

October 20, 2023

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, each major fund, and the aggregate remaining fund information of School District of the City of Pontiac (the School District) as of and for the year ended June 30, 2023. 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.

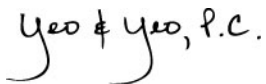
Our communication includes the following appendices:

- 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.



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 June 12, 2023. 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, 2022.

- 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.

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
- Information technology controls
- Implementation of new accounting standard
- Compensated absences valuation

### **Accounting Standards and Regulatory Updates**

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

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

### **Difficulties Encountered in Performing the Audit**

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements except as discussed below.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements summarized below are immaterial both individually and, in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

- Management chose to pass on one entry related to the implementation of GASB 96 due to it being immaterial in the current year. The effects of this entry were that expenditures/expenses in the General Fund and District Wide Information were overstated by \$168,000 and assets were understated by \$168,000.

Management has determined to exclude disclosures related to GASB 96 Subscription Based IT Arrangements which are typically required by accounting principles generally accepted in the United States of America as it was determined to be immaterial to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the 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.

## **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, 2023, 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 20, 2023, on the financial statements of School District of the City of Pontiac.

#### **Davis-Bacon Wage Rate Requirements**

During our single audit testing, we reviewed for any construction contracts greater than \$2,000 that would fall under wage rate requirements of the Davis-Bacon Act. We noted during testing the district followed all requirements; however, through discussions with the district we noted the district did misunderstand certain parts of the compliance requirement. As their overall understanding is not a deviation, we feel it is important to be familiar with the grant compliance requirement.

We recommend the district stay up to date on the new grants requirements to ensure they continue to comply with all such requirements.

#### **Title I Parent Involvement Activities**

We noted that the district allocated nearly 2% of their Title I allocation to parent involvement activities but failed to spend the required 95% of the allocation. We reviewed the allocation and noted that if they had allocated 1%, they still would not have spent 95% of the funds that were allocated to parent involvement activities.

We recommend that the district be proactive in planning Title I parent involvement activities and reviews the allocation to determine if the amount they are allocating to parent involvement activities is attainable.

#### **Title I Cohort Removal Documentation.**

During our single audit testing, we noted that 5 of the 14 students tested for documentation supporting the removal from the cohort did not have proper documentation to support the exit reason.

We recommend that the district reminds those in charge of maintaining documentation for removal that anytime a student is removed from the cohort, documentation needs to be maintained to support the exit code that is entered.

**School District of the City of Pontiac**

**Financial Statements**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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**School District of the City of Pontiac**  
**Members of the Board of Education and Administration**  
**June 30, 2023**

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**Members of the Board of Education**

Gill Garrett, President

Kenyada Bowman, Vice President

Kevin Gross, Secretary

Marcus Terry, Treasurer

Anisha Hannah, Trustee

ShaQuana Davis-Smith, Trustee

Troy Craft, Trustee

**Administration**

Kelley Williams, Superintendent

James Graham, Director of Business Services

## 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, 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, 2023, 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, each major fund, and the aggregate remaining fund information of the School District of the City of Pontiac, as of June 30, 2023, 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.

#### 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 20, 2023 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 20, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# School District of the City of Pontiac

## Management Discussion and Analysis

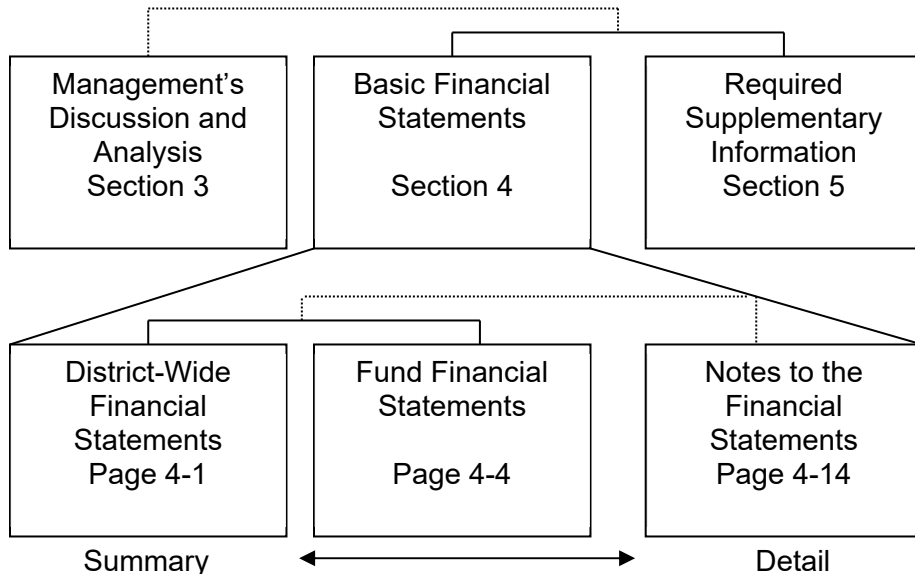
### Year Ended June 30, 2023

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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, 2023. 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, 2023

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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, 2023

#### 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, 2023 and 2022:

	Governmental Activities	
	June 30	
	2023	2022
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 82.2	\$ 95.0
Capital assets	<u>129.0</u>	<u>74.6</u>
Totals assets	<u>211.2</u>	<u>169.6</u>
<b>Deferred outflows of resources</b>	<u>43.6</u>	<u>26.7</u>
<b>Liabilities</b>		
Current liabilities	22.2	16.6
Long-term liabilities	<u>266.5</u>	<u>206.5</u>
Total liabilities	<u>288.7</u>	<u>223.1</u>
<b>Deferred inflows of resources</b>	<u>20.7</u>	<u>46.8</u>
<b>Net Position</b>		
Net investment in capital assets	39.5	36.6
Restricted	6.4	5.1
Unrestricted	<u>(100.5)</u>	<u>(115.3)</u>
Total net position	<u>\$ (54.6)</u>	<u>\$ (73.6)</u>

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 (\$138.4 million) was unrestricted.

The (\$138.4 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position deficit represents the accumulated working capital and cash flow requirements of the School District as well as demonstrates the significant financial challenges that lie ahead. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. In addition, as required by GASB 68 and 75 the school district's proportionate share of the net pension and net OPEB liabilities are included in non-current liabilities.

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 (\$54.6 million) at June 30, 2023. Net investment in capital assets totaling \$44.7 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance



**School District of the City of Pontiac**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2023**

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, 2023 and 2022.

Table 2

	<u>Governmental Activities</u>	
	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Operating grants and contributions	\$ 51.9	\$ 44.6
General Revenue:		
Property taxes	46.5	42.7
State aid	-	0.1
Other	4.4	1.8
Total revenue	<u>102.8</u>	<u>89.2</u>
<b>Functions/Program Expenses</b>		
Instruction	36.4	33.3
Support services	39.9	36.5
Food services	3.3	3.1
Community services	0.5	0.3
Interest on long-term debt	3.7	2.8
Total functions/program expenses	<u>83.8</u>	<u>76.0</u>
<b>Increase in Net Position</b>	19.0	13.2
<b>Net Position</b> - Beginning of year	<u>(73.6)</u>	<u>(86.8)</u>
<b>Net Position</b> - End of year	<u>\$ (54.6)</u>	<u>\$ (73.6)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$83.9 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 (\$51.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$46.5 million in taxes, and with our other revenues, i.e., interest and general entitlements, totaling \$4.8 million.

