

October 24, 2022

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac (the School District) as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 23, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the 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 leasing activities.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Significant estimates
- Implementation of new accounting standard
- Compensated absences valuation
- Audit adjustments in the prior year

Additional Information

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial

Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of School District of the City of Pontiac as of and for the year ended June 30, 2022, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls and compliance. This letter does not affect our report dated October 24, 2022, on the financial statements of the School District of the City of Pontiac.

Budget Overage

As a result of revenue and expenses running higher than expected and an additional food inventory expense at yearend that was not budgeted for, there was a budget overage in the Food Service fund. This resulted in food service expenditures that exceeded final budgeted amounts. We recommend the School District adjust budgets as revenue and expenditure estimates change significantly in the future.

Cohort Removal Documentation

We tested 15 students who were removed from the 2022 cohort. We noted that for 2 of the 15 selected, the district was not able to provide documentation to support the exit reason that was entered for the student. Of the students tested that the district was able to provide documentation for, we noted that all matched what was entered in the system. During our review, we noted that the issue appeared to be properly maintaining documentation, as opposed to entering the information incorrectly. We recommend that the district reminds staff that documentation should be kept to support the reasoning that a student was removed from the cohort.

School District of the City of Pontiac

Financial Statements

June 30, 2022



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 the School District's Proportionate Share of the Net Pension Liability	5 - 3
Schedule of the School District's Pension Contributions	5 - 4
Schedule of the School District's Proportionate Share of the Net OPEB Liability	5 - 5
Schedule of the 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, 2022

Members of the Board of Education

Gill Garrett, President

Kenyada Bowman, Vice President

Kevin Gross, Secretary

ShaQuana Davis-Smith, Treasurer

Anisha Hannah, Trustee

Marcus Terry, Trustee

Caroll Turpin, Trustee

Administration

Kelley Williams, Superintendent

James Graham, Director of Business Services



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2022, and the related notes to the financial statements, which collectively comprise the School District of the City of Pontiac's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Supplementary 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, is presented for the purpose of additional analysis 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 other supplementary information, as identified in the table of contents, 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 October 24, 2022 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
October 24, 2022

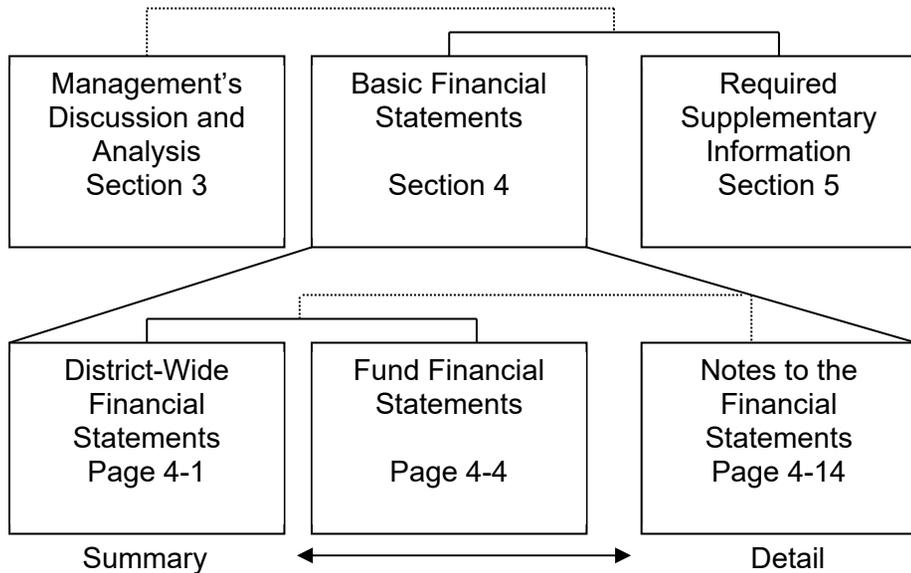
MANAGEMENT'S DISCUSSION AND ANALYSIS

School District of the City of Pontiac
Management Discussion and Analysis
Year Ended June 30, 2022

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, 2022. 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, 2022

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, 2022

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, 2022 and 2021:

Table 1	<u>Governmental Activities</u>	
	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
	(in millions)	
Assets		
Current and other assets	\$ 95.0	\$ 117.5
Capital assets	<u>74.6</u>	<u>55.0</u>
Totals assets	<u>169.6</u>	<u>172.5</u>
Deferred outflows of resources	<u>26.7</u>	<u>24.2</u>
Liabilities		
Current liabilities	16.6	16.0
Long-term liabilities	<u>206.5</u>	<u>246.3</u>
Total liabilities	<u>223.1</u>	<u>262.3</u>
Deferred inflows of resources	<u>46.8</u>	<u>21.2</u>
Net Position		
Net investment in capital assets	36.6	132.6
Restricted	5.1	3.4
Unrestricted	<u>(115.3)</u>	<u>(222.8)</u>
Total net position	<u>\$ (73.6)</u>	<u>\$ (86.8)</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 (\$73.6 million) at June 30, 2022. Net investment in capital assets totaling \$32.9 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 \$5.1 will be used for capital projects in the upcoming years. The remaining amount of net position of (\$116.6 million) was unrestricted.

The (\$111.6 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 a 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, 2022

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, 2022 and 2021.

Table 2

	<u>Governmental Activities</u>	
	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ -	\$ 0.2
Operating grants and contributions	44.6	39.0
General Revenue:		
Property taxes	42.7	41.1
State aid	0.1	0.4
Other	<u>1.8</u>	<u>1.7</u>
Total revenue	<u>89.2</u>	<u>82.4</u>
Functions/Program Expenses		
Instruction	33.3	34.4
Support services	36.5	31.7
Food services	3.1	2.8
Community services	0.3	0.4
Interest on long-term debt	<u>2.8</u>	<u>4.4</u>
Total functions/program expenses	<u>76.0</u>	<u>73.7</u>
Increase in Net Position	13.2	8.7
Net Position - Beginning of year	<u>(86.8)</u>	<u>(95.7)</u>
Net Position - End of year	<u>\$ (73.6)</u>	<u>\$ (87.0)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$76.0 million. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions (\$44.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$42.7 million in taxes, \$.1 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements, totaling \$1.8 million.

The School District experienced an increase in net position of \$13.2 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, 2022**

As the School District completed this year, the governmental funds reported a combined fund balance of \$77.0M, which is a decrease of \$22.9 million from last year. The primary reasons for the decrease are as follows:

- Spending of \$29.4 million of bond proceeds related to bond construction costs
- 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

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

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 2021-2022 General Fund original budget. Budgeted revenues and other financing sources were increased by \$22.5 million mainly due to debt refinancing, and transfers from other funds. Budgeted expenditures and other financing uses were increased by \$21.8 million as a result debt refinancing and changes in grant expenditures.

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, 2022, the School District had \$75.6 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 \$19.6 million, or approximately a 25.9 percent increase, from last year.

