

City of Pontiac,
Michigan



Year Ended
June 30, 2021

Financial
Statements

Rehmann

This page intentionally left blank.

CITY OF PONTIAC, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Changes in Net Position of Governmental Activities	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Fiduciary Net Position	34
Statement of Changes in Fiduciary Net Position	36
Combining Statement of Net Position – Discretely Presented Component Units	37
Combining Statement of Activities – Discretely Presented Component Units	38
Notes to Financial Statements	39
Required Supplementary Information	
General Employees' Retirement System	88
Police and Fire Retirement System	92
Police and Fire Retirement System VEBA	96
Retiree Health Care Plan	100
Budgetary Comparison Schedule – General Fund	103
Budgetary Comparison Schedule – Major Streets Special Revenue Fund	104
Note to Required Supplementary Information	105

CITY OF PONTIAC, MICHIGAN

Table of Contents

	<u>Page</u>
Other Supplemental Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	110
Internal Service Funds:	
Combining Statement of Net Position	112
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	113
Combining Statement of Cash Flows	114
Custodial Funds:	
Combining Statement of Fiduciary Net Position	115
Combining Statement of Changes in Fiduciary Net Position	116
Component Units:	
Combining Balance Sheet	117
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	119
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	120



INDEPENDENT AUDITORS' REPORT

December 23, 2021

The Honorable Mayor and City Council
City of Pontiac
Pontiac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Pontiac, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the fiduciary component unit financial statements of the General City Employees' Retirement System, the Police and Fire Retirement System, and the Police and Fire Retirement System VEBA which represent 100%, 100% and 79%, respectively, of the assets, net position, and additions of the fiduciary funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the General City Employees' Retirement System, the Police and Fire Retirement System, and the Police and Fire Retirement System VEBA are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the General City Employees' Retirement System, the Police and Fire Retirement System, and the Police and Fire Retirement System VEBA were not audited in accordance with *Government Auditing Standards*.

Rehmann is an independent member of Nexia International.



7124 W. Central Ave, Toledo, OH 43617 419.865.8118

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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Pontiac, Michigan***, as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparisons for the General Fund and each major special revenue fund, and the schedules for the pension and other postemployment benefit plans, as listed 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 and other auditors' 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 City's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

As management of the City of Pontiac, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here and contact City Administration at 248-758-3322 if you have any questions.

Financial Highlights

• Total net position	\$ 298,647,397
• Change in total net position	9,041,822
• Fund balances, governmental funds	47,403,427
• Change in fund balances, governmental funds	9,396,498
• Unassigned fund balance, general fund	12,637,961
• Change in fund balance, general fund	5,816,968
• Long-term debt outstanding	10,351,402
• Change in long-term debt	2,739,878

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned and unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, community and human services, and recreation and culture. The business-type activities of the City include the Phoenix Center (parking fund).

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate Tax Increment Finance Authorities and a legally separate Brownfield Redevelopment Authority, known as component units, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains numerous individual governmental funds. Information is presented separately for each major fund (general, major streets, and Progress for Pontiac) and combined for the nonmajor funds in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance. Individual fund data for the nonmajor funds is found in the supplementary information.

In compliance with the City's budget ordinance, the City prepared a three-year budget for fiscal years 2021-22, 2022-23, and 2023-24. The City Council of the City of Pontiac adopted the 2020-21 fiscal year budget by function. This allows City officials responsible for the expenditures authorized in the budget to expend City funds up to, but not to exceed, the total appropriation authorized for each function. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund to demonstrate compliance with this budget.

The City has received the Government Finance Officers Association (the "GFOA") award for Distinguished Budget Presentation for fiscal years 2017-18, 2018-19 and 2019-20. The City has applied for the award again in fiscal year 2021 and 2022, though due to delays at the GFOA, the applications have not yet been processed.

Proprietary funds are used by the City to provide the same type of information as the government-wide financial statements, only in more detail. Two types of proprietary funds are used. Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The parking fund is the City's only enterprise fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for costs related to workers' compensation, insurance, and accrued employee time off in the workers' compensation fund, the insurance fund, and the employee sick and vacation fund, respectively. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Phoenix Center which is the City's only enterprise fund. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplemental information section of this report.

Fiduciary funds are used to account for resources held by the government for the benefit of outside parties. Fiduciary funds are not reported in the government-wide financial statement because the fund's resources are not available to support the programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This is limited to this management's discussion and analysis and the schedules for the pension and other postemployment benefit plans and budgetary information for the City's general fund and major special revenue funds.

The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

The following table shows, in a condensed format, the net position as of the current and prior years:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 359,364,034	\$ 314,984,272	\$ 3,594,047	\$ 11,386,668	\$ 362,958,081	\$ 326,370,940
Capital assets, net	95,683,121	91,529,542	8,827,049	9,145,300	104,510,170	100,674,842
Total assets	<u>455,047,155</u>	<u>406,513,814</u>	<u>12,421,096</u>	<u>20,531,968</u>	<u>467,468,251</u>	<u>427,045,782</u>
Deferred outflows of resources	2,248,844	2,025,975	-	-	2,248,844	2,025,975
Liabilities						
Current and other liabilities	110,249,184	98,970,507	433,343	637,811	110,682,527	99,608,318
Long-term debt outstanding	10,351,402	7,611,524	-	-	10,351,402	7,611,524
Total liabilities	<u>120,600,586</u>	<u>106,582,031</u>	<u>433,343</u>	<u>637,811</u>	<u>121,033,929</u>	<u>107,219,842</u>
Deferred inflows of resources	49,500,764	31,915,843	535,005	330,497	50,035,769	32,246,340
Net position:						
Investment in capital assets	95,683,121	91,529,542	8,827,049	9,145,300	104,510,170	100,674,842
Restricted	254,908,253	253,239,847	2,185,712	2,313,708	257,093,965	255,553,555
Unrestricted (deficit)	(63,396,725)	(74,727,474)	439,987	8,104,652	(62,956,738)	(66,622,822)
Total net position	<u>\$ 287,194,649</u>	<u>\$ 270,041,915</u>	<u>\$ 11,452,748</u>	<u>\$ 19,563,660</u>	<u>\$ 298,647,397</u>	<u>\$ 289,605,575</u>

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$298,647,397 at the close of the most recent fiscal year. \$104,510,170 of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure). The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City's net position, \$257,093,965, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$62,956,738) is unrestricted and could be used to meet the government's ongoing obligations to its citizens and creditors.

The City's overall net position increased by \$9,041,822 from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

Governmental activities. During the current fiscal year, net position for governmental activities, increased \$17,152,734 from the prior fiscal year for an ending balance of \$287,194,649. This increase is primarily due to a number of expenses being lower than projected/budgeted.

Business-type activities. The City's business-type activities consists of the parking fund. During the current fiscal year, net position for business-type activities decreased by \$8,110,912 from the prior fiscal year for an ending balance of \$11,452,748. This is the result of increased expenses related to the settlement and public-private partnership transaction of the Ottawa Towers/Phoenix center.

The following table shows the changes of the net position during the current year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 5,328,085	\$ 5,509,728	\$ -	\$ -	\$ 5,328,085	\$ 5,509,728
Operating grants	18,642,201	15,233,133	143,872	-	18,786,073	15,233,133
Capital grants	7,095,831	295,281	-	-	7,095,831	295,281
General revenues:						
Property taxes	13,069,817	12,784,448	-	-	13,069,817	12,784,448
Income taxes	14,536,069	15,011,968	-	-	14,536,069	15,011,968
Unrestricted state shared revenues	10,801,198	9,280,554	-	-	10,801,198	9,280,554
Unrestricted investment earnings	137,822	982,416	20,615	46,453	158,437	1,028,869
Cable franchise fees	533,697	522,626	-	-	533,697	522,626
Other general revenues	70,000	-	-	-	70,000	-
State revenue	485,361	430,978	-	-	485,361	430,978
Total revenues	70,700,081	60,051,132	164,487	46,453	70,864,568	60,097,585
Expenses:						
General government	16,897,686	4,533,370	-	-	16,897,686	4,533,370
Public safety	19,764,086	24,391,148	-	-	19,764,086	24,391,148
Public works	14,029,086	15,913,176	-	-	14,029,086	15,913,176
Community development	986,191	1,027,548	-	-	986,191	1,027,548
Community and human services	379,171	397,735	-	-	379,171	397,735
Recreation and culture	1,491,127	1,266,612	-	-	1,491,127	1,266,612
Parking	-	-	8,275,399	920,631	8,275,399	920,631
Total expenses	53,547,347	47,529,589	8,275,399	920,631	61,822,746	48,450,220
Change in net position, before transfers	17,152,734	12,521,543	(8,110,912)	(874,178)	9,041,822	11,647,365
Transfers	-	(7,000,564)	-	7,000,564	-	-
Change in net position	17,152,734	5,520,979	(8,110,912)	6,126,386	9,041,822	11,647,365
Net position beginning of year	270,041,915	264,520,936	19,563,660	13,437,274	289,605,575	277,958,210
End of year	\$ 287,194,649	\$ 270,041,915	\$ 11,452,748	\$ 19,563,660	\$ 298,647,397	\$ 289,605,575

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Pontiac City Council.