The School District experienced an increase in net position of \$19.0 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 contracted staffing shortages for the school year. Additionally, for the change in net position was the collection of additional property taxes, additional state aid, and higher interest earnings. 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, 2023

As the School District completed this year, the governmental funds reported a combined fund balance of \$58.6M, which is a decrease of \$18.5 million from last year. The primary reasons for the decrease are as follows:

- Spending of \$51.5 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 and contracted staffing vacancies

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 2022-2023 General Fund original budget. Budgeted revenues and other financing sources were decreased by \$7.8 million mainly due to reduced Tax Anticipation Note (TAN) borrowing, and the deferral of a portion of ESSER monies. Budgeted expenditures and other financing uses were decreased by \$7.4 million as a result of lower spending due to staffing and contracted staffing vacancies as well as 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, 2023, the School District had \$129.0 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 \$54.3 million, or approximately a 72.8 percent increase, from last year.

	2023	2022
Land	\$ 1,619,804	\$ 1,619,804
Construction in progress	61,921,671	25,867,575
Land improvements	7,406,742	7,108,742
Buildings and building improvements	94,391,055	76,235,551
Buses and other vehicles	349,450	140,152
Furniture and equipment	<u>8,908,274</u>	<u>6,161,886</u>
Total capital assets	174,596,996	117,133,710
Less accumulated depreciation	<u>45,634,103</u>	<u>42,509,323</u>
Net capital assets	<u>\$ 128,962,893</u>	<u>\$ 74,624,387</u>

Due to the FY 2022 approval of a \$147 million Capital Bond program and 0.80 mill sinking fund, several major capital projects are planned for the 2023-24 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, 2023**

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**Debt**

At the end of this year, the School District had \$157 million in bonds and notes outstanding versus \$138 million in the previous year - a increase of 13 percent due to the May, 2023 sale of the 2023 School Building and Site Bonds totaling \$24,040,000, and the 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:

	<u>2023</u>	<u>2022</u>
Notes and bonds payable	<u>\$ 157,552,168</u>	<u>\$ 138,862,935</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; a 10<sup>th</sup> consecutive year of an operating surplus, 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, including the full renovation of Pontiac Middle School, Pontiac High School, and WHRC, additional programs and offerings such as middle school Spanish and an African American Literature course, additional new student and teacher classroom furniture, bringing additional custodial positions back to in-house, and adding Community in Schools to Whitman Elementary.

**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

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**School District of the City of Pontiac**  
**Statement of Net Position**  
**June 30, 2023**

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	Governmental Activities
<b>Assets</b>	
Cash	\$ 60,664,907
Deposits	25,000
Lease receivable	526,360
Due from other governmental units	16,742,860
Inventory	21,353
Investments	3,610,735
Prepays and other deposits	645,004
Capital assets not being depreciated	63,541,475
Capital assets - net of accumulated depreciation	<u>65,421,418</u>
Total assets	<u>211,200,112</u>
<b>Deferred Outflows of Resources</b>	
Deferred amount relating to the net pension liability	33,502,370
Deferred amount relating to the net OPEB liability	9,675,118
Deferred amount on debt refunding	<u>416,783</u>
Total deferred outflows of resources	<u>43,594,271</u>

See Accompanying Notes to the Financial Statements

**School District of the City of Pontiac**  
**Statement of Net Position**  
**June 30, 2023**

	<u>Governmental Activities</u>
<b>Liabilities</b>	
Accounts payable	\$ 13,676,265
Checks drawn against future deposits	319,441
Interest payable	761,410
Claims payable	214,032
Accrued expenditures	614,846
Accrued salaries payable	3,573,767
Unearned revenue	2,998,753
Long-term liabilities	
Debt due within one year	13,335,000
Debt due in more than one year	145,517,777
Net pension liability	102,131,314
Net OPEB liability	<u>5,532,117</u>
Total liabilities	<u>288,674,722</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount relating to the net pension liability	6,700,328
Deferred amount relating to the net OPEB liability	13,491,104
Deferred amount relating to the lease receivable	<u>526,360</u>
Total deferred inflows of resources	<u>20,717,792</u>
<b>Net Position</b>	
Net investment in capital assets	39,492,114
Restricted for:	
Food service	25,922
Debt service	415,679
Capital projects - sinking fund	5,933,978
Unrestricted (deficit)	<u>(100,465,824)</u>
Total net position	<u>\$ (54,598,131)</u>

See Accompanying Notes to the Financial Statements

**School District of the City of Pontiac**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 36,355,058	\$ -	\$ 38,785,429	\$ 2,430,371
Supporting services	39,890,719	246	10,417,521	(29,472,952)
Food services	3,304,356	254	2,742,435	(561,667)
Community services	455,237	22,886	-	(432,351)
Interest on long-term debt	<u>3,681,393</u>	<u>-</u>	<u>-</u>	<u>(3,681,393)</u>
Total governmental activities	<u>\$ 83,686,763</u>	<u>\$ 23,386</u>	<u>\$ 51,945,385</u>	<u>(31,717,992)</u>
General revenues				
Property taxes, levied for general purposes				37,215,161
Property taxes, levied for debt service				6,559,259
Property taxes, levied for sinking fund				2,578,323
State aid - unrestricted				39,505
Interest and investment earnings				2,104,898
Other				<u>2,187,472</u>
Total general revenues				<u>50,684,618</u>
Change in net position				18,966,626
Net position - beginning				<u>(73,564,757)</u>
Net position - ending				<u>\$ (54,598,131)</u>

See Accompanying Notes to the Financial Statements

**School District of the City of Pontiac**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2023**

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Capital Project Fund 2023 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 11,988,801	\$ 15,179,528	\$ 24,733,234	\$ 7,553,810	\$ 59,455,373
Accounts receivable, net of allowance	-	-	-	1,000	1,000
Lease receivable	526,360	-	-	-	526,360
Due from other governmental units	16,146,614	-	-	596,246	16,742,860
Inventory	-	-	-	21,353	21,353
Investments	-	3,610,735	-	-	3,610,735
Prepaid and other deposits	645,004	-	-	-	645,004
Total assets	<u>\$ 29,306,779</u>	<u>\$ 18,790,263</u>	<u>\$ 24,733,234</u>	<u>\$ 8,172,409</u>	<u>\$ 81,002,685</u>
<b>Liabilities</b>					
Accounts payable	\$ 2,666,633	\$ 10,136,291	\$ 177,600	\$ 531,648	\$ 13,512,172
Checks drawn against future deposits	-	-	-	319,441	319,441
Accrued expenditures	608,892	-	-	5,954	614,846
Accrued salaries payable	3,572,553	-	-	1,214	3,573,767
Unearned revenue	2,998,753	-	-	-	2,998,753
Total liabilities	<u>9,846,831</u>	<u>10,136,291</u>	<u>177,600</u>	<u>858,257</u>	<u>21,018,979</u>