	2022	2021
Land	\$ 1,619,804	\$ 1,619,804
Construction in progress	25,867,575	4,914,011
Land improvements	7,108,742	7,108,742
Buildings and building improvements	76,235,551	75,231,911
Buses and other vehicles	140,152	107,372
Furniture and equipment	6,161,886	5,898,039
Total capital assets	117,133,710	94,879,879
Less accumulated depreciation	42,509,323	39,903,458
Net capital assets	\$74,624,387	\$54,976,421

Due to the FY 2021 approval of a \$147 million Capital Bond program and 0.80 mill sinking fund, several major capital projects are planned for the 2022-23 fiscal year which includes the PHS infrastructure upgrades, WHRC infrastructure 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, 2022

Debt

At the end of this year, the School District had \$126 million in bonds and notes outstanding versus \$135 million in the previous year - a decrease of 6.6 percent due to the refunding and paydown of the 2014 and 2015 Emergency Loans, 2018A Revenue Bond, and the reduction in the Tax Anticipation Note amount from the previous year. Those notes and bonds consisted of the following:

	2022	2021
Notes and bonds payable	<u>\$ 138,862,935</u>	<u>\$ 148,164,888</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 2022-2023 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 generates more total dollars than the State foundation revenue calculation, the District continues to be an “Out of Formula” district once again for the 2023 fiscal year. Therefore, the change in student enrollment and the amount of the foundation allowance are no longer a determining factor in the major revenues for the District. The 2022-2023 budget was adopted in June 2022, based on the estimated tax revenues from the 18 mill non-homestead tax. The School District adopted the 2022-2023 General Fund budget with \$1.50 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 2022-2023, the District budget program includes; continuation of previous initiatives, reducing borrowing for cash flow, continuation of 1:1 technology at school and at home, add interactive displays and supplemental audio to school classrooms, various bond and sinking fund projects, addition of Hospitality and Tourism CTE and Information Technology Pathways, add African American Literature course, add new student and teacher classroom furniture, increase athletic offerings including a full time Athletic Director and Secretary, and additional hours for Bilingual tutors.

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, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 32,894,562
Deposits	25,000
Lease receivable	524,244
Due from other governmental units	8,341,570
Inventory	25,510
Investments	52,562,750
Prepays and other deposits	586,445
Capital assets not being depreciated	27,487,379
Capital assets - net of accumulated depreciation	<u>47,137,008</u>
Total assets	<u>169,584,468</u>
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	18,049,111
Deferred amount relating to net OPEB liability	8,227,885
Deferred amount on debt refunding	<u>455,967</u>
Total deferred outflows of resources	<u>26,732,963</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 8,492,609
Interest payable	739,983
Claims payable	17,153
Accrued expenditures	975,197
Accrued salaries payable	3,934,135
Unearned revenue	2,439,705
Long-term liabilities	
Debt due within one year	15,460,000
Debt due in more than one year	124,649,732
Net pension liability	62,050,467
Net OPEB liability	<u>4,294,271</u>
Total liabilities	<u>223,053,252</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	28,447,755
Deferred amount relating to the net OPEB liability	17,856,937
Deferred amount relating to the lease receivable	<u>524,244</u>
Total deferred inflows of resources	<u>46,828,936</u>
Net Position	
Net investment in capital assets	36,608,131
Restricted for:	
Capital projects - sinking fund	5,091,079
Unrestricted (deficit)	<u>(115,263,967)</u>
Total net position	<u>\$ (73,564,757)</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 33,277,195	\$ -	\$ 39,628,815	\$ 6,351,620
Supporting services	36,526,190	-	2,041,145	(34,485,045)
Food services	3,094,347	2,584	2,917,102	(174,661)
Community services	264,738	4,211	-	(260,527)
Interest on long-term debt	2,752,256	-	-	(2,752,256)
Total governmental activities	\$ 75,914,726	\$ 6,795	\$ 44,587,062	(31,320,869)
General revenues				
Property taxes, levied for general purposes				33,498,863
Property taxes, levied for debt service				6,899,375
Property taxes, levied for sinking fund				2,303,771
State aid - unrestricted				78,042
Interest and investment earnings				9,199
Other				1,805,264
Total general revenues				44,595,264
Change in net position				13,274,395
Net position - beginning				(86,839,152)
Net position - ending				\$ (73,564,757)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 12,852,819	\$ 12,145,964	\$ 6,289,843	\$ 31,288,626
Lease receivable	524,244	-	-	524,244
Due from other governmental units	8,198,184	-	143,386	8,341,570
Inventory	-	-	25,510	25,510
Investments	-	52,562,750	-	52,562,750
Prepaid and other deposits	586,445	-	-	586,445
Total assets	<u>\$ 22,161,692</u>	<u>\$ 64,708,714</u>	<u>\$ 6,458,739</u>	<u>\$ 93,329,145</u>
Liabilities				
Accounts payable	\$ 1,708,445	\$ 6,265,937	\$ 432,791	\$ 8,407,173
Accrued expenditures	975,190	-	7	975,197
Accrued salaries payable	3,883,524	-	50,611	3,934,135
Unearned revenue	2,439,705	-	-	2,439,705
Total liabilities	<u>9,006,864</u>	<u>6,265,937</u>	<u>483,409</u>	<u>15,756,210</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2022

	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	\$ 20,179	\$ -	\$ -	\$ 20,179
Leases	524,244	-	-	524,244
Total deferred inflows of resources	<u>544,423</u>	<u>-</u>	<u>-</u>	<u>544,423</u>
Fund Balances				
Non-spendable				
Inventory	-	-	25,510	25,510
Prepaid items	586,445	-	-	586,445
Restricted for				
Food service	-	-	360,836	360,836
Debt service	-	-	313,843	313,843
Capital projects	-	58,442,777	5,091,079	63,533,856
Committed for school and student activities	-	-	184,062	184,062
Assigned for debt service	264,954	-	-	264,954
Unassigned	11,759,006	-	-	11,759,006
Total fund balances	<u>12,610,405</u>	<u>58,442,777</u>	<u>5,975,330</u>	<u>77,028,512</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,161,692</u>	<u>\$ 64,708,714</u>	<u>\$ 6,458,739</u>	<u>\$ 93,329,145</u>

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, 2022

Total fund balances for governmental funds	\$ 77,028,512
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	20,179
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	27,487,379
Capital assets - net of accumulated depreciation	47,137,008
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	455,967
Deferred inflows of resources resulting from the net pension liability	(28,447,755)
Deferred outflows of resources resulting from the net pension liability	18,049,111
Deferred inflows of resources resulting from the net OPEB liability	(17,856,937)
Deferred outflows of resources resulting from the net OPEB liability	8,227,885
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(739,983)
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	(62,050,467)
Net OPEB liability	(4,294,271)
Compensated absences	(1,246,797)
Bonds payable	(126,485,000)
Premiums on bond	(12,377,935)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>1,528,347</u>
Net position of governmental activities	<u>\$ (73,564,757)</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, 2022

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 35,389,510	\$ (258,635)	\$ 9,275,849	\$ 44,406,724
State sources	14,875,518	-	176,749	15,052,267
Federal sources	24,263,139	-	2,740,353	27,003,492
Interdistrict sources	4,386,772	-	-	4,386,772
Total revenues	<u>78,914,939</u>	<u>(258,635)</u>	<u>12,192,951</u>	<u>90,849,255</u>
Expenditures				
Current				
Education				
Instruction	31,552,313	-	-	31,552,313
Supporting services	34,560,523	-	55,775	34,616,298
Food services	-	-	2,921,294	2,921,294
Community services	249,933	-	-	249,933
Capital outlay	1,371,338	29,417,094	563,522	31,351,954
Debt service				
Principal	14,961,774	-	1,795,000	16,756,774
Interest and other expenditures	237,152	-	3,805,750	4,042,902
Payment to bond refunding escrow agent	3,451,042	-	-	3,451,042
Total expenditures	<u>86,384,075</u>	<u>29,417,094</u>	<u>9,141,341</u>	<u>124,942,510</u>
Excess (deficiency) of revenues over expenditures	<u>(7,469,136)</u>	<u>(29,675,729)</u>	<u>3,051,610</u>	<u>(34,093,255)</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, 2022