At June 30, 2021, the City's governmental funds reported combined fund balances of \$47,403,427 an increase of \$9,396,498 in comparison with the prior year. Approximately 27% of this amount, \$12,637,961, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in a spendable form (\$58,241), 2) restricted for particular purposes (\$25,907,225), 3) committed for particular purposes (\$3,200,000), or 4) assigned for particular purposes (\$5,600,000).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,637,961, while total fund balance increased to \$21,470,695. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 35% of the total general fund expenditures, while total fund balance represents approximately 59% of that same amount.

The fund balance of the City's general fund for fiscal year 2021 was \$21,470,695, an increase of \$5,816,968 from the prior fiscal year. The increase was mainly due to increased revenues from income taxes and from one-time grants and reimbursements of public safety costs.

The major streets fund, a major fund, had an increase of \$1,860,571 in fund balance during the current fiscal year which increased the overall fund balance to \$5,779,722. This increase was largely due to planned projects being delayed into the following fiscal year.

The Progress for Pontiac Fund was established towards the end of this fiscal year. This fund was created to receive and expend funds from the federal American Rescue Plan that was enacted in 2021. In June 2021, the City received approximately \$18.8 million. No funds were spent prior to the end of this fiscal year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the parking fund at the end of the fiscal year was \$11,452,748. The total decrease in net position for the proprietary fund was \$8,110,912 (parking fund is the only propriety fund of the City). This was primarily caused by increased expenditures related to the settlement and public-private partnership transaction of the Ottawa Towers/Phoenix center.

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the City amended the budget to take into account events during the year. The significant portion of which was for general government expenditures.

Final budget compared to actual results. The most significant differences between estimated and actual amounts were as follows:

- Total revenues exceeded the final budget by \$6,734,527 which is mostly due to federal revenue exceeding the final budget estimates by \$2,492,465, and income tax collections, net of refunds, exceeding final budget estimates by \$1,576,260. Additionally, other revenue exceeded the final budget estimates by \$1,607,688 as a result of one-time reimbursement of certain public safety expenditures. Finally, State Shared Revenue came in \$740,243 over budget due to the State being conservative in their estimated projections as a result of COVID-19.
- Total expenditures came in \$4,145,056 less than budgeted. Significant savings resulted from less than anticipated expenditures for the following:
 - The general government function other services and charges expenditures were less than anticipated. Expenditures were about \$1.2m less than budget mainly due to unfilled positions.
 - Public safety function came in about \$319k more than budget mainly due to final overtime expenses being higher than projected and increased contractual costs with the City's Emergency Dispatch Services.
 - Public works function was about \$103k more than budget, mainly due to increased costs for engineering services.
 - Community and economic development function was about \$407k under budget at the end of the fiscal year. This decrease was due to lower than projected expenses for employee staffing along with other expense categories.
 - Recreation and culture function was about \$3.1m less than budget, mainly due to lower costs tied to closure of certain City facilities during the fiscal year due to the COVID-19 pandemic. Additionally, funds were appropriated but not spent for the purchase of a new recreation facility.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$104,510,170 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles, and land improvements.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 25,105,058	\$ 25,105,058	\$ 3,042,537	\$ 3,042,537	\$ 28,147,595	\$ 28,147,595
Construction in progress	4,265,759	2,965,883	664,015	417,405	4,929,774	3,383,288
Streets and bridges	64,566,949	61,574,953	-	-	64,566,949	61,574,953
Buildings and improvements	601,084	637,135	5,120,497	5,685,358	5,721,581	6,322,493
Machinery and equipment	823,266	830,043	-	-	823,266	830,043
Vehicles	170,814	248,719	-	-	170,814	248,719
Land improvements	150,191	167,751	-	-	150,191	167,751
Total	\$ 95,683,121	\$ 91,529,542	\$ 8,827,049	\$ 9,145,300	\$ 104,510,170	\$ 100,674,842

Additional information on the City's capital assets can be found in Note 5 of the financial statements.

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City had total indebtedness of \$10,351,402.

The City's total indebtedness increased by \$2,739,878 during the current fiscal year primarily due to the new note payable for the Phoenix Center, combined with paydown of existing debt.

Presently, the City does not have any debt that is rated by any of the debt rating agencies related to governmental activities and business-type activities.

State statute limits the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City is approximately \$74 million.

Additional information on the City's long-term debt can be found in Note 7 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

- During this fiscal year, the City continued to deal with the impact of the COVID-19 pandemic. This pandemic continued to impact upon the City's operations in a number of areas. This includes closing of some City facilities for certain periods of the fiscal year as well as some City employees working remotely. Additionally, the pandemic has negatively impacted economic markets, business operations and the provision of many governmental services. Management anticipates the pandemic will have a negative impact on the City with respect to financial operations and investment results; however, the extent of the impact is uncertain and cannot be reasonably predicted at this time.
- The City's largest source of revenue is local income tax. Income tax revenue continues to outpace budget assumptions. The City's second largest source of revenue is from City, Village, and Township revenue sharing. City property tax collections are the third largest source of revenue for Pontiac.
- Significant new construction projects are in the process of being developed in the City, mainly funded by the gas and weight tax and a prior year transfer from the general fund's accumulated fund balance.
- Because of improving economic conditions, sales prices in the housing market are continuing to show increases.
- The City has significantly reduced the number of dilapidated housing units in the City through a strong demolition program of dangerous structures.

Effective September 1, 2013, the City received permission from the State Treasurer to temporarily modify collective bargaining agreements by eliminating the City's responsibility to provide and fund health insurance, life insurance, optical insurance, hearing insurance, and dental insurance benefits for its retirees for two years or the period of receivership, whichever is longer. A group of retirees sued the City and sought a temporary restraining order, which was denied by the federal District Court, but later remanded after a hearing by the full 6th Circuit Court of Appeals. In addition, the City received permission from the State Treasurer to temporarily suspend contributions to the Police and Fire Retiree Prefunded Group Health and Insurance Trust during the period of receivership. This action is also subject of litigation (see Note 17).

As of November 2018, the City and the Retirees Association (CPREA) have entered into a tentative settlement agreement (that was approved by the Pontiac City Council and District Court). The settlement will resolve the City's obligation to provide health insurance to those retirees through a creation of a new VEBA utilizing a portion of assets from the General Employees Retirement system and all assets of the Police and Fire VEBA system. This plan was formally approved by the IRS on March 18, 2021. The City's initial contribution to the new VEBA created by this settlement will be \$4,250,000 less any awards against the City in the Board of Trustees Police and Fire VEBA vs City of Pontiac litigation. During this fiscal year, the new VEBA has started operations. A board has been formed and has been meeting regularly. In the next fiscal year, the new VEBA is expected to receive the agreed upon funding from the General Employees' Retirement system and the Police and Fire VEBA. Additionally, the new VEBA expects to begin providing the health care benefits during the next fiscal year.

CITY OF PONTIAC, MICHIGAN

Management's Discussion and Analysis

On July 31, 2019, a judgement was entered regarding the FY 2012 annual contribution of \$3,473,923 in the Board of Trustees Police and Fire VEBA vs City of Pontiac litigation. The City was directed to pay the FY 2012 contribution of \$3,473,923 plus interest of \$600,052 for a total award of \$4,073,975 to the VEBA. The City and the VEBA entered into a settlement on October 31, 2019 which would offset the receivables owed from the VEBA to the City as of October 31, 2019 against the award of \$4,073,975 and prospectively monies the VEBA will be indebted to the City relating to insurance premium payments until the \$4,073,975 was paid in full. In addition, the award in the VEBA case of \$4,073,975 would offset the initial contribution of \$4,250,000 mandated in the settlement of the Retired Employees Association vs City of Pontiac case, with the difference of \$176,025 owed at the time of the creation of the new VEBA if approved by the IRS. As of June 30, 2021, the entire amount of \$4,073,975 has been applied toward insurance premiums. Additionally, the creation of the new VEBA has received IRS approval.

