NEW ISSUE
BOOK-ENTRY ONLY

RATING[§]: Moody's: Aa1 (See "Rating" herein)
MICHIGAN SCHOOL BOND QUALIFICATION AND LOAN PROGRAM QUALIFIED[§]

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, assuming compliance with certain covenants by the School District, the interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds and interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within in the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" and "APPENDIX E - Form of Approving Opinion of Bond Counsel" herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the tax treatment of interest on the Bonds for certain Bondholders.

$90,050,000
SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
2020 SCHOOL BUILDING AND SITE BONDS
(UNLIMITED TAX GENERAL OBLIGATION)

Dated: July 15, 2020 **Due:** May 1, as shown below

On March 10, 2020, the qualified electors of the School District of the City of Pontiac, County of Oakland, State of Michigan (the "School District") approved a proposal authorizing the issuance of bonds not to exceed an aggregate amount of $147,000,000. Proceeds of the 2020 School Building and Site Bonds (Unlimited Tax General Obligation) (the "Bonds") in the amount of $90,050,000, representing the first series of bonds to be issued pursuant to such voter authorization, will be used for school building and site purposes. The Bonds were authorized by the Board of Education of the School District by a resolution adopted on April 20, 2020 (the "Resolution"). The Bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount.

The Bonds are expected to be fully qualified as of the date of delivery for participation in the Michigan School Bond Qualification and Loan Program pursuant to the School Bond Qualification, Approval, and Loan Act, Act 92, Public Acts of Michigan, 2005, as amended ("Act 92"), enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal of and interest on the Bonds when due, the School District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the School District to make the payment. See "QUALIFICATION BY THE STATE OF MICHIGAN" and "APPENDIX A – State Qualification" herein.

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Principal of and interest on the Bonds will be paid by the corporate trust office of The Huntington National Bank, Grand Rapids, Michigan (the "Transfer Agent"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to DTC's Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on May 1 and November 1, commencing November 1, 2020, to the Bondholders of record as of the applicable record dates herein described.

Maturity (May 1)	Amount	Interest Rate	Price	CUSIP[†]	Maturity (May 1)	Amount	Interest Rate	Price	CUSIP[†]
2022	$1,795,000	5.000%	107.616%	732538GQ0	2032	$2,055,000	5.000%	129.238%*	732538HA4
2023	2,085,000	5.000	111.641	732538GR8	2033	2,220,000	4.000	116.931*	732538HB2
2024	2,390,000	5.000	115.381	732538GS6	2034	2,370,000	4.000	116.450*	732538HC0
2025	2,720,000	5.000	118.678	732538GT4	2035	2,530,000	4.000	115.970*	732538HD8
2026	1,235,000	5.000	121.394	732538GU1	2036	2,695,000	4.000	115.588*	732538HE6
2027	1,355,000	5.000	123.984	732538GV9	2037	2,870,000	4.000	115.208*	732538HF3
2028	1,480,000	5.000	126.324	732538GW7	2038	3,050,000	4.000	114.829*	732538HG1
2029	1,610,000	5.000	128.638	732538GX5	2039	3,235,000	4.000	114.452*	732538HH9
2030	1,750,000	5.000	130.918	732538GY3	2040	3,435,000	4.000	114.076*	732538HJ5
2031	1,900,000	5.000	130.180*	732538GZ0					

Amount	Interest Rate	Maturity	Price	CUSIP[†]
$20,440,000	4.000%	Term Bond Due May 1, 2045	112.679*	732538HK2
$26,830,000	4.000%	Term Bond Due May 1, 2050	112.217*	732538HL0

The Bonds maturing on May 1, 2045 and May 1, 2050 (the "Term Bonds") are subject to mandatory redemption on the redemption dates and in the principal amounts set forth herein at a redemption price equal to the principal amount thereof without premium. See "THE BONDS — Mandatory Redemption of Term Bonds" herein.

THE BONDS MATURING ON OR AFTER MAY 1, 2031 ARE SUBJECT TO OPTIONAL REDEMPTION BEGINNING MAY 1, 2030, IN THE MANNER AND AT THE TIMES DESCRIBED HEREIN. See "THE BONDS — Optional Redemption" herein.

The Bonds will be offered when, as and if issued by the School District and received by the Underwriters, subject to the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Dykema Gossett PLLC, Lansing, Michigan. It is expected that the Bonds will be available for delivery through DTC on or about July 15, 2020.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Wells Fargo Securities

BofA Securities **Huntington Capital Markets** **Stifel, Nicolaus & Company, Inc.**

Dated: June 23, 2020

§ As of the date of delivery.
* Priced to first call date of May 1, 2030.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the School District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement in connection with the offer made hereby and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District or the Underwriters. This Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy these securities be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the School District that has been deemed final by the School District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Information herein has been obtained from the School District, The Depository Trust Company and other sources believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information (except for information under the section captioned "UNDERWRITING," which was obtained from the Underwriters).

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement, or, except for the School District, approved the Bonds for sale.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT CONCERNING THE SCHOOL DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SCHOOL DISTRICT OF THE CITY OF PONTIAC
County of Oakland, State of Michigan

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Mike McGuinness, Secretary
ShaQuana Davis-Smith, Treasurer
William A. Carrington, Trustee
Kerry Tolbert, Trustee
Caroll Y. Turpin, Trustee

ADMINISTRATIVE STAFF

Kelley Williams, Superintendent of Schools
James Graham, Director of Business Services
Darryl Segars, General Counsel

BOND COUNSEL

Miller, Canfield, Paddock and Stone, P.L.C.

MUNICIPAL ADVISOR

Robert W. Baird & Co. Incorporated

TRANSFER AGENT

The Huntington National Bank

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OFFICIAL STATEMENT
relating to

$90,050,000
SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
2020 SCHOOL BUILDING AND SITE BONDS
(UNLIMITED TAX GENERAL OBLIGATION)

INTRODUCTION

The purpose of this Official Statement, which includes the cover pages and Appendices, is to furnish information in connection with the issuance and sale by the School District of the City of Pontiac, County of Oakland, State of Michigan (the "School District") of its 2020 School Building and Site Bonds, (Unlimited Tax General Obligation) (the "Bonds") in the amount of $90,050,000.

PURPOSE AND SECURITY

On March 10, 2020, the qualified electors of the School District approved a proposal authorizing the issuance of bonds in an aggregate amount not to exceed $147,000,000, to be issued in one or more series. The proceeds of the Bonds, representing the first series of bonds to be issued pursuant to such voter authorization, will be used to pay the costs of: (a) remodeling, equipping, re-equipping, furnishing, and re-furnishing school buildings, athletic fields, playgrounds and other facilities; erecting security entrances, classroom additions and other additions to existing school buildings and other facilities; acquiring and installing instructional technology infrastructure and equipment in school buildings and other facilities; preparing, developing, and improving sites at school buildings, playgrounds, athletic fields, and other facilities for traffic control, safety, security, and other purposes (collectively, the "Projects"); (b) capitalized interest; and (c) issuing the Bonds.

The Bonds, as authorized for issuance by a resolution of the Board of Education of the School District adopted on April 20, 2020 (the "Resolution"), are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. See "LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES" in this Official Statement. As of the date of delivery, the Bonds are expected to be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program. See "QUALIFICATION BY THE STATE OF MICHIGAN" and "APPENDIX A – State Qualification" in this Official Statement.

QUALIFICATION BY THE STATE OF MICHIGAN

An application will be submitted to the Michigan Department of Treasury to obtain, and it is the School District's expectation that the Bonds will receive, final qualification as of the date of delivery to participate in the Michigan School Bond Qualification and Loan Program pursuant to Act 92 of the Public Acts of Michigan, 2005, as amended ("Act 92"), enacted pursuant to Article IX, Section 16, of the Michigan Constitution of 1963. Under the terms of said constitutional and statutory provisions, if for any reason the School District will be or is unable to pay the principal and interest on the Bonds when due, the School District shall borrow and the State of Michigan (the "State") shall lend to it from the School Loan Revolving Fund (the "School Loan Revolving Fund") established by the State, an amount sufficient to enable the School District to make the payment. Article IX, Section 16 of the State Constitution as implemented by Act 112 of the Public Acts of Michigan, 1961, as amended, authorizes the State, without approval of its electors, to borrow from time to time such amounts as shall be required, pledge the State's full faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided under such section. Loans to school districts for such purposes are made from the proceeds of such State borrowing. See "APPENDIX A – State Qualification" in this Official Statement.

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available from the Budget website www.michigan.gov/budget. The State has agreed to file its CAFR with the Municipal Securities Rulemaking Board (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually, so long as any bonds qualified for participation in the Michigan School Bond Qualification and Loan Program remain outstanding.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES	
Par Amount of the Bonds	$90,050,000.00
Original Issue Premium	13,709,327.95
Total Sources	$103,759,327.95
USES	
Capital Projects Fund	$100,120,111.80
Capitalized Interest	3,023,456.94
Underwriters' Discount	297,899.21
Estimated Costs of Issuance	317,860.00
Total Uses	$103,759,327.95

THE BONDS

Description and Form of the Bonds

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated as of, and bear interest from, the date of issuance. Interest on the Bonds shall be payable semiannually each November 1 and May 1 to maturity or earlier redemption, commencing November 1, 2020. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

The corporate trust office of The Huntington National Bank, Grand Rapids, Michigan, will serve as the transfer agent (the "Transfer Agent") and also as bond registrar and paying agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges of the Bonds, which are held in the book-entry-only system, see "Book-Entry-Only System" below. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See "Transfer Outside Book-Entry-Only System" below.

Book-Entry-Only System

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the School District, the Transfer Agent or the Underwriters as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the School District, the Transfer Agent or the Underwriters to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the School District nor the Transfer Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the School District or Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Transfer Agent, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the School District or Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the School District or Transfer Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Transfer Outside Book-Entry-Only System

In the event that the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the fifteen (15) days immediately preceding the date of mailing of any notice of redemption or any time following the mailing of any notice of redemption, the Transfer Agent shall not be required to effect or register any transfer or exchange of any bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the School District and the Transfer Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owners of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Optional Redemption

The Bonds or portions of Bonds in multiples of $5,000 maturing on and after May 1, 2031 shall be subject to redemption prior to maturity, at the option of the School District in such order of maturity as the School District may determine and by lot within any maturity, on any date on or after May 1, 2030, at par plus accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds

The Bonds maturing on May 1, 2045 and May 1, 2050 (the "Term Bonds") are subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at redemption prices equal to the principal amounts thereof, without premium, together with interest thereon to the redemption dates. When Term Bonds are purchased by the School District and delivered to the Transfer Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased on the order determined by the School District.

Bonds Maturing May 1, 2045

Redemption Dates	Principal Amounts
May 1, 2041	$3,640,000
May 1, 2042	3,855,000
May 1, 2043	4,080,000
May 1, 2044	4,310,000
May 1, 2045 (maturity)	4,555,000
	$20,440,000

Bonds Maturing May 1, 2050

Redemption Dates	Principal Amounts
May 1, 2046	$4,810,000
May 1, 2047	5,075,000
May 1, 2048	5,355,000
May 1, 2049	5,645,000
May 1, 2050 (maturity)	5,945,000
	$26,830,000

Notice of Redemption and Manner of Selection

Notice of redemption of any Bond will be given not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Transfer Agent. The Bonds will be called for redemption in multiples of $5,000 and Bonds of denominations of more than $5,000 will be treated as representing the number of Bonds obtained by dividing the face amount of the Bond by $5,000 and such

Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in an aggregate face amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof.

If less than all of the Bonds of any maturity shall be called for redemption prior to maturity, unless otherwise provided, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Transfer Agent, in the principal amounts designated by the School District. Any Bonds selected for redemption will cease to bear interest on the date fixed for redemption, whether presented for redemption or not, provided funds are on hand to redeem said Bonds. Upon presentation and surrender of such Bonds at the designated corporate trust office of the Transfer Agent, such Bonds shall be paid and redeemed.

So long as the book-entry-only system remains in effect, in the event of a partial redemption, the Transfer Agent will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial redemption, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

TAX PROCEDURES

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, and increased or reduced by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, to the local board of review, the Michigan Tax Tribunal, and ultimately to the Michigan appellate courts.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the county's department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended, is recorded on a separate tax roll while subject to tax abatement. The valuation of tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted. Under limited circumstances, other state laws permit the partial abatement of certain taxes for other types of property for periods of up to 12 years.

LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES

The Resolution authorizing the issuance of the Bonds and State law obligate the School District to levy a tax annually in an amount sufficient so that the estimated collections therefrom will be sufficient to pay promptly when due the principal of and interest on the Bonds becoming due prior to the time of the next tax levy.[1] The tax levy shall not be subject to limitation as to rate or amount. Taxes for the payment of the principal of or interest on the Bonds are certified for collection each year with the school tax levies. In the event of the failure of the proper officials to certify taxes for the payment of the principal and interest requirements, a timely action in the nature of mandamus could compel certification and collection of adequate taxes or could compel the School District to make application to borrow the necessary funds from the School Loan Revolving Fund and thus prevent a default. However, if a transfer agent for any bonds of the School District qualified for State loans as provided in Article IX, Section 16, of the State Constitution notifies the State Treasurer that the School District has failed to deposit sufficient funds to pay principal and interest on the qualified bonds when due or if a bond holder notifies the State Treasurer that the School District has failed to pay principal or interest on such qualified bonds when due, whether or not the School District has filed a draw request with the State Treasurer, the State Treasurer shall promptly pay the principal or interest on the qualified bonds when due.

If sufficient funds for full payment of debt service on the Bonds do not reach the Transfer Agent five business days prior to the debt service payment due date, the Transfer Agent will notify the School District of the amount of insufficient funds four business days prior to the due date. In the event that the School District does not immediately resolve the insufficient funds situation, the Transfer Agent will notify the Michigan Department of Treasury of the deficiency three business days before the payment due date and the State Treasurer shall make the payment.

Any amount paid by the State Treasurer as described in the preceding paragraphs shall be deemed a loan made to the School District pursuant to the requirements of said Article IX, Section 16, of the State Constitution. Registered owners of the Bonds may attempt to obtain a money judgment against the School District for the principal amount of the Bonds or interest not paid when due and may periodically attempt to enforce the collection of the money judgment by requiring the tax assessing officers for the School District to place the amount of such judgment on the next tax rolls of the School District. The rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement also may be subject to the exercise of judicial discretion in appropriate cases. See APPENDIX A, "State Qualification," in this Official Statement.

[1] The School District will begin to levy taxes for payment of the Bonds in July 2021. Prior to July 2021, interest payments will be made from capitalized interest from Bond proceeds.

SOURCES OF SCHOOL OPERATING REVENUE

On March 15, 1994, the electors of the State of Michigan approved a ballot proposal to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to reduce the per pupil finance resource disparities among school districts. The State school aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in fiscal year 1994/95. The Legislature appropriated funds to establish a base foundation allowance in 2019/2020 ranging from $8,111 to $8,529 per pupil, depending on the school district's 1993/94 revenue. In the future, this base foundation allowance may be adjusted annually as part of the State's budgeting process. The foundation allowance is funded by locally raised property taxes plus State school aid appropriated under the State School Aid Act of 1979, Act 94 of the Public Acts of Michigan, 1979, as amended (the "School Aid Act"). The revenues for the State's contribution to the foundation allowance are derived from a mix of taxing sources, including but not limited to a statewide property tax of 6 mills on all taxable property,[2] a State sales and use tax, a real estate transfer tax, and a cigarette tax.

Generally, school districts are required to levy a local property tax of not more than 18 mills or the number of mills levied in 1993 for school operating purposes, whichever is less, on non-homestead properties[3] in order for the school district to receive its per pupil foundation allowance. An intermediate school district may seek voter approval for three enhancement mills for distribution to local constituent school districts on a per pupil basis. Proceeds of the enhancement mills are not counted toward the foundation allowance. Oakland Schools, the School District's intermediate school district, does not currently levy an enhancement millage.

In the 2019/20 fiscal year, the School District levied 18 mills on non-homestead property and received approximately $8,746 per pupil which is greater than the $8,111 per pupil base foundation amount the School District is entitled to receive under the State Aid Act. For this reason, the School District does not receive State school aid from the State for any portion of its per pupil foundation allowance. This is referred to as a school district that is "out of formula." See "OUT-OF-FORMULA SCHOOL DISTRICT STATUS" herein.

The School District may also receive various categorical grants for specific expenditures such as special education, "at-risk" students, meal programs, early education, vocational-technical programs bilingual programs, and other instructional and non-instructional programs. The type and amount of these categorical grants are determined by the State pursuant to the annual amendments to the School Aid Act. For further information regarding the type and amount of categorical grants received by the School District, see the Audited Financial Statements in Appendix D.

THE SOURCES OF THE SCHOOL DISTRICT'S OPERATING REVENUE DO NOT IMPACT THE TAXING AUTHORITY OF THE SCHOOL DISTRICT FOR PAYMENT OF UNLIMITED TAX GENERAL OBLIGATION BONDS AND DO NOT AFFECT THE OBLIGATION OF THE SCHOOL DISTRICT TO LEVY TAXES FOR PAYMENT OF DEBT SERVICE ON UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE SCHOOL DISTRICT, INCLUDING THE BONDS OFFERED HEREIN.

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[2] "Taxable property" in this context does not include industrial personal property. See also "Michigan Property Tax Reform" herein regarding recent amendments exempting certain types of personal property from school operating taxes.

[3] "Non-homestead property" includes all taxable property other than principal residence, qualified agricultural property, qualified forestry property, supportive housing property, property occupied by a public school academy, and industrial personal property. Commercial personal property, to the extent not otherwise exempt, is exempt from the first 12 mills of not more than 18 mills levied by school districts.

"OUT-OF-FORMULA" SCHOOL DISTRICT

The School District levies 18 mills of operating tax on all non-homestead property located in the School District. Due to the significant value of the non-homestead properties in the School District, the School District generates enough revenue from its non-homestead operating tax millage to entirely fund its per pupil foundation allowance without any contribution from the State. This is referred to as a school district that is "out-of-formula." In the 2019/20 fiscal year, the School District levied 18 mills on non-homestead property and received approximately $8,746 per pupil which is greater than the $8,111 per pupil base foundation amount the School District is entitled to receive under the State Aid Act.

POTENTIAL IMPACT OF THE COVID-19 PANDEMIC ON THE SCHOOL DISTRICT

The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of the coronavirus. On March 10, 2020, Michigan Governor Gretchen Whitmer declared a state of emergency across the State of Michigan, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. The current spread of COVID-19 and actions taken by the federal and state and local governments in response thereto are altering the behavior of businesses and people in a manner that may have a long-term negative effect on economic activity, and therefore could adversely affect the future financial condition of the School District, directly or indirectly.

State of Emergency – Legislative Authority and Executive Orders

In response to the effect of COVID-19 in Michigan, the Governor has exercised broad authority under the Emergency Powers of the Governor Act, Act 302, Public Acts of Michigan, 1945, as amended ("Act 302") and the Emergency Management Act, Act 390, Public Acts of Michigan, 1976, as amended ("Act 390"). Beginning on March 10, 2010, the Governor has issued a series of Executive Orders declaring a state of emergency and a state of disaster in the State in response to COVID-19, indicating that the state of emergency and state of disaster will terminate on the earlier of a specified date or when emergency and disaster conditions no longer exist.[4]

Act 390 requires approval of the Legislature to extend an executive order issued pursuant to that statute to continue beyond 28 days. Act 302 is silent on legislative approval. On April 7, 2020, the Michigan Legislature approved the Governor's extension of the state of emergency and state of disaster through April 30, 2020. On April 30, the Legislature did not extend the state of emergency and state of disaster under Act 390.