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from refinancing debt	\$ 27,655,000	\$ -	\$ -	\$ 27,655,000
Payment to bond refunding escrow agent	(27,499,925)	-	-	(27,499,925)
Proceeds from loans	11,000,000	-	-	11,000,000
Proceeds from sale of capital assets	750	-	-	750
Transfers in	984,782	-	-	984,782
Transfers out	-	-	(984,782)	(984,782)
Total other financing sources (uses)	<u>12,140,607</u>	<u>-</u>	<u>(984,782)</u>	<u>11,155,825</u>
Net change in fund balances	4,671,471	(29,675,729)	2,066,828	(22,937,430)
Fund balances - beginning	<u>7,938,934</u>	<u>88,118,506</u>	<u>3,908,502</u>	<u>99,965,942</u>
Fund balances - ending	<u>\$ 12,610,405</u>	<u>\$ 58,442,777</u>	<u>\$ 5,975,330</u>	<u>\$ 77,028,512</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, 2022

Net change in fund balances - Total governmental funds \$ (22,937,430)

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 (1,660,884)

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 (2,605,865)
Capital outlay 22,253,831

Expenses are recorded when incurred in the statement of activities.

Accrued interest 548,693
Compensated absences (75,712)

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 22,044,129
Net change in deferrals of resources related to the net pension liability (19,274,662)

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 8,510,214
Net change in deferrals of resources related to the net OPEB liability (3,683,283)

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, 2022

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	(38,655,000)
Repayments of long-term debt	47,670,967
Repayments of lease	36,774
Amortization of premiums	741,953
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	360,670
Change in net position of governmental activities	\$ 13,274,395

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2022

	<u>Internal Service Fund</u>
Assets	
Cash	\$ 1,605,936
Deposits	<u>25,000</u>
Total assets	<u>1,630,936</u>
Liabilities	
Accounts payable	85,436
Claims payable	17,153
Total liabilities	<u>102,589</u>
Net Position	
Unrestricted	<u>\$ 1,528,347</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, 2022

	Internal Service Fund
Revenues	
Charges to other funds	\$ <u>1,079,854</u>
Expenses	
Workers compensation, general liability, and unemployment expenses	<u>719,184</u>
Net income	360,670
Net position - beginning	<u>1,167,677</u>
Net position - ending	<u>\$ 1,528,347</u>

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, 2022

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Charges to other funds	\$ 1,079,854
Payments to providers	<u>(808,060)</u>
Net cash provided by operating activities	271,794
Cash - beginning of year	<u>1,334,142</u>
Cash - end of year	<u>\$ 1,605,936</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 360,670
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Accounts payable	(25,596)
Claims payable	<u>(63,280)</u>
Net cash provided by operating activities	<u>\$ 271,794</u>

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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

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. 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

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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, 2022, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
Debt Fund	2.0000
Sinking Fund	0.7992

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, 2022

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, 2022

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. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. 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.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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.

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.

Adoption of New Accounting Standards

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 financing 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.

Upcoming Accounting and Reporting Changes

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This statement is effective for fiscal periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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.

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.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

Excess of Expenditures over Appropriations

The School District had the following expenses in excess of budgeted amounts:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 5,086,415	\$ 5,351,565	\$ 265,150
School administration	3,408,895	3,669,185	260,290
Capital outlay	718,100	1,371,338	653,238
Food Service Fund			
Food services	2,663,434	2,921,294	257,860

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	\$ 103,593,631
Expenditures and other financing uses	<u>45,150,854</u>
	<u>\$ 58,442,777</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 School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government
Cash	<u>\$ 32,894,562</u>	<u>\$ 1,605,936</u>	<u>\$ 34,500,498</u>
Investments	<u>52,562,750</u>	<u>-</u>	<u>52,562,750</u>

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

Deposits (checking accounts, savings accounts, and money markets)	\$ 32,894,055
Petty cash and cash on hand	<u>507</u>
	32,894,562
Investments in securities, mutual funds, and similar vehicles	<u>52,562,750</u>
Total	<u>\$118,351,874</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
U.S. Government Bonds				
UNITED STATES TREASURY BILLS 0.000% 09/08/22 DTD 09/09/21	\$ 19,940,800	1 year	Aaa / AA+	Moody / S&P
UNITED STATES TREASURY BILLS 0.000% 03/23/23 DTD 03/24/22	9,828,200	1 Year	Aaa / AA+	Moody / S&P
UNITED STS TREAS NTS 0.125% 06/30/23 DTD 06/30/2021	6,809,390	1 Year	Aaa / AA+	Moody / S&P
UNITED STS TREAS NTS 1.375% 06/30/23 DTD 06/30/2016	4,966,168	1 Year	Aaa / AA+	Moody / S&P
FEDERAL NATL MTG ASSN	2,631,843	2 Years	Aaa / AA+	Moody / S&P
Municipal Bonds				
CHIPPEWA VALLEY MICH SCHS TAXABLE UNLTD TAX GO REF BDS 2020	716,199	3 years	Aa1	Moody
GRAND RAPIDS MICH SAN SWR SYS REV SWR SYS REF REV BBS 2010	1,739,557	2 years	Aa2 / AA	Moody / S&P
MICHIGAN SI GO SCH LN REF BDS 2016 A	5,009,810	56 years	Aa1 / AA	Moody / S&P
MICHIGAN ST BLDG AUTH REV REF TAXABLE BBS 2020 II	716,300	2 years	Aa2	Moody
WARREN MICH GO LTD TAX REF BDS 2015	204,483	8 years	AA	S&P
	<u>\$ 52,562,750</u>			

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, \$28,042,585 of the School District's bank balance of \$33,321,383 was exposed to custodial credit risk because it was uninsured and uncollateralized.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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, 2022:

- 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.

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	<u>4,914,011</u>	<u>21,943,720</u>	<u>990,156</u>	<u>25,867,575</u>
Total capital assets not being depreciated	<u>6,533,815</u>	<u>21,943,720</u>	<u>990,156</u>	<u>27,487,379</u>
Capital assets being depreciated				
Land improvements	7,108,742	-	-	7,108,742
Building and building improvements	75,231,911	1,003,640	-	76,235,551
Equipment and furniture	5,898,039	263,847	-	6,161,886
Vehicles	<u>107,372</u>	<u>32,780</u>	<u>-</u>	<u>140,152</u>
Total capital assets being depreciated	<u>88,346,064</u>	<u>1,300,267</u>	<u>-</u>	<u>89,646,331</u>
Less accumulated depreciation for				
Land improvements	1,475,398	351,747	-	1,827,145
Building and building improvements	34,986,874	1,798,969	-	36,785,843
Equipment and furniture	3,374,718	445,519	-	3,820,237
Vehicles	<u>66,468</u>	<u>9,630</u>	<u>-</u>	<u>76,098</u>
Total accumulated depreciation	<u>39,903,458</u>	<u>2,605,865</u>	<u>-</u>	<u>42,509,323</u>
Net capital assets being depreciated	<u>48,442,606</u>	<u>(1,305,598)</u>	<u>-</u>	<u>47,137,008</u>
Net capital assets	<u>\$ 54,976,421</u>	<u>\$ 20,638,122</u>	<u>\$ 990,156</u>	<u>\$ 74,624,387</u>