Phoenix Center and Ottawa Towers. In November 2018, the City settled litigation with Ottawa Towers regarding demolition of the Phoenix Center Parking Garage. The settlement required the City retain ownership of the Phoenix Center and perform \$6 million of repairs on the Phoenix Center over a period of ten years from the time of settlement. Additionally, the City was required to pay annual installments of \$700,000 to Ottawa Towers through November 2022. The City entered into an agreement in November 2020 to satisfy the requirements of the November 2018 settlement.

The public/private purchase agreement states the Ottawa Towers property would be purchased by a developer and the City would retain ownership of the Phoenix Center Parking garage. The final settlement amount due to the owner of Ottawa Towers was \$19,200,000. The private developer paid \$6,600,000 for the purchase of the Towers, and the City paid a total of \$12.6 million, which consisted of \$7,000,000 in cash and a promissory note for \$5.6 million. The final purchase was executed in January 2021. As a result of the new agreement, the remaining \$1.4 million of settlement payments from the original settlement were forgiven, and the City obtained a promissory note in the amount of \$5.6 million, which is reflected in long term debt in the current year.

Under the agreement, the City and a developer entered a Public-Private-Partnership (PPP) Agreement for the Phoenix Center. The Developer gains exclusive use of the parking structure to support the commercial demands of the Phoenix Center parking garage, but also allows for shared parking for the Property and for the Phoenix Plaza/Amphitheater when restored and opened for use. The developer agreed to make all necessary repairs to the Phoenix Center garage in exchange for the grant of perpetual access to and use all of the parking areas in the Phoenix Center. The terms of the PPP that grant access and control of the parking areas is contained in a 50-year term Master Lease with five 10-year options to extend said lease, at a rental rate of \$1.00 per year. The City maintains exclusive control of the roof and plaza of the Phoenix Center and shall at its own expense maintain, repair and exercise control of the roof and plaza of the Phoenix Center roof, plaza, and its access elements. Any final development plan for the Property shall include input from the City, its Council and officials.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Finance Director at Pontiac City Hall, 47450 Woodward Ave., Pontiac, Michigan, 48342.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PONTIAC, MICHIGAN

Statement of Net Position

June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Assets				
Cash and investments	\$ 69,502,542	\$ 872,238	\$ 70,374,780	\$ 597,332
Receivables, net	8,463,087	1,092	8,464,179	10,239
Other assets	5,977,234	-	5,977,234	-
Restricted assets	2,047,232	-	2,047,232	-
Capital assets not being depreciated	29,370,817	3,706,552	33,077,369	-
Capital assets being depreciated, net	66,312,304	5,120,497	71,432,801	-
Net pension asset	260,081,667	2,720,717	262,802,384	-
Net other postemployment benefit asset	13,292,272	-	13,292,272	-
Total assets	455,047,155	12,421,096	467,468,251	607,571
Deferred outflows of resources				
Deferred charge on refunding	-	-	-	426,422
Deferred pension amounts	2,248,844	-	2,248,844	-
Total deferred outflows of resources	2,248,844	-	2,248,844	426,422
Liabilities				
Accounts payable and accrued liabilities	12,595,072	113,181	12,708,253	161,213
Unearned revenue	19,390,021	-	19,390,021	-
Long-term liabilities:				
Due within one year	1,015,852	-	1,015,852	1,860,000
Due in more than one year	9,335,550	-	9,335,550	15,050,000
Financial guarantee	-	-	-	5,830,457
Net pension liability (due in more than one year)	22,876,223	-	22,876,223	-
Total other postemployment benefit liability (due in more than one year)	55,387,868	320,162	55,708,030	-
Total liabilities	120,600,586	433,343	121,033,929	22,901,670
Deferred inflows of resources				
Deferred pension amounts	49,497,446	535,005	50,032,451	-
Deferred other postemployment benefit amounts	3,318	-	3,318	-
Total deferred inflows of resources	49,500,764	535,005	50,035,769	-
Net position				
Investment in capital assets	95,683,121	8,827,049	104,510,170	-
Restricted for:				
Roads	8,659,104	-	8,659,104	-
Drug enforcement	188,812	-	188,812	-
Capital projects	3,166,036	-	3,166,036	-
Sanitation	5,040,444	-	5,040,444	-
Senior activities	990,837	-	990,837	-
Community development	30,335	-	30,335	-
Home buyers assistance	3,638	-	3,638	-
Youth recreation	822,255	-	822,255	-
Cable television	1,214,384	-	1,214,384	-
Telecommunications	23,222	-	23,222	-
Building inspection	3,838,300	-	3,838,300	-
Pension benefits	217,641,932	2,185,712	219,827,644	-
Other postemployment benefits	13,288,954	-	13,288,954	-
Unrestricted (deficit)	(63,396,725)	439,987	(62,956,738)	(21,867,677)
Total net position (deficit)	\$ 287,194,649	\$ 11,452,748	\$ 298,647,397	\$ (21,867,677)

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

CITY OF PONTIAC, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 16,897,686	\$ 1,339,947	\$ 2,560,672	\$ -	\$ (12,997,067)
Public safety	19,764,086	383,428	7,803,224	-	(11,577,434)
Public works	14,029,086	3,531,121	7,915,188	7,095,831	4,513,054
Community development	986,191	71,190	363,117	-	(551,884)
Community and human services	379,171	-	-	-	(379,171)
Recreation and culture	1,491,127	2,399	-	-	(1,488,728)
Total governmental activities	53,547,347	5,328,085	18,642,201	7,095,831	(22,481,230)
Business-type activities -					
Parking fund	8,275,399	-	143,872	-	(8,131,527)
Total primary government	<u>\$ 61,822,746</u>	<u>\$ 5,328,085</u>	<u>\$ 18,786,073</u>	<u>\$ 7,095,831</u>	<u>\$ (30,612,757)</u>
Component units					
Tax Increment Financing Authority	\$ 1,455,245	\$ 50,000	\$ 554,650	\$ -	\$ (850,595)

continued...

CITY OF PONTIAC, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Changes in net position				
Net expense	\$ (22,481,230)	\$ (8,131,527)	\$ (30,612,757)	\$ (850,595)
General revenues				
Property taxes	13,069,817	-	13,069,817	1,552,592
Income taxes	14,536,069	-	14,536,069	-
State-shared revenue (unrestricted)	10,801,198	-	10,801,198	-
Unrestricted investment earnings	137,822	20,615	158,437	-
Cable franchise fees	533,697	-	533,697	-
Other general revenues	70,000	-	70,000	-
State revenue	485,361	-	485,361	196,348
Total general revenues and transfers	39,633,964	20,615	39,654,579	1,748,940
Change in net position	17,152,734	(8,110,912)	9,041,822	898,345
Net position, beginning of year	270,041,915	19,563,660	289,605,575	(22,766,022)
Net position, end of year	<u>\$ 287,194,649</u>	<u>\$ 11,452,748</u>	<u>\$ 298,647,397</u>	<u>\$ (21,867,677)</u>

concluded.

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

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

CITY OF PONTIAC, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2021

	General	Major Streets	Progress for Pontiac
Assets			
Cash and investments	\$ 22,709,019	\$ 4,908,500	\$ 18,858,977
Accounts receivable, net	491,763	166,434	-
Taxes receivable, net	4,003,371	-	-
Interest receivable	4,616	192	-
Due from other governments	1,936,037	969,278	-
Due from other funds	4,593,505	402,742	-
Prepays	32,734	-	-
Restricted assets	-	-	-
Total assets	\$ 33,771,045	\$ 6,447,146	\$ 18,858,977
Liabilities			
Accounts payable	\$ 6,841,141	\$ 481,258	\$ -
Accrued wages	186,904	20,089	-
Unearned revenue	-	-	18,858,977
Due to other governments	61,809	-	-
Due to other funds	-	-	-
Deposits payable	2,515,144	-	-
Total liabilities	9,604,998	501,347	18,858,977
Deferred inflows of resources			
Unavailable revenue - taxes and due from other governments	2,695,352	166,077	-
Fund balances			
Nonspendable	32,734	-	-
Restricted	-	5,779,722	-
Committed	3,200,000	-	-
Assigned	5,600,000	-	-
Unassigned	12,637,961	-	-
Total fund balances	21,470,695	5,779,722	-
Total liabilities, deferred inflows of resources and fund balances	\$ 33,771,045	\$ 6,447,146	\$ 18,858,977

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



Nonmajor Governmental Funds	Totals
\$ 20,801,367	\$ 67,277,863
144,299	802,496
21,518	4,024,889
2,353	7,161
294,965	3,200,280
-	4,996,247
25,507	58,241
<u>2,047,232</u>	<u>2,047,232</u>
<u>\$ 23,337,241</u>	<u>\$ 82,414,409</u>
\$ 1,369,410	\$ 8,691,809
111,963	318,956
531,044	19,390,021
24,027	85,836
1,035,197	1,035,197
92,335	2,607,479
<u>3,163,976</u>	<u>32,129,298</u>
<u>20,255</u>	<u>2,881,684</u>
25,507	58,241
20,127,503	25,907,225
-	3,200,000
-	5,600,000
-	12,637,961
<u>20,153,010</u>	<u>47,403,427</u>
<u>\$ 23,337,241</u>	<u>\$ 82,414,409</u>

This page intentionally left blank.