See Accompanying Notes to the Financial Statements



**School District of the City of Pontiac**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2023**

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Capital Project Fund 2023 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Grants received	\$ 902,502	\$ -	\$ -	\$ -	\$ 902,502
Leases	526,360	-	-	-	526,360
Total deferred inflows of resources	1,428,862	-	-	-	1,428,862
<b>Fund Balances</b>					
Non-spendable					
Inventory	-	-	-	21,353	21,353
Prepaid items	645,004	-	-	-	645,004
Restricted for					
Food service	-	-	-	4,569	4,569
Debt service	-	-	-	1,177,089	1,177,089
Capital projects	-	8,653,972	24,555,634	5,933,978	39,143,584
Committed for school and student activities	-	-	-	177,163	177,163
Assigned for debt service	270,096	-	-	-	270,096
Unassigned	17,115,986	-	-	-	17,115,986
Total fund balances	18,031,086	8,653,972	24,555,634	7,314,152	58,554,844
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,306,779	\$ 18,790,263	\$ 24,733,234	\$ 8,172,409	\$ 81,002,685

**School District of the City of Pontiac**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2023**

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<b>Total fund balances for governmental funds</b>	\$ 58,554,844
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	902,502
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	63,541,475
Capital assets - net of accumulated depreciation	65,421,418
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	416,783
Deferred inflows of resources resulting from the net pension liability	(6,700,328)
Deferred outflows of resources resulting from the net pension liability	33,502,370
Deferred inflows of resources resulting from the net OPEB liability	(13,491,104)
Deferred outflows of resources resulting from the net OPEB liability	9,675,118
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(761,410)
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	(102,131,314)
Net OPEB liability	(5,532,117)
Compensated absences	(1,300,609)
Bonds payable	(144,665,000)
Premiums on bond	(12,887,168)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>856,409</u>
<b>Net position of governmental activities</b>	<u><u>\$ (54,598,131)</u></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, 2023**

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Capital Project Fund 2023 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 39,117,200	\$ 1,284,953	\$ 89,139	\$ 9,531,572	\$ 50,022,864
State sources	21,283,354	-	-	197,980	21,481,334
Federal sources	21,923,321	-	-	2,544,455	24,467,776
Interdistrict sources	5,330,028	469,064	-	-	5,799,092
Total revenues	<u>87,653,903</u>	<u>1,754,017</u>	<u>89,139</u>	<u>12,274,007</u>	<u>101,771,066</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	33,921,162	-	-	-	33,921,162
Supporting services	37,164,594	-	-	86,298	37,250,892
Food services	-	-	-	3,114,113	3,114,113
Community services	429,029	-	-	-	429,029
Capital outlay	6,314,200	51,542,822	807,194	1,933,773	60,597,989
Debt service					
Principal	12,275,000	-	-	2,085,000	14,360,000
Interest and other expenditures	629,237	-	-	3,716,001	4,345,238
Total expenditures	<u>90,733,222</u>	<u>51,542,822</u>	<u>807,194</u>	<u>10,935,185</u>	<u>154,018,423</u>
Excess (deficiency) of revenues over expenditures	<u>(3,079,319)</u>	<u>(49,788,805)</u>	<u>(718,055)</u>	<u>1,338,822</u>	<u>(52,247,357)</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, 2023**

	General Fund	Capital Project Fund 2020 School Building and Site Fund	Capital Project Fund 2023 School Building and Site Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources</b>					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 24,040,000	\$ -	\$ 24,040,000
Premium on issuance of bonds	-	-	1,233,689	-	1,233,689
Proceeds from loans	8,500,000	-	-	-	8,500,000
Total other financing sources	8,500,000	-	25,273,689	-	33,773,689
Net change in fund balances	5,420,681	(49,788,805)	24,555,634	1,338,822	(18,473,668)
Fund balances - beginning	12,610,405	58,442,777	-	5,975,330	77,028,512
Fund balances - ending	<u>\$ 18,031,086</u>	<u>\$ 8,653,972</u>	<u>\$ 24,555,634</u>	<u>\$ 7,314,152</u>	<u>\$ 58,554,844</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, 2023**

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**Net change in fund balances - Total governmental funds** \$ (18,473,668)

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 882,323

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 (3,124,780)

Capital outlay 57,463,286

Expenses are recorded when incurred in the statement of activities.

Accrued interest (21,427)

Compensated absences (53,812)

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 the net pension liability (40,080,847)

Net change in deferrals of resources related to the net pension liability 37,200,686

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 the OPEB liability (1,237,846)

Net change in deferrals of resources related to the net OPEB liability 5,813,066

**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, 2023**

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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	(33,773,689)
Repayments of long-term debt	14,360,000
Amortization of premiums	724,456
Amortization of deferred amount on debt refunding	(39,184)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	<u>(671,938)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 18,966,626</u></b>

**School District of the City of Pontiac**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Net Position**  
**June 30, 2023**

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	Internal Service Fund
	<u>                    </u>
<b>Assets</b>	
Cash	\$ 1,209,534
Deposits	<u>25,000</u>
Total assets	<u>1,234,534</u>
<b>Liabilities</b>	
Accounts payable	164,093
Claims payable	<u>214,032</u>
Total liabilities	<u>378,125</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 856,409</u></u>

See Accompanying Notes to the Financial Statements

**School District of the City of Pontiac**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**June 30, 2023**

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	Internal Service Fund
	<u>                    </u>
<b>Revenues</b>	
Charges to other funds	\$ <u>404,742</u>
<b>Expenses</b>	
Workers compensation, general liability, and unemployment expenses	<u>1,076,680</u>
Net loss	(671,938)
Net position - beginning	<u>1,528,347</u>
Net position - ending	<u>\$ 856,409</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, 2023**

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	Internal Service Fund
	<u>                    </u>
<b>Cash flows from operating activities</b>	
Charges to other funds	\$ 404,742
Payments to providers	<u>(801,144)</u>
Net cash used by operating activities	(396,402)
Cash - beginning of year	<u>1,605,936</u>
Cash - end of year	<u><u>\$ 1,209,534</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Net operating income	\$ (671,938)
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Accounts payable	78,657
Claims payable	<u>196,879</u>
<b>Net cash used by operating activities</b>	<u><u>\$ (396,402)</u></u>

See Accompanying Notes to the Financial Statements

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**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, 2023**

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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.

**Capital Project Fund** - The 2023 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, 2023, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.8892
Commercial personal property	5.8892
Debt Fund	2.0000
Sinking Fund	0.7980

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.

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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
Land improvements	10-50 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.

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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.

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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. 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.

**Upcoming Accounting and Reporting Changes**

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 pronouncements will have on its financial reporting.

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**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.

**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	\$ 5,996,645	\$ 6,038,722	\$ 42,077
School administration	4,122,155	4,259,202	137,047
Capital outlay	5,902,186	6,314,200	412,014
Debt - interest and fiscal charges	574,857	629,237	54,380
Food Service Fund			
Food services	2,911,527	3,114,113	202,586

**Compliance - Bond Proceeds**

The 2020 School Building and Site Fund and 2023 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 and 2023 School Building and Site Fund from the inception of the fund through the current fiscal year:

	2020 School Building and Site Bond	2023 School Building and Site Bond
Revenues and other financing sources	\$ 105,347,648	\$ 25,362,828
Expenditures and other financing uses	96,693,676	807,194
	<u>\$ 8,653,972</u>	<u>\$ 24,555,634</u>

**School District of the City of Pontiac**  
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**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 and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Internal Service Fund	Total Primary Government
Cash	\$ 59,455,373	\$ 1,209,534	\$ 60,664,907
Investments	<u>3,610,735</u>	<u>-</u>	<u>3,610,735</u>
	<u>\$ 63,066,108</u>	<u>\$ 1,209,534</u>	<u>\$ 64,275,642</u>

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

Deposits (checking accounts, savings accounts, and money markets)	\$ 60,664,400
Petty cash and cash on hand	<u>507</u>
	60,664,907
Investments in securities, mutual funds, and similar vehicles	<u>3,610,735</u>
Total	<u>\$ 64,275,642</u>

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
U.S. Government Bonds				
FEDERAL NATL MTG ASSN	\$ 2,688,516	2 Years	Aaa / AA+	Moody / S&P
Municipal Bonds				
CHIPPEWA VALLEY MICH SCHS TAXABLE UNLTD TAX				
GO REF BDS 2020	720,952	3 years	Aa1	Moody
WARREN MICH GO LTD TAX REF BDS 2015	<u>201,267</u>	8 years	AA	S&P
	<u>\$ 3,610,735</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.