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

Governmental activities	
Instruction	\$ 1,185,770
Supporting services	1,300,917
Food services	109,785
Athletics	<u>9,393</u>
Total governmental activities	<u>\$ 2,605,865</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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
District Wide Playground Phase 2	\$ 588,528	\$ 86,753	\$ -
Fell Center Project	1,445,704	53,792	1,963
PMS Window and Doors Replacement	701,242	12,343	-
WHRC Roof Replacement	2,351,062	524,797	-
PHS Roof Replacement	2,062,443	114,176	5,361
PHS Athletics	5,257,868	446,195	-
PMS Infrastructure	12,856,428	11,861,144	-
WHRC Infrastructure	22,293,434	9,945,762	26,315
Whitman Doors and Windows	626,924	270,380	-
PHS Infrastructure	23,560,556	23,342,702	-
PHS and PMS parking lots	4,249,104	4,221,361	-
PHS and PMS science labs	2,035,781	2,035,781	-
Theatre Project	2,235,427	2,235,427	-
PHS and PMS swing space	334,539	33,454	-
WHRC and ITA food service equipment	338,292	172,576	-
PHS concessions building	654,076	432,341	-
PHS Infrastructure - D-wing lockers	111,000	45,849	-
PHS gym floor and bleachers	693,990	693,990	-
PHS gym waterproofing	957,522	957,522	-
Total	<u>\$ 83,353,921</u>	<u>\$ 57,486,346</u>	<u>\$ 33,639</u>

All projects are expected to be complete during the 2023 school year.

Note 6 - Interfund Transfers

Interfund transfers were made during the year, between the General Fund and the MESSA Levy Debt Fund totaling \$984,782. The transfers from MESSA Levy Debt Fund to the General Fund are to cover debt service payments for the MESSA Levy.

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>\$ 2,439,705</u>
--	---------------------

Note 8 - Leases

Leases Receivable

The School District has three significant agreements leasing district buildings. The first lease commenced in July 2018 and has a term of 10 years, expiring July 2028. The payments for this lease are equal to \$3,444 per month with no escalation. The second lease commenced in January 2019 for the lease of a building. The lease carries a term of 60 months, with base rent of \$4,200, which escalates 2% annually. The third lease commenced in January 2019 for the lease of a building. The lease carries a term of 60 months, with base rent of \$12,500, which escalates 2% annually.

The District collected \$248,348 from the tenants for the year ended June 30, 2022, which includes \$229,642 in lease revenue, \$18,705 in lease interest revenue. A lease receivable and deferred inflows have been recorded to reflect future expected payments. Future minimum lease payments are as follows:

Year ending June 30,	
2023	\$ 212,224
2024	152,169
2025	<u>159,851</u>
Total	<u>\$ 524,244</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

Note 9 - 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 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	\$ -	\$ 1,795,000	\$ 88,255,000	\$ 2,085,000
Emergency loans	19,995,000	18,995,000	20,420,000	18,570,000	335,000
Revenue bonds	10,500,000	8,660,000	10,500,000	8,660,000	940,000
Tax anticipation note	14,500,000	11,000,000	14,500,000	11,000,000	11,000,000
Premium on bonds	13,119,888	-	741,953	12,377,935	-
Total bonds and loans payable	<u>148,164,888</u>	<u>38,655,000</u>	<u>47,956,953</u>	<u>138,862,935</u>	<u>14,360,000</u>
Other liabilities					
Compensated absences	1,171,085	1,166,696	1,090,984	1,246,797	1,100,000
Leases	36,774	-	36,774	-	-
Total other liabilities	<u>1,207,859</u>	<u>1,166,696</u>	<u>1,127,758</u>	<u>1,246,797</u>	<u>1,100,000</u>
Total	<u>\$ 149,372,747</u>	<u>\$ 39,821,696</u>	<u>\$ 49,084,711</u>	<u>\$ 140,109,732</u>	<u>\$ 15,460,000</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:

\$8,660,000 local government loan program revenue bonds due in annual installments of \$940,000 to \$1,215,000 through May 1, 2030, interest at 3.24%	\$ 8,660,000
\$9,795,000 emergency loan due in annual installments of \$165,000 to \$630,000 through May 1, 2044, interest at 1.40%	9,590,000
\$9,200,000 emergency loan due in annual installments of \$170,000 to \$590,000 through May 1, 2045, interest at 1.40%	8,980,000
\$11,000,000 TAN revenue loan due in installments of \$1,075,000 to \$6,765,000 due June 30, 2022, interest at 1.04%	11,000,000
\$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>88,255,000</u>
Total debt	<u>\$ 126,485,000</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 14,360,000	\$ 4,290,857	\$ 18,650,857
2024	3,735,000	4,117,519	7,852,519
2025	4,095,000	3,960,093	8,055,093
2026	2,650,000	3,786,235	6,436,235
2027	2,810,000	3,685,079	6,495,079
2027 - 2031	15,480,000	16,676,154	32,156,154
2032 - 2036	18,105,000	13,792,968	31,897,968
2037 - 2041	23,035,000	10,519,044	33,554,044
2042 - 2046	25,270,000	6,279,604	31,549,604
2047 - 2050	<u>16,945,000</u>	<u>1,379,200</u>	<u>18,324,200</u>
Total	<u>\$ 126,485,000</u>	<u>\$ 68,486,753</u>	<u>\$ 194,971,753</u>

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 \$16,929 of vacation hours accrued and \$1,229,868 in accrued sick time benefits.

Advance Refunding

On March 4, 2022, the School District issued local government revenue bonds of \$8,660,000 (par value) with an interest rate of 3.24% to advance refund local government revenue bonds with an interest rate of 5.85% and a par value of \$10,500,000. The revenue bonds mature on May 1, 2030. After paying issuance costs of \$155,075, the net proceeds of the new bonds were \$8,504,925. Of this total, \$8,504,925 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.

On September 28, 2021, the School District issued local government revenue bonds of \$9,200,000 (par value) with an interest rate of 1.40% to advance refund term bonds with an interest rate of 2.70 % and a par value of \$9,995,000. The revenue bonds mature on November 1, 2044. The net proceeds were \$9,200,000. 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 \$3,674,987, which resulted in an economic gain of \$2,855,655

On September 28, 2021, the School District issued local government revenue bonds of \$9,795,000 (par value) with an interest rate of 1.40% to advance refund term bonds with an interest rate of 2.70 % and a par value of \$10,000,000. The revenue bonds mature on November 1, 2044. The net proceeds were \$9,795,000. 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 \$2,872,960 which resulted in an economic gain of \$2,285,756

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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 10 - 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 \$17,153.

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

	2022	2021
Estimated liability at the beginning of the year	\$ 80,433	\$ 272,055
Estimated claims incurred including changes in estimates	719,184	718,127
Claim payments	(782,464)	(909,749)
Estimated liability end of year	\$ 17,153	\$ 80,433

Note 11 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) 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).

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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.

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, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 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%	19.78%
Member Investment Plan	3.0 - 7.0%	19.78%
Pension Plus	3.0 - 6.4%	16.82%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$7,869,519 for the year ending September 30, 2021.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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

At June 30, 2022, School District reported a liability of \$62,050,467 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was .2621 percent, which was a decrease of 0.0173 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$5,775,156 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$9,906,880.