CITY OF PONTIAC, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Fund balances - total governmental funds	\$ 47,403,427
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	29,370,817
Capital assets being depreciated, net	66,312,304
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows in the governmental funds and, therefore, are not included in fund balance.	
	2,881,684
Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit assets/liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(22,876,223)
Net pension asset	260,081,667
Net other postemployment benefit liability	(55,387,868)
Net other postemployment benefit asset	13,292,272
Deferred outflows related to the net pension asset and liability	2,248,844
Deferred inflows related to the net pension asset and liability	(49,497,446)
Deferred inflows related to the net other postemployment benefit asset	(3,318)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	3,343,355
Certain liabilities are not due and payable in the current period, and therefore are not recorded in the funds.	
Financial guarantee	(2,233,275)
Lawsuit settlement	(5,600,000)
Landfill closure and postclosure costs	(2,141,591)
Net position of governmental activities	<u>\$ 287,194,649</u>

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

CITY OF PONTIAC, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

	General	Major Streets	Progress for Pontiac
Revenues			
Property taxes and special assessments	\$ 8,777,748	\$ -	\$ -
Income taxes	15,118,035	-	-
Federal revenue	3,008,105	-	-
State revenue	11,371,028	9,130,907	-
Charges for services	1,188,616	-	-
Fines and forfeitures	30,570	-	-
Licenses and permits	175,290	-	-
Interest and rental revenue	612,182	5,290	-
Other revenue	3,445,170	193,437	-
Total revenues	43,726,744	9,329,634	-
Expenditures			
Current:			
General government	6,754,214	-	-
District court	-	-	-
Public safety	22,144,424	-	-
Public works	2,696,762	7,469,063	-
Community and economic development	1,656,860	-	-
Community and human services	-	-	-
Recreation and culture	635,705	-	-
Retiree fringe benefits	2,445,767	-	-
Capital outlay	-	-	-
Total expenditures	36,333,732	7,469,063	-
Revenues over expenditures	7,393,012	1,860,571	-
Other financing sources (uses)			
Transfers in	23,975	-	-
Transfers out	(1,600,019)	-	-
Total other financing sources (uses)	(1,576,044)	-	-
Net changes in fund balances	5,816,968	1,860,571	-
Fund balances, beginning of year	15,653,727	3,919,151	-
Fund balances, end of year	\$ 21,470,695	\$ 5,779,722	\$ -

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



Nonmajor Governmental Funds	Totals
\$ 4,285,277	\$ 13,063,025
-	15,118,035
-	3,008,105
2,170,539	22,672,474
3,073,524	4,262,140
663,917	694,487
3,361,233	3,536,523
44,264	661,736
657,607	4,296,214
<u>14,256,361</u>	<u>67,312,739</u>
603,925	7,358,139
2,992,449	2,992,449
2,809,778	24,954,202
6,405,136	16,570,961
-	1,656,860
379,171	379,171
767,419	1,403,124
-	2,445,767
155,568	155,568
<u>14,113,446</u>	<u>57,916,241</u>
<u>142,915</u>	<u>9,396,498</u>
1,618,024	1,641,999
<u>(41,980)</u>	<u>(1,641,999)</u>
<u>1,576,044</u>	<u>-</u>
1,718,959	9,396,498
<u>18,434,051</u>	<u>38,006,929</u>
<u>\$ 20,153,010</u>	<u>\$ 47,403,427</u>

This page intentionally left blank.

CITY OF PONTIAC, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Changes in Net Position of Governmental Activities
For the Year Ended June 30, 2021

Net changes in fund balances - total governmental funds \$ 9,396,498

Amounts reported for *governmental activities* in the statement of activities are different because:

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

Capital assets purchased/constructed	6,119,129
Depreciation expense	(5,834,259)

Revenues recorded in the statement of activities in the prior year that did not provide current financial resources are reported as revenues in the funds in the current year.	3,385,149
--	-----------

Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in net other postemployment benefit asset/liability and related deferred amounts	21,932,403
Change in net pension asset/liability and related deferred amounts	(14,031,051)
Change in financial guarantee	784,975
Change in landfill closure and postclosure liability	(48,910)
Change in accrual for lawsuit settlement	(3,500,000)

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The change in the net position of the internal service funds is reported with governmental activities.

(1,051,200)

Change in net position of governmental activities \$ 17,152,734

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

CITY OF PONTIAC, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2021

	Business-type Activities	Governmental Activities
	Parking Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Cash and investments	\$ 872,238	\$ 2,224,679
Accounts receivable	-	428,261
Interest receivable	1,092	-
Prepays	-	5,918,993
Total current assets	873,330	8,571,933
Noncurrent assets:		
Capital assets not being depreciated	3,706,552	-
Capital assets being depreciated, net	5,120,497	-
Net pension asset	2,720,717	-
Total noncurrent assets	11,547,766	-
Total assets	12,421,096	8,571,933
Liabilities		
Current liabilities:		
Accounts payable	113,181	58,561
Accrued liabilities	-	832,431
Due to other funds	-	3,961,050
Current portion of compensated absences	-	253,224
Total current liabilities	113,181	5,105,266
Noncurrent liabilities:		
Total other postemployment benefit liability	320,162	-
Compensated absences, net of current portion	-	123,312
Total noncurrent liabilities	320,162	123,312
Total liabilities	433,343	5,228,578
Deferred inflows of resources		
Deferred pension amounts	535,005	-
Net position		
Investment in capital assets	8,827,049	-
Restricted for pension benefits	2,185,712	-
Unrestricted	439,987	3,343,355
Total net position	\$ 11,452,748	\$ 3,343,355

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

CITY OF PONTIAC, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Parking Enterprise Fund	Internal Service Funds
Operating revenues		
Charges for services	\$ -	\$ 3,608,576
Other revenue	143,872	741,013
Total revenues	<u>143,872</u>	<u>4,349,589</u>
Operating expenses		
Insurance	-	5,060,325
Operating and maintenance costs	7,788,781	-
Change in other post employment benefit liability	(78,243)	-
Workers' compensation expense	-	342,333
Depreciation	564,861	-
Miscellaneous expense	-	324
Total operating expenses	<u>8,275,399</u>	<u>5,402,982</u>
Operating loss	(8,131,527)	(1,053,393)
Nonoperating revenues		
Interest income	20,615	2,193
Change in net position	(8,110,912)	(1,051,200)
Net position, beginning of year	<u>19,563,660</u>	<u>4,394,555</u>
Net position, end of year	<u>\$ 11,452,748</u>	<u>\$ 3,343,355</u>

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

This page intentionally left blank.

CITY OF PONTIAC, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Parking Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Cash received from customers	\$ 143,872	\$ -
Cash payments to suppliers	(5,369,611)	(5,349,157)
Cash payments to employees	-	(24,381)
Cash received from interfund services	-	5,649,014
Net cash provided by (used in) operating activities	<u>(5,225,739)</u>	<u>275,476</u>
Cash flows from investing activities		
Interest income received	21,039	2,193
Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(246,610)</u>	<u>-</u>
Net change in cash and investments	(5,451,310)	277,669
Cash and investments, beginning of year	<u>6,323,548</u>	<u>1,947,010</u>
Cash and investments, end of year	<u>\$ 872,238</u>	<u>\$ 2,224,679</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (8,131,527)	\$ (1,053,393)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	564,861	-
Change in:		
Accounts receivable	-	1,299,425
Due from other funds	2,417,399	-
Prepays	-	(485,903)
Net pension asset	(76,512)	-
Accounts payable	(126,225)	18,277
Accrued liabilities	-	90,161
Due to other funds	-	430,966
Net other postemployment benefit liability	(78,243)	-
Compensated absences	-	(24,057)
Deferred inflows of resources related to the pension asset	<u>204,508</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (5,225,739)</u>	<u>\$ 275,476</u>

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

CITY OF PONTIAC, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

	For the Year Ended	
	December 31, 2020	June 30, 2021
	Pension and OPEB Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 8,462,551	\$ 171,506
Investments at fair value:		
Government agency notes and debentures	58,213,410	-
U.S government securities	19,207,646	-
U.S government mortgage-backed securities	18,962,390	-
Fixed income	6,056,034	-
Commercial mortgage pools	1,931,331	-
Corporate and other bonds	55,548,943	-
Limited partnerships	84,473,453	-
Domestic stock	138,273,009	-
Short-term investments	24,759,293	-
Equities	24,985,640	-
Domestic equities	304,815,937	-
Private equities	10,054,057	-
Foreign equities	46,357,910	-
Real estate	18,247,038	-
Real estate investment trusts	1,086,265	-
Accrued interest and dividends receivable	1,232,427	-
Other receivables	242,732	-
Due from Police and Fire Retirement System VEBA	89,798	-
Total assets	822,999,864	171,506

continued...