On May 5, 2020, the Legislature filed suit against the Governor challenging the validity and constitutionality of her executive orders related to COVID-19. On May 21, 2020, the Michigan Court of Claims ruled that the Governor's April 30th state of emergency declaration was a valid exercise of authority under Act 302, but that her state of emergency and state of disaster declaration was not a valid exercise of authority under Act 390. Both of those rulings have been appealed. A number of other lawsuits have also been filed challenging the scope of the Governor's authority to exercise emergency powers, some of which have been dismissed, while others remain pending.

On June 18, 2020, the Governor issued Executive Order 2020-127, terminating the state of emergency and state of disaster declared in prior executive orders and declaring a new state of emergency under Act 302 and a new state of emergency and state of disaster under Act 390. Executive Order 2020-127 expires on July 16, 2020.

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[4] All COVID-19-related Executive Orders and Executive Directives issued by the Governor, as well as other releases and information regarding COVID-19 in the State, can be accessed at https://www.michigan.gov/coronavirus.

Stay-Home Practices and Restricted Activity – Executive Orders

Beginning on March 23, 2020, the Governor issued a series of Executive Orders that initially suspended in-person business activities and directed most individuals to stay in their homes; however, subsequent Executive Orders gradually reduced restrictions on business and social activities and rescinded the previous stay-home orders. The current order, Executive Order 2020-115, issued on June 5, 2020, further lifts restrictions.

School Closure and the Continuity of Learning Plan

On April 2, 2020, the Governor issued Executive Order 2020-35, rescinded and replaced with Executive Order 2020-65 on April 30, 2020 ("EO 2020-65"), which suspended, for the remainder of the 2019-20 school year, all in-person instruction of K-12 public, non-public and boarding schools; closed all school buildings;[5] suspended all K-12 sports and other in-person extracurricular activities; and temporarily relaxed and waived various Revised School Code and School Aid Act requirements and related regulations.

EO 2020-65 also set forth guidelines for school districts to implement a Continuity of Learning and COVID-19 Response Plan (the "Plan") for the remainder of the 2019-20 school year. EO 2020-65 required school districts to submit the Plan to its intermediate school district for review and approval. A school district with an approved Plan is expected to be eligible to continue to receive the full amount of the remaining School Aid payments appropriated to the school district under the School Aid Act for the 2019-20 school year subject to the requirements of the School Aid Act which have not been waived or modified by EO 2020-65. While EO 2020-65 does not expressly so state, it appears that a school district shall forfeit all or a portion of its remaining appropriated School Aid payments if it fails to create an approved Plan.

The School District's Plan was timely submitted and approved by its intermediate school district and has been fully implemented, all in accordance with EO 2020-65.

Impact on the School District and the Bonds

The Bonds are a full faith and credit unlimited tax general obligation of the School District. The principal of and interest on the Bonds are payable from the proceeds of ad valorem taxes levied on all taxable property in the School District which may be levied without limitation as to rate or amount. The School District does not currently anticipate that the levy of property taxes, its primary revenue source for the repayment of the Bonds, will be materially affected; however, the School District cannot predict the effect the spread of COVID-19 will have on collections of those taxes or on future property values, tax levies and collections. As of the date of delivery, the Bonds are also expected to be fully qualified for participation in the State of Michigan School Bond Qualification and Loan Program. See "LEVY AND COLLECTION OF TAXES FOR PAYMENT OF THE BONDS AND BONDHOLDERS' REMEDIES", "QUALIFICATION BY THE STATE OF MICHIGAN" and APPENDIX A, "State Qualification," in this Official Statement.

The State's finances are also being adversely affected by the continued spread of COVID-19, which is likely to affect the amount of State School Aid appropriated to public schools, including the School District. At the State's Consensus Revenue Estimating Conference held on May 15, 2020, the participants projected a drop in State School Aid Fund revenues for fiscal year 2019-20 of just under $1.1 billion, which, in the absence of other legislative actions or additional federal relief funding, could lead to a proration of state aid of as much as $650-700 per pupil. See "SOURCES OF SCHOOL OPERATING REVENUE" herein. Because the State budget process remains in the early stages for both the remainder of fiscal year

[5] Building closures do not affect access by essential employees and contractors necessary to perform basic governmental functions, including payroll, technology support and virtual learning and other alternative modes of instruction.

2019-20 and for fiscal year 2020-21, the School District cannot currently predict the effect the spread of COVID-19 will have on its future finances or operations.

MICHIGAN PROPERTY TAX REFORM

On March 28 and April 1, 2014, Governor Snyder signed into law a package of bills amending and replacing legislation enacted in 2012 to reform personal property tax in Michigan. Commercial and industrial personal property of each owner with a combined true cash value in a local taxing unit of less than $80,000 became exempt from ad valorem taxes beginning in 2014. All eligible manufacturing personal property purchased or put into service beginning in 2013 and used more than 50% of the time in industrial processing or direct integrated support became exempt beginning in 2016. The legislation extended certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the newly enacted personal property tax exemptions take effect.

Pursuant to voter approval in August 2014, the 2014 legislation also included a formula to reimburse school districts for lost personal property tax revenue for 100% of lost debt millage revenue associated with bonds approved or incurred by voters prior to January 1, 2013, and lost operating millage revenue and lost sinking fund millage revenue. To provide the reimbursement, the legislation reduced the State share of the use tax and created a Local Community Stabilization Authority that is authorized to levy a local component of the use tax and that distributes revenue from such local component to qualifying local units.[6] For 2020 and thereafter, the reimbursement shall be for either: (a) debt losses attributable to debt obligations that voters approved or were incurred before January 1, 2013; or (b) debt millage calculated pursuant to a statutory formula. The final impact of this legislation cannot be determined at this time.

Since the Bonds received voter approval after January 1, 2013, the School District does not expect to be reimbursed for debt millage revenue it could have otherwise generated, without exemptions, to make payments on the Bonds.

LITIGATION

The School District has not been served with any litigation, administrative action or proceeding and to the knowledge of the appropriate officials of the School District no litigation or administrative action or proceeding has been threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or questioning or contesting the validity of the Bonds or the proceedings or authorities under which they are authorized to be issued, sold, executed and delivered. A certificate to such effect will be delivered to the Underwriters at the time of the original delivery of the Bonds.

TAX MATTERS

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

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[6] Reimbursement for the School District's operating millage loss comes in part from the State share of the use tax, which is deposited into the State School Aid Fund. A school district that increases its millage rate to replace debt millage revenue loss is not eligible to receive reimbursement distributions. Further, much of the foregone revenue is deposited into and disbursed to the State School Aid Fund; in the future the Legislature may choose to change the funding formulas in the School Aid Act or appropriate funds therein for other purposes.

The opinions on federal and State of Michigan tax matters are based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the School District contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal and State of Michigan income tax purposes. The School District has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal and State of Michigan income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's opinions assume the accuracy of the School District's certifications and representations and the continuing compliance with the School District' covenants. Noncompliance with these covenants by the School District may cause the interest on the Bonds to be included in gross income for federal and State of Michigan income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal and State of Michigan income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinions of Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. They represent Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal and State of Michigan income tax purposes but are not a guarantee of that conclusion. The federal income tax opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel cannot give and has not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

Tax Treatment of Accruals on Original Issue Discount

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as "OID Bonds"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

Amortizable Bond Premium

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the "Original Premium Bonds") an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

Market Discount

The "market discount rules" of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Future Developments

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, bond counsel is not obligated to defend the School District in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the

Bonds, under current IRS procedures, the IRS will treat the School District as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION, AND THE TREATMENT OF ORIGINAL ISSUE PREMIUM OR ORIGINAL ISSUE DISCOUNT, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. A copy of the opinion of Bond Counsel will be provided with the Bonds, which opinion will be in substantially the form set forth in Appendix E. Except to the extent necessary to deliver its approving opinion as to the validity of the Bonds and tax matters relating to the Bonds and the interest thereon, Bond Counsel has not been retained to examine or review any financial statements or other financial, statistical, or quantitative information, projections or estimates and will not express any opinion as to the accuracy or completeness of any such statements, information, projections or estimates. The legal fees of Bond Counsel in connection with the issuance of the Bonds are expected to be paid from Bond proceeds.

Miller, Canfield, Paddock and Stone, P.L.C. is currently representing Stifel, Nicolaus & Company, Incorporated in certain matters unrelated to the issuance of the Bonds. Both the School District and Stifel, Nicolaus & Company, Incorporated have consented to these unrelated representations.

Certain legal matters will be passed upon for the Underwriters by their counsel, Dykema Gossett PLLC, Lansing, Michigan.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The School District has received a letter from the Department of Treasury of the State of Michigan approving the issuance of the Bonds. The School District may therefore issue the Bonds without further approval from the Department.

RATING

Moody's Investors Service, Inc. ("Moody's") will assign, as of the date of delivery of the Bonds, its municipal bond rating of "Aa1" to the Bonds, based upon the fact that each Bond will be fully qualified for participation in the Michigan School Bond Qualification and Loan Program as of its date of delivery. See "QUALIFICATION BY THE STATE OF MICHIGAN" and "APPENDIX A – State Qualification" herein.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody's certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. There is no assurance that such rating will prevail for any given period of time or that they will not be revised downward and withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Any rating assigned represents only the views of Moody's. Further information is available upon request from Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, NY 10007, telephone: (212) 553-1653.

UNDERWRITING

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), has agreed, on behalf of itself and the underwriters listed on the cover hereof (collectively, the "Underwriters"), subject to the terms and conditions of the Bond Purchase Agreement dated June 23, 2020, to purchase the Bonds from the School District at an aggregate purchase price equal to $103,461,428.74, which is the par amount of the Bonds plus the original issue premium of $13,709,327.95 and less the underwriters' discount of $297,899.21. The Underwriters have further agreed to offer the Bonds to the public at the approximate initial offering prices set forth of the cover of this Official Statement. The offering prices may be changed from time to time by the Underwriter. The Bonds may be offered and sold by the Underwriters to certain dealers (including dealers depositing the Bonds in unit investment trusts, some of which may be managed by the Underwriters) and certain dealer banks and banks acting as agents at prices lower than such initial public offering prices stated on the inside cover page and the public offering prices may be changed from time to time.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, the senior underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

BofA Securities, Inc. ("BofA Securities"), as an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. ("HSI"), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

MUNICIPAL ADVISOR

Robert W. Baird & Co. Incorporated is acting as Municipal Advisor (the "Municipal Advisor") to the School District in connection with the issuance of the Bonds. The Municipal Advisor, in its capacity as municipal advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. To the best of the Municipal Advisor's knowledge and belief, the information contained in the Official Statement, which it assisted in preparing, while it may be summarized, is complete and accurate. The Municipal Advisor has relied upon School District officials, and other sources, which have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information.

Robert W. Baird & Co. Incorporated is precluded from participating in any group or syndicate which may purchase the Bonds. Robert W. Baird & Co. Incorporated is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board ("MSRB") as a municipal advisor.

CONTINUING DISCLOSURE

Prior to delivery of the Bonds, the School District will execute a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the holders of the Bonds and the Beneficial Owners (as defined in the Undertaking) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, are set forth in "APPENDIX F – Form of Continuing Disclosure Undertaking" to this Official Statement.

A failure by the School District to comply with the Continuing Disclosure Undertaking will not constitute an event of default under the Resolution and Beneficial Owners of the Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. A failure by the School District to comply with the Undertaking must be reported by the School District in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior Continuing Disclosure Compliance

To the best of the School District's knowledge, except as noted below, in the past five years the School District has not failed to comply with any continuing disclosure agreement or undertaking executed by the School District pursuant to the Rule.

On October 12, 2017, the School District filed together (i) notice with the MSRB through EMMA that, for certain years, for CUSIPS relating to the School District's 2006 School Building and Site Bonds (General Obligation - Limited Tax), the School District failed to file annual updates on Enrollment by

Grade, Projected Enrollment, and Pension Fund Contribution Rate, and (ii) corrective filings to comply with the requirements for those years.

On May 7, 2018, Moody's issued an upgrade of the School District's rating from Caa2 to B3. The School District did not file notice with the MSRB through EMMA of this rating change for CUSIPS relating to the School District's 2006 School Building and Site Bonds (General Obligation - Limited Tax), and no corrective filing was made because all outstanding bonds of the series were called for redemption prior to maturity and defeased as of June 1, 2018.

OTHER MATTERS

All information contained in this Official Statement, in all respects, is subject to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

The School District certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the School District and its economic and financial condition, is true and correct as of the date of this Official Statement, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading.

SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND
STATE OF MICHIGAN

By: /s/ Kelley Williams
Its: Superintendent of Schools

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APPENDIX A

STATE QUALIFICATION

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APPENDIX A
STATE QUALIFICATION

ARTICLE IX, SECTION 16 OF THE
1963 STATE OF MICHIGAN CONSTITUTION

State loans to school districts.

Sec. 16. The state, in addition to any other borrowing power, may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided in this section.

Amount of loans.

If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.

Qualified bonds.

The term "qualified bonds" means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section.

Repayment of loans, tax levy by school district.

After a school district has received loans from the state, each year thereafter it shall levy for debt service, exclusive of levies for nonqualified bonds, not less than 13 mill or such lower millage as the legislature may prescribe, until the amount loaned has been repaid, and any tax collections therefrom in any year over and above the minimum requirements for principal and interest on qualified bonds shall be used toward the repayment of state loans. In any year when such levy would produce an amount in excess of the requirements and the amount due to the state, the levy may be reduced by the amount of the excess.

Bonds, state loans, repayment.

Subject to the foregoing provisions, the legislature shall have the power to prescribe and to limit the procedure, terms and conditions for the qualification of bonds, for obtaining and making state loans, and for the repayment of loans.

Power to tax unlimited.

The power to tax for the payment of principal and interest on bonds hereafter issued which are the general obligations of any school district, including refunding bonds, and for repayment of any state loans made to school districts, shall be without limitations as to rate or amount.

Rights and obligations to remain unimpaired.

All rights acquired under Sections 27 and 28 of Article X of the Constitution of 1908, by holders of bonds heretofore issued, and all obligations assumed by the state or any school district under these sections, shall remain unimpaired.

SCHOOL BOND QUALIFICATION, APPROVAL, AND LOAN ACT
Act 92 of 2005

AN ACT to prescribe the procedures, terms, and conditions for the qualification or approval of school bonds and other bonds; to authorize this state to make loans to certain school districts for the payment of certain bonds and to authorize schools to borrow from this state for that purpose; to prescribe the terms and conditions of certain loans to school districts; to prescribe the powers and duties of certain state agencies and certain state and local officials; to provide for certain fees; to prescribe certain penalties; and to repeal acts and parts of acts.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

The People of the State of Michigan enact:

388.1921 Short title.

Sec. 1. This act shall be known and may be cited as the "school bond qualification, approval, and loan act".

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1922 Purpose of act.

Sec. 2. The purpose of this act is to implement section 16 of article IX of the state constitution of 1963 and to provide for loans to school districts.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1923 Definitions.

Sec. 3. As used in this act:

(a) "Computed millage" means the number of mills in any year, not less than 7 mills and not more than 13 mills, determined on the date of issuance of the order qualifying the bonds or on a later date if requested by the school district and approved by the state treasurer, that, if levied by the school district, will generate sufficient annual proceeds to pay principal and interest on all the school district's qualified bonds plus principal and interest on all qualified loans related to those qualified bonds no later than the final mandatory repayment date. Based on changes of circumstances, including, but not limited to, additional bond qualification, refundings, changes in qualified loan interest rates, changes in taxable values, and assumptions contained in any then currently effective guidelines issued by the state treasurer pursuant to section 5(2)(c), the school district shall not less than annually, beginning on October 1, 2013, using methods prescribed in this act, recalculate the computed millage necessary to generate sufficient annual levy proceeds to pay principal and interest on all of the school district's qualified bonds and principal and interest on all qualified loans related to those qualified bonds not later than the final mandatory repayment date. If the school district determines that the recalculated computed millage is lower than its current millage levy rate, the school district shall promptly notify the state treasurer in writing of the recalculated computed millage. Immediately thereafter, the school district shall decrease its millage levy rate to the recalculated computed millage, but not below the computed millage established pursuant to the most recent order qualifying bonds for that school district, or to the minimum levy prescribed by law for receipt of qualified loans, whichever rate is higher. If the school district determines that the recalculated computed millage is higher than its current millage levy rate, the school district shall promptly notify the state treasurer in writing of the recalculated computed millage. Immediately thereafter, the school district shall increase its millage levy rate to the recalculated computed millage, subject to 1 of the following exceptions, and subject to any maximum millage levy rate otherwise prescribed for by law:

(*i*) For each school district's first recalculated computed millage required as of October 1, 2013, increase its millage levy by a percentage amount equal to the equivalent percentage of taxable value change for that school district over the immediately preceding 5 years, but not higher than the recalculated computed millage.

(*ii*) For each school district's subsequent recalculated computed millage beginning October 1, 2014 and each year thereafter, increase its millage levy by a percentage amount equal to the percentage of taxable value decline for the immediately preceding year ending September 30, but not to a rate higher than the recalculated computed millage.

(*iii*) If it is determined that a district's current computed millage is sufficient to pay all qualified loans by the mandatory final loan repayment date, no recalculation of the computed millage is required.

(b) "Final mandatory repayment date" means the final mandatory repayment date determined by the state treasurer under section 9.

(c) "Michigan finance authority" means the Michigan finance authority created under Executive

Reorganization Order No. 2010-2, MCL 12.194.

(d) "Qualified bond" means a bond that is qualified under this act for state loans as provided in section 16 of article IX of the state constitution of 1963. A qualified bond includes the interest amount required for payment of a school district's net interest obligation under an interest rate exchange or swap, hedge, or other agreement entered into pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, but does not include a termination payment or similar payment related to the termination or cancellation of an interest rate exchange or swap, hedge, or other similar agreement. A qualified bond may include a bond issued to refund loans owed to the state under this act.

(e) "Qualified loan" means a loan made under this act or former 1961 PA 108 from this state to a school district to pay debt service on a qualified bond.

(f) "Revolving loan fund" means the school loan revolving fund created under section 16c of the shared credit rating act, 1985 PA 227, MCL 141.1066c.

(g) "School district" means a general powers school district organized under the revised school code, 1976 PA 451, MCL 380.1 to 380.1852, or a school district of the first class as described in the revised school code, 1976 PA 451, MCL 380.1 to 380.1852, having the power to levy ad valorem property taxes.

(h) "State treasurer" means the state treasurer or his or her duly authorized designee.

(i) "Taxable value" means the value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1924 Qualification of new bonds; terms and conditions applicable to outstanding qualified bonds; application for prequalification.

Sec. 4. (1) A school district may issue and market bonds as qualified bonds if the state treasurer has issued an order granting qualification under this act.

(2) Except with regard to qualification of new bonds, nothing in this act shall be construed to alter the terms and conditions applicable to outstanding qualified bonds issued in accordance with former 1961 PA 108. Unless otherwise amended as permitted by this act, outstanding qualified loans incurred in association with outstanding qualified bonds described in this subsection shall bear interest as provided in section 9(8) but otherwise shall be due and payable as provided in the repayment agreements entered into between the school district and the state before the effective date of this act.

(3) The state treasurer may qualify bonds for which the state treasurer has received an application for prequalification on or before May 25, 2005 without regard to the requirements of section 5(2)(f) if the electors of the school district approve the bonds at an election held during 2005.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1925 Preliminary qualification; application.

Sec. 5. (1) A school district may apply to the state treasurer for preliminary qualification of a proposed school bond issue by filing an application in the form and containing the information required by this act.

(2) An application for preliminary qualification of a school bond shall contain all of the following information:

(a) The proposed ballot language to be submitted to the electors.

(b) A description of the project or projects proposed to be financed.