At June 30, 2022, 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	\$ 961,188	\$ (365,403)	\$ 595,785
Changes of assumptions	3,911,440	-	3,911,440
Net difference between projected and actual earnings on pension plan investments	-	(19,949,026)	(19,949,026)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>4,008,500</u>	<u>(3,688,888)</u>	<u>319,612</u>
Total to be recognized in future	8,881,128	(24,003,317)	(15,122,189)
School District contributions subsequent to the measurement date	<u>9,167,983</u>	<u>(4,444,438)</u>	<u>4,723,545</u>
Total	<u>\$ 18,049,111</u>	<u>\$ (28,447,755)</u>	<u>\$ (10,398,644)</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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, 2023. The District will offset the contribution expense in the year ended June 30, 2023 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)	
2022	\$ (2,503,433)
2023	(3,604,437)
2024	(4,125,956)
2025	(4,888,363)
	\$ (15,122,189)

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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- 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: RP-2014 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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 4.4367 years.

Recognition period for assets is 5 years.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

Full actuarial assumptions are available in the 2021 MPSERS Annual Comprehensive 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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:

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
<u>\$ 88,715,340</u>	<u>\$ 62,050,467</u>	<u>\$ 39,943,539</u>

**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 (MPSERS) Fiduciary Net Position

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

Payables to the Michigan Public School Employees’ Retirement System (MPSERS)

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

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees’ Retirement System (System or MPSERS) 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.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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.

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, 2020 valuation will be amortized over a 18-year period beginning Oct. 1, 2020 and ending Sept. 30, 2038.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2021.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.43%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$2,088,493 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$4,294,271 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was 0.2813 percent, which was a decrease of 0.0423 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of \$(2,555,417) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$2,279,638.

At June 30, 2022, 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	\$ -	\$(12,257,691)	\$(12,257,691)
Changes of assumptions	3,589,797	(537,168)	3,052,629
Net difference between projected and actual earnings on OPEB plan investments	-	(3,236,669)	(3,236,669)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>2,691,822</u>	<u>(1,825,409)</u>	<u>866,413</u>
Total to be recognized in future	6,281,619	(17,856,937)	(11,575,318)
School District contributions subsequent to the measurement date	<u>1,946,266</u>	<u>-</u>	<u>1,946,266</u>
Total	<u>\$ 8,227,885</u>	<u>\$(17,856,937)</u>	<u>\$ (9,629,052)</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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, 2023. 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)		
2022	\$	(3,386,848)
2023		(3,006,098)
2024		(2,550,069)
2025		(2,230,259)
2026		(355,418)
Thereafter		(46,626)
	\$	(11,575,318)

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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2020
- 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: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- 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: RP-2014 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 Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have 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.

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 6.1312 years.

Recognition period for assets is 5 years.

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

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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>\$ 7,979,531</u>	<u>\$ 4,294,271</u>	<u>\$ 1,166,802</u>

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2022

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
\$ 1,045,191	\$ 4,294,271	\$ 7,949,877

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2021 MPERS Annual Comprehensive 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 13 - 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, 2022.

Note 14 - 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, 2022, the School District’s property tax revenues were reduced by \$6,493,275 under these programs.

Note 15 - Change in Accounting Principle

As indicated in Note 1, The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the School District’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2021 financial statements include a prior period adjustment for the lease receivable. This adjustment had no effect on the beginning fund balance of the General Fund or beginning net position of the governmental activities since the deferred inflows equal the amount of the lease receivable.

REQUIRED SUPPLEMENTARY INFORMATION

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 35,300,566	\$ 35,034,613	\$ 35,389,510	\$ 354,897
State sources	13,263,659	14,262,949	14,875,518	612,569
Federal sources	28,361,770	24,499,900	24,263,139	(236,761)
Interdistrict sources	5,105,022	5,289,592	4,386,772	(902,820)
Total revenues	<u>82,031,017</u>	<u>79,087,054</u>	<u>78,914,939</u>	<u>(172,115)</u>
Expenditures				
Instruction	34,848,857	32,389,945	31,552,313	(837,632)
Supporting services				
Pupil	5,680,023	5,086,415	5,351,565	265,150
Instructional staff	4,388,221	4,137,133	3,885,623	(251,510)
General administration	1,580,442	2,191,648	1,324,762	(866,886)
School administration	3,339,297	3,408,895	3,669,185	260,290
Business	1,254,818	1,288,897	688,521	(600,376)
Operations and maintenance	8,776,664	9,043,820	8,871,257	(172,563)
Pupil transportation services	4,909,876	2,710,620	2,538,209	(172,411)
Central	3,407,747	9,145,094	7,909,951	(1,235,143)
Other	410,596	410,596	321,450	(89,146)
Community services	568,614	292,782	249,933	(42,849)
Capital outlay	12,062,500	718,100	1,371,338	653,238
Debt service				
Principal	15,130,000	15,000,000	14,961,774	(38,226)
Interest and other expenditures	-	688,000	237,152	(450,848)
Payment to bond refunding escrow agent	-	3,966,000	3,451,042	(514,958)
Total expenditures	<u>96,357,655</u>	<u>90,477,945</u>	<u>86,384,075</u>	<u>(4,093,870)</u>
Deficiency of revenues over expenditures	<u>(14,326,638)</u>	<u>(11,390,891)</u>	<u>(7,469,136)</u>	<u>3,921,755</u>

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from refinancing debt	\$ -	\$ 27,655,000	\$ 27,655,000	\$ -
Proceeds from loans	14,500,000	11,000,000	11,000,000	-
Payment to bond refunding escrow agent	-	(27,655,000)	(27,499,925)	155,075
Proceeds from sale of capital assets	-	-	750	750
Transfers in	<u>883,542</u>	<u>2,150,942</u>	<u>984,782</u>	<u>(1,166,160)</u>
Total other financing sources (uses)	<u>15,383,542</u>	<u>13,150,942</u>	<u>12,140,607</u>	<u>(1,010,335)</u>
Net change in fund balance	1,056,904	1,760,051	4,671,471	2,911,420
Fund balance - beginning	<u>7,938,934</u>	<u>7,938,934</u>	<u>7,938,934</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,995,838</u>	<u>\$ 9,698,985</u>	<u>\$ 12,610,405</u>	<u>\$ 2,911,420</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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of net pension liability (%)	0.2621%	0.2448%	0.2593%	0.2716%	0.2805%	0.2848%	0.2781%	0.2551%		
B. School District's proportionate share of the net pension liability	\$ 62,050,467	\$ 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	\$ 25,521,400	\$ 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 the net pension liability as a percentage of its covered payroll	243%	397%	385%	360%	313%	294%	291%	267%		
E. Plan fiduciary net position as a percentage of total pension liability	72.60%	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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2013	2012
A. Statutorily required contributions	\$ 9,906,880	\$ 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>9,906,880</u>	<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>	<u>\$ -</u>		
D. School District's covered payroll	\$ 25,397,046	\$ 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	39.01%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. School District's proportion of net OPEB liability (%)	0.2813%	0.2390%	0.2551%	0.2660%	0.2812%					
B. School District's proportionate share of the net OPEB liability	\$ 4,294,271	\$ 12,804,485	\$ 18,313,316	\$ 21,140,973	\$ 24,904,670					
C. School District's covered payroll	\$ 25,521,400	\$ 21,207,667	\$ 22,297,505	\$ 22,647,665	\$ 23,192,189					
D. School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17%	60%	82%	93%	107%					
E. Plan fiduciary net position as a percentage of total OPEB liability	87.33%	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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
A. Statutorily required contributions	\$ 2,279,638	\$ 1,943,712	\$ 1,694,529	\$ 1,737,224	\$ 1,851,950					
B. Contributions in relation to statutorily required contributions	<u>2,279,638</u>	<u>1,943,712</u>	<u>1,694,529</u>	<u>1,737,224</u>	<u>1,851,950</u>					
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
D. School District's covered payroll	\$ 25,397,046	\$ 23,402,033	\$ 21,359,624	\$ 22,480,085	\$ 22,963,157					
E. Contributions as a percentage of covered-employee payroll	8.98%	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, 2022

