84.027	1,461,194	1,186,356	977,541	-	981,379	266,609	262,771
IDEA Flowthrough	210450	84.027	1,391,202	-	-	-	-	1,026,281	1,026,281
Total Special Education Grants to States					1,110,370	-	1,117,022	1,295,704	1,289,052
Special Education Preschool Grants									
Preschool Incentive	200460	84.173	63,279	61,811	43,007	-	43,007	1,468	1,468
Preschool Incentive	210460	84.173	51,389	-	-	-	-	51,389	51,389
Total Special Education Preschool Grants					43,007	-	43,007	52,857	52,857
Total Special Education Cluster					1,153,377	-	1,160,029	1,348,561	1,341,909
Passed through the Michigan Department of Education									
Title I Grants to Local Educational Agencies									
Title I, Part A	201530 1920	84.010	6,018,462	4,468,538	1,654,718	-	1,659,018	4,300	-
Title I, Part A	211530 2021	84.010	6,709,131	-	-	-	3,453,641	4,577,852	1,124,211
Total Title I Grants to Local Educational Agencies					1,654,718	-	5,112,659	4,582,152	1,124,211
21st Century Community Learning Centers	202110 L194273	84.287	405,000	405,000	123,320	-	123,320	-	-
21st Century Community Learning Centers	212110 L194273	84.287	405,000	-	-	-	294,324	405,000	110,676
Total 21st Century Community Learning Center					123,320	-	417,644	405,000	110,676
English Language Acquisition Grants									
Title III English Language Acquisition	200580 1920	84.365	116,505	110,349	51,413	-	51,413	-	-
Title III English Language Acquisition	210580 2021	84.365	113,669	-	-	-	68,123	88,887	20,764
Total English Language Acquisition Grants					51,413	-	119,536	88,887	20,764

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

School District of the City of Pontiac
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor / Pass Through Grantor / Program Title	Grant / Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year(s) Expenditures	Accrued (Unearned) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2021
U.S. Department of Education (continued)									
Passed through the Michigan Department of Education (continued)									
Supporting Effective Instruction State Grant									
Title II Part A Improving Teacher Quality	200520 1920	84.367	\$1,023,821	\$ 716,260	\$ 273,609	\$ -	\$ 302,517	\$ 28,908	\$ -
Title II Part A Improving Teacher Quality	210520 2021	84.367	789,687	-	-	-	238,936	267,152	28,216
Total Title II Part A					273,609	-	541,453	296,060	28,216
Student Support and Academic Enrichment Grants									
Title IV Student Support & Academic Enrichment	200750 1920	84.424	497,578	432,230	376,367	-	380,286	3,919	-
Title IV Student Support & Academic Enrichment	210750 2021	84.424	437,640	-	-	-	216,252	348,508	132,256
Total Student Support and Academic Enrichment Grants					376,367	-	596,538	352,427	132,256
Education Stabilization Funds									
Governor's Emergency Education Relief (GEER)	201200 1920	84.425C	425,119	-	-	-	-	95,037	95,037
Elementary and Secondary School Emergency Relief (ESSER) Formula	203710 1920	84.425D	4,260,253	-	-	-	4,238,564	4,238,564	-
Elementary and Secondary School Emergency Relief (ESSER) Formula II	213712 20-21	84.425D	7,688,527	-	-	-	-	4,982,071	4,982,071
Total Education Stabilization Funds					-	-	4,238,564	9,315,672	5,077,108
Total U.S. Department of Education					3,632,804	-	12,186,423	16,388,759	7,835,140
U.S. Department of Health and Human Services									
Medicaid Cluster									
Passed through Oakland Schools									
Medical Assistance Program	N/A	93.778	4,273	-	-	-	4,273	4,273	-
Total Federal Awards					\$ 3,835,112	\$ 146,283	\$ 16,940,871	\$ 20,783,258	\$ 7,823,782

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

School District of the City of Pontiac
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School District of the City of Pontiac under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School District of the City of Pontiac, it is not intended to and does not present the financial position and changes in financial positions of the School District of the City of Pontiac.

Note 2 - Summary of Significant Accounting Policies

Expenditures

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 where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The School District of the City of Pontiac has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Expenditures per the schedule of expenditure of federal awards	\$ 20,783,258
Prior year deferred inflows of resources	1,264,083
Current year deferred inflows of resources	(1,676,124)
Child Nutrition Cluster expenditures from prior year	<u>146,283</u>
Federal revenues per the financial statements	<u><u>\$ 20,517,500</u></u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

School District of the City of Pontiac
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. cash in lieu of commodities.

Note 6 - Adjustments

Adjustments were reported on the schedule of expenditures of federal awards to reflect payments received for Child Nutrition Cluster claims from the prior year.

School District of the City of Pontiac
Schedule of Findings and Questioned Costs
June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:
Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • 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 auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

 yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.019
84.425C / 84.425D

Coronavirus Relief Funds
Education Stabilization Funds

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes no

School District of the City of Pontiac
Schedule of Findings and Questioned Costs
June 30, 2021

Section II - Government Auditing Standards Findings

Finding 2021-001, 2020-002, 2019-002 - Material Weakness - Audit Adjustments

Criteria:	Management is responsible for the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Also, Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that the School District must have a system that provides for the design, implementation, and maintenance of effective control-related policies and procedures. This includes performing timely reconciliation and review of all account balances.
Condition:	Several of the balance sheet line items had not been fully reconciled by the time of the audit. Adjusting journal entries were necessary to correct the trial balance provided. A material adjustment was necessary to record unearned revenue.
Cause and Effect:	The School District's business office has continued to improve their reconciliation processes. Many balance sheet amounts have carried forward for several years and were adjusted in the current year. The unearned revenue adjustment was necessary due to an oversight.
Recommendation:	We recommend that a monitoring program be implemented and documented over all year end accrual accounts. This monitoring program should include a review that internal control procedures and district policies were used. This will allow Management to ensure all account balances are being provided to auditors free of error.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.

School District of the City of Pontiac
Summary Schedule of Prior Audit Findings
June 30, 2021

Section IV - Prior Audit Findings

Finding 2020-001, 2019-001, 2018-001, 2017-001, 2016-001 - Material Noncompliance - Operational Deficit

Criteria: In accordance with Public Act 621 of 1978, no fund shall have a deficit fund balance.

Status: Corrected finding as identified in corrective action plan.

Finding 2020-002, 2019-002 - Significant Deficiency

Criteria: Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that the School District must have a system that provides for the design, implementation, and maintenance of effective control-related policies and procedures. This includes performing timely reconciliation and review of all account balances.

Status: Partially corrected - The District made significant improvements during the year; however, adjustments were needed (see 2021-001).

School District of the City of Pontiac
Corrective Action Plan
June 30, 2021



School District of the City of Pontiac

Business Services | Jim Graham, Director

248.451.6836

Pontiac School District
Corrective Action Plan For Fiscal Year Ending 2021

Finding Number:	2021 – 001 – Material Weakness
Finding Description:	Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that the School District must have a system that provides for the design, implementation, and maintenance of effective control-related policies and procedures. This includes performing timely reconciliation and review of all account balances.
Response:	The District has added a detailed audit shared document for all department staff that ensures all required journal entries are completed accurately and timely, regardless of who may have done the entry in the prior year. Specific to deferred grant revenues, a second procedure has been added whereby the Grant Coordinator will provide a separate listing of carryover dollars at year end that can be used a double check of the applicable journal entry.
Responsibility:	Business Office
Update:	September 28, 2021

Signature: _____

Title: _____

Signature: _____

Title: _____