(c) A pro forma debt service projection showing the estimated mills the school district will levy to provide revenue the school district will use to pay the qualified bonds, any outstanding qualified bonds, and any outstanding or projected qualified loans of the school district. For the purpose of the pro forma debt service projection, the school district may assume for the first 5 years following the date of the application the average growth or decline in taxable value for the 5 years or such other period of time requested by the school district if approved by the state treasurer preceding the date of the application and the average growth or decline rate for the 20 years immediately preceeding the date of the application but not more than 3% or less than 0% growth rate, for the remaining term of the proposed bonds.

(d) Evidence that the rate of utilization of each project to be financed will be at least 85% for new buildings and 60% for renovated facilities. If the projected enrollment of the district would not otherwise support utilization at the rates described in this subsection, the school district may include an explanation of the actions the school district intends to take to address the underutilization, including, if applicable, actions to close school buildings or other actions designed to assure continued assured use of the facilities being financed.

(e) Evidence that the cost per square foot of the project or projects will be reasonable in light of economic conditions applicable to the geographic area in which the school district is located.

(f) Evidence that the school district will repay all outstanding qualified bonds, the proposed qualified bonds, all outstanding qualified loans, and all qualified loans expected to be incurred with respect to all qualified bonds of the school district, including the proposed qualified bond issue, not later than the applicable final mandatory repayment date.

(g) The overall utilization rate of all school buildings in the school district, excluding special education purposes.

(h) The total bonded debt outstanding of the school district and the total taxable value of property in the school district for the school district fiscal year in which the application is filed.

(i) A statement describing any environmental or usability problems to be addressed by the project or projects.

(j) An architect's analysis of the overall condition of the facilities to be renovated or replaced as a part of the project or projects.

(k) An amortization schedule demonstrating that the weighted average maturity of the qualified bond issue does not exceed 120% of the average reasonably expected useful life of the facilities, excluding land and site improvements, being financed or refinanced with the proceeds of the qualified bonds, determined as of the later of the date on which the qualified bonds will be issued or the date on which each facility is expected to be placed in service.

(*l*) An agreement that the school district will keep books and records detailing the investment and expenditure of the proceeds of the qualified bonds and, at the request of the state treasurer, the school district will promptly, but not later than the date specified in the request, which date shall be not less than 5 business days after the date of the request, submit information requested by the state treasurer related to the detailed information maintained by the school district as to the investment and expenditure of the proceeds of its qualified bonds.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1926 Prequalification of bonds; determination by state treasurer.

Sec. 6. The state treasurer shall prequalify bonds of a school district if the state treasurer determines all of the following:

(a) The issuance of additional qualified bonds will not prevent the school district from repaying its outstanding qualified bonds, the proposed bonds, all outstanding qualified loans, and all qualified loans expected to be incurred with respect to all qualified bonds of the school district, including the proposed bond issue, not later than the applicable final mandatory repayment date.

(b) The form and language of the ballot conforms with the requirements of this act.

(c) The school district has filed an application complying with the requirements of section 5.

(d) If the proposed bond issue is approved by the voters after September 30, 2012 and will result in additional qualified loans, the outstanding balance of all qualified loans on the most recent May 1 or November 1 did not exceed $1,800,000,000.00. The $1,800,000,000.00 limitation described in the immediately preceding sentence does not apply after June 30, 2016.

(e) The issuance of additional qualified bonds approved by voters after September 30, 2012 will not have an adverse financial impact on the school district, this state, or the school loan revolving fund. In making this determination, the state treasurer shall consider relevant factors, including, but not limited to, whether the issuance of the proposed bond issue will cause the aggregate outstanding amount of qualified and nonqualified bonds, including the proposed bond issue, and currently outstanding qualified loans of the school district to exceed 25% of the taxable value of the school district at the time the proposed bonds are issued.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1927 Qualification of bonds; determination by state treasurer; order; specifications; loan agreement; reapplication; qualification of refunding bonds; requirements.

Sec. 7. (1) The state treasurer shall qualify bonds of a school district if the state treasurer determines all of the following:

(a) A majority of the school district electors have approved the bonds.

(b) The terms of the bond issue comply with applicable provisions of the revised school code, 1976 PA 451, MCL 380.1 to 380.1852.

(c) The school district is in compliance with the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(d) The weighted average maturity of the qualified bond issue does not exceed 120% of the average reasonably expected useful life of the facilities, excluding land and site improvements, being financed or refinanced with the proceeds of the bonds, determined as of the later of the date on which the qualified bonds will be issued or the date on which each facility is expected to be placed in service.

(e) The school district has filed any information necessary to update the contents of the original application to reflect changes in any of the information approved in the preliminary qualification process.

(f) The school district has agreed that the school district will keep books and records detailing the investment and expenditure of the proceeds of the qualified bonds and, at the request of the state treasurer, the school district will promptly, but not later than the date specified in the request, which date shall be not less than 5 business days after the date of the request, submit information requested by the state treasurer related to the detailed information maintained by the school district as to the investment and expenditure of the proceeds of its qualified bonds.

(2) An order qualifying bonds shall specify the principal and interest payment dates for all the bonds, the maximum principal amount of and maximum interest rate on the bonds, the computed millage, if any, the final mandatory repayment date, and other matters as the state treasurer shall determine or as are required by this act.

(3) If the application for prequalification demonstrates that the school district will borrow from this state in accordance with this act, the state treasurer and the school district shall enter into a loan agreement setting forth the terms and conditions of any qualified loans to be made to the school district under this act.

(4) If a school district does not issue its qualified bonds within 180 days after the date of the order qualifying bonds, the order shall no longer be effective. However, the school district may reapply for qualification by filing an application and information necessary to update the contents of the original application for prequalification or qualification.

(5) The state treasurer shall qualify refunding bonds issued to refund qualified loans or qualified bonds if the state treasurer finds that all of the following are met:

(a) The refunding bonds comply with the provisions of the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(b) That the school district will repay all outstanding qualified bonds, the proposed qualified bonds, all outstanding qualified loans, and all qualified loans expected to be incurred with respect to all qualified bonds of the school district, including the proposed qualified bond issue, not later than the applicable final mandatory repayment date.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1928 Submission of ballot to electors; ballot.

Sec. 8. A ballot submitted to the school electors of a school district after November 8, 2005 requesting authorization to issue unlimited tax general obligations that will be guaranteed by this state in accordance with section 16 of article IX of the state constitution of 1963 shall inform the electors that if the school district expects to borrow from this state to pay debt service on the bonds, the estimated total amount of the principal of that borrowing and the interest to be paid on that borrowing, the estimated duration of the millage levy, and the estimated computed millage rate for that levy. The ballot shall also inform the electors of the total amount of qualified bond and loan debt currently outstanding and that the estimated computed millage rate may change based on changes in certain circumstances.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1929 Amount of borrowing; limitation; payment date for outstanding qualified loans; order; maintenance of separate accounts for each school district; duration of millage levy; amended and restated repayment agreements; waiver of portion of millage levy; findings; interest; final or later mandatory repayment date.

Sec. 9. (1) Except as otherwise provided in this act, a school district may borrow from the state an amount not greater than the difference between the proceeds of the school district's computed millage and the amount necessary to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies.

(2) For school districts having qualified loans outstanding as of July 20, 2005, the state treasurer shall review information relating to each school district regarding the taxable value of the school district and the actual debt service of outstanding qualified bonds as of July 20, 2005 and shall issue an order establishing the payment date for all those outstanding qualified loans and any additional qualified loans expected to be incurred by those school districts related to qualified bonds issued before July 20, 2005. The payment date shall be not later than 72 months after the date on which the qualified bonds most recently issued by the school district are due and payable. The payment date established pursuant to this subsection for a school district is a final mandatory repayment date.

(3) For qualified loans related to qualified bonds issued after July 20, 2005, the qualified loans shall be due

72 months after the date on which the qualified bonds for which the school borrowed from this state are due and payable. The due date determined pursuant to this subsection for a school district is a final mandatory repayment date. This section does not preclude early repayment of qualified bonds or qualified loans.

(4) The state treasurer shall maintain separate accounts for each school district on the books and accounts of this state noting the qualified bond, the related qualified loans, the final payment date of the bonds, the final mandatory repayment date of the qualified loans, and the interest rate accrued on the loans.

(5) For qualified loans relating to qualified bonds issued after July 20, 2005, a school district shall continue to levy the computed millage until it has completely repaid all principal and interest on its qualified loans.

(6) For qualified loans relating to qualified bonds issued before July 20, 2005, a school district shall continue to comply with the levy and repayment requirements imposed before July 20, 2005. Not less than 90 days after July 20, 2005, the state treasurer and the school district shall enter into amended and restated repayment agreements to incorporate the levy and repayment requirements applicable to qualified loans issued before July 20, 2005.

(7) Upon the request of a school district made before June 1 of any year, the state treasurer annually may waive all or a portion of the millage required to be levied by a school district to pay principal and interest on its qualified bonds or qualified loans under this section if the state treasurer finds all of the following:

(a) The school board of the school district has applied to the state treasurer for permission to levy less than the millage required to be levied to pay the principal and interest on its qualified bonds or qualified loans under subsection (1).

(b) The application specifies the number of mills the school district requests permission to levy.

(c) The waiver will be financially beneficial to this state, the school district, or both.

(d) The waiver will not reduce the millage levied by the school district to pay principal and interest on qualified bonds or qualified loans under this act to less than 7 mills.

(e) The board of the school district, by resolution, has agreed to comply with all conditions that the state treasurer considers necessary.

(8) All qualified loans shall bear interest at 1 of the following rates:

(a) The greater of 3% or the average annual cost of funds used to make qualified loans plus 0.125%, but not less than the cost of funds on outstanding qualified notes and bonds issued by the Michigan finance authority to finance loans computed by the state treasurer not less often than annually.

(b) A lesser rate determined by the state treasurer to be necessary to maintain the exemption from federal income tax of interest on any bonds or notes issued to fund qualified loans.

(c) A higher rate determined by the state treasurer to be necessary to prevent the impairment of any contract of this state or the Michigan finance authority in existence on the effective date of the amendatory act that added this subdivision.

(9) A payment date determined under subsection (2) or a due date determined under subsection (3) is a final mandatory repayment date. Once established for a school district as provided in this section, a final mandatory repayment date shall apply to all qualified loans of the school district, whenever made, until 30 days after the date the school district has no outstanding qualified loans and no outstanding debt incurred to refund qualified loans. Notwithstanding this subsection, the state treasurer may determine a later mandatory repayment date for a school district that agrees to levy a higher millage, acceptable to the state treasurer, not to exceed 13 mills, than its existing computed millage.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2006, Act 71, Imd. Eff. Mar. 20, 2006;—Am. 2009, Act 50, Imd. Eff. June 18, 2009;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1930 Certificates of qualification or approval; file; delivery.

Sec. 10. The state treasurer shall keep all certificates of qualification or approval in a permanent file and shall deliver copies of the certificates to the school district.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1931 Rules; bulletins.

Sec. 11. The state treasurer may promulgate rules to implement this act pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, and may issue bulletins as authorized by this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1932 Failure to apply for prequalification, qualification, or approval of bond before issuance.

Sec. 12. If a school district does not apply for prequalification or qualification or approval of a bond issue before the issuance of those bonds, the state treasurer shall not approve or qualify those bonds as qualified bonds under this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1933 School district owing revolving loan fund; filing annual loan activity application required; borrowing for debt service on qualified bonds; draw request; duties of state treasurer upon receipt of qualified loan confirmation; notification of no need to borrow by school district; invoice for repayment amount; remittance.

Sec. 13. (1) If a school district owes a balance due to the revolving loan fund or has been identified as a potential borrower, the school district shall file an annual loan activity application with the state treasurer no less than 60 days before certifying its annual tax levy. The annual loan activity application shall be submitted in a format prescribed by the state treasurer and shall provide the taxable value, debt service, and any other information necessary to determine the proper required millage levy required under this act. The application shall contain a resolution passed by the local school board authorizing a designated school district official to complete all necessary documents to obtain a loan from the revolving loan fund or for making repayment to the revolving loan fund for the year.

(2) If a school district is eligible to borrow for debt service on qualified bonds, the school district shall file a draw request with the state treasurer not less than 30 days before each date on which the school district owes the debt service. The draw request shall include all of the following:

(a) A statement of the debt service owed in the next 6 months.

(b) A copy of the most recent bank statement showing the amount on hand in the debt service accounts for all qualified bonds.

(c) A statement of any revenue received for payment of the debt service since the date of the bank statement.

(d) A statement of any withdrawals made from the debt service account since the date of the bank statement.

(3) Not more than 7 days before the date established by the state treasurer for making qualified loans, the school district shall confirm in writing the final qualified loan amount to be drawn on a certificate in the form prescribed by the state treasurer.

(4) Upon receipt of a qualified loan confirmation described in subsection (3), the state treasurer shall determine the amount of the draw, which shall be the difference between the funds on hand in all debt service accounts and the amount of the debt service, and shall make a qualified loan in that amount to the school district no later than 6 days before the date the debt service is due.

(5) When a school district's current computed millage levy is sufficient to pay principal and interest on its qualified bonds, a school district shall notify the state treasurer in writing of no need to borrow no later than 30 days before the date set for payment of the qualified bonds.

(6) Within 30 days after receipt of the annual activity application under subsection (1), the state treasurer shall send an invoice to the school district for the amount of repayment the school district owes on its outstanding qualified loans, which shall be the difference between the debt service payable or paid to bondholders and the funds on hand at the school district, less a reasonable amount of funds on hand, as determined by the state treasurer, to cover minimum balance requirements or potential tax disputes. The school district shall remit the amount specified in the invoice within 30 days after the dated date of the invoice.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1934 Failure of school district to pay principal and interest due on qualified bonds; notice; payment by state treasurer; billing of school district for amount paid; remittance.

Sec. 14. (1) If any paying agent for a school district’s qualified bonds notifies the state treasurer that the school district has failed to deposit sufficient funds to pay principal and interest due on the qualified bonds when due, or if a bondholder notifies the state treasurer that the school district has failed to pay principal or interest on qualified bonds when due, whether or not the school district has filed a draw request with the state treasurer, the state treasurer shall promptly pay the principal or interest on the qualified bond when due.

(2) If the state treasurer pays any amount described in this section, the state treasurer shall bill the school district for the amount paid and the school district shall immediately remit the amount to the state treasurer. If the school district would have been eligible to borrow the debt service in accordance with the terms of this act, the school district shall enter into a loan agreement establishing the terms of the qualified loan as provided in this act. If the state treasurer directs the Michigan municipal bond authority to pay any amount described in this section, the state treasurer shall cause the Michigan municipal bond authority to bill the

school district for the amount paid and the school district shall immediately remit the amount to the Michigan municipal bond authority.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1935 Default; repayment.

Sec. 15. (1) If a school district that owes this state loan repayments relating to qualified bonds fails to levy at least the computed millage upon its taxable value for debt retirement purposes for qualified bonds and for repayment of a qualified loan made under this act while any part of the qualified loan is unpaid or defaults in its agreement to repay a qualified loan or any installment of a qualified loan, the school district shall increase its debt levy in the next succeeding year to obtain the amount necessary to repay this state the amount of the default plus a late charge of 3% and shall pay that amount to this state together with any other amounts owed during the next tax year. The school district may use other funds to repay this state including a transfer of general funds of the school district, if approved by the state treasurer. The state treasurer shall not disburse state school aid to the school district until the school district has made satisfactory arrangements with the state treasurer for the payment of the amount in default.

(2) If a school district fails to process any report, application, confirmation, or repayment as required under this act, the state treasurer may withhold a school district's state aid funds until the school district complies with the requirements under this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1936 Charging and disposition of fees.

Sec. 16. (1) The state treasurer may charge a prequalification application fee, a qualification application fee, and an annual loan activity fee in the amounts determined by the state treasurer to be required to pay the estimated administrative expenses incurred under this act for the fiscal year in which the state treasurer imposes the fee.

(2) The state treasurer shall deposit all fees collected under this act into a separate fund established within the state treasury, and shall use the proceeds of the fees solely for the purpose of administering and enforcing this act. The unexpended and unobligated balance of this fund at the end of each state fiscal year shall be carried forward over to the succeeding state fiscal year and shall not lapse to the general fund but shall be available for reappropriation for the next state fiscal year.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1937 False statement or unauthorized use of proceeds; violation as felony; penalty.

Sec. 17. A person who knowingly makes a false statement or conceals material information for the purpose of obtaining qualification of a bond issue under this act or for the purpose of obtaining a qualified loan under this act, or who knowingly uses all or part of the proceeds of a qualified loan obtained under this act for any purpose not authorized by this act, is guilty of a felony punishable by imprisonment for not more than 4 years or a fine of not more than $5,000.00, or both.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

388.1938 Use of remaining proceeds.

Sec. 18. If a school district has completed the projects approved by the school electors of the school district to be funded from proceeds of qualified bonds, a school district may use any remaining proceeds of the qualified bonds as follows:

(a) To pay debt service on the qualified bonds.

(b) To repay this state.

(c) If in the opinion of the school district's bond counsel use of the remaining proceeds for the purposes described in subdivisions (a) and (b) would adversely affect the federal tax treatment of interest on the qualified bonds, to pay for enhancements to the projects approved by the school electors as described in the ballot language proposing the qualified bonds.

History: 2005, Act 92, Imd. Eff. July 20, 2005;—Am. 2012, Act 437, Eff. Mar. 28, 2013.

388.1939 Actions by designee.

Sec. 19. The state treasurer may designate in writing a person or persons to take any actions required to be taken by the state treasurer under this act. The signature of any designee shall have the same force and effect as the signature of the state treasurer for all purposes of this act.

History: 2005, Act 92, Imd. Eff. July 20, 2005.

OPINION #4422 OF THE ATTORNEY GENERAL, STATE OF MICHIGAN
DATED MARCH 12, 1965

CONSTITUTIONAL LAW:
SCHOOL BONDS:
MUNICIPAL FINANCE COMMISSION:

Article 9, § 16, Michigan Constitution of 1963, requires school districts to borrow and State to lend sufficient sum to cover debt service payments on qualified bonds of school districts. Although this is not a pledge of full faith and credit of the State, the Municipal Finance Commission may and must enforce the duty of the district to borrow and the State to lend such sum.

No. 4422 March 12, 1965.

Hon. Sanford A. Brown
State Treasurer
Lansing, Michigan

You have asked in your letter of February 5 whether Article IX, § 16 of the Michigan Constitution of 1963 pledges the full faith and credit of the State to the payment of principal and interest of qualified school bonds.

Article IX, § 16 of the Michigan Constitution of 1963 provides in pertinent part as follows:

> "The state * * * may borrow from time to time such amounts as shall be required, pledge its faith and credit and issue its notes or bonds therefor, for the purpose of making loans to school districts as provided in this section.
>
> "If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.
>
> "The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

Thus, the school district is <u>required</u> to borrow and the State to lend an amount sufficient to enable the school district to make payments of principal and interest due on qualified bonds, and the state is <u>empowered</u> to borrow and to issue its notes or bonds for the purpose of making such loans, and to pledge its full faith and credit for such state bonds or notes.

The constitutional provision quoted does not pledge the full faith and credit of the state to all qualified bonds. The state is not primarily liable on qualified bonds of a school district. Rather, the state is required to lend whatever the school district needs, from time to time, to meet debt service requirements on such bonds.

You ask what remedies are available to enforce the obligation of the state.

The quoted language makes it mandatory upon the school district to borrow and upon the state to lend "an amount necessary to enable the school district to make the payment." Under Chapter II, Section 2(f) of the Municipal Finance Act [C.L. 1948 § 132.2; M.S.A. 1958 Rev. Vol. § 5.3188(4)f], the Municipal Finance Commission has power to enforce compliance with any law by, <u>inter alia</u>, the "institution of appropriate proceedings in the courts of the state, including those for writs of mandamus and injunction."

The Commission could and indeed must enforce the duty of the district to borrow and the state to lend. The bondholders also would have an action to enforce the duty of the district to borrow and of the state to lend.