CITY OF PONTIAC, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

	For the Year Ended	
	December 31, 2020	June 30, 2021
	Pension and OPEB Trust Funds	Custodial Funds
Liabilities		
Due to City of Pontiac	\$ 1,659,116	\$ -
Due to Police and Fire Retirement System	89,798	-
Due to brokers	5,010,213	-
Accounts payable and other	1,062,261	-
Due to other governments	-	89,873
Deposits payable	-	81,633
Total liabilities	<u>7,821,388</u>	<u>171,506</u>
Net position restricted for		
Pension benefits	771,120,966	-
Other postemployment benefits	44,057,510	-
Total net position	<u>\$ 815,178,476</u>	<u>\$ -</u>

concluded.

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

CITY OF PONTIAC, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

	December 31, 2020	June 30, 2021
	Pension and OPEB Trust Funds	Custodial Funds
Additions		
Investment income:		
Interest and dividend income	\$ 11,735,945	\$ -
Net increase in fair value	79,251,227	-
Less investment expenses	(3,157,520)	-
	<hr/>	<hr/>
Net investment income	87,829,652	-
Contributions -		
Employer	1,835,294	-
Taxes collected for other governments	-	22,316,880
Court collections	-	885,748
Miscellaneous and litigation revenue	270,813	-
	<hr/>	<hr/>
Total additions	89,935,759	23,202,628
Deductions		
Retirees' pension benefits	48,365,672	-
Retiree health benefit payments	2,530,663	-
Administrative expenses	1,063,553	-
Payments of taxes to other governments	-	22,316,880
Court distributions	-	885,748
	<hr/>	<hr/>
Total deductions	51,959,888	23,202,628
Change in net position	37,975,871	-
Net position, beginning of year	777,202,605	-
	<hr/>	<hr/>
Net position, end of year	\$ 815,178,476	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

CITY OF PONTIAC, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2021

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
Assets			
Cash and investments	\$ 252,662	\$ 344,670	\$ 597,332
Receivables, net	10,239	-	10,239
Total assets	<u>262,901</u>	<u>344,670</u>	<u>607,571</u>
Deferred outflows of resources			
Deferred charge on refunding	426,422	-	426,422
Liabilities			
Accounts payable and accrued liabilities	138,456	22,757	161,213
Long-term liabilities:			
Due within one year	1,860,000	-	1,860,000
Due in more than one year	15,050,000	-	15,050,000
Financial guarantee	5,830,457	-	5,830,457
Total liabilities	<u>22,878,913</u>	<u>22,757</u>	<u>22,901,670</u>
Net position			
Unrestricted (deficit)	<u>\$ (22,189,590)</u>	<u>\$ 321,913</u>	<u>\$ (21,867,677)</u>

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

CITY OF PONTIAC, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2021

	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
Expenses			
Financial guarantee	\$ 554,650	\$ -	\$ 554,650
Interest on long-term debt	900,595	-	900,595
Total expenses	<u>1,455,245</u>	<u>-</u>	<u>1,455,245</u>
Program revenues			
Charges for services	50,000	-	50,000
Operating grants and contributions	554,650	-	554,650
Total program revenues	<u>604,650</u>	<u>-</u>	<u>604,650</u>
Net program expense	<u>(850,595)</u>	<u>-</u>	<u>(850,595)</u>
General revenues			
Property taxes	1,535,698	16,894	1,552,592
State revenue	196,348	-	196,348
Total general revenues	<u>1,732,046</u>	<u>16,894</u>	<u>1,748,940</u>
Change in net position	881,451	16,894	898,345
Net position (deficit), beginning of year	<u>(23,071,041)</u>	<u>305,019</u>	<u>(22,766,022)</u>
Net position (deficit), end of year	<u>\$ (22,189,590)</u>	<u>\$ 321,913</u>	<u>\$ (21,867,677)</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Pontiac, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Reporting Entity

The City of Pontiac, Michigan was incorporated on March 15, 1861 and operated under a council-strong mayor form of government until March 19, 2009 when an Emergency Financial Manager was appointed. Starting in early 2000's, the City's general fund began having a structural deficit that eventually prompted a preliminary review of the City's financial condition by the State of Michigan on July 31, 2007 in accordance with Section 12(1) of Public Act 72 of 1990. The State concluded from the review that a serious financial problem did exist and ultimately appointed an Emergency Manager to run the City on March 19, 2009. This Emergency Manager served until June 30, 2010. A second Emergency Manager was appointed and served from July 4, 2010 to September 8, 2011. A third Emergency Manager was appointed on September 12, 2011. On August 19, 2013, the Emergency Manager appointed a City Administrator to manage the day-to-day operations of the City (Order S-332), issued a final order, (Order S-334), (which was later amended), and submitted his resignation to the governor who appointed a Receivership Transition Advisory Board (RTAB) in accordance with Public Act 436 of 2012 to monitor the operations of the City. As of April 30, 2016, the City Administrator position was eliminated and the State relinquished most of the control to the local officials. The State of Michigan, through the RTAB, retained control and final say over major litigation cases and contracts in excess of \$500,000 as well as all budget amendments. On August 1, 2017, the State's Treasury Department announced that the Pontiac Receivership Transition Advisory Board would be dissolved and that effective immediately, city officials would once again have full power over Pontiac's internal operations and finances. Currently, the City directly manages and staffs treasury, city clerk, human resources, finance, executive offices, purchasing operations, and parts of DPW operations while other major functions and responsibilities of the City have been subcontracted with other government agencies or private service providers. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations.

Discretely Presented Component Units

The Tax Increment Financing Authority (TIFA) was created to promote economic growth and business development within the community. The TIFA's governing body consists of not less than 7 or more than 13 persons appointed by the mayor, subject to the approval of the City Council. A member shall hold office until the member's successor is appointed. An appointment to fill a vacancy shall be made by the mayor for the unexpired term only. Internally prepared financial statements for the TIFA can be obtained from the City finance department at 47450 Woodward, Pontiac, Michigan 48342.

The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of captured property taxes. The properties included are listed as contaminated by the Environmental Protection Agency. Each authority shall be under the supervision and control of a board chosen by the governing body (City Council). The governing body may by majority vote designate the trustees of the board of the Tax Increment Financing Authority as the Brownfield Redevelopment Board, which City Council did by resolution on December 18, 1997. Internally prepared financial statements for the Brownfield Redevelopment Authority can be obtained from the City finance department at 47450 Woodward, Pontiac, Michigan 48342.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Fiduciary Component Units

The following pension and other postemployment benefit plans are legally separate from the City and are included as fiduciary component units either because the City is financially accountable (GERS) or because it would be misleading to exclude the plans (PFRS and PFVEBA). Since these component units are fiduciary in nature, they are included only in the fund financial statements and are excluded from the government-wide financial statements.

The *General City Employees' Retirement System* (GERS) (the System) is a single-employer defined benefit pension plan that covers substantially all employees of the City, except police and fire employees. The system provides retirement benefits, as well as death and disability benefits.

The *Police and Fire Retirement System* (PFRS) is a single-employer defined benefit pension plan that covers all police and fire employees of the City. PFRS provides retirement benefits, as well as death and disability benefits.

The *Police and Fire Retirement System VEBA* (PFVEBA) was established as an irrevocable prefunded group health and insurance trust fund for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City, and who retired on or after August 22, 1996.

All funds are shown for the year ended June 30, 2021, except for the fiduciary component units, which are shown for the year ended December 31, 2020.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, normally supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary funds, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

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 City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, some property taxes and income taxes will be collected after the period of availability; receivables have been recorded for these, along with an “unavailable revenue” deferred inflows of resources.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General fund. The general fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

Major streets special revenue fund. The major streets fund receives allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair, and construction of streets and bridges within the City.