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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, \$48,988,678 of the School District's bank balance of \$49,239,523 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

**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, 2023:

- The fair value of U.S. government and municipal bonds of \$3.6 million 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
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,619,804	\$ -	\$ -	\$ 1,619,804
Construction-in-progress	25,867,575	55,949,524	19,895,428	61,921,671
Total capital assets not being depreciated	27,487,379	55,949,524	19,895,428	63,541,475
Capital assets being depreciated				
Land improvements	7,108,742	298,000	-	7,406,742
Building and building improvements	76,235,551	18,155,504	-	94,391,055
Equipment and furniture	6,161,886	2,746,388	-	8,908,274
Vehicles	140,152	209,298	-	349,450
Total capital assets being depreciated	89,646,331	21,409,190	-	111,055,521
Less accumulated depreciation for				
Land improvements	1,827,145	361,887	-	2,189,032
Building and building improvements	36,785,843	2,366,498	-	39,152,341
Equipment and furniture	3,820,237	369,796	-	4,190,033
Vehicles	76,098	26,599	-	102,697
Total accumulated depreciation	42,509,323	3,124,780	-	45,634,103
Net capital assets being depreciated	47,137,008	18,284,410	-	65,421,418
Net capital assets	\$ 74,624,387	\$ 74,233,934	\$ 19,895,428	\$ 128,962,893

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

**Governmental activities**

Instruction	\$ 1,418,670
Supporting services	1,557,927
Food services	130,240
Athletics	17,943
Total governmental activities	<u>\$ 3,124,780</u>

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**Construction Contracts**

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

	Total Contract	Remaining Construction Commitment at Year End
PMS Infrastructure	\$ 13,316,565	\$ 237,258
WHRC Infrastructure	22,733,311	756,201
PHS Infrastructure	24,550,738	10,036,459
PHS and PMS parking lots	6,236,453	272,633
PHS and PMS science labs	2,040,914	820,637
Theatre Project	2,736,883	179,368
PHS concessions building	761,782	23,979
Herrington Infrastructure	273,770	-
Rogers Infrastructure	273,770	-
PHS gym waterproofing	1,214,959	24,876
PHS Gym Interior Upgrades	1,502,091	1,368,154
Total	<u>\$ 75,641,236</u>	<u>\$ 13,719,565</u>

All projects are expected to be complete during the 2024 school year.

**Note 6 - 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>\$ 2,998,753</u>
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**Note 7 - 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 \$243,028 from the tenants for the year ended June 30, 2023, which includes \$234,512 in lease revenue, \$8,516 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:

<b>Year ending June 30,</b>	
2024	\$ 214,128
2025	195,957
2026	37,401
2027	38,742
2028	<u>40,132</u>
Total	<u>\$ 526,360</u>

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**Note 8 - 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.

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	\$ 88,255,000	\$ 24,040,000	\$ 2,085,000	\$ 110,210,000	\$ 2,390,000
Emergency loans	18,570,000	-	335,000	18,235,000	345,000
Revenue bonds	8,660,000	-	940,000	7,720,000	1,000,000
Tax anticipation note	11,000,000	8,500,000	11,000,000	8,500,000	8,500,000
Premium on bonds	<u>12,377,935</u>	<u>1,233,689</u>	<u>724,456</u>	<u>12,887,168</u>	<u>-</u>
Total bonds and loans payable	<u>138,862,935</u>	<u>33,773,689</u>	<u>15,084,456</u>	<u>157,552,168</u>	<u>12,235,000</u>
Other liabilities					
Compensated absences	<u>1,246,797</u>	<u>1,508,637</u>	<u>1,454,825</u>	<u>1,300,609</u>	<u>1,100,000</u>
Total	<u>\$ 140,109,732</u>	<u>\$ 35,282,326</u>	<u>\$ 16,539,281</u>	<u>\$ 158,852,777</u>	<u>\$ 13,335,000</u>

For governmental activities 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 \$1,000,000 to \$1,215,000 through May 1, 2030, interest at 3.24%	\$ 7,720,000
\$9,795,000 emergency loan due in annual installments of \$170,000 to \$640,000 through May 1, 2044, interest at 1.40%	9,425,000
\$9,200,000 emergency loan due in annual installments of \$175,000 to \$590,000 through May 1, 2045, interest at 1.40%	8,810,000
\$8,500,000 TAN revenue loan due June 30, 2024 for principal plus interest at 5.65%	8,500,000
\$90,050,000 serial bond due in annual installments of \$1,235,000 to \$5,945,000 through May 1, 2050, interest ranging from 4.00% to 5.00%	86,170,000
\$24,040,000 serial bond due in annual installments of \$420,000 to \$1,490,000 through May 1, 2053, interest at 5.00%	<u>24,040,000</u>
Total debt	<u>\$ 144,665,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2024	\$ 12,235,000	\$ 5,159,712	\$ 17,394,712
2025	4,095,000	5,097,031	9,192,031
2026	3,070,000	4,923,173	7,993,173
2027	3,250,000	4,801,017	8,051,017
2028	3,435,000	4,670,983	8,105,983
2029 - 2033	18,460,000	21,177,055	39,637,055
2034 - 2038	22,420,000	17,570,391	39,990,391
2039 - 2043	28,480,000	13,192,855	41,672,855
2044 - 2048	30,765,000	7,675,682	38,440,682
2049 - 2053	<u>18,455,000</u>	<u>1,601,126</u>	<u>20,056,126</u>
Total	<u>\$ 144,665,000</u>	<u>\$85,869,025</u>	<u>\$ 230,534,025</u>

All loans and bonds, except for sinking fund revenue bond, are payable from the General Fund and the Debt Service Fund. Future debt and interest will be payable from state aid and future tax levies. As of year end, the fund had a balance of \$1,177,089 to pay this debt. Future debt and interest will be payable from future tax levies.

**Compensated Absences**

Accrued compensated absences at year end, consisted of \$1,300,609 in accrued sick time benefits.

**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 9 - 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.

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

	2023	2022
Estimated liability at the beginning of the year	\$ 80,433	\$ 272,055
Estimated claims incurred including changes in estimates	1,076,680	718,127
Claim payments	<u>(943,081)</u>	<u>(909,749)</u>
Estimated liability end of year	<u>\$ 214,032</u>	<u>\$ 80,433</u>

**Note 10 - Pension Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the

general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://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

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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, 2021 valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$9,242,877 for the year ending September 30, 2022.

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

At June 30, 2023, School District reported a liability of \$102,131,314 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the School District's proportion was .2716

percent, which was a decrease of 0.0095 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$12,292,736 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$9,769,218.