Thus the bondholders are assured of the availability of state funds where needed to meet debt service requirements on qualified bonds. This is not a pledge of full faith and credit, but gives the bondholders as much or more protection as would such a pledge.

FRANK J. KELLEY,
Attorney General

OPINION #4508 OF THE ATTORNEY GENERAL, STATE OF MICHIGAN
DATED AUGUST 29, 1966

BONDS: Qualified bonds of school districts.
CONSTITUTION OF 1963: School Bond Loan Fund.
SCHOOLS: Bond Loans.
STATE TREASURER: Payment of principal and interest on qualified school district bonds.

Authority of State Treasurer and procedures to be followed in paying from the School Bond Loan Fund principal and interest on qualified school bonds upon presentment by a bondholder.

No. 4508 Hon. Allison Green August 29, 1966.
State Treasurer
Capitol Building
Lansing, Michigan

You have requested my opinion on what procedures should be followed by the state treasurer preparatory to making loans to local school districts which are unable to make payments on principal and interest of qualified school district bonds.[1]

Loans to bonded school districts are authorized by Article IX, Section 16, Constitution of 1963, which in part contains pertinent language:

> "If the minimum amount which would otherwise be necessary for a school district to levy in any year to pay principal and interest on its qualified bonds, including any necessary allowances for estimated tax delinquencies, exceeds 13 mills on each dollar of its assessed valuation as finally equalized, or such lower millage as the legislature may prescribe, then the school district may elect to borrow all or any part of the excess from the state. In that event the state shall lend the excess amount to the school district for the payment of principal and interest. If for any reason any school district will be or is unable to pay the principal and interest on its qualified bonds when due, then the school district shall borrow and the state shall lend to it an amount sufficient to enable the school district to make the payment.
>
> "The term 'qualified bonds' means general obligation bonds of school districts issued for capital expenditures, including refunding bonds, issued prior to May 4, 1955, or issued thereafter and qualified as provided by law pursuant to Section 27 or Section 28 of Article X of the Constitution of 1908 or pursuant to this section."

Article IX, Section 16, Constitution of 1963, is a continuation with minor revisions of the provisions relating to school bond financing which appeared in Sections 27 and 28 of Article X, Constitution of 1908. Section 27, Article X, Constitution of 1908, was proposed by joint resolution of the legislature in 1955 and approved by the people at the regular election of April 4, 1955. The loan provisions of Section 27 ceased to have effectiveness after July 1, 1962, and were replaced by the provisions of Section 28, Article X, Constitution of 1908, which was proposed by joint resolution of the legislature in 1960 and approved by the people at the general election of November 8, 1960. Section 28 by its own terms took effect on July 1, 1962.

Section 28, Article X, Constitution of 1908, was implemented by the legislature by the enactment of Act 108, P.A. 1961, which took effect September 8, 1961. The first section of Act 108, P.A. 1961, stated that the purpose of the act was to implement Section 28 of Article X of the Constitution of 1908. The Constitution of 1963 took effect on January 1, 1964. In anticipation of the effectiveness of that Constitution, the legislature passed Act 33, P.A. 1963, Second Extra Session, such act to take effect on January 1, 1964. Act 33, P.A. 1963, Second Extra Session, amended Sections 1, 3, 8 and 9 of Act 108, P.A. 1961, and further amended section 7 of Act 108, P.A. 1961, as amended by Act 131, P.A. 1962. The first section of amendatory Act 33 stated that the act's purpose was to implement Section 16 of Article IX of the Constitution of 1963. Subsequent amendment has been made to Sections 2, 4, 6, 9 and 10 of Act 108, P.A. 1961, by Act 169, P.A. 1964, which act also added a new Section 4a.[2].

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[1] In your letter of request you stated that you were familiar with Opinion No. 4422 issued by me on March 12, 1965, in which it was ruled that Article IX, Section 16, Constitution of 1963, requires school districts to borrow and the state to lend sufficient sums to cover debt service payments on qualified bonds of school districts but that this requirement is not a pledge of the full faith and credit of the state; the Municipal Finance Commission however may and must enforce the duty of the school district to borrow and have the state to lend the necessary amounts.

[2] Act 108, P.A. 1961, in its present amended form appears in M.S.A. 1965 Cum. Supp. § S 3.424(111) et seq.

Answer to your question is to be found in amended Sections 6, 7 and 8 of the act. These sections present two situations in which you may become involved as state treasurer. The first situation is where a loan is to be made to the school district to permit the district to meet the principal and interest requirements on its bonds without a default in payment; the second is where the principal or interest on the bonds has not been paid when due upon proper presentation because of inadequate funds resulting in a default in payment.

Under amended Section 6 of the act, in any school district where the amount necessary to be levied in any year for principal and interest on qualified bonds exceeds 7 mills on each dollar of the assessed valuation of the school district as last equalized by the state, such school district on or before 60 days prior to the time of certification of its tax levy to the assessing officer shall file with the superintendent of public instruction[3] a preliminary application for a loan from the state in the amount of any part of such excess over 7 mills which the school district does not propose to levy in such year.[4] Amended Section 6 specifies the information to be supplied in the application. The superintendent of public instruction if he finds the application in proper form shall approve or deny the application in whole or in part and notify the school district of his action. Amended Section 7 of the act provides that if a loan from the state shall become necessary for the payment of principal and interest on qualified bonds in accordance with an approved preliminary application to the superintendent of public instruction or by virtue of a supplemental application, it shall be the duty of the superintendent of public instruction after audit to forward to the state treasurer a statement setting forth the amount to be loaned to the school district for the payment of principal and interest and the date on or before which loan shall be made.[5] The superintendent shall prepare a voucher as a basis for the issuance of a warrant and upon receipt of such statement and warrant, it shall be the duty of the state treasurer to loan to the school district from the school bond loan fund the amount set forth in the statement of the superintendent of public instruction on or before the date specified therein. The state treasurer upon making such loan shall obtain from the school district a receipt for the amount so loaned which receipt shall specify the terms of repayment in accordance with the provisions of Section 16 of Article IX, Constitution of 1963 and the act. The school district treasurer upon receipt of the loan is required to deposit the same in the debt retirement fund to be used solely for the payment of principal and interest on qualified bonds.

The foregoing summaries of the procedures prescribed by amended Section 6 and 7 relate to the first situation above-described where the loan to the school district is to be made before the school district has defaulted in the payment of the principal or interest on its bonds.

The second situation described above is covered by amended Section 8 of the act which prescribes that in the event the principal or interest on any qualified bond is not paid when due, upon proper presentation of the bond or interest coupon to the agent or officer charged with making payment thereof, the state treasurer shall forthwith pay such principal or interest upon presentation of the bond or coupon to him. Any amount so paid by the state treasurer shall be deemed a loan to the school district made pursuant to the requirements of Section 16, Article IX, Constitution of 1963, and the act and the school district shall give a receipt therefor and repay the loan in the manner provided in the act for the repayment of loans.

The method of processing loans to school districts under amended Sections 6 and 7 before default in payment of principal or interest is adequately spelled out in those sections and no additional comment from me is necessary. Your real concern is in regard to the applicable procedures which you should follow in the situation where the school district has defaulted in the payment of principal or interest on its bonds and the bond or bonds and the interest coupons have not been paid when due by the paying agent because of lack of funds. In the event of such a happening it is assumed for the purposes of this opinion that the holder of the bond or of the interest coupon will make demand on you as state treasurer for the prompt payment of the obligation thereunder. Should such demand be made on you as state treasurer, you would be entitled to take the following action before making payment:

a. Ascertaining from the superintendent of public instruction or from the records in your own office that the bonds involved are duly qualified bonds as defined and described in amended Section 3 of the act;

b. Requiring proof reasonably satisfactory to you that the bond or bonds or the interest coupons have been properly presented for payment to the paying agent or officer charged with the responsibility for making payment thereof and that payment has been refused because sufficient monies had not been deposited by the school district for that purpose; such proof of nonpayment may be furnished you in the form of a certificate from the paying agent.

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[3] Article VIII, Section 3, Constitution of 1963 requires the state board of education to appoint a superintendent of public instruction who shall be the principal executive officer of the department of education and who shall have powers and duties provided by law. Section 14 of Act 287, P.A. 1964 (M.S.A. 1965 Cum. Supp. § 15.1023(14)) specifies that after June 30, 1965, a reference in any law to the powers and duties of the superintendent of public instruction shall be deemed to be made to the state board of education, subject to exceptions not pertinent here, and that the state board of education may delegate any of its functions to the superintendent. Section 300 of Act 380, P.A. 1965, creates a department of education. Section 301 of that act provides that the head of the department of education is the state board of education. Section 303 of that act transfers by a Type III transfer all powers, duties and functions then vested by law in the superintendent of public instruction to the department of education. Section 305 of the act specifies that the principal executive officer of the department of education is the superintendent of public instruction. Act 380 appears in M.S.A. 1965 Cum. Supp. at § 3.29(1) et seq. Act 380, P.A. 1965, was amended without regard to the sections involved here by Act 407, P.A. 1965. Without doubt, under the foregoing provisions the state board of education could delegate to the superintendent of public instruction the performance of all of the functions and duties imposed on the board in connection with the School Bond Loan Fund.

[4] Other details set forth in amended Section 6 have been omitted.

[5] Other details set forth in amended Section 7 have been omitted.

c. Notification to the school district given by you or your designee of the action taken by paying agent in refusing payment of the bonds or interest coupons on presentment because of the failure of the school district to have deposited funds with the paying agent for that purpose and verification from the school district of the fact of such failure to supply the required funds; notification to the school district by you or your designee that payment of the required amounts were to be made from the school bond loan fund by you as state treasurer and that such payment would be in the form of a loan to the school district which the school district would be required to be repay to the school bond loan fund in the manner required by law; the school district will be required to furnish you as state treasurer with a receipt evidencing the loan and specifying the terms of repayment, as required by law.

Upon the fulfillment of the above conditions in a manner reasonably acceptable to you, you would be authorized to make payment of the amounts due on the bonds and interest coupons and thereupon to demand their surrender and delivery to you as state treasurer.

Because of the safeguards built into the Michigan Constitution and statutes there should be no default of Michigan qualified school bonds. The School Loan Fund Program will have afforded the school district access to loan funds prior to the due date of the principle [sic] and interest on such bonds. In order to advise of the procedures in the remote possibility of nonpayment, however, I have set forth the foregoing guide lines [sic].

FRANK J. KELLEY,
Attorney General

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APPENDIX B

GENERAL FINANCIAL, ECONOMIC AND SCHOOL INFORMATION

APPENDIX B
GENERAL FINANCIAL, ECONOMIC AND SCHOOL DISTRICT INFORMATION
SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN

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APPENDIX B

GENERAL FINANCIAL, ECONOMIC AND SCHOOL DISTRICT INFORMATION
SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN

GENERAL INFORMATION

Description

The School District of the City of Pontiac ("School District" or "Pontiac Schools") encompasses approximately 38.8 square miles and serves all of the City of Pontiac, along with portions of the City of Auburn Hills, City of Lake Angelus, City of Sylvan Lake, Bloomfield Township, Orion Township, Waterford Township, and West Bloomfield Township.

Pontiac Schools is located in the southeastern portion of Michigan's lower peninsula.

Board of Education

Pontiac Schools is overseen by a seven member school board (the "Board"), serving four year terms and elected at an election held on the first Tuesday after the first Monday in November on even years. The term of office of a Board member shall begin on January 1 following his/her election, or immediately upon Board appointment, and end December 31 of the year the Board member's term expires. The Board is responsible for observing and enforcing the rules and regulations of the Michigan Department of Education regarding the operation and maintenance of the School District and adequately administers the needs of education within the School District.

The mission of the Board, in partnership with students, parents and community, is to create a learning/teaching environment that ensures quality and equity for all children to succeed.

School Enrollment

Historical Fall Full Time Equivalency ("FTE") enrollment for Pontiac Schools is as follows:

Table 1 – Historical Enrollment

School Year	Enrollment
2013-2014	4,533
2014-2015	4,369
2015-2016	4,231
2016-2017	4,158
2017-2018	4,220
2018-2019	4,158
2019-2020	3,904

SOURCE: State Aid Financial Status Reports

Fall FTE enrollment by grade for Pontiac Schools during 2019-2020 is as follows:

Table 2 – Fall Enrollment By Grade

Kindergarten	329.10
First	340.41
Second	293.18
Third	323.44
Fourth	313.51
Fifth	324.21
Sixth	245.28
Seventh	230.61
Eighth	254.98
Ninth	236.28
Tenth	221.86
Eleventh	215.71
Twelfth	224.62
Special Education	351.07
Subtotal	3,904.26
Alternative/Adult Education	0.00
Total	**3,904.26**

Projected FTE enrollment for 2020-2021 as budgeted is as follows:

Table 3 – Projected Enrollment

K-5	1,899.21
6-8	721.51
9-12	886.96
Special Education	346.57
Total	**3,854.26**

Note: Early Childhood is excluded from the count above because Early Childhood is excluded from pupil count when determining State School Aid. Funding is provided through a separate Great Start Readiness Grant.

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Existing School Facilities

Pontiac Schools consists of five elementary schools, one middle school, one high school and two specialized schools. A listing of the school facilities and the grades served are as follows:

Table 4 – Existing School Facilities

School	Grades	Year Completed	Additions/ Renovations	Type of Construction
Alcott Elementary	K-6	1957	1961/65/72 and 2016/17	Masonry
Herrington Elementary	K-6	1957	1978/86 and 2016/17	Masonry
Owen/Kennedy Elementary	K-6/Spec Ed	1963	1965/69 and 2017/18	Masonry
Rogers Elementary	K-6	1956	1966 and 2016/18	Masonry
Whitman Elementary	K-6	1968	2017/18	Masonry
International Technology Academy WHRC	K - 12	1971	2018/19	Masonry
Pontiac Middle School	7-9	1956	1959/62 and 2019	Masonry
Pontiac High School	9-12	1958	1963/70/72 and 2019	Masonry
Frost/P.E.A.C.E Academy	PreK	1963	1965 and 2016/17/18	Masonry
Fell Service Center	N/A	1964	2017	Masonry
Lincoln	N/A	1929	1974	Masonry
Administration Building	N/A	1964	2017	Masonry

Competing Schools

The following traditional school districts located in Oakland County offer schools of choice programs:

- Avondale School District
- Brandon School District
- Clawson Public Schools
- Hazel Park School District
- Lake Orion Community Schools
- Madison District Public Schools
- Oxford Community Schools
- Waterford School District
- West Bloomfield School District

The following charter schools are located in the City of Pontiac:

- Arts and Technology Academy of Pontiac
- Great Lakes Academy
- Jefferson International Academy – Intermediate
- Life Skills Center of Pontiac
- Sarah J. Webber Media Arts Academy
- Pontiac Academy for Excellence
- Walton Charter Academy
- Oakside Academy

The following private schools are located in the City of Pontiac:

- Auburn Hills Christian School
- Baldwin Road Church Academy
- Havenwyck School
- Heritage Christian School
- Notre Dame Marist Academy Middle Division
- Notre Dame Marist Academy Lower Division
- Notre Dame Preparatory School
- Oakland Christian Church

Population

The population based on the 2000 and 2010 U.S. Census along with the 2019 estimated population by age for total population in Oakland County and the City of Pontiac are as follows:

Table 5 – Population by Age

	Oakland County					
	2000 Population		2010 Population		2019 (Estimate)	
Total Population	1,194,214	100.00%	1,202,362	100.00%	1,257,584	100.00%
0 through 17 years	300,780	25.19	282,105	23.46	332,002	26.40
18 through 64 years	758,473	63.51	761,133	63.30	714,308	56.80
65 years and over	134,961	11.30	159,124	13.23	211,274	16.80

SOURCE: U.S. Census Bureau - website http://censusviewer.com/county/MI/Oakland

	City of Pontiac					
	2000 Population		2010 Population		2019 (Estimate)	
Total Population	66,337	100.00%	59,515	100.00%	59,772	100.00%
0 through 17 years	20,320	30.63	16,197	27.21	20,980	35.10
18 through 64 years	40,366	60.85	37,780	63.48	32,277	54.00
65 years and over	5,651	8.52	5,538	9.31	6,515	10.90

SOURCE: U.S. Census Bureau website https://www.census.gov/

Income

The U.S. Census 2014-2018 American Community Survey estimates of household income within Oakland County and State of Michigan are as follows:

Table 6 - Household Income

	Oakland County		State of Michigan	
	Number	Percentage	Number	Percent
HOUSEHOLDS BY INCOME	501,260	100.0%	3,909,509	100.0%
Less than $10,000	22,494	4.5	270,974	6.9
$10,000 to $14,999	16,242	3.2	182,415	4.7
$15,000 to $24,999	35,265	7.0	394,491	10.1
$25,000 to $34,999	36,633	7.3	395,924	10.1
$35,000 to $49,999	54,173	10.8	540,900	13.8
$50,000 to $74,999	81,731	16.3	719,122	18.4
$75,000 to $99,999	65,385	13.0	485,187	12.4
$100,000 to $149,999	89,016	17.8	531,579	13.6
$150,000 to $199,999	45,894	9.2	201,893	5.2
$200,000 or more	54,427	10.9	187,024	4.8
Median Income	$76,387		$54,938	
Mean Income	$104,709		$75,352	

SOURCE: U.S. Census Bureau website https://www.census.gov/

Employment Characteristics

The following table lists major employers in Oakland County that offer employment opportunities for residents as of July 2019:

Table 7 – Employment Characteristics

Employer Name	Approximate Number of Employees
Beaumont Hospitals	18,261
FCA US LLC	12,848
General Motors Co.	8,476
Henry Ford Health System	6,368
Ascension Michigan	5,630
U.S. Postal Service	4,880
Oakland County	3,557
Magna International of America	2,646
Trinity Health	2,578
Continental Automotive Systems	2,000
Comerica Bank	1,974
Flagstar Bancorp Inc.	1,960
Lear Corp.	1,749
Oakland University	1,724
Blue Cross Blue Shield of Michigan	1,709
McLaren Health Care Corp.	1,623
The Suburban Collection	1,553
Walled Lake Consolidated Schools	1,535
U.S. Farathane	1,338
Huron Valley Schools	1,334
Kelly Services Inc.	1,259
Troy School District	1,250
Rochester Community Schools	1,204
Comau LLC	1,150
Nissan North America Inc.	1,145

Source: Oakland County Department of Planning & Economic Development

Employment Breakdown

The U.S. Census 2014-2018 American Community Survey estimates the occupational breakdown of persons 16 years and over in Oakland County is as follows:

Table 8 – Employment by Occupation

	Number	Percent
	638,789	100.0%
Management, Business, Science, and Arts	315,601	49.4
Service Occupations	89,886	14.1
Sales & Office Occupations	136,449	21.4
Natural Resources, Construction & Maintenance	32,835	5.1
Production, Transportation & Material Moving	64,018	10.0

SOURCE: U.S. Census Bureau website https://www.census.gov/

The U.S. Census 2014-2018 American Community Survey estimates the breakdown by industry for persons 16 years and over employed in Oakland County is shown in Table 9:

Table 9 – Employment by Industry

	Number	Percent
PERSONS BY INDUSTRY	638,789	100.0%
Agriculture, Forestry, Fishing, Hunting & Mining	1,380	0.2
Construction	27,067	4.2
Manufacturing	124,173	19.4
Wholesale Trade	15,907	2.5
Retail Trade	61,265	9.6
Transportation, Warehousing, and Utilities	19,016	3.0
Information	12,661	2.0
Finance, Insurance, & Real Estate	47,857	7.5
Professional & Management Services	91,415	14.3
Educational, Health & Social Services	141,062	22.1
Arts, Entertainment, Recreation & Food Services	54,242	8.5
Other Professional and Related Services	25,832	4.0
Public Administration	16,912	2.6

SOURCE: U.S. Census Bureau website https://www.census.gov/

Unemployment

The Michigan Department of Technology, Management, and Budget, reports local area unemployment statistics for Oakland County and the State of Michigan as follows:

Table 10 – Unemployment

	Oakland County	State of Michigan
2010 Annual Average	11.8%	12.6%
2011 Annual Average	9.5%	10.4%
2012 Annual Average	8.2%	9.1%
2013 Annual Average	7.8%	8.8%
2014 Annual Average	6.5%	7.2%
2015 Annual Average	4.7%	5.4%
2016 Annual Average	4.2%	5.0%
2017 Annual Average	3.5%	4.6%
2018 Annual Average	3.3%	4.1%
2019 Annual Average	3.4%	4.1%
2020 Estimate (April)*	19.8%	23.8%

SOURCE: Website http://milmi.org/

NOTE: Not Seasonally Adjusted

*Monthly estimate; beginning to include effects of COVID-19 pandemic.