Progress for Pontiac special revenue fund. The Progress for Pontiac fund accounts for the City’s revenue and expenditures for the American Rescue Plan Act (ARPA) funds and related activities. The ARPA funds provide additional relief to address the continued impact of the COVID-19 pandemic. The City did not adopt a budget for this fund in fiscal year 2021 as there were no expected revenues or expenditures.

The City reports the following major proprietary fund:

Parking enterprise fund. The parking fund accounts for the activities of City-owned parking structures and lots. Funding was provided mostly through user charges in prior years. The City is currently rehabilitating the parking structure, so there were no user fees in the current year.

Additionally, the City reports the following fund types:

Special revenue funds. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital project funds. Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Internal service funds. Internal service funds account for risk management services and insurance benefits provided to other departments of the City on a cost-reimbursement basis and accrued sick and vacation time.

Pension and OPEB trust funds. The pension and other postemployment benefits trust funds accounts for the activities of the General Employees’ Retirement System, Police and Fire Retirement System, and the Police and Fire Retirement System VEBA, which accumulates resources for pension and other postemployment benefit payments to qualified employees.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Custodial funds. The custodial funds account for assets held by the City in a custodial capacity for other governments and entities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31 and are payable in two installments. Summer taxes are considered delinquent on September 1, at which time penalties and interest are assessed. Winter taxes are considered delinquent on February 15 of the following year, at which time a 3 percent penalty is assessed. Summer and winter taxes (including any penalty and interest) are turned over to Oakland County for collection.

The City of Pontiac 2020 tax is levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the City of Pontiac totaled approximately \$783 million (a portion of which is abated and a portion of which is captured by the TIFA and Brownfield), on which taxes levied consisted of 11.1699 mills for operating purposes, 2.7923 mills for refuse collection and disposal, 1.3961 mills for capital improvement, 1.4862 for youth recreation, and .4954 mill for senior activities. This resulted in \$7.70 million for operating, \$1.93 million for refuse collection and disposal, \$0.96 million for capital improvement, \$1.02 million for youth recreation, and \$0.34 million for senior activities. These amounts are recognized in the respective general fund, special revenue funds, and capital projects fund financial statements as property tax revenue.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average method.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that result from the allocation of available cash balances at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The City has set cash aside for the future closure and post-closure care for the landfill. These assets have been classified as restricted assets in the sanitation fund.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$50,000 for buildings and building improvements, \$25,000 for land improvements, \$20,000 for vehicles and \$10,000 for all other assets when valued individually and have an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

Buildings, land improvements, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Years
Streets and bridges	20-50
Land improvements	10-45
Building and improvements	5-50
Machinery and equipment	5-20
Vehicles	6
Furniture and fixtures	5-10
Water and sewer systems	25-100
Street and traffic signs	10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for its pension plans as well as for the deferred charge on refunding. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/services or expenditures of allowable costs.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The City funded the liability in the sick and vacation internal service fund through contributions from the general fund and court fund in the prior year.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type 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. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources for its pension and other postemployment benefit plans. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A resolution by the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the Finance Department. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The City accounts for construction code activity in the building inspection special revenue fund.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposits and investment balances for the primary government and the component units of as June 30, 2021:

	Primary Government	Component Units	Total
Statement of net position			
Cash and investments	\$ 70,374,780	\$ 597,332	\$ 70,972,112
Restricted assets	2,047,232	-	2,047,232
Statement of fiduciary net position			
Cash and cash equivalents	8,634,057	-	8,634,057
Investments	812,972,356	-	812,972,356
Total	<u>\$ 894,028,425</u>	<u>\$ 597,332</u>	<u>\$ 894,625,757</u>
Bank deposits (demand accounts and certificates of deposit due within one year)			\$ 55,188,262
Investments in securities, mutual funds and similar vehicles:			
Oakland County Local Government Investment Pool (LGIP)			16,608,090
Money markets			1,390,046
General Employees' Retirement System			549,645,002
Police and Fire Retirement System			221,054,407
Police and Fire Retirement System VEBA			50,735,498
Cash on hand			4,452
			<u>\$ 894,625,757</u>

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the State of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension and other postemployment benefit fiduciary component units are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated eight banks for the deposit of its funds. The City's deposits and investment policies are in accordance with statutory authority.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

The General Employees' Retirement System (GERS) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all allowable investments under Michigan Public Act 347 of 2012, as amended. The GERS's deposits and investment policies are in accordance with statutory authority.

The Police and Fire Retirement System (PFRS) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all allowable investments under Michigan Public Act 314 of 1965. The PFRS's deposits and investment policies are in accordance with statutory authority.

The Police and Fire Retirement System VEBA (PFVEBA) has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in mutual or commingled funds, but not the remainder of state statutory authority as listed above. The PFVEBA's deposits and investment policies are in accordance with statutory authority.

The City and the pension and other postemployment benefit fiduciary component units' cash and investments are subject to several types of risk, which are examined in more detail below. The following information includes the General Employees' Retirement System, Police and Fire Retirement System, and Police and Fire Retirement System VEBA balances as of December 31, 2020 because these funds are maintained on a calendar year basis.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned.

City - State law does not require and the City does not have a deposit policy for custodial credit risk. At year end, the City had \$55,726,922 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$1,757,249 was covered by federal deposit insurance and \$2,047,232 was collateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

General Employees' Retirement System - The GERS does not have a deposit policy for custodial credit risk. At year end, the GERS had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The GERS continues to evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Police and Fire Retirement System - The PFRS does not have a deposit policy for custodial credit risk. At year end, the PFRS had \$492,682 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The PFRS believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the PFRS evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Police and Fire Retirement System VEBA - The PFVEBA does not have a deposit policy for custodial credit risk. At year end, the PFVEBA had \$6,802,512 of bank deposits (checking account) that were uninsured and uncollateralized.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

City - The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2021, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

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.

City - The City's investment policy states that no more than 25 percent of the portfolio be invested beyond 12 months, and the weighted average maturity of the portfolio shall never exceed one year. The total portfolio, including cash, is in compliance with the City policy. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (years)
Oakland County LGIP	\$ 16,608,090	1.20

General Employees' Retirement System - The GERS's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (years)
Commercial mortgage pools	\$ 1,910,826	26.56
Index linked government bonds	1,511,623	8.98
Corporate bonds	34,835,018	8.35
Government agencies	6,202,365	8.54
Government bonds	36,726,643	5.90
Government mortgage-backed securities	18,428,932	22.06
Municipal/provincial bonds	13,772,779	5.62
Nongovernment-backed CMOs	20,485	14.41

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Police and Fire Retirement System - The PFRS's investment policy restricts the average duration of an actively managed portfolio to not differ from the benchmark duration by more than 25 percent. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (years)
U.S. government agencies	\$ 13,156,810	0.48
U.S. government mortgage-backed securities	533,458	13.01
U.S. government treasury bonds	6,050,836	7.61
Corporate bonds	14,560,779	6.21
Corporate bonds mutual fund	6,153,146	9.27

Police and Fire Retirement System VEBA - The PFVEBA's investment policy does not restrict investment maturities. At year end, the Trust does not have any investments with maturity dates.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

City - The City has no investment policy that would further limit its investment choices. As of year end, the credit quality rating of debt securities and money market funds are as follows:

Investment	Fair Value	Rating	Rating Organization
Oakland County LGIP	\$ 16,608,090	Not rated	n/a
Money markets	1,390,046	Not rated	n/a

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

General Employees' Retirement System - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System's investment policy limits investments in domestic fixed-income securities; the overall quality rating of each high-grade portfolio must be BBB or an equivalent rating; for domestic equity investments, the securities must be the equivalent of Standard & Poor's A1 or Moody's P-1. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Commercial mortgage-backed securities	\$ 1,032,057	Aaa	Moody's
Commercial mortgage-backed securities	239,053	Baa	Moody's
Commercial mortgage-backed securities	98,341	Ba	Moody's
Commercial mortgage-backed securities	541,275	Unrated	n/a
Corporate bonds	1,477,826	Aa	Moody's
Corporate bonds	13,859,730	A	Moody's
Corporate bonds	18,672,443	Baa	Moody's
Corporate bonds	825,019	Unrated	Moody's
Governmental agencies	5,739,078	Aaa	Moody's
Governmental agencies	463,287	Aa	Moody's
Government bonds	34,304,048	Aaa	Moody's
Short-term investment funds	11,795,193	Unrated	n/a
Municipal/Provincial bonds	972,198	Aaa	Moody's
Municipal/Provincial bonds	3,130,696	Aa	Moody's
Municipal/Provincial bonds	9,669,885	Unrated	n/a
Nongovernment-backed CMOs	20,485	BBB	Moody's

Police and Fire Retirement System - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The PFRS's investment policy limits investments rated in the top four major grades as determined by Standard & Poor's or Moody's. As of year end, the credit quality rating of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 733,471	AA	S&P
Corporate bonds	6,347,469	A	S&P
Corporate bonds	7,479,839	BBB	S&P
Government agencies	8,077,263	AA	S&P
Corporate bond mutual fund	6,153,146	Not rated	n/a

Police and Fire Retirement System VEBA - The PFVEBA has no investment policy that would further limit its investment choices. At December 30, 2020, the Trust does not have any investments in debt securities.