	Debt Service Fund		Capital Project Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
	MESSA Levy Debt Fund	Bond 2020 Series I Debt Fund	Sinking Fund	Food Service Fund	Student and School Activity Fund	
Assets						
Cash	\$ -	\$ 313,843	\$ 5,139,009	\$ 652,697	\$ 184,294	\$ 6,289,843
Due from other governmental units	-	-	-	143,386	-	143,386
Inventory	-	-	-	25,510	-	25,510
Total assets	<u>\$ -</u>	<u>\$ 313,843</u>	<u>\$ 5,139,009</u>	<u>\$ 821,593</u>	<u>\$ 184,294</u>	<u>\$ 6,458,739</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 47,930	\$ 384,629	\$ 232	\$ 432,791
Accrued expenditures	-	-	-	7	-	7
Accrued salaries payable	-	-	-	50,611	-	50,611
Total liabilities	<u>-</u>	<u>-</u>	<u>47,930</u>	<u>435,247</u>	<u>232</u>	<u>483,409</u>
Fund Balances						
Non-spendable						
Inventory	-	-	-	25,510	-	25,510
Restricted for						
Food service	-	-	-	360,836	-	360,836
Debt service	-	313,843	-	-	-	313,843
Capital projects	-	-	5,091,079	-	-	5,091,079
Committed for school and student activities	-	-	-	-	184,062	184,062
Total fund balances	<u>-</u>	<u>313,843</u>	<u>5,091,079</u>	<u>386,346</u>	<u>184,062</u>	<u>5,975,330</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 313,843</u>	<u>\$ 5,139,009</u>	<u>\$ 821,593</u>	<u>\$ 184,294</u>	<u>\$ 6,458,739</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, 2022

	Debt Service Fund		Capital Project Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
	MESSA Levy Debt Fund	Bond 2020 Series I Debt Fund	Sinking Fund	Food Service Fund	Student and School Activity Fund	
Revenues						
Local sources	\$ 984,782	\$ 5,914,593	\$ 2,303,771	\$ 2,584	\$ 70,119	\$ 9,275,849
State sources	-	-	-	176,749	-	176,749
Federal sources	-	-	-	2,740,353	-	2,740,353
Total revenues	<u>984,782</u>	<u>5,914,593</u>	<u>2,303,771</u>	<u>2,919,686</u>	<u>70,119</u>	<u>12,192,951</u>
Expenditures						
Current						
Education						
Supporting services	-	-	-	-	55,775	55,775
Food services	-	-	-	2,921,294	-	2,921,294
Capital outlay	-	-	563,522	-	-	563,522
Debt service						
Principal	-	1,795,000	-	-	-	1,795,000
Interest and other expenditures	-	3,805,750	-	-	-	3,805,750
Total expenditures	<u>-</u>	<u>5,600,750</u>	<u>563,522</u>	<u>2,921,294</u>	<u>55,775</u>	<u>9,141,341</u>
Excess(deficiency) of revenues over expenditures	984,782	313,843	1,740,249	(1,608)	14,344	3,051,610
Other Financing Uses						
Transfers out	<u>(984,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(984,782)</u>
Net change in fund balances	-	313,843	1,740,249	(1,608)	14,344	2,066,828
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>3,350,830</u>	<u>387,954</u>	<u>169,718</u>	<u>3,908,502</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 313,843</u>	<u>\$ 5,091,079</u>	<u>\$ 386,346</u>	<u>\$ 184,062</u>	<u>\$ 5,975,330</u>

School District of the City of Pontiac
Other Supplementary Information
General Fund
Combining Balance Sheet
June 30, 2022

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Total
Assets							
Cash	\$ 24,517,857	\$ -	\$ 236,514	\$ -	\$ 264,954	\$ (12,166,506)	\$ 12,852,819
Lease Receivable	524,244	-	-	-	-	-	524,244
Due from other governmental units	1,166,651	4,702,295	-	2,329,238	-	-	8,198,184
Prepaid items and other deposits	583,963	-	2,482	-	-	-	586,445
Total assets	<u>\$ 26,792,715</u>	<u>\$ 4,702,295</u>	<u>\$ 238,996</u>	<u>\$ 2,329,238</u>	<u>\$ 264,954</u>	<u>\$ (12,166,506)</u>	<u>\$ 22,161,692</u>
Liabilities							
Checks written against future deposits	\$ -	\$ 3,325,121	\$ -	\$ 8,841,385	\$ -	\$ (12,166,506)	\$ -
Accounts payable	989,130	247,409	26,113	445,793	-	-	1,708,445
Accrued expenditures	862,271	40,545	-	72,374	-	-	975,190
Accrued salaries payable	2,995,364	618,505	283	269,372	-	-	3,883,524
Unearned revenue	-	2,439,705	-	-	-	-	2,439,705
Total liabilities	<u>4,846,765</u>	<u>6,671,285</u>	<u>26,396</u>	<u>9,628,924</u>	<u>-</u>	<u>(12,166,506)</u>	<u>9,006,864</u>
Deferred Inflows of Resources							
Unavailable revenue							
Grant funds	-	17,114	-	3,065	-	-	20,179
Leases	524,244	-	-	-	-	-	524,244
Total deferred inflows of resources	<u>524,244</u>	<u>17,114</u>	<u>-</u>	<u>3,065</u>	<u>-</u>	<u>-</u>	<u>544,423</u>
Fund Balances							
Non-spendable							
Prepaid items	583,963	-	2,482	-	-	-	586,445
Assigned for debt service	-	-	-	-	264,954	-	264,954
Unassigned (deficit)	20,837,743	(1,986,104)	210,118	(7,302,751)	-	-	11,759,006
Total fund balances (deficit)	<u>21,421,706</u>	<u>(1,986,104)</u>	<u>212,600</u>	<u>(7,302,751)</u>	<u>264,954</u>	<u>-</u>	<u>12,610,405</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,792,715</u>	<u>\$ 4,702,295</u>	<u>\$ 238,996</u>	<u>\$ 2,329,238</u>	<u>\$ 264,954</u>	<u>\$ (12,166,506)</u>	<u>\$ 22,161,692</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, 2022