Economic Development

Oakland County is recognized as one of the most prosperous counties in the nation. Oakland County's economy is continuing to improve since the days of the "Great Recession." Oakland County was at its peak employment level in the third quarter of 2000, but during the recession lost 166,463 jobs by the time it reached its low point in the fourth quarter of 2009. Since then, Oakland County has recovered 136,100 jobs through the end of 2018. In their April 2019 report, University of Michigan economists Gabriel Ehrlich and Donald Grimes forecasted that 31,570 new jobs will be added over the next three-year period from 2019 through 2021. The higher-wage and middle-wage industries make up almost 76.0% of the net new jobs anticipated in the County over the three-year forecast period.

The County's economic base continues to diversify since Oakland County's Emerging Sectors Initiative was put into place. Since the inception of Emerging Sectors in 2004, more than 547 Emerging Sector companies have generated more than $5.4 billion in investment while creating or retaining more than 93,000 jobs. The vast majority of those jobs are in the high-wage category. It is clear that Oakland County is succeeding at attracting companies from emerging sectors from around the country, and in some instances, from around the globe.

Companies believe that if you are a part of the automotive industry, you must have a presence in southeast Michigan, and preferably Oakland County. Certainly, research and development organizations continue to select Oakland County as one-third of all Michigan's R & D facilities are located in Oakland County. Automation Alley, founded in Oakland County and headquartered in Troy, is Southeast Michigan's leading technology business association. Automation Alley is Michigan's Industry 4.0 knowledge center, with a global outlook and a regional focus and is one of Michigan's designated SmartZones. SmartZones are technology and business accelerators that provide distinct geographical locations to assist technology-based firms, entrepreneurs and researchers.

The City of Pontiac is also looking to revitalize its historic Downtown. Plans and designs are in place to enhance crosswalks, bike trails, and on-street parking, and to also create a transit-ready Downtown with the potential to become a regional multi-modal transportation hub. In 2019, the City reached a resolution with the Ottawa Towers over the use of the City-owned Phoenix Center parking structure in the business district. This resolution paved the way for the City Council to explore ways to offer attractions to become a destination venue again. There have also been a number of entrepreneurial start-ups and new tech companies launching headquarters downtown, including Kevadiya, Inc., a federal IT consulting firm. Also in 2019, City officials announced Farmington Hills-based Erae USA's plans to spend $17 million to outfit and lease a manufacturing facility in Pontiac. The Michigan Economic Development Corp. is providing a $685,000 grant for the expected creation of 137 jobs.

Housing Characteristics

Trends in the housing stock of the County have a direct impact on the levy and collection of ad valorem property taxes by Pontiac Schools. The U.S. Census reports housing inventory from 2000 to 2010 in Oakland County and the U.S. Census 2014-2018 American Community Survey estimates are as follows:

Table 11 – Housing Inventory

Occupancy Status	**2000**	**2010**	**2018**
Owner-occupied	352,125	358,624	537,448
Renter-occupied	118,990	122,416	122,416
Vacant	20,891	45,653	45,653
Total housing units	492,006	526,693	537,448

SOURCE: U.S. Census Bureau website http://data.census.gov/

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GENERAL FINANCIAL INFORMATION

Property Valuations

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature, by statute, has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property has two valuations — State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, and increased or reduced by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

When property is sold or transferred, Taxable Value is adjusted to the SEV, which, under existing law, is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, to the local board of review, the Michigan Tax Tribunal ("MTT"), and ultimately to the Michigan appellate courts. As of the date of this Appendix, Pontiac Schools uses the same information that Oakland County Government has developed for determining their liability exposure to MTT appeals. As a result, Pontiac Schools budgets an amount it feels is appropriate to successfully address property tax appeals. For fiscal year ending June 30, 2020, Pontiac Schools budgeted $400,000 to address successful property tax appeals.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the county's department of equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in the Appendix. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended, is recorded on a separate tax roll while subject to tax abatement. The valuation of tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Appendix except as noted. Under limited circumstances, other State laws permit the partial abatement of certain taxes for other types of property for periods of up to 12 years.

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Historical Valuation

Table 12 - State Equalized Valuations and Taxable Valuations*

Tax Year	Fiscal Year Ended/Ending June 30	Taxable Valuation	State Equalized Valuation
2016	2017	2,382,513,770	2,739,643,880
2017	2018	2,443,898,308	2,925,056,835
2018	2019	2,554,894,750	3,091,629,470
2019	2020	2,678,447,620	3,295,047,920
2020	2021	2,759,749,200	3,473,030,800

2020 Taxable Valuation	2,759,749,200
Plus: 2020 Equivalent IFT Taxable Valuation**	83,765,537
Total Valuation	2,843,514,737

Source: Equalization Department of Oakland County. Data as of May of each respective year.

* Includes taxable and state equalization values that are attributable to Pontiac Schools from Bloomfield Township, Orion Township, Waterford Township, West Bloomfield Township, City of Auburn Hills, City of Lake Angelus, City of Pontiac, and City of Sylvan Lake.

** The 2020 taxable value for properties granted for new IFT abatements within Pontiac Schools' boundaries is $146,402,130, which is subsequently taxed at half rate. The IFT abatements for rehabilitated plants and equipment (Rehab) within Pontiac Schools' boundaries is $10,564,472, which is taxed at the full rate.

Using the City of Pontiac's 2010 Census population of 59,515, Table 13 provides the per capita valuation by type of valuation.

Table 13 - Per Capita Valuation

2020 Per Capita Taxable Valuation	$46,370.65
2020 Per Capita State Equalized Valuation	$58,355.55
2020 Per Capita Estimated True Cash Valuation	$116,711.10

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Tax Base Composition

A breakdown of Pontiac Schools' 2020 Taxable Valuation, by municipality and by class and use is as follows:

Table 14 – Tax Base Composition

By Municipality	Taxable Valuation	Percentage of Total
Bloomfield Township	$279,724,250	10.15%
Orion Township	27,394,660	0.99%
Waterford Township	56,634,970	2.06%
West Bloomfield Township	67,975,230	2.47%
City of Auburn Hills	1,393,737,210	50.58%
City of Lake Angelus	49,773,190	1.81%
City of Pontiac	796,243,960	28.74%
City of Sylvan Lake	88,265,730	3.20%
Total	**$2,759,749,200**	100.00%

Class	Taxable Valuation	Percentage of Total
Real Property	$2,422,784,560	87.79%
Personal Property	336,964,640	12.21
Total	**$2,759,749,200**	**100.00%**

Use	Taxable Valuation	Percentage of Total
Commercial	$894,201,720	32.40%
Industrial	565,357,660	20.49
Residential	963,225,180	34.90
Personal Commercial	193,734,120	7.02
Personal Industrial	59,024,080	2.14
Utilities	84,206,440	3.05
Total	**$2,759,749,200**	**100.00%**

Source: Equalization Department of Oakland County. 2020 Baseline Report.

Personal Property Tax Assessments and Appeals

Since the 1960's, Michigan personal property tax assessments have been based on the use of one or more of several different multiplier tables, formulated by the State Tax Commission, against taxpayer-reported original cost, depending upon the assessor's view of the average life of the personal property. The State Tax Commission has approved revisions to the State's personal property tax tables which became effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers many personal property taxpayers filed appeals of their existing tax assessments. In an unpublished, non-precedential opinion, the Michigan Court of Appeals, in *Valassis Communications v. City of Livonia*, affirmed a decision of the State Tax Tribunal that the personal property tax multipliers, which became effective in 2000, could be retroactively applied and used to determine the true cash value of the subject property for the 1999 tax year. In its unpublished opinion, the court held that the controlling factor is whether the method used most accurately reflects the property's true cash value. The court in *Valassis* determined that based upon the facts of the case, the old multipliers (in effect for the 1999 tax year) did not accurately reflected the property's true cash value and that the 2000 multipliers more accurately reflected the property's true cash value. In January 2004, the Michigan Court of Appeals, in *County of Wayne v. Michigan State Tax Commission*, affirmed the use of at least one of the revised multiplier tables by the State Tax Tribunal in determining personal property tax appeals. The Court of Appeals upheld a recent Tax Tribunal ruling authorizing the use of the revised multiplier developed by the State Tax Commission to determine the true cash value of public-utility electric transmission and distribution property on the grounds that the multiplier tables, as finalized, did not violate the State constitutional requirements for personal property tax valuation.

Major Taxpayers

The top ten taxpayers in Pontiac Schools and their 2020 Taxable Valuations are as follows:

Table 15 - Top Ten Taxpayers

Taxpayer	Product/Service	Taxable Valuation
Auburn Hills Owner LLC	Automotive	$162,113,050
Taubman Auburn Hills Assoc.	Great Lakes Mall	$72,880,030
DTE Electric Company	Utility	$47,961,530
General Motors Corp.	Automotive	$42,853,010
Consumers Energy	Utility	$23,237,630
FANUC America Corp.	Robotics	$20,995,310
Bloomfield Village Owner	Apartments	$20,183,180
Lake Village of Auburn Hills	Apartments	$19,412,940
ABB Inc.	Robotics	$16,920,360
International Transmission Company	Automotive	$15,880,180
TOTAL		**$442,437,220**

Source: Equalization Department of Oakland County.
Note: The values have been compiled from a number of reports and may include estimated figures.

The Taxable Valuations of the above taxpayers represent 16.03% of Pontiac Schools' 2020 Taxable Valuation of $2,759,749,200.

Industrial Facilities Tax

Act 198 of the Public Acts of Michigan, 1974, as amended ("Act 198"), provides significant property tax incentives to industry to renovate and expand aging plants and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages, and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property tax owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem taxes on the facility and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the SEV of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. New plants and equipment receiving their abatement certificate prior to January 1, 1994 are taxed at one-half the total mills levied by all taxing units, other than mills levied for local and intermediate school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For new facility abatements granted after 1993, new plants and equipment are taxed at one-half of the total mills levied as ad valorem property taxes by all taxing units except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land are not reduced in any way since land is specifically excluded under Act 198.

The 2020 taxable value for properties granted for new IFT abatements within Pontiac Schools' boundaries is $146,402,130, which is subsequently taxed at half rate. The IFT abatements for rehabilitated plants and equipment (Rehab) within Pontiac Schools' boundaries is $10,564,472, which is taxed at the full rate. For further information see "PROPERTY VALUATIONS – *Historical Valuations*" herein. A breakdown of the 2020 IFT taxable valuations by municipality is as follows:

Table 16 – 2020 Rehab and Act 198 Valuations

Township	Rehab (Full Rate)	Act 198 New (Half Rate)
Bloomfield	0	0
Orion	0	1,128,640
Waterford	0	0
West Bloomfield	0	0
Cities	**Rehab (Full Rate)**	**Act 198 New (Half Rate)**
Auburn Hills	1,734,086	129,464,690
Birmingham	0	0
Lake Angelus	0	0
Pontiac	7,096,300	15,808,810
Sylvan Lake	0	0
Total	**$10,564,472**	**$146,402,130**

Tax Increment Authorities

The Recodified Tax Increment Financing Act, Act 57, Public Acts of Michigan, 2018, as amended (“Act 57”) authorizes the designation of specific districts known as Tax Increment Finance Authority ("TIFA") Districts, Downtown Development Authority ("DDA") Districts, Local Development Finance Authority ("LDFA") Districts and Brownfield Redevelopment Authority ("BRDA") Districts. Such districts are authorized to formulate tax increment financing plans for public improvements, economic development, neighborhood revitalization, historic preservation and environmental cleanup within the district.

Tax increment financing permits a TIFA, DDA, LDFA, or BRDA to capture tax revenues attributable to increases in value ("TIF Captured Value") of real and personal property located within an approved development area while any tax increment financing plans by an established district are in place. These captured revenues are used by the district and are not passed on to the local taxing jurisdictions.

Only operating millage is captured. These tax increment financing authorities only capture a portion of Pontiac Schools operating millage.

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Tax Rates (Per $1,000 of Valuation)

Each school district, county, city, township, and special authority has a geographical definition which constitutes a tax district. Since local school districts and the county overlap either a city or a township, and intermediate school districts overlap local school districts and county boundaries, the result is many different tax rate districts.

Table 17 – Pontiac Schools' Tax Rates

Levy Year	Non-Homestead Operating[1]	Sinking Fund[2]	10-Year MESSA Levy[3]	Total for Units with 1-Year MESSA Levy[4]	Total for Units with 10-Year MESSA Levy[5]
2015	18.0000	0.0000	0.3424	18.0000	18.3424
2016	18.0000	2.8700	0.4000	20.8700	21.2700
2017	18.0000	2.8700	0.4000	20.8700	21.2700
2018	18.0000	2.8700	0.4000	20.8700	21.2700
2019	18.0000	2.8700	0.4000	20.8700	21.2700

(1) Levied on Non-Homestead Residence only. The voted operating millage expires with the December 2036 levy.
(2) The 2.87 Sinking Fund millage expires in December of 2020 and will be replaced with a 0.80 Sinking Fund millage for tax years 2021-2025, as approved by voters on March 10, 2020.
(3) In 2013 the School District entered into a Consent Judgment with MESSA for delinquent health insurance premiums. The School District was unable to pay the Consent Judgment and MESSA opted to have the Judgment levied on the School District's tax rolls. In 2013 certain local units (Bloomfield Township, Waterford Township, West Bloomfield Township, and Sylvan Lake) opted to levy their entire portion of the MESSA judgment in one year. Other local units (Orion Township, City of Auburn Hills, City of Lake Angelus, and City of Pontiac) opted to levy their portion of the MESSA judgment over ten years.
(4) Calculated sum of Non-Homestead Operating and Sinking Fund.
(5) Calculated sum of Non-Homestead Operating, Sinking Fund, and 10-Year MESSA Levy related local units.

Table 18 - Other Jurisdictions' Tax Rates – (Per $1,000 of Valuation)

The following table provides the 2018 and 2019 tax rates for select municipal units of government that overlap with the School District's boundaries.

Unit	2018	2019
City of Pontiac	18.4935	18.3307
City of Sylvan Lake	20.4011	20.5352
City of Birmingham	14.5142	14.3584
Bloomfield Township	12.6190	12.4875
City of Auburn Hills	11.2998	11.2998
Waterford Township	10.6291	10.5256
City of Lake Angelus	10.4500	10.4500
West Bloomfield Township	11.9618	11.8579
State Education Tax[1]	6.0000	6.0000
Oakland County[2]	5.6396	5.6580
Oakland ISD	3.2813	3.2539
Oakland Community College	1.5431	1.5303

Source: Equalization Department of Oakland County.
(1) Pursuant to school finance reform legislation which became effective in March 1994, the State of Michigan levies 6.00 mills for school operating purposes on all homestead and non-homestead property located within the School District
(2) County rate includes County operating, County Parks and Recreation, Huron Clinton Metro Authority, and Zoo Authority.

Tax Rate Limitation

Table 19 - Other Tax Rate Limitations and Expiration Dates

	Date of Election	Original Authorized Millage	2019 Maximum After Headlee Rollback	Expiration
Non-Homestead Renewal	3/8/2016	18.50	18.00	12/2036
Sinking Fund*	3/8/2016	2.87	2.87	12/2020

*The 2.87 Sinking Fund millage expires in December of 2020 and will be replaced with a 0.80 Sinking Fund millage for tax years 2021-2025, as approved by voters on March 10, 2020.

Tax Levies and Collections

Pontiac Schools' fiscal year begins July 1 and ends June 30 and its property taxes are due July 1 of each fiscal year. These tax levies are payable without interest on or before the following September 14 and are payable without penalty on or before the following February 14. All real property taxes remaining unpaid on March 1st of the year following the levy are turned over to the County Treasurer for collection.

A history of tax levies and collections for Pontiac Schools are as follows:

Table 20 - Tax Levies and Collections

Tax Year	Combined Tax Levy	Levy Less Delinquent Taxes		Levy Less Delinquent Personal Taxes	
2015	$27,225,338	$25,924,844	95.52%	$27,177,206	99.82%
2016	27,485,226	26,233,574	95.45	27,446,490	99.86
2017	27,876,815	27,177,401	97.49	27,833,059	99.84
2018	29,903,363	28,390,612	94.94	29,964,288	100.20
2019 (1)	31,294,743	30,343,148	96.96	31,158,204	99.56

(1) In process of collection.

The Tax Payment Funds may in part be financed through the issuance of General Obligation Limited Tax Notes (GOLTNs) by the counties. The County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1 of each year. Said fund pays all local units, school districts, villages, townships, and the County's general fund the full amount of taxes levied against real property. If feasible, it is anticipated that the County will continue to reimburse Pontiac Schools for any uncollected taxes, but there is no assurance that this will be the case, since counties are not obligated to continue this fund in the future. Uncollected personal property taxes must be collected by the local treasurer and are negligible.

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State Aid Payments

The School District's primary source of funding for operating costs is the revenue from the levy of its operating millage. However, the School District receives state aid for various categorical grants for specific expenditures. The School District is estimated to receive $10,983,970 in **special education and categorical related state aid** grants for the 2019-2020 school year. See "SOURCES OF SCHOOL OPERATING REVENUE" in the front portion of this Official Statement.

The following table shows a five-year history and a current estimate of the School District's total state aid revenues:

Table 21 - State Aid Payments from the State of Michigan

Fiscal Year Ended/Ending September 30th	Foundation Allowance per Pupil (1)	General Education Pupil Count	Assumed Local Revenue (2)	State Revenue	Per Pupil Local Revenue
2020 (3)	$8,111	3,578	$31,294,743	$10,983,970	$8,746
2019	7,871	3,757	29,903,363	11,548,031	7,960
2018	7,631	3,818	28,439,493	12,586,501	7,450
2017	7,511	3,792	27,629,739	11,797,582	7,286
2016	7,391	3,892	27,405,870	11,339,829	7,042
2015	7,130	4,020	27,028,112	10,538,958	6,724

Source: Michigan Department of Education; State Aid Financial Status Report.

(1) School District's foundation allowance under the School Aid Act.
(2) 18 mill levy on non-homestead property and 6 mill State Education Tax levy on commercial personal property
(3) Preliminary, subject to change. See "POTENTIAL IMPACT OF THE COVID-19 PANDEMIC ON THE SCHOOL DISTRICT - Impact on the School District and the Bonds" in the front portion of this Official Statement.

The School District is an "out of formula" school district which means the revenue from its 18 mill levy on non-homestead property exceeds the School District's per pupil foundation allowance. See "OUT-OF-FORMULA SCHOOL DISTRICT" in the front portion of this Official Statement.

Labor Force

A breakdown of the number of employees of Pontiac Schools and their affiliations with organized groups is as follows:

Table 22 - Labor Force Organized Groups

Bargaining Units	No. of Employees as of June 30, 2019*
Administrators	29
Teachers	220
Secretaries	24
Paraprofessional Instructors	70
Food Service	46
Instructional/Non-Instructional Assistants	23
Police Authority Officers	12
Other	200
TOTAL	624

*All contracts expire in June 2020. Contracts currently in negotiation.