Concentration of Credit Risk

City - The City's investment policy states that no more than 25 percent of the overall cash and investment portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. At year end, there were no individual investments with a fair value that represent 25% or more of the City's investments.

General Employees' Retirement System - At year end, there were no individual investments with a fair value that represent 5% or more of the System's investments.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Police and Fire Retirement System - At year end, there were no individual investments with a fair value that represent 5% or more of the System's investments.

Police and Fire Retirement System VEBA - At year end, there were no individual investments with a fair value that represent 5% or more of the Trust's investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates.

City - The City does not have any securities subject to foreign currency risk.

General Employees' Retirement System - The pension system restricts the amount of investments in foreign currency-denominated investments to 10 percent of total pension system investments. At December 31, 2020, the only type of investments which were subject to foreign currency risk were equity investments. The total amount of equity investments which were subject to foreign currency risk at year end was \$10,171,954. At year end, the System had a total foreign currency translation gain of \$326,547 related to equity investments.

Security	Fair Value
Australian Dollar	\$ 766,554
British Pound	1,117,573
Danish Krone	616,007
European Euro	2,571,577
Hong Kong Dollar	1,768,988
Japanese Yen	683,113
Swedish Krona	477,423
Swiss Franc	2,170,719

Fair Value Measurements

City - The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the City.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment pools where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County LGIP	\$ 16,608,090	\$ -	No restrictions	None

The Oakland County Local Government Investment Pool (LGIP) invests assets in a manner which will seek the highest investment return consistent with preservation of principal and meet the daily liquidity needs of participants. The Oakland County (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

General Employees' Retirement System - The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System had the following recurring fair value measurements as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2020
Debt securities:				
U.S. treasury securities	\$ -	\$ 36,726,643	\$ -	\$ 36,726,643
U.S. agencies	-	6,202,365	-	6,202,365
Municipal/provincial	-	13,772,779	-	13,772,779
Commercial mortgage backed	-	1,931,331	-	1,931,331
Residential mortgage backed	-	18,428,932	-	18,428,932
Corporate bonds	-	34,835,018	-	34,835,018
Index-linked government bonds	-	1,511,623	-	1,511,623
Equity securities:				
Common stock	284,835,552	-	-	284,835,552
Exchange-traded funds	118,822	-	-	118,822
Private equity funds	-	-	10,054,057	10,054,057
Total investments at fair value	\$ 284,954,374	\$ 113,408,691	\$ 10,054,057	408,417,122
Investments measured at NAV				
International equities fund				44,035,445
Domestic equities fund				38,751,159
Real estate fund				45,904,761
Total investments at NAV				128,691,365
Total investments				\$ 537,108,487

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

The fair value of Level 1 equity securities as of December 31, 2020 is valued using prices quoted in active markets for those securities. The fair value of short-term investment funds as of December 31, 2020 is valued at cost, which estimates fair value.

The fair value of debt securities at December 31, 2020 was determined primarily based on Level 2 inputs. The fair value of these investments is based on prices that have been evaluated by independent pricing services. Such evaluated prices (which is the value of the bond less accrued interest) may be determined by using inputs such as interest rates and yield curves that are observable at commonly quoted intervals, maturities, call features, and ratings, among other factors.

The fair value of private equity investments at December 31, 2020 was determined primarily based on Level 3 inputs. The System estimates the fair value of these investments based on a review of an independent auditor's report for each fund and each fund's General Partner's assessment of fair value. The General Partner's estimates may include the use of pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the underlying assets. Currently, there remains \$4.3 million in unfunded commitments to these funds.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
International equities fund	\$ 44,035,445	\$ -	Daily/monthly	10 days
Domestic equities fund	38,751,159	-	Daily	10 days
Real estate fund	45,904,761	1,700,000	Monthly/ quarterly	10-180 days
	<u>\$ 128,691,365</u>	<u>\$ 1,700,000</u>		

The international equities fund includes investments in mainly non-U.S. publicly traded equities and other assets. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments.

The domestic equities fund includes investments in investment grade fixed-income securities issued by U.S. and non-U.S. agencies and other governments, corporate, and other issuers. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments.

The real estate funds class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this fund have been estimated using the net asset value of the System's ownership interest in partners' capital.

The investments in private equity can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over the next 7 to 10 years. However, as of December 31, 2020, it is probable that all of the investments of this type will be sold at an amount different from fair value.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Police and Fire Retirement System - The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust had the following recurring fair value measurements as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2020
Debt securities:				
U.S. government securities	\$ -	\$ 19,207,646	\$ -	\$ 19,207,646
U.S. government mortgage- backed securities	-	533,458	-	533,458
Corporate bonds	6,153,146	14,560,779	-	20,713,925
Equity securities - common stock	74,001,316	-	-	74,001,316
Total investments at fair value	\$ 80,154,462	\$ 34,301,883	\$ -	114,456,345
Investments measured at NAV				
Equities funds				64,271,693
Real estate funds				22,012,168
Limited partnerships				10,505,878
Total investments at NAV				96,789,739
Total investments				\$ 211,246,084

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of debt securities at December 31, 2020 was determined primarily based on level 2 inputs. The fair value of these investments is based on prices that have been evaluated by independent pricing services. Such evaluated prices may be determined by using inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The Trust did not have any investments valued based on Level 3 inputs.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Equities fund	\$ 64,271,693	\$ -	Monthly	Up to 30 days
Real estate funds	22,012,168	1,223,046	Quarterly	10 days
Limited partnership funds	10,505,878	1,561,737	Quarterly	10 days
	\$ 96,789,739	\$ 2,784,783		

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

The equities fund includes investments in U.S. and non-U.S. publicly traded equities. The fair values of the investments in this fund have been estimated using net asset value per share of the investments.

The equity real estate class includes investments in funds whose objective is to acquire, develop, own, and operate a diversified portfolio of real estate investments. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The limited partnership class includes investments predominantly in private debt. The fair values of the investments in these funds have been estimated using net asset value per share of the investments.

Police and Fire Retirement System VEBA - The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust had the following recurring fair value measurements as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31, 2020
Debt securities:				
Corporate bonds mutual funds	\$ 6,056,034	\$ -	\$ -	\$ 6,056,034
Equity securities:				
Common stock	24,985,640	-	-	24,985,640
Real estate investment trusts	1,086,265	-	-	1,086,265
Total investments at fair value	<u>\$ 32,127,939</u>	<u>\$ -</u>	<u>\$ -</u>	32,127,939
Investments measured at NAV				
Limited partnerships				<u>7,730,553</u>
Total investments				<u>\$ 39,858,492</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The Trust did not have any investments determined primarily based on Level 2 or 3 inputs at December 31, 2020.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Limited partnerships	<u>\$ 7,730,553</u>	<u>\$ 710,332</u>	Quarterly	10 days

The limited partnership class includes investments predominantly in private debt. The fair values of the investments in these funds have been estimated using the net asset value per share of the investments.