Section 147c of the State School Aid Act (MCL 388.1747c) was amended to include a one-time distribution to districts, intermediate districts, and other participating entities of MPSERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the state's ORS as additional assets being contributed to the retirement system. This funding is a one-time, state payment toward the MPSERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$2,621,829 in total pension expense and offset in state revenues.

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,021,670	\$ (228,355)	\$ 793,315
Changes of assumptions	17,549,819	-	17,549,819
Net difference between projected and actual earnings on pension plan investments	239,498	-	239,498
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>5,005,699</u>	<u>(1,970,114)</u>	<u>3,035,585</u>
Total to be recognized in future	23,816,686	(2,198,469)	21,618,217
School District contributions subsequent to the measurement date	<u>9,685,684</u>	<u>(4,501,859)</u>	<u>5,183,825</u>
Total	<u>\$33,502,370</u>	<u>\$ (6,700,328)</u>	<u>\$ 26,802,042</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 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)	
2023	\$ 5,816,977
2024	5,246,800
2025	4,464,232
2026	<u>6,090,208</u>
	<u>\$ 21,618,217</u>

**Actuarial Assumptions**

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

# School District of the City of Pontiac

## Notes to the Financial Statements

### June 30, 2023

Additional information as of the latest actuarial valuation follows:

#### *Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.00% net of investment expenses
  - Pension Plus Plan: 6.00% 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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, 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 in years is 4.3922.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

*\*Long-term rates of return are net of administrative expenses and 2.2% inflation.*



**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Rate of Return**

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. 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 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% 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 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.00% 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 *
5.00%	6.00%	7.00%
\$ 134,775,392	\$ 102,131,314	\$ 75,231,123

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

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

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

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

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

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 11 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the

premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. 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.

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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, 2021 valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$1,989,553 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$5,532,117 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the School District's proportion was 0.2612 percent, which was a decrease of 0.0201 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(2,514,877) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$1,989,553.

At June 30, 2023, 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	\$ -	\$(10,835,298)	\$(10,835,298)
Changes of assumptions	4,930,953	(401,506)	4,529,447
Net difference between projected and actual earnings on OPEB plan investments	432,379	-	432,379
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>2,166,138</u>	<u>(2,254,300)</u>	<u>(88,162)</u>
Total to be recognized in future	7,529,470	(13,491,104)	(5,961,634)
School District contributions subsequent to the measurement date	<u>2,145,648</u>	<u>-</u>	<u>2,145,648</u>
Total	<u>\$ 9,675,118</u>	<u>\$(13,491,104)</u>	<u>\$ (3,815,986)</u>

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

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, 2024. 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)		
2023	\$	(2,338,052)
2024		(1,899,537)
2025		(1,593,027)
2026		163,152
2027		(247,193)
Thereafter		(46,977)
	\$	<u>(5,961,634)</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021

- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% 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.

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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2250.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. 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 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 6.00%, 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 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
<u>\$ 9,279,594</u>	<u>\$ 5,532,117</u>	<u>\$ 2,376,276</u>

**School District of the City of Pontiac**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**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
\$ 2,316,586	\$ 5,532,117	\$ 9,141,614

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://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 12 - 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, 2023.

**Note 13 - 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, 2023, the School District's property tax revenues were reduced by \$5,021,128 under these programs.

## REQUIRED SUPPLEMENTARY INFORMATION

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**School District of the City of Pontiac**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 39,157,854	\$ 39,074,563	\$ 39,117,200	\$ 42,637
State sources	16,629,077	19,330,015	21,283,354	1,953,339
Federal sources	29,731,300	22,742,060	21,923,321	(818,739)
Interdistrict sources	7,973,955	7,585,775	5,330,028	(2,255,747)
Total revenues	93,492,186	88,732,413	87,653,903	(1,078,510)
<b>Expenditures</b>				
Instruction	38,527,035	34,796,845	33,921,162	(875,683)
Supporting services				
Pupil	6,205,639	5,996,645	6,038,722	42,077
Instructional staff	5,519,694	5,056,693	4,398,355	(658,338)
General administration	1,641,800	1,772,182	1,446,670	(325,512)
School administration	3,459,933	4,122,155	4,259,202	137,047
Business	1,264,406	1,407,513	1,261,692	(145,821)
Operations and maintenance	9,527,443	9,461,135	9,360,886	(100,249)
Pupil transportation services	5,108,553	4,388,385	3,838,617	(549,768)
Central	6,722,622	6,216,351	5,991,927	(224,424)
Other	529,779	637,546	568,523	(69,023)
Community services	1,243,240	507,669	429,029	(78,640)
Capital outlay	7,900,000	5,902,186	6,314,200	412,014
Debt service				
Principal	12,350,000	12,350,000	12,275,000	(75,000)
Interest and other expenditures	574,857	574,857	629,237	54,380
Total expenditures	100,575,001	93,190,162	90,733,222	(2,456,940)
Deficiency of revenues over expenditures	(7,082,815)	(4,457,749)	(3,079,319)	1,378,430



**School District of the City of Pontiac**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Proceeds from loans	\$ 11,000,000	\$ 8,500,000	\$ 8,500,000	\$ -
Transfers out	<u>(2,419,237)</u>	<u>(2,911,470)</u>	<u>-</u>	<u>2,911,470</u>
Total other financing sources (uses)	<u>8,580,763</u>	<u>5,588,530</u>	<u>8,500,000</u>	<u>2,911,470</u>
Net change in fund balance	1,497,948	1,130,781	5,420,681	4,289,900
Fund balance - beginning	<u>12,610,405</u>	<u>12,610,405</u>	<u>12,610,405</u>	<u>-</u>
Fund balance - ending	<u>\$ 14,108,353</u>	<u>\$ 13,741,186</u>	<u>\$ 18,031,086</u>	<u>\$ 4,289,900</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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of net pension liability (%)	0.2716%	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	\$ 102,131,314	\$ 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	\$ 27,271,173	\$ 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	375%	243%	397%	385%	360%	313%	294%	291%	267%	
E. Plan fiduciary net position as a percentage of total pension liability	74.39%	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 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

**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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 9,769,218	\$ 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>9,769,218</u>	<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>	<u>\$ -</u>	
D. School District's covered payroll	\$ 25,440,921	\$ 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	38.40%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of net OPEB liability (%)	0.2813%	0.2813%	0.2390%	0.2551%	0.2660%	0.2812%				
B. School District's proportionate share of the net OPEB liability	\$ 4,930,953	\$ 4,294,271	\$ 12,804,485	\$ 18,313,316	\$ 21,140,973	\$ 24,904,670				
C. School District's covered payroll	\$ 27,271,173	\$ 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	18%	17%	60%	82%	93%	107%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	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 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

**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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 1,989,553	\$ 2,279,638	\$ 1,943,712	\$ 1,694,529	\$ 1,737,224	\$ 1,851,950				
B. Contributions in relation to statutorily required contributions	<u>1,989,553</u>	<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	\$ 25,440,921	\$ 25,397,046	\$ 23,402,033	\$ 21,359,624	\$ 22,480,085	\$ 22,963,157				
E. Contributions as a percentage of covered-employee payroll	7.82%	8.98%	8.31%	7.93%	7.73%	8.06%				

## OTHER SUPPLEMENTARY INFORMATION

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**School District of the City of Pontiac**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2023**