Pontiac Schools has not experienced a strike by any of its bargaining units within the past ten years.

Retirement Plan - MPSERS

For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is a statewide retirement plan for employees of Michigan public schools administered by the State of Michigan. These contributions are established and required by law and are calculated by using the contribution rates as determined annually by the State.

MPSERS is a cost-sharing, multi-employer, statewide plan. Pension benefits and retiree health benefits are established by law and funded through employer contributions. The cost of retiree health benefits is funded annually on a pay-as-you-go basis, with retirees paying some of the costs. Current year liability for retiree health benefits is reflected in the figures provided below. Further information regarding MPSERS, including retiree health benefits, can be found at www.michigan.gov/orsschools.

Public Act 75 of 2010 ("Act 75") significantly modified MPSERS and among other provisions required all employees hired after July 1, 2010 to participate in a new Pension Plus Plan which provides a combined defined benefit and defined contribution structure. Public Act 92 of 2017 ("Act 92") further modified MPSERS for all employees hired on or after February 1, 2018. Act 92 requires all employees hired on or after February 1, 2018 to elect to participate in a new 401(k) style defined contribution plan or a new hybrid plan with different assumptions and cost sharing.

The School District's estimated annual contribution to MPSERS for the 2019-2020 school year and the previous four school years are shown below:

Table 23 – Pension Contributions to MPSERS

Fiscal Year Ending June 30	Contribution to MPSERS
2016	$4,605,551
2017	4,462,848
2018	7,422,054
2019	6,910,572
2020*	7,537,252

*Estimated.
SOURCE: Audited financial statements and school district. Website:
https://mcsc.state.mi.us/NXT/Gateway.dll?f=templates&fn=default.htm&vid=mofa:fa
NOTE: Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The School District implemented GASB 68 in its year ended June 30, 2015 financial statements. In its June 30, 2019 financial statements, the School District reported a proportionate share of the net pension liability of $81,634,867 as of September 30, 2018.

Other Post-Employment Benefits

MPSERS also provides postemployment healthcare benefits for retirees and beneficiaries who elect to receive those benefits. The cost of retiree health benefits is funded annually on a pay-as-you-go basis, with retirees paying some of the costs. Current year liability for retiree health benefits can be found at http://www.michigan.gov/orsschools.

Table 24 – Contributions for Other Post-Employment Benefits

Fiscal Year Ending June 30	Contribution
2016	$1,353,973
2017	1,455,911
2018	1,726,332
2019	1,737,224
2020*	1,919,167

*Estimated.
Source: Pontiac Schools' audited financial statements. Website:
https://mcsc.state.mi.us/NXT/Gateway.dll?f=templates&fn=default.htm&vid=mofa:fa

Debt Statement

Table 25 – Net Direct Debt

As of June 29, 2020, including the Bonds described herein.

Direct Debt	Dated	Maturities Outstanding	Amount Outstanding
Second Amended and Restated Emergency Loan Note, 2013-14 Series I (1) (2)	5/5/2014 (1) (2)	05/01/2022-2044	$10,000,000
Amended and Restated Emergency Loan Note, 2014-15 Series I (2)	7/22/2015 (2)	05/01/2021-2045	10,000,000
2017 School Building and Site Bonds	6/15/2017	05/15/2021	5,071,000
2018 Refunding Bonds (LTGO)	4/25/2018	05/01/2022-2030	10,500,000
2018B Refunding Bonds (UTGO)	11/1/2018	05/01 and 11/01/2019-2028	2,060,000
		EXISTING Net Direct Debt	37,631,000
		2020 Bonds (UTGO)	90,050,000
		TOTAL Net Direct Debt	127,681,000

Source: School District of the City of Pontiac
(1) Amended and Restated on 4/20/2016.
(2) Amended and Restated on 4/9/2018.
NOTES: Pontiac Schools also has various short-term obligations outstanding. Currently Pontiac Schools has a total of $3,256,071 outstanding in State Aid Notes and has a final maturity of 8/20/2020. Currently the District does not have any outstanding loans under the SBQL program.

Table 26 - Overlapping Debt

As of June 29, 2020

Overlapping Debt	Amount
Cities	$128,360,363
Townships	9,221,026
County	14,043,799
Intermediate School District	1,912,165
Community Colleges	0
Libraries	0
Total Net Overlapping Debt	153,537,353
Total Net Direct and Overlapping Debt	$281,218,353

SOURCE: Municipal Advisory Council of Michigan.

Debt Ratios

Table 27 - Net Direct Debt and Net Direct and Overlapping Debt Ratios

As of June 29, 2020, including the Bonds described herein.

Per Capita (2010 Census for City of Pontiac of 59,515)	
Net Direct Debt	$2,145.36
Net Direct and Overlapping Debt	$4,725.17
Ratio to 2020 Taxable Valuation ($2,759,749,200)	
Net Direct Debt	4.63%
Net Direct and Overlapping Debt	10.19%
Ratio to 2020 State Equalized Valuation ($3,473,030,800)	
Net Direct Debt	3.68%
Net Direct and Overlapping Debt	8.10%
Ratio to 2020 Estimated True Cash Value ($6,946,061,600)	
Net Direct Debt	1.84%
Net Direct and Overlapping Debt	4.05%

Debt History

The May 2013 payment on the 2006 School Building and Site Bonds was paid by the bond insurance company. The bond insurance company was reimbursed in full for the May 2013 payment by June 30, 2014. Since, Pontiac Schools has had no record of default on its bonded indebtedness. In addition, in order to secure the Pontiac Schools' obligations, all bonded indebtedness, excluding the proposed Bonds, is now organized under a Master Debt Retirement Trust Indenture, where Pontiac Schools has entered into Tax Intercept Agreements and State Aid Agreements directing the payment of the State School Aid and Operating Taxes to the Master Trustee for deposit in the Debt Retirement Fund established under the Master Debt Retirement Indenture.

Future Financing

Pontiac Schools anticipates the issuance of annual state aid notes and tax anticipation notes, within the next twelve (12) months that will be issued under the Master Debt Retirement Trust Indenture and will be payable in accordance with the payment priority set forth in the Master Debt Retirement Trust Indenture. Otherwise Pontiac Schools does not plan on incurring additional debt, through the issuance of bonds or otherwise over the next twelve (12) months.

Legal Debt Margin

Section 1351(3) of Act 451 provides that a school district shall not issue bonds, that together with the total outstanding indebtedness, would amount to greater than 15% of the total assessed valuation of the district, excluding bonds qualified under Article IX, Section 16 of the Michigan Constitution of 1963, and deficit budget bonds as authorized under section 1356 of Act 451. In addition, Section 605 of Act 34, Public Acts of Michigan, 2001, as amended, provides, in relevant part, that debt evidenced by a refunding security shall not be deemed to be within any statutory or charter limitation of outstanding debt limit.

Table 28 - Legal Debt Margin Subject to State Limitation (Limited and Unlimited Tax)

As of June 29, 2020, including the Bonds described herein.

2020 State Equalized Value	$3,473,030,800
Debt Limit – 15% of State Equalized Valuation	520,954,620
Amount of Direct Debt Outstanding	127,681,000
Not Subject: 2020 Bonds	(90,050,000)
Amount of Net Direct Outstanding	37,631,000
Additional Debt Which Could Be Legally Incurred	483,323,620

APPENDIX C

GENERAL FUND BUDGET SUMMARY AND COMPARATIVE FINANCIAL STATEMENTS

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SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
GENERAL FUND BUDGET

	FY 2020 Adopted Budget (1)	FY 2020 Amended Budget (2)	FY 2021 Adopted Budget (2)
Beginning Fund Balance	($5,318,106)	($5,318,106)	($2,844,615)
GENERAL FUND REVENUE			
Local Revenues	$32,083,873	$32,145,359	$32,823,447
State Sources	13,885,493	13,872,090	12,513,333
Federal Sources	10,684,246	10,135,946	14,136,572
County, Interdistrict and Other Financing Sources	23,283,441	22,773,041	23,821,732
Total General Fund Revenue	**$79,937,053**	**$78,926,436**	**$83,295,084**
GENERAL FUND EXPENDITURES			
Classroom Instruction	$29,519,289	$28,927,232	$31,110,306
Support Services:			
Pupil Support	5,998,500	5,329,944	5,323,913
Instructional Staff Support	3,266,986	2,863,714	3,035,704
General Administration	1,437,000	1,457,700	1,527,699
School Administration	2,984,000	3,226,898	3,280,944
Business Administration	1,698,000	1,440,901	1,317,605
Operations and Maintenance	8,005,932	7,844,455	8,047,524
Transportation	4,855,400	3,431,938	5,067,995
Central Administration	3,126,796	3,145,071	3,170,689
Other	333,000	333,000	349,187
Community Services	457,500	315,230	568,614
Facilities Acquisitions	582,000	607,000	0
Other Financing	16,512,099	16,719,663	16,451,126
Fund Modifications	535,900	810,200	2,838,667
Total Expenditures	**$79,312,402**	**$76,452,946**	**$82,089,973**
Revenues Over (Under Expenditures)	$624,651	$2,473,491	$1,205,111
Total Fund Balance, Ending	($4,693,455)	($2,844,615)	($1,639,504)

(1) The FY 2020 budget was adopted June 17, 2019.
(2) The FY 2020 Amended budget and FY 2021 budget were adopted on June 15, 2020.

Note: More detailed budget information is available on Pontiac Schools' website. https://www.pontiac.k12.mi.us/

SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
COMPARISON OF REVENUES AND EXPENDITURES

	FY 2017	FY 2018	FY 2019
Beginning Fund Balance	($25,085,066)	($23,184,147)	($6,684,485)
GENERAL FUND REVENUE			
Local Revenues	$29,206,759	$29,594,692	$30,851,640
State Sources	14,647,499	13,681,454	13,683,531
Federal Sources	9,382,063	12,591,292	6,760,133
Interdistrict Sources	5,096,458	5,525,874	5,550,531
Other Financing Sources	5,702,354	17,371,672	17,149,457
Total General Fund Revenue	**$64,035,133**	**$78,764,984**	**$73,995,292**
GENERAL FUND EXPENDITURES			
Classroom Instruction	$28,917,848	$29,571,141	$28,235,989
Support Services:			
Pupil Support	4,332,700	4,635,057	5,205,411
Instructional Staff Support	3,499,539	2,989,314	2,732,744
General Administration	1,528,173	1,412,790	1,238,269
School Administration	2,862,561	2,868,315	2,827,856
Business Administration	2,288,471	1,852,945	1,302,633
Operations and Maintenance	7,271,002	6,975,908	7,086,328
Transportation	4,482,465	4,257,366	4,217,247
Central Administration	2,335,761	2,663,906	2,863,027
Other	242,323	238,633	251,415
Community Services	485,448	262,034	229,085
Facilities Acquisitions	427,824	555,117	179,408
Debt Service	3,460,099	3,982,796	16,259,501
Total Expenditures	**$62,134,214**	**$62,265,322**	**$72,628,913**
Revenues Over (Under Expenditures)	$1,900,919	$16,499,662	$1,366,379
Total Fund Balance, Ending	($23,184,147)	($6,684,485)	($5,318,106)

SOURCE: Audited financial statements and School District.
Website: https://mcsc.state.mi.us/NXT/Gateway.dll?f=templates&fn=default.htm&vid=mofa:fa

SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
COMPARISON OF ASSETS AND LIABILITIES – GENERAL FUND

	FY 2017	FY 2018	FY 2019
ASSETS			
Cash	$4,103,078	$3,265,613	$4,211,721
Cash Held by a Fiscal Agent	0	1,774,837	0
Accounts Receivable, net of allowances	267,946	279,704	2,548,065
Due From Other Funds	179,126	0	54,632
Due From Other Governmental Units	7,063,247	5,173,686	5,448,724
Due From Agency Fund Activities	6,832	0	0
Prepaid and Other Deposits	204,895	198,817	1,246,295
Total Assets	**$11,825,124**	**$10,692,657**	**$13,509,437**
LIABILITIES			
Accounts Payable	$1,308,565	$2,036,482	$2,507,696
State Aid and Tax Anticipation Notes Payable	20,730,000	4,500,000	4,500,000
Interest Payable	1,025,227	867,374	972,996
Due to Other Funds	6,537	491,663	0
Due to Other Governmental Funds	1,355,457	928,037	1,235,107
Accrued Expenses	123,381	224,527	581,264
Accrued Salaries Payable	3,480,198	3,803,425	3,647,063
MESSA Judgement Payable	3,687,868	2,901,904	2,052,941
Unearned Revenue	280,289	1,600,480	1,794,403
Total Liabilities	**$31,997,522**	**$17,353,892**	**$17,291,470**
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue – Grants and Non-Grants Receivable	$3,011,749	$23,250	$1,536,073
FUND BALANCE			
Non-Spendable:			
Prepaid Items	204,895	198,817	45,354
Restricted For:			
Debt Service	0	1,774,837	1,200,941
Capital Projects			0
Unassigned	(23,389,042)	(8,658,139)	(6,564,401)
TOTAL FUND BALANCE (DEFICIT)	($23,184,147)	($6,684,485)	($5,318,106)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	$11,825,124	$10,692,657	$13,509,437

SOURCE: Audited financial statements and School District.
Website: https://mcsc.state.mi.us/NXT/Gateway.dll?f=templates&fn=default.htm&vid=mofa:fa

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APPENDIX D

AUDITED FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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School District of the City of Pontiac

Financial Statements

June 30, 2019

YEO & YEO
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Table of Contents

School District of the City of Pontiac
Members of the Board of Education and Administration
June 30, 2019

Members of the Board of Education

William Carrington, President

Sherman Williams, Vice President

Caroll Turpin, Secretary

ShaQuana Davis-Smith, Treasurer

Kenyada Bowman, Trustee

Mike McGuinness, Trustee

Kerry Tolbert, Trustee

Administration

Kelley Williams, Superintendent

James Graham, Director of Business Services

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Independent Auditors' Report

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

Report on the Financial Statements
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, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of Pontiac, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
The School District has an accumulated unassigned deficit in the General Fund of $6,564,401 as of June 30, 2019, which has resulted from operating deficits. The deficit and status of the School District's Deficit Elimination Plan that is required by the Michigan Department of Education, are disclosed in Note 2. Our opinions are not modified with respect to this matter.

Other Matters:

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

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

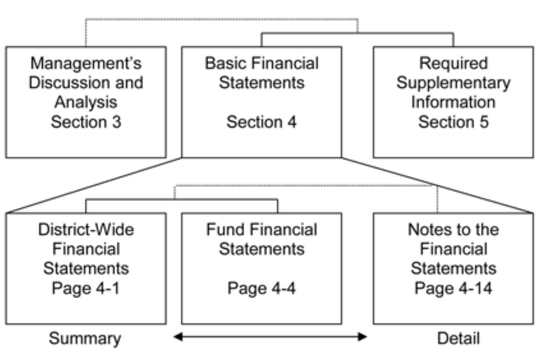
Auburn Hills, MI
June 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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, Special Revenue Food Service 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. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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.

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.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

School District of the City of Pontiac
Management Discussion and Analysis
Year Ended June 30, 2019

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, 2019 and 2018:

Table 1	Governmental Activities	
	June 30	
	2019	2018
	(in millions)	
Assets		
Current and other assets	$ 18.5	$ 13.7
Capital assets	51.6	50.8
Deferred outflows of resources	31.1	19.5
Totals assets	101.2	84.0
Liabilities		
Current liabilities	18.9	18.8
Long-term liabilities	162.4	156.5
Deferred inflows of resources	17.6	8.5
Total liabilities	198.9	183.8
Net Position		
Net investment in capital assets	28.5	27.3
Restricted	0.6	1.8
Unrestricted	(126.8)	(128.9)
Total net position	$ (97.7)	$ (99.8)

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 ($97.7 million) at June 30, 2019. Net investment in capital assets totaling $28.5 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of $.6 million will be used to make interest payments in the upcoming years. The remaining amount of net position of ($126.8 million) was unrestricted.

The ($126.8 million) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position deficit represents the accumulated working capital and cash flow requirements of the School District as well as demonstrates the significant financial challenges that lie ahead. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. In addition, as a required by GASB 68 and 75 the school district's proportionate share of the net pension and net OPEB liabilities are included in non-current liabilities.

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, 2019 and 2018.

Table 2	Governmental Activities June 30 2019	2018
	(in millions)	
Revenue		
Program revenue:		
Charges for services	$ 0.2	$ 0.2
Operating grants and contributions	30.1	30.8
General Revenue:		
Property taxes	38.1	36.5
State aid	0.3	1.0
Other	1.2	1.7
Total revenue	69.9	70.2
Functions/Program Expenses		
Instruction	31.1	32.1
Support services	30.5	30.1
Food services	3.4	3.4
Community services	0.3	0.3
Interest on long-term debt	2.5	1.5
Total functions/program expenses	67.8	67.4
Increase (Decrease) in Net Position	2.1	2.8
Net Position - Beginning of year	(99.9)	(102.7)
Net Position - End of year	$ (97.8)	$ (99.9)

As reported in the statement of activities, the cost of all of our governmental activities this year was $67.8 million. Certain activities were partially funded from those who benefited from the programs ($0.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($30.1 million). We paid for the remaining "public benefit" portion of our governmental activities with $38.1 million in taxes, $.3 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements, totaling $1.2 million.

The School District experienced an increase in net position of $2.1 million. The key reason for the change in net position was the collection of additional property taxes. In addition, 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.

As the School District completed this year, the governmental funds reported a combined fund deficit of ($2.3 million), which is an increase of $3.4 million from last year. The primary reasons for the increase are as follows:

- Continuation of a 5-year $2.87 million Sinking Fund.
- 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.
- Sale of Bethune vacant property
- Issuance of $2.25 million in Revenue Bonds
- Proceeds from a Tax Anticipation Note now classified as long term
- Increase in Property Tax Revenues
- Lower expenditures due to instructional staffing vacancies

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

As a result of the deficit mentioned above, the School District was required to file a Deficit Elimination Plan (DEP). This DEP was filed and previously approved for a fourteen-year period (2015-2029). Due to the existence of the deficit, an updated DEP was amended and approved on July 15, 2019.

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 2018-2019 General Fund original budget. Budgeted revenues and other financing sources were decreased by $1.8 million mainly due to lower expected proceeds related to insurance recoveries and property sales, lower expected grant allocations, lower state aid, and higher property taxes. Budget expenditures and other financing uses were decreased by $1.7 million as a result of unfilled vacancies and long term debt refinancing.

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, 2019, the School District had $51.6 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately $.8 million, or approximately a 2 percent increase, from last year.

	2019	2018
Land	$ 1,619,804	$ 2,169,804
Construction in progress	1,358,458	8,812,151
Land improvements	6,048,590	3,985,823
Buildings and building improvements	71,678,786	62,854,848
Buses and other vehicles	108,481	108,481
Furniture and equipment	5,142,510	4,516,138
Total capital assets	85,956,629	82,447,245
Less accumulated depreciation	34,358,210	31,633,858
Net capital assets	$51,598,419	$50,813,387

Several major capital projects are planned for the 2019-20 fiscal year which includes Security Enhancements, Teen Health Renovations, and Doors and Windows at Pontiac High School, District Wide Alarm System Upgrades, and sign upgrades. We present more detailed information about our capital assets in the notes to the financial statements.