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Total
Revenues							
Local sources	\$ 34,946,081	\$ 443,429	\$ -	\$ -	\$ -	\$ -	\$ 35,389,510
State sources	6,591,680	4,407,346	-	3,876,492	-	-	14,875,518
Federal sources	-	22,656,288	-	1,606,851	-	-	24,263,139
Interdistrict sources	13,565	-	-	4,373,207	-	-	4,386,772
Total revenues	<u>41,551,326</u>	<u>27,507,063</u>	<u>-</u>	<u>9,856,550</u>	<u>-</u>	<u>-</u>	<u>78,914,939</u>
Expenditures							
Current							
Education							
Instruction	10,468,722	14,006,248	-	7,077,343	-	-	31,552,313
Supporting services	18,600,374	10,836,554	321,450	4,802,145	-	-	34,560,523
Community services	604	247,174	-	2,155	-	-	249,933
Capital outlay	23,583	1,347,755	-	-	-	-	1,371,338
Debt service							
Principal	14,536,774	-	-	-	425,000	-	14,961,774
Interest and other expenditures	80,509	-	-	-	156,643	-	237,152
Payment to bond refunding escrow agent	-	-	-	-	3,451,042	-	3,451,042
Total expenditures	<u>43,710,566</u>	<u>26,437,731</u>	<u>321,450</u>	<u>11,881,643</u>	<u>4,032,685</u>	<u>-</u>	<u>86,384,075</u>
Excess (deficiency) of revenues over expenditures	<u>(2,159,240)</u>	<u>1,069,332</u>	<u>(321,450)</u>	<u>(2,025,093)</u>	<u>(4,032,685)</u>	<u>-</u>	<u>(7,469,136)</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, 2022

	<u>General Fund</u>	<u>Categorical Funded Programs</u>	<u>Athletics</u>	<u>Noncenter Special Education Programs</u>	<u>Debt Fund</u>	<u>Eliminations</u>	<u>Total</u>
Other Financing Sources (Uses)							
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ 27,655,000	\$ -	\$ 27,655,000
Proceeds from loans	11,000,000	-	-	-	-	-	11,000,000
Payment to bond refunding escrow agent	-	-	-	-	(27,499,925)	-	(27,499,925)
Proceeds from sale of capital assets	750	-	-	-	-	-	750
Transfers in	3,812,989	1,890	384,596	4,333	3,911,236	(7,130,262)	984,782
Transfers out	<u>(3,834,596)</u>	<u>(3,295,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,130,262</u>	<u>-</u>
Total other financing sources (uses)	<u>10,979,143</u>	<u>(3,293,776)</u>	<u>384,596</u>	<u>4,333</u>	<u>4,066,311</u>	<u>-</u>	<u>12,140,607</u>
Net change in fund balances	8,819,903	(2,224,444)	63,146	(2,020,760)	33,626	-	4,671,471
Fund balances (deficit) - beginning	<u>12,601,803</u>	<u>238,340</u>	<u>149,454</u>	<u>(5,281,991)</u>	<u>231,328</u>	<u>-</u>	<u>7,938,934</u>
Fund balances (deficit) - ending	<u>\$ 21,421,706</u>	<u>\$ (1,986,104)</u>	<u>\$ 212,600</u>	<u>\$ (7,302,751)</u>	<u>\$ 264,954</u>	<u>\$ -</u>	<u>\$ 12,610,405</u>

School District of the City of Pontiac
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

Year Ending June 30,	2020 School Building and Site Bonds	Emergency Loan 2014	Emergency Loan 2015	2018A Revenue Bond	Tax Anticipation Note	Total
2023	\$ 2,085,000	\$ 165,000	\$ 170,000	\$ 940,000	\$ 11,000,000	\$ 14,360,000
2024	2,390,000	170,000	175,000	1,000,000	-	3,735,000
2025	2,720,000	170,000	175,000	1,030,000	-	4,095,000
2026	1,235,000	170,000	180,000	1,065,000	-	2,650,000
2027	1,355,000	175,000	180,000	1,100,000	-	2,810,000
2028	1,480,000	175,000	185,000	1,135,000	-	2,975,000
2029	1,610,000	180,000	185,000	1,175,000	-	3,150,000
2030	1,750,000	180,000	190,000	1,215,000	-	3,335,000
2031	1,900,000	535,000	490,000	-	-	2,925,000
2032	2,055,000	540,000	500,000	-	-	3,095,000
2033	2,220,000	550,000	505,000	-	-	3,275,000
2034	2,370,000	555,000	510,000	-	-	3,435,000
2035	2,530,000	565,000	520,000	-	-	3,615,000
2036	2,695,000	575,000	525,000	-	-	3,795,000
2037	2,870,000	580,000	535,000	-	-	3,985,000
2038	3,050,000	590,000	540,000	-	-	4,180,000
2039	3,235,000	600,000	550,000	-	-	4,385,000
2040	3,435,000	605,000	555,000	-	-	4,595,000
2041	3,640,000	615,000	565,000	-	-	4,820,000
2042	3,855,000	625,000	575,000	-	-	5,055,000
2043	4,080,000	630,000	580,000	-	-	5,290,000
2044	4,310,000	640,000	590,000	-	-	5,540,000
2045	4,555,000	-	-	-	-	4,555,000
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	\$ 88,255,000	\$ 9,590,000	\$ 8,980,000	\$ 8,660,000	\$ 11,000,000	\$ 126,485,000
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%	1.40%	1.40%	3.24%	1.04%	
Original issue	\$ 90,050,000	\$ 9,795,000	\$ 9,200,000	\$ 8,660,000	\$ 11,000,000	

School District of the City of Pontiac

Single Audit Report

June 30, 2022



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



800.968.0010 | yeoandyeo.com

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, business-type activities, each major fund, and the aggregate remaining fund information of School District of the City of Pontiac, as of and for the year ended June 30, 2022, 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 October 24, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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
October 24, 2022



800.968.0010 | yeoandyeo.com

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

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the School District of the City of Pontiac's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

We have audited the financial statements of the governmental activities, the business-type 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, 2022, and the related notes to the financial statements, which collectively comprise the School District of the City of Pontiac's basic financial statements. We issued our report thereon dated October 24, 2022, which contained unmodified opinions on those financial statements. Our audit was performed 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
October 24, 2022

School District of the City of Pontiac
Schedule of Expenditures of Federal Awards
June 30, 2022