	Debt Service Fund	Capital Project Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
	Bond 2020 Series I Debt Fund	Sinking Fund	Food Service Fund	Student and School Activity Fund	
<b>Assets</b>					
Cash	\$ 1,177,089	\$ 6,200,049	\$ -	\$ 176,672	\$ 7,553,810
Accounts receivable	-	-	-	1,000	1,000
Due from other governmental units	-	-	596,246	-	596,246
Inventory	-	-	21,353	-	21,353
Total assets	<u>\$ 1,177,089</u>	<u>\$ 6,200,049</u>	<u>\$ 617,599</u>	<u>\$ 177,672</u>	<u>\$ 8,172,409</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 266,071	\$ 265,068	\$ 509	\$ 531,648
Checks drawn against future deposits	-	-	319,441	-	319,441
Accrued expenditures	-	-	5,954	-	5,954
Accrued salaries payable	-	-	1,214	-	1,214
Total liabilities	<u>-</u>	<u>266,071</u>	<u>591,677</u>	<u>509</u>	<u>858,257</u>
<b>Fund Balances</b>					
Non-spendable					
Inventory	-	-	21,353	-	21,353
Restricted for					
Food service	-	-	4,569	-	4,569
Debt service	1,177,089	-	-	-	1,177,089
Capital projects	-	5,933,978	-	-	5,933,978
Committed for school and student activities	-	-	-	177,163	177,163
Total fund balances	<u>1,177,089</u>	<u>5,933,978</u>	<u>25,922</u>	<u>177,163</u>	<u>7,314,152</u>
Total liabilities and fund balances	<u>\$ 1,177,089</u>	<u>\$ 6,200,049</u>	<u>\$ 617,599</u>	<u>\$ 177,672</u>	<u>\$ 8,172,409</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, 2023**

	Debt Service Fund	Capital Project Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
	Bond 2020 Series I Debt Fund	Sinking Fund	Food Service Fund	Student and School Activity Fund	
<b>Revenues</b>					
Local sources	\$ 6,664,247	\$ 2,776,672	\$ 11,254	\$ 79,399	\$ 9,531,572
State sources	-	-	197,980	-	197,980
Federal sources	-	-	2,544,455	-	2,544,455
Total revenues	<u>6,664,247</u>	<u>2,776,672</u>	<u>2,753,689</u>	<u>79,399</u>	<u>12,274,007</u>
<b>Expenditures</b>					
Current					
Education					
Supporting services	-	-	-	86,298	86,298
Food services	-	-	3,114,113	-	3,114,113
Capital outlay	-	1,933,773	-	-	1,933,773
Debt service					
Principal	2,085,000	-	-	-	2,085,000
Interest and other expenditures	<u>3,716,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,716,001</u>
Total expenditures	<u>5,801,001</u>	<u>1,933,773</u>	<u>3,114,113</u>	<u>86,298</u>	<u>10,935,185</u>
Net change in fund balances	863,246	842,899	(360,424)	(6,899)	1,338,822
Fund balances - beginning	<u>313,843</u>	<u>5,091,079</u>	<u>386,346</u>	<u>184,062</u>	<u>5,975,330</u>
Fund balances - ending	<u>\$ 1,177,089</u>	<u>\$ 5,933,978</u>	<u>\$ 25,922</u>	<u>\$ 177,163</u>	<u>\$ 7,314,152</u>



**School District of the City of Pontiac**  
**Other Supplementary Information**  
**General Fund**  
**Combining Balance Sheet**  
**June 30, 2023**

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Total
<b>Assets</b>							
Cash	\$ 27,910,628	\$ -	\$ 175,052	\$ -	\$ 270,096	\$ (16,366,975)	\$ 11,988,801
Lease Receivable	526,360	-	-	-	-	-	526,360
Due from other governmental units	2,047,678	11,378,199	-	2,720,737	-	-	16,146,614
Prepaid items and other deposits	643,310	-	1,694	-	-	-	645,004
Total assets	<u>\$ 31,127,976</u>	<u>\$ 11,378,199</u>	<u>\$ 176,746</u>	<u>\$ 2,720,737</u>	<u>\$ 270,096</u>	<u>\$ (16,366,975)</u>	<u>\$ 29,306,779</u>
<b>Liabilities</b>							
Checks written against future deposits	\$ -	\$ 7,814,215	\$ -	\$ 8,552,760	\$ -	\$ (16,366,975)	\$ -
Accounts payable	1,937,522	331,257	12,523	385,331	-	-	2,666,633
Accrued expenditures	418,938	105,679	1,420	82,855	-	-	608,892
Accrued salaries payable	2,073,103	1,094,023	1,333	404,094	-	-	3,572,553
Unearned revenue	-	2,998,753	-	-	-	-	2,998,753
Total liabilities	<u>4,429,563</u>	<u>12,343,927</u>	<u>15,276</u>	<u>9,425,040</u>	<u>-</u>	<u>(16,366,975)</u>	<u>9,846,831</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue							
Grant funds	-	640,896	-	261,606	-	-	902,502
Leases	526,360	-	-	-	-	-	526,360
Total deferred inflows of resources	<u>526,360</u>	<u>640,896</u>	<u>-</u>	<u>261,606</u>	<u>-</u>	<u>-</u>	<u>1,428,862</u>
<b>Fund Balances</b>							
Non-spendable							
Prepaid items	643,310	-	1,694	-	-	-	645,004
Assigned for debt service	-	-	-	-	270,096	-	270,096
Unassigned (deficit)	<u>25,528,743</u>	<u>(1,606,624)</u>	<u>159,776</u>	<u>(6,965,909)</u>	<u>-</u>	<u>-</u>	<u>17,115,986</u>
Total fund balances (deficit)	<u>26,172,053</u>	<u>(1,606,624)</u>	<u>161,470</u>	<u>(6,965,909)</u>	<u>270,096</u>	<u>-</u>	<u>18,031,086</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,127,976</u>	<u>\$ 11,378,199</u>	<u>\$ 176,746</u>	<u>\$ 2,720,737</u>	<u>\$ 270,096</u>	<u>\$ (16,366,975)</u>	<u>\$ 29,306,779</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, 2023**

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Total
<b>Revenues</b>							
Local sources	\$ 38,416,899	\$ 703,120	\$ 246	\$ (3,065)	\$ -	\$ -	\$ 39,117,200
State sources	8,861,778	6,490,791	-	5,930,785	-	-	21,283,354
Federal sources	-	20,513,417	-	1,409,904	-	-	21,923,321
Interdistrict sources	51,360	-	-	5,278,668	-	-	5,330,028
Total revenues	47,330,037	27,707,328	246	12,616,292	-	-	87,653,903
<b>Expenditures</b>							
Current							
Education							
Instruction	15,663,942	11,020,770	-	7,236,450	-	-	33,921,162
Supporting services	22,181,067	9,376,924	568,523	5,038,080	-	-	37,164,594
Community services	861	423,248	-	4,920	-	-	429,029
Capital outlay	244,969	6,062,573	6,658	-	-	-	6,314,200
Debt service							
Principal	11,000,000	-	-	-	1,275,000	-	12,275,000
Interest and other expenditures	54,379	-	-	-	574,858	-	629,237
Total expenditures	49,145,218	26,883,515	575,181	12,279,450	1,849,858	-	90,733,222
Excess (deficiency) of revenues over expenditures	(1,815,181)	823,813	(574,935)	336,842	(1,849,858)	-	(3,079,319)