Debt
At the end of this year, the School District had $58.4 million in bonds and notes outstanding versus $58 million in the previous year - an increase of 1 percent due to a slightly higher tax anticipation note from the prior year. Those notes and bonds consisted of the following:

	2019	2018
Notes and bonds payable	$ 58,404,000	$ 57,955,000

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 2019-2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2020 fiscal year is 10 percent and 90 percent of the February 2019 and October 2019 student counts, respectively. However, since the School District's 18 mill non-homestead tax, multiplied by the non-homestead tax base of the District, is expected to generate more total dollars than the State foundation revenue calculation, the District anticipates to be "Out of Formula" for the 2020 fiscal year. Therefore, the change in student enrollment and the amount of the foundation allowance will no longer be a determining factor in the major revenues for the District. The 2019-2020 budget was adopted in June 2019, based on the estimated tax revenues from the 18 mill non-homestead tax. The School Districted adopted the 2019-2020 General Fund budget with $337 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 will become 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 2019-2020 the District will also expand their International Language Academy, now K-4; and will continue to add a grade level each consecutive year through grade 6.

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

BASIC FINANCIAL STATEMENTS

School District of the City of Pontiac
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash	$ 8,565,414
Deposits	25,000
Accounts receivable, net of allowance	2,548,065
Due from other governmental units	6,041,875
Inventory	24,611
Prepaids and other deposits	1,272,134
Capital assets not being depreciated	2,978,262
Capital assets - net of accumulated depreciation	48,620,157
Total assets	70,075,518
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	27,157,245
Deferred amount relating to net OPEB liability	3,800,008
Deferred amount on debt refunding	115,702
Total deferred outflows of resources	31,072,955
Total assets and deferred outflows of resources	101,148,473

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Accounts payable	$ 3,374,916
State aid and tax anticipation notes payable	4,500,000
Interest payable	1,551,128
Due to other governmental units	1,277,678
Claims payable	132,929
Accrued expenditures	581,264
Accrued salaries payable	3,673,487
MESSA Judgment payable	2,052,941
Unearned revenue	1,794,403
Long-term liabilities	
Debt due within one year	22,219,950
Debt due in more than one year	37,294,081
Net pension liability	81,634,867
Net OPEB liability	21,140,973
Total liabilities	181,228,617
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	11,653,528
Deferred amount relating to net OPEB liability	5,984,381
Total deferred inflows of resources	17,637,909
Total liabilities and deferred inflows of resources	198,866,526
Net Position	
Net investment in capital assets	28,506,687
Restricted for:	
Debt service	624,401
Unrestricted (deficit)	(126,849,141)
Total net position	$ (97,718,053)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 31,181,059	$ -	$ 25,948,123	$ (5,232,936)
Supporting services	30,365,670	34,792	904,266	(29,426,612)
Food services	3,436,420	39,767	3,241,353	(155,300)
Community services	272,677	102,498	-	(170,179)
Interest on long-term debt	2,464,863	-	-	(2,464,863)
Total governmental activities	$ 67,720,689	$ 177,057	$ 30,093,742	(37,449,890)

General revenues	
Property taxes, levied for general purposes	30,005,969
Property taxes, levied for debt service	814,332
Property taxes, levied for sinking fund	7,281,288
State aid - unrestricted	323,649
Interest and investment earnings	114,117
Gain on sale of capital assets	11,882
Other	1,068,170
Total general revenues	39,619,407
Change in net position	2,169,517
Net position - beginning	(99,887,570)
Net position - ending	$ (97,718,053)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Capital Project Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 4,211,721	$ 2,508,539	$ 807,894	$ 7,528,154
Accounts receivable, net of allowance	2,548,065	-	-	2,548,065
Due from other funds	54,632	-	-	54,632
Due from other governmental units	5,448,724	83,481	509,670	6,041,875
Inventory	-	-	24,611	24,611
Prepaid and other deposits	1,246,295	-	25,839	1,272,134
Total assets	$ 13,509,437	$ 2,592,020	$ 1,368,014	$ 17,469,471
Liabilities				
Accounts payable	$ 2,507,696	$ 649,432	$ 200,656	$ 3,357,784
State aid anticipation notes payable	4,500,000	-	-	4,500,000
Interest payable	972,996	-	-	972,996
Due to other funds	-	-	54,632	54,632
Due to other governmental units	1,235,107	11,587	173	1,246,867
Accrued expenditures	581,264	-	-	581,264
Accrued salaries payable	3,647,063	-	26,424	3,673,487
MESSA judgment payable	2,052,941	-	-	2,052,941
Unearned revenue	1,794,403	-	-	1,794,403
Total liabilities	17,291,470	661,019	281,885	18,234,374

School District of the City of Pontiac
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Capital Project Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable revenue				
Grants received	$ 1,536,073	$ -	$ -	$ 1,536,073
Fund Balance				
Non-spendable				
Inventory	-	-	24,611	24,611
Prepaid items	45,354	-	25,839	71,193
Restricted for				
Food service	-	-	1,034,087	1,034,087
Debt service	1,200,941	-	1,592	1,202,533
Capital projects	-	1,931,001	-	1,931,001
Unassigned (deficit)	(6,564,401)	-	-	(6,564,401)
Total fund balance (deficit)	(5,318,106)	1,931,001	1,086,129	(2,300,976)
Total liabilities, deferred inflows of resources, and fund balance (deficit)	$ 13,509,437	$ 2,592,020	$ 1,368,014	$ 17,469,471

School District of the City of Pontiac
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds	$ (2,300,976)
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	1,536,073
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	2,978,262
Capital assets - net of accumulated depreciation	48,620,157
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	115,702
Deferred inflows of resources resulting from the net pension liability	(11,653,528)
Deferred outflows of resources resulting from the net pension lability	27,157,245
Deferred inflows of resources resulting from the net OPEB liability	(5,984,381)
Deferred outflows of resources resulting from the net OPEB lability	3,800,008
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(578,132)
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	(81,634,867)
Net OPEB liability	(21,140,973)
Compensated absences and retirement incentives	(946,597)
Bonds payable	(58,404,000)
Capital lease	(163,434)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	881,388
Net position of governmental activities	$ (97,718,053)

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, 2019

	General Fund	Capital Project Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 30,851,640	$ 7,382,631	$ 895,682	$ 39,129,953
State sources	13,683,531	-	111,102	13,794,633
Federal sources	6,760,133	-	3,130,251	9,890,384
Interdistrict sources	5,550,531	-	-	5,550,531
Total revenues	56,845,835	7,382,631	4,137,035	68,365,501
Expenditures				
Current				
Education				
Instruction	28,235,989	-	-	28,235,989
Supporting services	27,724,930	31,258	-	27,756,188
Food services	-	-	3,182,447	3,182,447
Community services	229,085	-	-	229,085
Capital outlay	179,408	4,125,591	7,356	4,312,355
Debt service				
Principal	14,460,715	596,000	-	15,056,715
Interest and other expenditures	1,736,083	490,170	1,384	2,227,637
Payment to bond refunding escrow agent	62,703	-	-	62,703
Total expenditures	72,628,913	5,243,019	3,191,187	81,063,119
Excess (deficiency) of revenues over expenditures	(15,783,078)	2,139,612	945,848	(12,697,618)

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, 2019

	General Fund	Capital Project Fund Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from refinancing debt	$ 2,245,000	$ -	$ -	$ 2,245,000
Payment to bond refunding escrow agent	(2,182,297)	-	-	(2,182,297)
Proceeds from loans	15,360,000	-	-	15,360,000
Proceeds from capital leases	144,158	-	-	144,158
Proceeds from sale of capital assets	561,882	-	-	561,882
Transfers in	1,020,714	-	-	1,020,714
Transfers out	-	-	(1,020,714)	(1,020,714)
Total other financing sources (uses)	17,149,457	-	(1,020,714)	16,128,743
Net change in fund balance	1,366,379	2,139,612	(74,866)	3,431,125
Fund balance (deficit) - beginning	(6,684,485)	(208,611)	1,160,995	(5,732,101)
Fund balance (deficit) - ending	$ (5,318,106)	$ 1,931,001	$ 1,086,129	$ (2,300,976)

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, 2019

Net change in fund balances - Total governmental funds	$ 3,431,125
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	1,512,823
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,724,352)
Capital outlay	4,059,384
Sale of capital assets (net book value)	(550,000)
Expenses are recorded when incurred in the statement of activities.	
Accreted interest	
Accrued interest	(165,625)
Compensated absences and retirement incentives	(60,698)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(8,955,022)
Net change in deferrals of resources related to the net pension liability	5,318,964
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in OPEB liability	3,763,697
Net change in deferrals of resources related to the net OPEB liability	(2,827,023)

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, 2019

Bond and note proceeds and capital leases 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	$ (17,605,000)
Capital lease	(144,158)
Repayments of long-term debt	17,211,000
Repayments of capital lease	90,715
Amortization of deferred amount on debt refunding	(71,601)
Internal service fund revenues and expenses are included in governmental activities in the statement of activities	(114,712)
Change in net position of governmental activities	$ 2,169,517

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2019

	Internal Service Fund
Assets	
Cash	$ 1,037,260
Deposits	25,000
Total assets	1,062,260
Liabilities	
Accounts payable	17,132
Due to other governmental units	30,811
Claims payable	132,929
Total liabilities	180,872
Net Position	
Unrestricted	$ 881,388

School District of the City of Pontiac
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
June 30, 2019

	Internal Service Fund
Revenues	
Charges to other funds	$ 955,747
Expenses	
Workers compensation, general liability, and unemployment expenses	1,070,459
Net income	(114,712)
Net position - beginning	996,100
Net position - ending	$ 881,388

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, 2019

	Internal Service Fund
Cash flows from operating activities	
Charges to other funds	$ 955,747
Payments to providers	(1,078,574)
Net cash used in operating activities	(122,827)
Cash - beginning of year	1,109,594
Cash - end of year	$ 1,037,260
Reconciliation of operating income to net cash used in operating activities	
Operating income	$ (114,712)
Adjustments to reconcile operating income to net cash used in operating activities	
Changes in assets and liabilities	
Accounts payable	(71,072)
Due to other governmental units	34,395
Claims payable	28,562
Net cash used in operating activities	$ (122,827)

See Accompanying Notes to the Financial Statements

School District of the City of Pontiac
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2019

		Agency Funds
Assets		
Cash	$	69,318
Liabilities		
Accounts payable	$	2,550
Due to agency fund activities		66,768
Total liabilities	$	69,318

See Accompanying Notes to Financial Statements

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

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.

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.

Food Service Fund - 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. 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.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student and staff groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

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, 2019, the rates are as follows per $1,000 of assessed value.

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

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

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

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

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

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

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

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions 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.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

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

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

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

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. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2019

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

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Other	$ 235,000	$ 251,415	$ 16,415
Capital outlay	159,100	179,408	20,308
Debt - principal	14,458,800	14,460,715	1,915
Payment to bond refunding escrow agent	837,297	2,182,297	1,345,000
Food Service Fund			
Food services	3,019,500	3,182,447	162,947
Transfers out	145,000	171,750	26,750

Fund Deficits

The School District has an accumulated unassigned fund deficit in the general fund in the amount of $6,564,401 as of June 30, 2019. These accumulated deficits raise substantial doubt about the ability of the School District to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The School District has filed a deficit elimination plan with the State of Michigan. The School District is in compliance with the plan as of June 30, 2019. Additionally the School District has entered into a consent agreement with the State Treasurer which requires the School District to enter into a cooperative agreement with an Alternate Service Provider (Oakland Schools) to provide certain services to the School District as part of the plan to address the financial emergency.

Compliance - Sinking Funds

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

Note 3 - Deposits

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 8,565,414	$ 69,318	$ 8,634,732

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

Deposits (checking accounts, savings accounts, and money markets)	$8,634,732

Interest rate risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

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

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

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, $8,777,173 of the School District's bank balance of $9,027,173 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 2,169,804	$ -	$ 550,000	$ 1,619,804
Construction-in-progress	8,812,151	1,358,458	8,812,151	1,358,458
Total capital assets not being depreciated	10,981,955	1,358,458	9,362,151	2,978,262
Capital assets being depreciated				
Land improvements	3,985,823	2,062,767	-	6,048,590
Building and building improvements	62,854,848	8,823,938	-	71,678,786
Equipment and furniture	4,516,138	626,372	-	5,142,510
Vehicles	108,481	-	-	108,481
Total capital assets being depreciated	71,465,290	11,513,077	-	82,978,367
Less accumulated depreciation for				
Land improvements	511,111	299,820	-	810,931
Building and building improvements	29,085,198	1,920,977	-	31,006,175
Equipment and furniture	1,956,873	496,177	-	2,453,050
Vehicles	80,676	7,378	-	88,054
Total accumulated depreciation	31,633,858	2,724,352	-	34,358,210
Net capital assets being depreciated	39,831,432	8,788,725	-	48,620,157
Net capital assets	$50,813,387	$10,147,183	$9,362,151	$51,598,419

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

Governmental activities	
Instruction	$ 1,453,780
Supporting services	1,142,559
Food services	95,805
Athletics	32,208
Total governmental activities	$ 2,724,352

Construction Contracts

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

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
W.H.R.C. HVAC	$ 51,300	$ 799	$ -
Pavement	739,583	458,782	-
Windows and doors	946,000	204,580	-
W.H.R.C. Chemistry Lab	478,400	192,664	-
Total	$ 2,215,283	$ 856,825	$ -

All projects are expected to be complete during the 2020 school year.

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
Nonmajor Funds	General Fund	$ 54,632

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, between the General Fund and the MESSA Levy Debt Fund, and the Food Service Fund totaling $1,020,714. The transfers from General Fund to the MESSA Levy Debt Fund are to cover debt service for the MESSA Levy and the transfers from Food Service to General Fund is related to Indirect Costs.

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:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	$ 1,794,403

Note 7 - State Aid Anticipation Notes

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$4,500,000	$4,500,000	$ 4,500,000	$4,500,000

Note 8 - MESSA Judgment Levy

In January 2013, a $7.8 million judgment was levied against the School District related to outstanding health care premiums owed to its carrier, MESSA. This judgment was for the period from January 2012 through December 2013. Property taxes levied to satisfy this levy are being received by the School District over a one to ten year time period depending on how the respective jurisdiction issued its levy. Final payment will be received in fiscal year 2023 for the jurisdictions electing a ten year payback. As property taxes are collected and remitted to the School District by the taxing authority, they are submitted to the vendor as payment against the obligation. As of June 30, 2019, $2,052,941 is the amount that is still owed.

Note 9 - Leases

Capital Leases
The School District has two capital leases for copiers and work stations. The future minimum lease payments are as follows:

Year ending June 30,	Copiers	Work Stations	Total
2020	$ 53,720	$ 38,379	$ 92,099
2021	4,477	38,378	42,855
2022	-	38,379	38,379
Total minimum lease payments	58,197	115,136	173,333
Less amount representing interest	542	9,357	9,899
Present value of minimum lease payments	$ 57,655	$ 105,779	$ 163,434

The assets acquired through capital leases are as follows:

	Copiers	Work Stations	Total
Furniture and equipment	$ 258,270	$ 144,158	$ 402,428
Less accumulated depreciation	(206,616)	(36,040)	(242,656)
Total	$ 51,654	$ 108,118	$ 159,772

Note 10 - 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, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and loans payable					
Emergency loans	$20,000,000	$ -	$ -	$20,000,000	$ -
Revenue bonds	12,690,000	2,245,000	2,190,000	12,745,000	185,000
Sinking fund revenue bonds	10,895,000	-	596,000	10,299,000	5,228,000
Tax anticipation note	14,370,000	15,360,000	14,370,000	15,360,000	15,360,000
Total bonds and loans payable	57,955,000	17,605,000	17,156,000	58,404,000	20,773,000
Other liabilities					
Compensated absences	885,899	1,420,783	1,360,085	946,597	1,360,000
Capital leases	109,991	144,158	90,715	163,434	86,950
Total other liabilities	995,890	1,564,941	1,450,800	1,110,031	1,446,950
Total	$58,950,890	$19,169,941	$18,606,800	$59,514,031	$22,219,950

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

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

$10,500,000 local government loan program revenue bonds due in annual installments of $920,000 to $1,450,000 through May 1, 2030, interest at 5.85%	$10,500,000
$10,000,000 emergency loan due in annual installments of $5,000 to $845,000 through May 1, 2044, interest at 2.75%	10,000,000
$10,000,000 emergency loan due in annual installments of $5,000 to $795,000 through May 1, 2045, interest at 2.70%	10,000,000
$15,360,000 TAN revenue loan due in one installment of $15,360,000 due October 4, 2019, interest at 4.19%	15,360,000
$14,000,000 sinking fund revenue bond due in annual installments of $5,071,000 to $5,228,000 through May 1, 2021, interest at 4.45%	10,299,000
$2,245,000 local government loan program revenue bonds due in annual installments of $150,000 to $285,000 through November 1, 2028, interest at 5.50%	2,245,000
Total debt	$58,404,000

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 20,773,000	$ 1,949,111	$22,722,111
2021	5,271,000	1,369,567	6,640,567
2022	1,135,000	1,258,941	2,393,941
2023	1,205,000	1,193,298	2,398,298
2024	1,270,000	1,124,500	2,394,500
2025 - 2029	7,385,000	4,428,912	11,813,912
2030 - 2034	6,200,000	2,607,882	8,807,882
2035 - 2039	6,700,000	1,710,287	8,410,287
2040 - 2044	7,670,000	746,319	8,416,319
2045	795,000	21,435	816,435
Total	$ 58,404,000	$16,410,252	$74,814,252

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

Compensated Absences
Accrued compensated absences at year end, consist of $26,183 of vacation hours earned and vested and $920,414 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Advance Refunding
On April 25, 2018, the School District issued local government revenue bonds of $10,500,000 (par value) with an interest rate of 5.85% to advance refund local government revenue bonds with an interest rate of 4.50% to 4.55% and a par value of $8,325,000. The revenue bonds mature on May 1, 2021. After paying issuance costs of $250,000, the net proceeds of the new bonds were $10,250,000. Of this total, $8,526,773 of the net proceeds of the revenue bonds was deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements. An additional $1,774,837 was placed in escrow and dedicated to the repayment of the interest on the refunding debt. This amount is adjusted to market value each year and as of June 30, 2019 the value of the account totaled $1,200,941 and reflected in prepaid and other deposits on the balance sheet.

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

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

Deferred Amount on Refunding
The advance refunding in 2018 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $176,404. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021.

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 11 - 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 $132,929.

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

	2019	2018
Estimated liability at the beginning of the year	$ 104,367	$ 57,639
Estimated claims incurred including changes in estimates	1,070,459	954,645
Claim payments	(1,041,897)	(907,917)
Estimated liability end of year	$ 132,929	$ 104,367

Note 12 - Pension Plan

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

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

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

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

Benefits Provided
Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were $7,394,549 for the year ending September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, School District reported a liability of $81,634,867 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the School District's proportion was 0.2716 percent, which was a decrease of 0.0089 percent from its proportion measured as of September 30, 2017. At September 30, 2018 the total pension expense for the School District was $10,902,920. For the year ending June 30, 2019, the School District recognized pension expense of $6,910,572.

At June 30, 2019, 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	$ 378,801	$ (593,226)	$ (214,425)
Changes of assumptions	18,906,568	-	18,906,568
Net difference between projected and actual earnings on pension plan investments	-	(5,581,750)	(5,581,750)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,387,031	(2,540,289)	(1,153,258)
Total to be recognized in future	20,672,400	(8,715,265)	11,957,135
School District contributions subsequent to the measurement date	6,484,845	(2,938,263)	3,546,582
Total	$27,157,245	$(11,653,528)	$15,503,717

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

2019	$ 5,687,416
2020	3,368,468
2021	2,072,849
2022	828,402
	$ 11,957,135

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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans 7.05%
  - Pension Plus Plan 7.00%
  - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304 years

Recognition period for assets: 5 years

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% 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 7.05% (7.0% for the Hybrid 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 *
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
$ 107,180,276	$ 81,634,867	$ 60,410,786

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

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

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

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the School District were $1,726,332 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of $21,140,973 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's 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, 2018, the School District's proportion was 0.2660 percent, which was a decrease of 0.0153 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was $761,079. For the year ending June 30, 2019, the School District recognized total OPEB expense of $1,737,224.