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, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2022
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	\$ 13,527	\$ -	\$ -	\$ -	\$ 13,527	\$ 13,527	\$ -
Bonus Commodities			173,810	-	-	-	173,810	173,810	-
							187,337	187,337	-
Cash Assistance:									
COVID -19 Seamless Summer Option (SSO) - Breakfast	221971	10.553	531,065	-	-	-	492,510	531,065	38,555
COVID -19 Seamless Summer Option (SSO) - Breakfast	211971	10.553	66,470	-	-	-	66,470	66,470	-
							558,980	597,535	38,555
COVID -19 Seamless Summer Option (SSO)	211961	10.555	169,427	-	-	-	169,427	169,427	-
COVID -19 Seamless Summer Option (SSO)	211965	10.555	221,894	-	-	-	221,894	221,894	-
COVID -19 Supply Chain Assistance	220910	10.555	76,717	-	-	-	76,717	76,717	-
COVID -19 Seamless Summer Option (SSO)	221961	10.555	1,347,861	-	-	-	1,247,400	1,347,861	100,461
COVID -19 Seamless Summer Option (SSO)	221980	10.555	24,644	-	-	-	23,607	24,644	1,037
							1,739,045	1,840,543	101,498
Summer Food Service Program									
COVID-19 SFSP Extended	210904	10.559	1,708,862	1,680,235	222,351	-	247,781	28,627	3,197
Total Child Nutrition Cluster					222,351	-	2,733,143	2,654,042	143,250
Child and Adult Care Food Program									
Child & Adult Care Food Program 2020-2021	211920	10.558	124,672	123,106	2,330	-	3,896	1,566	-
Child & Adult Care Food Program 2020-2021	211925	10.558	9,101	-	-	-	9,101	9,101	-
Child & Adult Care Food Program 2021-2022	221920	10.558	54,573	-	-	-	41,812	54,573	12,761
Child & Adult Care Food Program 2021-2022	222010	10.558	2,982	-	-	-	2,982	3,891	909
					2,330	-	57,791	69,131	13,670
Fresh Fruit and Vegetable Program	210950	10.582	61,631	61,631	7,962	-	7,962	-	-
Fresh Fruit and Vegetable Program	220950	10.582	116,337	-	-	-	15,848	17,180	1,332
					7,962	-	23,810	17,180	1,332
COVID-19 Pandemic EBT Local Level Costs	210980	10.649	3,063	3,063	-	-	3,063	3,063	-
Total U.S. Department of Agriculture					232,643	-	2,817,807	2,743,416	158,252
U.S. Department of Defense									
Direct Programs:									
Project Number JROTC 2021 Grant	MI-171531	12.357	53,352	-	-	-	29,189	29,189	-
Total U.S. Department of Defense					-	-	29,189	29,189	-
U.S. Department of Treasury									
Passed through the Michigan Department of Education									
COVID-19 Coronavirus Relief Funds	16	21.019	1,378,332	1,134,331	(244,001)	-	-	244,001	-
Total U.S. Department of Treasury					(244,001)	-	-	244,001	-

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, 2022

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, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2022
Federal Communications Commission									
Passed through the Universal Service Administration Company									
Emergency Connectivity Funds	ECF202103472	32.009	462,910	-	\$ -	\$ -	\$ 462,910	\$ 462,910	\$ -
Total Federal Communications Commission					-	-	462,910	462,910	-
U.S. Department of Education									
Passed through Oakland Schools									
Special Education Cluster									
Special Education Grants to States									
IDEA Flowthrough	220540	84.027	1,317,140	-	-	-	-	1,226,130	1,226,130
IDEA Flowthrough	200450	84.027	1,461,194	1,452,965	262,771	-	262,771	-	-
IDEA Flowthrough	210450	84.027	1,359,694	1,026,281	1,026,281	-	1,026,281	333,513	333,513
					1,289,052	-	1,289,052	1,559,643	1,559,643
Special Education Preschool Grants									
Preschool Incentive	220460	84.173	50,273	-	-	-	-	50,273	50,273
Preschool Incentive	200460	84.173	63,279	63,279	1,468	-	1,468	-	-
Preschool Incentive	210460	84.173	51,389	51,389	51,389	-	51,389	-	-
					52,857	-	52,857	50,273	50,273
Total Special Education Cluster					1,341,909	-	1,341,909	1,609,916	1,609,916
Passed through the Michigan Department of Education									
MICLESD Subgrantees									
	210210 21	84.371	608,000	-	-	-	608,000	608,000	-
Passed through the Michigan Department of Education									
Title I Grants to Local Educational Agencies									
Title I, Part A	221530 2122	84.010	6,582,669	-	-	-	2,336,675	4,102,737	1,766,062
Title I, Part A	211530 2021	84.010	6,709,131	4,577,852	1,124,211	-	1,328,908	204,697	-
					1,124,211	-	3,665,583	4,307,434	1,766,062
Passed through the Michigan Department of Education									
21st Century Community Learning Centers									
21st Century Community Learning Centers	222110 L194273	84.287	405,000	-	-	-	345,212	405,000	59,788
21st Century Community Learning Centers	212110 L194273	84.287	405,000	405,000	110,676	-	110,676	-	-
					110,676	-	455,888	405,000	59,788
Passed through the Michigan Department of Education									
English Language Acquisition Grants									
Title III English Language Acquisition	220580 2122	84.365	130,624	-	-	-	53,449	78,588	25,139
Title III Immigrant Students	220570 2122	84.365	1,300	-	-	-	-	1,300	1,300
Title III English Language Acquisition	210580 2021	84.365	113,669	88,887	20,764	-	20,836	72	-
					20,764	-	74,285	79,960	26,439

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, 2022

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, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2022
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	220520 2122	84.367	\$ 1,338,691	\$ -	\$ -	\$ -	\$ -	\$ 294,701	\$ 294,701
Title II Part A Improving Teacher Quality	210520 2021	84.367	789,687	267,152	28,216	-	39,527	11,311	-
					28,216	-	39,527	306,012	294,701
Passed through the Michigan Department of Education									
Student Support and Academic Enrichment Grants									
Title IV Student Support & Academic Enrichment	220750 2122	84.424	451,643	-	-	-	153,705	163,394	9,689
Title IV Student Support & Academic Enrichment	210750 2021	84.424	437,640	348,508	132,256	-	146,620	14,364	-
					132,256	-	300,325	177,758	-
Passed through the Michigan Department of Education									
Education Stabilization Funds									
COVID-19 Governor's Emergency Education Relief (GEER)	201200 2021	84.425C	425,119	95,037	95,037	-	100,568	325,806	320,275
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	203710 1920	84.425D	4,260,253	4,238,564	-	(2,054)	-	-	(2,054)
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula II	213712 20-21	84.425D	17,634,236	4,982,071	4,982,071	-	16,789,633	12,652,165	844,603
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Equity	203720 1920	84.425D	639,008	-	-	-	620,935	633,065	12,130
					4,982,071	(2,054)	17,410,568	13,285,230	854,679
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula III	213713 2122	84.425U	26,402,660	-	-	-	1,099,341	1,199,794	100,453
					5,077,108	(2,054)	18,610,477	14,810,830	1,275,407
Total U.S. Department of Education					7,835,140	(2,054)	25,095,994	22,304,910	5,032,313
U.S. Department of Health and Human Services									
Medicaid Cluster									
Passed through Oakland Schools									
Medical Assistance Program	N/A	93.778	8,688	-	-	-	8,687	8,687	-
Total Federal Awards					\$ 7,823,782	\$ (2,054)	\$ 28,414,587	\$ 25,793,113	\$ 5,190,565

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, 2022

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, 2022. 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	\$ 25,784,426
Prior year deferred inflows of resources	1,241,299
Current year deferred inflows of resources	(20,179)
Adjustment for deobligated funds - see Note 6	<u>(2,054)</u>
Federal revenues per the financial statements	<u>\$ 27,003,492</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, 2022

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 expenditures related to the Elementary and Secondary School Emergency Relief (ESSER) project 203710 1920 that were deemed not allowable for \$2,054.

School District of the City of Pontiac
Schedule of Findings and Questioned Costs
June 30, 2022

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? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X 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:

AL Number(s)

Name of Federal Program or Cluster

32.009	Emergency Connectivity Funds
84.010	Title I, Part A
84.425C / 84.425D/ 84.425U	Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 773,793

Auditee qualified as low-risk auditee? _____ yes X no

School District of the City of Pontiac
Schedule of Findings and Questioned Costs
June 30, 2022

Section II - *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

School District of the City of Pontiac
Summary of Prior Year Findings
June 30, 2022

Section IV - Prior Audit 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.

Status: Corrected finding as identified in corrective action plan.

Section III - Federal Award Findings

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