**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, 2023**

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Debt Fund	Eliminations	Total
<b>Other Financing Sources (Uses)</b>							
Proceeds from loans	\$ 8,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,500,000
Transfers in	444,333	-	523,805	-	1,855,000	(2,823,138)	-
Transfers out	<u>(2,378,805)</u>	<u>(444,333)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,823,138</u>	<u>-</u>
Total other financing sources (uses)	<u>6,565,528</u>	<u>(444,333)</u>	<u>523,805</u>	<u>-</u>	<u>1,855,000</u>	<u>-</u>	<u>8,500,000</u>
Net change in fund balances	4,750,347	379,480	(51,130)	336,842	5,142	-	5,420,681
Fund balances (deficit) - beginning	<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>
Fund balances (deficit) - ending	<u>\$ 26,172,053</u>	<u>\$ (1,606,624)</u>	<u>\$ 161,470</u>	<u>\$ (6,965,909)</u>	<u>\$ 270,096</u>	<u>\$ -</u>	<u>\$ 18,031,086</u>

**School District of the City of Pontiac**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2023**

Year Ending June 30,	2023 School Building and Site Bonds	2020 School Building and Site Bonds	Emergency Loan 2014	Emergency Loan 2015	2018A Revenue Bond	Tax Anticipation Note	Total
2024	\$ -	\$ 2,390,000	\$ 170,000	\$ 175,000	\$ 1,000,000	\$ 8,500,000	\$ 12,235,000
2025	-	2,720,000	170,000	175,000	1,030,000	-	4,095,000
2026	420,000	1,235,000	170,000	180,000	1,065,000	-	3,070,000
2027	440,000	1,355,000	175,000	180,000	1,100,000	-	3,250,000
2028	460,000	1,480,000	175,000	185,000	1,135,000	-	3,435,000
2029	485,000	1,610,000	180,000	185,000	1,175,000	-	3,635,000
2030	510,000	1,750,000	180,000	190,000	1,215,000	-	3,845,000
2031	535,000	1,900,000	535,000	490,000	-	-	3,460,000
2032	560,000	2,055,000	540,000	500,000	-	-	3,655,000
2033	590,000	2,220,000	550,000	505,000	-	-	3,865,000
2034	615,000	2,370,000	555,000	510,000	-	-	4,050,000
2035	650,000	2,530,000	565,000	520,000	-	-	4,265,000
2036	680,000	2,695,000	575,000	525,000	-	-	4,475,000
2037	715,000	2,870,000	580,000	535,000	-	-	4,700,000
2038	750,000	3,050,000	590,000	540,000	-	-	4,930,000
2039	790,000	3,235,000	600,000	550,000	-	-	5,175,000
2040	830,000	3,435,000	605,000	555,000	-	-	5,425,000
2041	870,000	3,640,000	615,000	565,000	-	-	5,690,000
2042	905,000	3,855,000	625,000	575,000	-	-	5,960,000
2043	940,000	4,080,000	630,000	580,000	-	-	6,230,000
2044	975,000	4,310,000	640,000	590,000	-	-	6,515,000
2045	1,030,000	4,555,000	-	-	-	-	5,585,000
2046	1,085,000	4,810,000	-	-	-	-	5,895,000
2047	1,140,000	5,075,000	-	-	-	-	6,215,000
2048	1,200,000	5,355,000	-	-	-	-	6,555,000
2049	1,260,000	5,645,000	-	-	-	-	6,905,000
2050	1,315,000	5,945,000	-	-	-	-	7,260,000
2051	1,370,000	-	-	-	-	-	1,370,000
2052	1,430,000	-	-	-	-	-	1,430,000
2053	1,490,000	-	-	-	-	-	1,490,000
Total	<u>\$ 24,040,000</u>	<u>\$ 86,170,000</u>	<u>\$ 9,425,000</u>	<u>\$ 8,810,000</u>	<u>\$ 7,720,000</u>	<u>\$ 8,500,000</u>	<u>\$ 144,665,000</u>
Principal payments due	May 1	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	May 1 and November 1	June 30	
Interest rate	5.00%	4.00% - 5.00%	1.40%	1.40%	3.24%	5.65%	
Original issue	<u>\$ 24,040,000</u>	<u>\$ 86,170,000</u>	<u>\$ 9,425,000</u>	<u>\$ 8,810,000</u>	<u>\$ 7,720,000</u>	<u>\$ 8,500,000</u>	

**School District of the City of Pontiac**

**Single Audit Report**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of Pontiac, as of and for the year ended June 30, 2023, 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 20, 2023.

#### **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 20, 2023



## **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, 2023. 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, 2023.

##### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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, 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, 2023, 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 20, 2023, 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 20, 2023

**School District of the City of Pontiac**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

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, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Agriculture									
Passed through the Michigan Department of Education:									
Child Nutrition Cluster									
Noncash Assistance (Commodities):									
National School Lunch Program:									
Bonus Commodities	N/A	10.555	\$ 12,153	\$ -	\$ -	\$ -	\$ 12,153	\$ 12,153	\$ -
Entitlement Commodities		10.555	175,451	-	-	-	175,451	175,451	-
					-	-	187,604	187,604	-
Cash Assistance:									
COVID-19 Seamless Summer Option (SSO) - Breakfast	221970	10.553	67,522	-	-	-	67,522	67,522	-
National School Breakfast Program	221971	10.553	531,065	531,065	38,555	-	38,555	-	-
National School Breakfast Program	231970	10.553	550,407	-	-	-	391,326	550,407	159,081
					38,555	-	497,403	617,929	159,081
National School Lunch Program	221960	10.555	157,256	-	-	-	157,256	157,256	-
COVID-19 Seamless Summer Option (SSO)	221961	10.555	1,347,861	1,347,861	100,461	-	100,461	-	-
COVID-19 Seamless Summer Option (SSO)	220910	10.555	78,087	-	-	-	78,087	78,087	-
National School Lunch Program	230910	10.555	40,619	-	-	-	40,619	40,619	-
National School Lunch Program	221980	10.555	24,644	24,644	1,037	-	1,037	-	-
National School Lunch Program	231960	10.555	1,316,467	-	-	-	923,615	1,316,467	392,852
					101,498	-	1,301,075	1,592,429	392,852
Summer Food Service Program 2021-2022	210904	10.559	1,708,862	1,708,862	3,197	(3,197)	-	-	-
Summer Food Service Program 2021-2022	220900	10.559	22,350	-	-	3,197	22,350	19,153	-
Summer Food Service Program 2022-2023	230900	10.559	1,763	-	-	-	-	1,763	1,763
					3,197	-	22,350	20,916	1,763
Total Child Nutrition Cluster					143,250	-	2,008,432	2,418,878	553,696
Child & Adult Care Food Program 2021-2022	221920	10.558	59,257	54,573	12,761	-	17,445	4,684	-
Child & Adult Care Food Program 2021-2022	222010	10.558	4,237	3,891	909	-	1,255	346	-
Child & Adult Care Food Program 2022-2023	231920	10.558	83,296	-	-	-	57,524	83,296	25,772
Child & Adult Care Food Program 2022-2023	232010	10.558	4,282	-	-	-	4,282	6,201	1,919
					13,670	-	80,506	94,527	27,691
Fresh Fruit and Vegetable Program 2021-2022	220950	10.582	116,337	17,180	1,332	-	1,332	-	-
Fresh Fruit and Vegetable Program 2022-2023	230950	10.582	116,805	-	-	-	27,465	27,465	-
					1,332	-	28,797	27,465	-
COVID-19 Pandemic EBT Local Level Costs	220980 2122	10.649	3,063	3,135	-	-	3,135	3,135	-
NSLP Equipment Assistance Grant	201991 EAG22	10.579	3,766	-	-	-	3,585	3,585	-
Total U.S. Department of Agriculture					158,252	-	2,124,455	2,547,590	581,387