At June 30, 2019, 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	$ -	$ (3,934,878)	$ (3,934,878)
Changes of assumptions	2,238,840	-	2,238,840
Net difference between projected and actual earnings on OPEB plan investments	-	(812,498)	(812,498)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(1,237,005)	(1,237,005)
Total to be recognized in future	2,238,840	(5,984,381)	(3,745,541)
School District contributions subsequent to the measurement date	1,561,168	-	1,561,168
Total	$ 3,800,008	$ (5,984,381)	$ (2,184,373)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred Inflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2019	$	(890,405)
2020		(890,405)
2021		(890,405)
2022		(720,098)
2023		(354,228)
	$	(3,745,541)

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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- Mortality:
    - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
    - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 5.6018 years

Recognition period for assets: 5 years

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	0.0
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return
For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% 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 7.15%. 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 7.15%, 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 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
$ 25,379,308	$ 21,140,973	$ 17,576,015

School District of the City of Pontiac
Notes to the Financial Statements
June 30, 2019

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
$ 17,388,217	$ 21,140,973	$ 25,446,149

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

Note 14 - 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, 2019.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 15 - 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, 2019, the School District's property tax revenues were reduced by $4,760,119 under these programs.

Note 16 - Subsequent Event

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. The School District has temporarily closed effective March 16, 2020 to slow the spread of coronavirus. During this time, expenses will be reduced to a minimum since operating revenues will be below previously anticipated amounts. Currently, it is not possible to estimate the extent of any potential net losses or to determine if any of the change in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of this subsequent event.

REQUIRED SUPPLEMENTARY INFORMATION

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over
	Original	Final	Actual	(Under) Budget
Revenues				
Local sources	$ 29,131,100	$ 29,631,200	$ 30,851,640	$ 1,220,440
State sources	15,495,000	13,929,900	13,683,531	(246,369)
Federal sources	9,816,800	8,551,600	6,760,133	(1,791,467)
Interdistrict sources	4,853,700	5,683,900	5,550,531	(133,369)
Total revenues	59,296,600	57,796,600	56,845,835	(950,765)
Expenditures				
Instruction	32,801,000	28,611,500	28,235,989	(375,511)
Supporting services				
Pupil	4,589,800	5,615,500	5,205,411	(410,089)
Instructional staff	2,662,900	2,848,500	2,732,744	(115,756)
General administration	1,444,800	1,437,300	1,238,269	(199,031)
School administration	2,661,500	2,844,000	2,827,856	(16,144)
Business	1,855,300	1,828,500	1,302,633	(525,867)
Operations and maintenance	7,041,000	7,244,500	7,086,328	(158,172)
Pupil transportation services	5,362,200	5,087,900	4,217,247	(870,653)
Central	2,736,900	3,039,300	2,863,027	(176,273)
Other	224,500	235,000	251,415	16,415
Community services	305,900	248,000	229,085	(18,915)
Capital outlay	200,000	159,100	179,408	20,308
Debt service				
Principal	14,458,800	14,458,800	14,460,715	1,915
Interest and fiscal charges	2,247,200	2,286,700	1,736,083	(550,617)
Payment to bond refunding escrow agent	-	62,703	62,703	-
Total expenditures	78,591,800	76,007,303	72,628,913	(3,378,390)
Excess (deficiency) of revenues over expenditures	(19,295,200)	(18,210,703)	(15,783,078)	2,427,625

School District of the City of Pontiac
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Proceeds from refinancing debt	$ 2,245,000	$ 2,245,000	$ 2,245,000	$ -
Proceeds from loans	15,049,400	15,360,000	15,360,000	-
Payment to bond refunding escrow agent	-	(837,297)	(2,182,297)	1,345,000
Proceeds from capital leases	-	-	144,158	(144,158)
Insurance recoveries	400,000	-	-	-
Proceeds from sale of capital assets	800,000	520,000	561,882	41,882
Transfers in	1,395,500	1,511,900	1,020,714	(491,186)
Transfers out	(518,900)	(536,900)	-	(536,900)
Total other financing sources (uses)	19,371,000	18,262,703	17,149,457	214,638
Net change in fund balance	75,800	52,000	1,366,379	2,642,263
Fund balance - beginning	(6,684,485)	(6,684,485)	(6,684,485)	-
Fund balance - ending	$ (6,608,685)	$ (6,632,485)	$ (5,318,106)	$ 2,642,263

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net pension liability (%)	0.27160%	0.28050%	0.28480%	0.27811%	0.25514%					
B. School District's proportionate share of net pension liability	$ 81,634,867	$ 72,679,845	$ 71,064,251	$ 67,929,260	$56,197,431					
C. School District's covered-employee payroll	$ 22,647,665	$ 23,192,189	$ 24,167,230	$ 23,316,483	$21,011,654					
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	360%	313%	294%	291%	267%					
E. Plan fiduciary net position as a percentage of total pension liability	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 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	$ 6,910,572	$ 7,422,054	$ 4,462,848	$ 4,605,551	$ 5,101,493					
B. Contributions in relation to statutorily required contributions	6,910,572	7,422,054	4,462,848	4,605,551	5,101,493					
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
D. School District's covered-employee payroll	$ 22,480,085	$ 22,963,157	$ 23,805,351	$ 23,459,289	$ 23,387,029					
E. Contributions as a percentage of covered-employee payroll	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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net OPEB liability (%)	0.26600%	0.28120%								
B. School District's proportionate share of net OPEB liability	$ 21,140,973	$ 24,904,670								
C. School District's covered-employee payroll	$ 22,647,665	$ 23,192,189								
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93%	107%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures
Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.
Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	$ 1,737,224	$ 1,851,950								
B. Contributions in relation to statutorily required contributions	1,737,224	1,851,950								
C. Contribution deficiency (excess)	$ -	$ -								
D. School District's covered-employee payroll	$ 22,480,085	$ 22,963,157								
E. Contributions as a percentage of covered-employee payroll	7.73%	8.06%								

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OTHER SUPPLEMENTARY INFORMATION

School District of the City of Pontiac
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Debt Service Fund	Special Revenue Fund	Total Nonmajor Governmental Funds
	MESSA Levy Debt Fund	Food Service Fund	
Assets			
Cash	$ 1,592	$ 806,302	$ 807,894
Due from other governmental units	-	509,670	509,670
Inventory	-	24,611	24,611
Prepaid items	-	25,839	25,839
Total assets	$ 1,592	$ 1,366,422	$ 1,368,014
Liabilities			
Accounts payable	$ -	$ 200,656	$ 200,656
Due to other funds	-	54,632	54,632
Due to other governmental units	-	173	173
Accrued salaries payable	-	26,424	26,424
Total liabilities	-	281,885	281,885
Fund Balance			
Non-spendable			
Inventory	-	24,611	24,611
Prepaid items	-	25,839	25,839
Restricted for:			
Food service	-	1,034,087	1,034,087
Debt service	1,592	-	1,592
Total fund balance	1,592	1,084,537	1,086,129
Total liabilities and fund balance	$ 1,592	$ 1,366,422	$ 1,368,014

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, 2019

	Debt Service Fund	Special Revenue Fund	Total Nonmajor Governmental Funds
	MESSA Levy Debt Fund	Food Service Fund	
Revenues			
Local sources	$ 850,556	$ 45,126	$ 895,682
State sources	-	111,102	111,102
Federal sources	-	3,130,251	3,130,251
Total revenues	850,556	3,286,479	4,137,035
Expenditures			
Current			
Education			
Food services	-	3,182,447	3,182,447
Capital outlay	-	7,356	7,356
Debt service			
Interest and other expenditures	-	1,384	1,384
Total expenditures	-	3,191,187	3,191,187
Excess (deficiency) of revenues over expenditures	850,556	95,292	945,848
Other Financing Uses			
Transfers out	(848,964)	(171,750)	(1,020,714)
Net change in fund balance	1,592	(76,458)	(74,866)
Fund balance - beginning	-	1,160,995	1,160,995
Fund balance - ending	$ 1,592	$ 1,084,537	$ 1,086,129

School District of the City of Pontiac
Other Supplementary Information
General Fund
Combining Balance Sheet
June 30, 2019

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Eliminations	Total
Assets						
Cash	$ 4,065,127	$ -	$ 146,594	$ -	$ -	$ 4,211,721
Accounts receivable	2,538,353	9,712	-	-	-	2,548,065
Due from other funds	844,079	1,500,443	-	-	(2,289,890)	54,632
Due from other governmental units	849,219	2,929,691	-	1,669,814	-	5,448,724
Prepaid items and other deposits	1,233,769	-	12,196	330	-	1,246,295
Total assets	$ 9,530,547	$ 4,439,846	$ 158,790	$ 1,670,144	$ (2,289,890)	$ 13,509,437
Liabilities						
Accounts payable	$ 1,449,631	$ 313,969	$ 1,451	$ 742,645	$ -	$ 2,507,696
State aid anticipation notes payable	4,500,000	-	-	-	-	4,500,000
Interest payable	972,996	-	-	-	-	972,996
Due to other funds	-	-	152,843	2,137,047	(2,289,890)	-
Due to other governmental units	1,033,902	144,108	-	57,097	-	1,235,107
Accrued expenditures	410,673	106,990	(322)	63,923	-	581,264
Accrued salaries payable	1,949,425	1,041,403	4,617	651,618	-	3,647,063
MESSA judgments payable	2,052,941	-	-	-	-	2,052,941
Unearned revenue	4,998	1,789,204	201	-	-	1,794,403
Total liabilities	12,374,566	3,395,674	158,790	3,652,330	(2,289,890)	17,291,470

School District of the City of Pontiac
Other Supplementary Information
General Fund
Combining Balance Sheet
June 30, 2019

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Eliminations	Total
Deferred Inflows of Resources						
Grant funds	$ -	$ 657,528	$ -	$ 878,545	$ -	$ 1,536,073
Fund Balance						
Non-spendable						
Prepaid items	32,828	-	12,196	330	-	45,354
Restricted for:						
Debt service	1,200,941	-	-	-	-	1,200,941
Unassigned (deficit)	(4,077,788)	386,644	(12,196)	(2,861,061)	-	(6,564,401)
Total fund balance (deficit)	(2,844,019)	386,644	-	(2,860,731)	-	(5,318,106)
Total liabilities, deferred inflows of resources, and fund balance	$ 9,530,547	$ 4,439,846	$ 158,790	$ 1,670,144	$ (2,289,890)	$ 13,509,437

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, 2019

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Eliminations	Funds
Revenues						
Local sources	$ 30,649,056	$ 168,958	$ 33,626	$ -	$ -	$ 30,851,640
State sources	4,187,898	5,212,456	-	4,283,177	-	13,683,531
Federal sources	-	6,244,094	-	516,039	-	6,760,133
Interdistrict sources	-	-	-	5,550,531	-	5,550,531
Total revenues	34,836,954	11,625,508	33,626	10,349,747	-	56,845,835
Expenditures						
Current						
Education						
Instruction	12,740,143	7,982,311	-	7,513,535	-	28,235,989
Supporting services	18,092,273	3,656,977	321,050	5,654,630	-	27,724,930
Community services	2,548	221,007	-	5,530	-	229,085
Capital outlay	179,408	-	-	-	-	179,408
Debt service						
Principal	14,460,715	-	-	-	-	14,460,715
Interest and other expenditures	1,736,083	-	-	-	-	1,736,083
Payment to bond refunding escrow agent	62,703	-	-	-	-	62,703
Total expenditures	47,273,873	11,860,295	321,050	13,173,695	-	72,628,913
Deficiency of revenues over expenditures	(12,436,919)	(234,787)	(287,424)	(2,823,948)	-	(15,783,078)

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, 2019

	General Fund	Categorical Funded Programs	Athletics	Noncenter Special Education Programs	Eliminations	Funds
Other Financing Sources (Uses)						
Proceeds from refinancing debt	$ 2,245,000	$ -	$ -	$ -	$ -	$ 2,245,000
Proceeds from loans	15,360,000	-	-	-	-	15,360,000
Payment to bond refunding escrow agent	(2,182,297)	-	-	-	-	(2,182,297)
Proceeds from capital leases	144,158	-	-	-	-	144,158
Proceeds from sale of capital assets	561,882	-	-	-	-	561,882
Transfers in	1,259,009	-	287,424	-	(525,719)	1,020,714
Transfers out	(287,424)	(201,512)	-	(36,783)	525,719	-
Total other financing sources (uses)	17,100,328	(201,512)	287,424	(36,783)	-	17,149,457
Net change in fund balance	4,663,409	(436,299)	-	(2,860,731)	-	1,366,379
Fund balance (deficit) - beginning	(7,507,428)	822,943	-	-	-	(6,684,485)
Fund balance (deficit) - ending	$ (2,844,019)	$ 386,644	$ -	$ (2,860,731)	$ -	$ (5,318,106)

School District of the City of Pontiac
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

Year Ending June 30,	Emergency Loan 2014	Emergency Loan 2015	Sinking Fund Revenue Bond	2018A Revenue Bond	Tax Anticipation Note	2018C Revenue Bond	Total
2020	$ -	$ -	$ 5,228,000	$ -	$ 15,360,000	$ 185,000	$ 20,773,000
2021	-	5,000	5,071,000	-	-	195,000	5,271,000
2022	5,000	5,000	-	920,000	-	205,000	1,135,000
2023	5,000	5,000	-	975,000	-	220,000	1,205,000
2024	5,000	5,000	-	1,030,000	-	230,000	1,270,000
2025	5,000	5,000	-	1,090,000	-	245,000	1,345,000
2026	5,000	5,000	-	1,155,000	-	255,000	1,420,000
2027	5,000	5,000	-	1,220,000	-	275,000	1,505,000
2028	5,000	5,000	-	1,290,000	-	285,000	1,585,000
2029	5,000	5,000	-	1,370,000	-	150,000	1,530,000
2030	5,000	5,000	-	1,450,000	-	-	1,460,000
2031	590,000	545,000	-	-	-	-	1,135,000
2032	610,000	560,000	-	-	-	-	1,170,000
2033	625,000	575,000	-	-	-	-	1,200,000
2034	645,000	590,000	-	-	-	-	1,235,000
2035	660,000	610,000	-	-	-	-	1,270,000
2036	680,000	625,000	-	-	-	-	1,305,000
2037	700,000	640,000	-	-	-	-	1,340,000
2038	715,000	660,000	-	-	-	-	1,375,000
2039	735,000	675,000	-	-	-	-	1,410,000
2040	755,000	695,000	-	-	-	-	1,450,000
2041	775,000	715,000	-	-	-	-	1,490,000
2042	800,000	735,000	-	-	-	-	1,535,000
2043	820,000	755,000	-	-	-	-	1,575,000
2044	845,000	775,000	-	-	-	-	1,620,000
2045	-	795,000	-	-	-	-	795,000
Total	$ 10,000,000	$ 10,000,000	$ 10,299,000	$ 10,500,000	$ 15,360,000	$ 2,245,000	$ 58,404,000
Principal payments due	May 1	May 1	May 15 and November 15	May 1	October 4	May 1 and November 1	
Interest payments due	May 1 and November 1	May 1 and November 1	15th of each month	May 1 and November 1	October 4	May 1 and November 1	
Interest rate	2.75%	2.70%	3.83% - 4.45%	5.85%	4.19%	5.50%	
Original issue	$ 10,000,000	$ 10,000,000	$ 14,000,000	$ 10,500,000	$ 15,360,000	$ 2,245,000	

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APPENDIX E

FORM OF APPROVING OPINION
OF BOND COUNSEL

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Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

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July 15, 2020

School District of the City of Pontiac
County of Oakland
State of Michigan

We have acted as bond counsel to the School District of the City of Pontiac, County of Oakland, State of Michigan (the "Issuer") in connection with the issuance by the Issuer of bonds in the aggregate principal sum of $90,050,000, designated 2020 School Building and Site Bonds (Unlimited Tax General Obligation) (the "Bonds"). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion.

The Bonds are in fully-registered form in the denomination of $5,000 each or multiples thereof, numbered in order of registration, bearing original issue date of July 15, 2020, payable as to principal and interest as provided in the Bonds. The Bonds are subject to redemption prior to maturity as set forth in the Bonds.

As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding obligations of the Issuer.

2. All taxable property within the boundaries of the Issuer is subject to taxation for payment of the Bonds, without limitation as to rate or amount.

3. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. Further, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal and Michigan income tax purposes. The Issuer has covenanted to comply with all such requirements.

Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

4. The Bonds have been qualified by the State Treasurer under Article IX, Section 16 of the Michigan Constitution of 1963 and Act 92, Public Acts of Michigan, 2005, as amended. As a result of such qualification, if for any reason the Issuer will be or is unable to pay the principal of and interest on the Bonds when due, then the Issuer shall borrow, and the State of Michigan shall loan to the Issuer, an amount sufficient to enable the Issuer to make the payment.

Except as stated in paragraph 3 above, we express no opinion regarding other federal or State tax consequences arising with respect to the Bonds and the interest thereon.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

By ____
James M. Crowley

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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<u>CONTINUING DISCLOSURE UNDERTAKING</u>

$90,050,000
SCHOOL DISTRICT OF THE CITY OF PONTIAC
COUNTY OF OAKLAND, STATE OF MICHIGAN
2020 SCHOOL BUILDING AND SITE BONDS
(UNLIMITED TAX GENERAL OBLIGATION)

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the School District of the City of Pontiac, County of Oakland, State of Michigan (the "Issuer") in connection with the issuance of its 2020 School Building and Site Bonds (Unlimited Tax General Obligation) (the "Bonds"). The Issuer covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) *Definitions*. The following terms used herein shall have the following meanings:

"Audited Financial Statements" means the annual audited financial statement pertaining to the Issuer prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

"Bondholders" shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access System or such other system, Internet Web Site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

"SEC" means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA on or before the last day of the sixth month after the end of its fiscal year the following annual financial information and operating data, commencing with the fiscal year ending June 30, 2020 in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement of the Issuer relating to the Bonds (the "Official Statement") appearing in the tables or under the headings in the Official Statement as described below:

a. School Enrollment – Historical Enrollment;
b. Property Valuations – Historical Valuation;
c. Major Taxpayers;
d. Tax Rates – (per $1,000 of Valuation) – Pontiac Schools' Tax Rates;
e. Tax Levies and Collections;
f. State Aid Payments;
g. Labor Force;
h. Retirement Plan – MPSERS – Pension Contributions to MPSERS;
i. Debt Statement – Net Direct Debt;
j. General Fund Budget Summary in Appendix C.

(2) Audited Financial Statements, or in the event audited financial statements are not available, the Issuer agrees to provide unaudited financial statements and to provide audited financial statements immediately after they become available.

Such annual financial information and operating data described above are expected to be provided directly by the Issuer by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the Issuer is changed, the Issuer shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose*. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the Issuer to provide the annual financial information with respect to the Issuer described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events*. The Issuer agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of holders of the Bonds, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; or
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws*. The Issuer agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Termination of Reporting Obligation*. The Issuer reserves the right to terminate their obligation to provide annual financial information and notices of material events, as set forth above, if and when the Issuer is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(g) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(h) *Benefit of Bondholders*. The Issuer agrees that its undertaking pursuant to the Rule, set forth in this Undertaking, is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder and any failure by the Issuer to comply with the provisions of this undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking*. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Issuer, provided that the Issuer agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Issuer (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the Issuer in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

SCHOOL DISTRICT OF THE CITY OF PONTIAC
County of Oakland
State of Michigan

By: ____________________________
Kelley Williams
Its: Superintendent of Schools

Dated: July 15, 2020

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SCHOOL DISTRICT OF THE CITY OF PONTIAC

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