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, 2023**

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, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Defense									
Direct Programs:									
Project Number JROTC 2023 Grant	MI-171531	12.357	\$ 49,644	\$ -	\$ -	\$ -	\$ 49,644	\$ 49,644	\$ -
Total U.S. Department of Defense					-	-	49,644	49,644	-
U.S Department of Treasury									
Passed through the Michigan Department of Education									
COVID-19 Coronavirus Local Fiscal Recovery Fund (LFRF) - ARP	SLFRP2640	21.027	175,000	-	-	-	175,000	175,000	-
Total U.S. Department of Treasury					-	-	175,000	175,000	-
Federal Communications Commission									
Passed through the Universal Service Administration Company									
COVID-19 Emergency Connectivity Funds	ECF2290003965	32.009	1,141,660	-	-	-	1,141,660	1,141,660	-
Total Federal Communications Commission					-	-	1,141,660	1,141,660	-
U.S. Department of Education									
Passed through Oakland Schools									
Special Education Cluster									
Special Education Grants to States									
IDEA Flowthrough	210450	84.027A	1,359,794	1,359,794	333,513	(100)	333,413	-	-
IDEA Flowthrough	220540	84.027A	1,317,140	1,226,130	1,226,130	-	1,223,065	91,009	94,074
IDEA Flowthrough	230450	84.027A	1,202,453	-	-	-	-	1,202,543	1,202,543
COVID-19 IDEA Flowthrough - ARP	221280	84.027X	303,150	-	-	-	-	303,150	303,150
					1,559,643	(100)	1,556,478	1,596,702	1,599,767
Special Education Preschool Grants									
Preschool Incentive	220460	84.173A	50,273	50,273	50,273	-	50,273	-	-
Preschool Incentive	230460	84.173A	36,072	-	-	-	-	36,072	36,072
COVID-19 Preschool Initiative - ARP	221285	84.173X	29,645	-	-	-	-	29,645	29,645
					50,273	-	50,273	65,717	65,717
Total Special Education Cluster					1,609,916	(100)	1,606,751	1,662,419	1,665,484
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	4,102,727	1,766,062	-	2,273,898	507,836	-
Title I, Part A	231530 2023	84.010	7,412,524	-	-	-	1,989,968	4,265,131	2,275,163
					1,766,062	-	4,263,866	4,772,967	2,275,163
Passed through the Michigan Department of Education									
21st Century Community Learning Centers	222110 L194273	84.287	405,000	405,000	59,788	-	59,788	-	-
21st Century Community Learning Centers	232110 L194273	84.287	450,000	-	-	-	225,914	450,000	224,086
					59,788	-	285,702	450,000	224,086

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, 2023**

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, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue at June 30, 2023
Passed through the Michigan Department of Education									
English Language Acquisition Grants									
Title III English Language Acquisition	220580 2122	84.365	\$ 130,624	\$ 78,588	\$ 25,139	\$ -	\$ 30,345	\$ 5,206	\$ -
Title III Immigrant Students	220570 2122	84.365	1,300	1,300	1,300	-	1,300	-	-
Title III English Language Acquisition	230580 2021	84.365	165,632	-	-	-	59,108	105,360	46,252
					26,439	-	90,753	110,566	46,252
Passed through the Michigan Department of Education									
Supporting Effective Instruction State Grant									
Title II Part A Improving Teacher Quality	220520 2122	84.367	1,338,691	294,701	294,701	-	389,537	94,836	-
Title II Part A Improving Teacher Quality	230520 2021	84.367	1,182,258	-	-	-	131,921	349,843	217,922
					294,701	-	521,458	444,679	217,922
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	163,394	9,689	-	28,541	18,852	-
Title IV Student Support & Academic Enrichment	230750 2021	84.424	636,951	-	-	-	123,847	385,418	261,571
					9,689	-	152,388	404,270	261,571
Passed through the Michigan Department of Education									
Education Stabilization Funds									
COVID-19 Governor's Emergency Education Relief (GEER)	201200 2021	84.425C	425,119	420,843	320,275	-	320,275	-	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	203710 1920	84.425D	4,260,253	4,236,510	(2,054)	-	(2,054)	-	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula II	213712 2021	84.425D	17,634,236	17,634,236	844,603	-	844,603	-	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)									
Before and After School Programs K-12	213752 2122	84.425D	25,000	-	-	-	25,000	25,000	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Equity	203720 1920	84.425D	639,008	633,065	12,130	-	12,130	-	-
					854,679	-	879,679	25,000	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula III	213713 2122	84.425U	26,402,660	1,199,794	100,453	-	6,765,450	13,560,278	6,895,281
					1,275,407	-	7,965,404	13,585,278	6,895,281
Total U.S. Department of Education					5,042,002	(100)	14,886,322	21,430,179	11,585,759
U.S. Department of Health and Human Services									
Medicaid Cluster									
Passed through Oakland Schools									
Medical Assistance Program	FY 2023	93.778	6,026	-	-	-	6,026	6,026	-
Total Federal Awards					\$ 5,200,254	\$ (100)	\$ 18,383,107	\$ 25,350,099	\$ 12,167,146

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, 2023**

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**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, 2023. 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	\$ 25,350,099
Prior year deferred inflows of resources	20,179
Current year deferred inflows of resources	<u>(902,502)</u>
Federal revenues per the financial statements	<u>\$ 24,467,776</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, 2023**

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**Note 5 - Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report(GAR) reconcile to the schedule of expenditures of federal awards as follows:.

Grant	AL Number	Project Number	Amount per GAR	Amount per SEFA	Difference	Reason for Difference
Fresh Fruit and Vegetable Program 2021-2022	10.582	220950	-	1,332	(1,332)	Payment received by filing FER
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	203710 1920	-	(2,054)	2,054	Payment made by filing FER
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Equity	84.425D	213720 1920	-	12,130	(12,130)	Payment received by filing FER
			-	11,408	(11,408)	

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 IDEA Flowthrough project 210450 that were overcharged to the grant by \$100 and related to project numbers 210904 and 220900 of \$3,197 to move expenditures from the June 30, 2022 schedule of expenditures of federal awards to the appropriate project number on the June 30, 2023 SEFA to match the GAR .



**School District of the City of Pontiac**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**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)

10.553 / 10.555 / 10.559  
32.009  
84.027A / 84.027X / 84.173A / 84.173X  
84.425C / 84.425D/ 84.425U

Name of Federal Program or Cluster

Child Nutrition Program Cluster  
Emergency Connectivity Funds  
Special Education Cluster  
Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 760,503

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes        X   no

**School District of the City of Pontiac**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section II - *Government Auditing Standards* Findings**

There were no *Government Auditing Standards* findings for the year ended June 30, 2023

**Section III - Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

**School District of the City of Pontiac**  
**Summary of Prior Year Findings**  
**June 30, 2023**

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**Section IV - Prior Audit Findings**

***Government Auditing Standards Findings***

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

**Federal Award Findings**

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