In addition, the Trust has an investment of \$3,826,415 reported at amortized cost in accordance with GASB Statement No. 79. This investment is not subject to any limitations or restrictions on withdrawals.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

Receivables as of year end for the City's governmental and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 20,702,629	\$ -
Accounts	1,260,684	-
Intergovernmental	3,200,280	-
Interest receivable	7,161	1,092
Less allowance for doubtful accounts	<u>(16,707,667)</u>	<u>-</u>
Net receivables	<u>\$ 8,463,087</u>	<u>\$ 1,092</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 25,105,058	\$ -	\$ -	\$ 25,105,058
Construction in progress	2,965,883	2,636,699	(1,336,823)	4,265,759
Total capital assets not being depreciated	<u>28,070,941</u>	<u>2,636,699</u>	<u>(1,336,823)</u>	<u>29,370,817</u>
Capital assets being depreciated:				
Streets and bridges	308,355,098	7,206,381	1,336,823	316,898,302
Buildings and improvements	40,805,767	-	-	40,805,767
Machinery and equipment	1,449,461	144,758	-	1,594,219
Vehicles	1,044,566	-	-	1,044,566
Land improvements	374,952	-	-	374,952
Total capital assets being depreciated	<u>352,029,844</u>	<u>7,351,139</u>	<u>1,336,823</u>	<u>360,717,806</u>
Less accumulated depreciation for:				
Streets and bridges	(246,780,145)	(5,551,208)	-	(252,331,353)
Buildings and improvements	(40,168,632)	(36,051)	-	(40,204,683)
Machinery and equipment	(619,418)	(151,535)	-	(770,953)
Vehicles	(795,847)	(77,905)	-	(873,752)
Land improvements	(207,201)	(17,560)	-	(224,761)
Total accumulated depreciation	<u>(288,571,243)</u>	<u>(5,834,259)</u>	<u>-</u>	<u>(294,405,502)</u>
Total capital assets being depreciated, net	<u>63,458,601</u>	<u>1,516,880</u>	<u>1,336,823</u>	<u>66,312,304</u>
Governmental activities capital assets, net	<u>\$ 91,529,542</u>	<u>\$ 4,153,579</u>	<u>\$ -</u>	<u>\$ 95,683,121</u>

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Parking fund				
Capital assets not being depreciated:				
Land	\$ 3,042,537	\$ -	\$ -	\$ 3,042,537
Construction in progress	417,405	246,610	-	664,015
Total capital assets not being depreciated	<u>3,459,942</u>	<u>246,610</u>	<u>-</u>	<u>3,706,552</u>
Capital assets being depreciated:				
Buildings and improvements	33,573,313	-	-	33,573,313
Traffic signs	57,182	-	-	57,182
Total capital assets being depreciated	<u>33,630,495</u>	<u>-</u>	<u>-</u>	<u>33,630,495</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,887,955)	(564,861)	-	(28,452,816)
Traffic signs	(57,182)	-	-	(57,182)
Total accumulated depreciation	<u>(27,945,137)</u>	<u>(564,861)</u>	<u>-</u>	<u>(28,509,998)</u>
Total capital assets being depreciated, net	<u>5,685,358</u>	<u>(564,861)</u>	<u>-</u>	<u>5,120,497</u>
Parking fund capital assets, net	<u>\$ 9,145,300</u>	<u>\$ (318,251)</u>	<u>\$ -</u>	<u>\$ 8,827,049</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function

General government	\$ 137,306
Public safety	5,115
Public works	5,654,782
Community and human services	37,056

Total depreciation expense - governmental activities

\$ 5,834,259

Depreciation of business-type activities by function

Parking	<u>\$ 564,861</u>
---------	-------------------

Construction Commitments - At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Governmental activities	\$ 7,886,989	\$ 2,123,163
Business-type activities	772,307	170,502
	<u>\$ 8,659,296</u>	<u>\$ 2,293,665</u>

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2021, the composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Insurance fund	\$ 3,961,050
General fund	District court fund	632,455
Major streets fund	Local streets fund	402,742
		<u>402,742</u>
		<u>\$ 4,996,247</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

For the year ended June 30, 2021, interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred from	Fund Transferred To	Amount
General fund	District court fund (1)	\$ 1,600,019
District court	General fund (2)	16,225
	MIDC grant fund (4)	18,005
PA-48 telecommunication allocation	General fund (3)	<u>7,750</u>
	Total	<u>\$ 1,641,999</u>

During the fiscal year, transfers were used to: (1) move funds to the district court fund for the subsidy of operations, (2) transfer parking fine collections, (3) move funds for allowable expenditures under the Metro Act, and (4) to move funds for the City's match on the MIDC grant.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Other long-term obligations:					
2007C TIFA Bond					
Financial Guarantee	\$ 3,018,250	\$ -	\$ (784,975)	\$ 2,233,275	\$ 798,795
Compensated absences	400,593	252,724	(276,781)	376,536	253,224
Landfill closure and postclosure costs	2,092,681	48,910	-	2,141,591	-
Ottawa towers settlement	-	5,600,000	-	5,600,000	(36,167)
Phoenix Center Settlement	2,100,000	-	(2,100,000)	-	-
Total governmental activities	<u>\$ 7,611,524</u>	<u>\$ 5,901,634</u>	<u>\$ (3,161,756)</u>	<u>\$ 10,351,402</u>	<u>\$ 1,015,852</u>
Component units					
Direct Borrowings and Direct Placements:					
\$31,080,000 2007 C TIFA Bonds, due in annual installments of \$590,000 to \$1,985,000 through the year 2031; interest at 3.50% to 5.00%					
	\$ 18,380,000	\$ -	\$ (1,470,000)	\$ 16,910,000	\$ 1,860,000
Other long-term obligation: Financial guarantee	5,275,807	554,650	-	5,830,457	-
Total component units	<u>\$ 23,655,807</u>	<u>\$ 554,650</u>	<u>\$ (1,470,000)</u>	<u>\$ 22,740,457</u>	<u>\$ 1,860,000</u>

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for the obligations are as follows:

Year Ended June 30,	Governmental Activities		Component Units	
	Other long-term obligations		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 762,628	\$ 443,865	\$ 1,860,000	\$ 796,700
2023	1,422,556	314,777	1,985,000	703,700
2024	1,066,608	274,542	1,715,000	604,450
2025	863,140	231,868	1,520,000	522,988
2026	896,449	186,608	1,630,000	450,788
2027-2031	2,821,894	196,136	8,200,000	1,107,313
	<u>\$ 7,833,275</u>	<u>\$ 1,647,797</u>	<u>\$ 16,910,000</u>	<u>\$ 4,185,939</u>

Compensated absences and separation accruals in governmental activities of \$376,536 are payable upon retirement or termination of eligible employees; therefore, specific payment dates are not determinable. Also, the landfill closure and postclosure cost accrual of \$2,141,591 has no fixed maturity dates; therefore, it has been excluded from the above summary.

The compensated absences liability attributable to the governmental activities is recorded in the employee sick and vacation internal service fund. The landfill closure and postclosure costs represent the cumulative amount of closure and postclosure are costs reported to date based on the use of 100 percent of the estimated capacity of the landfill. The City has established a sick and vacation internal service fund for the liquidation of the compensated absences liability. The sanitation fund would be used to liquidate the landfill closure and post closure costs.

Financial Guarantee

In 2007, the City guaranteed the 10-year, \$1.315 million TIFA 2 2007C series, the 17-year, \$3.28 million TIFA 2 2007C series, and the 24-year, \$24.45 million TIFA 3 2007C series revenue bond issuances of the Tax Increment Finance Authority (TIFA), a legally separate authority located within the City, in accordance with a resolution adopted by the City. The bonds mature annually through May 1, 2017, May 1, 2024 and May 1, 2031, respectively, with semiannual interest payments. In the event that the TIFA is unable to make a payment, the City is required to make that payment. As a result of declining revenues that occurred in 2014 and prior, the City determined in fiscal year 2014 that it was more likely than not that the City would be required to pay a percentage of the remaining portion of the TIFA's debt service payments based on this guarantee. During fiscal year 2021, total TIFA debt service amounted to \$2,340,201 of which \$554,650 was paid by the City and \$1,785,551 was paid by the TIFA. The amount of the remaining financial guarantee liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

The agreement also provides for the TIFA to reimburse the City for any debt service amounts paid for by the City. Accordingly, the TIFA has a liability recorded in the amount of \$5,830,457 at June 30, 2021. This liability has been recorded as a long-term liability in the combining statement of net position for the discretely presented component units as funds to reimburse the general fund are not expected to be available until all TIFA debt service has been paid in full.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Phoenix Center and Ottawa Towers

In November 2018, the City settled litigation with Ottawa Towers regarding demolition of the Phoenix Center Parking Garage. The settlement required the City retain ownership of the Phoenix Center and perform \$6 million of repairs on the Phoenix Center over a period of ten years from the time of settlement. Additionally, the City was required to pay annual installments of \$700,000 to Ottawa Towers through November 2022. The City entered into an agreement in November 2020 to satisfy the requirements of the November 2018 settlement.

The public/private purchase agreement states the Ottawa Towers property would be purchased by a developer and the City would retain ownership of the Phoenix Center Parking garage. The final settlement amount due to the owner of Ottawa Towers was \$19,200,000. The private developer paid \$6,600,000 for the purchase of the Towers, and the City paid a total of \$12.6 million, which consisted of \$7,000,000 in cash and a promissory note for \$5.6 million. The final purchase was executed in January 2021. As a result of the new agreement, the remaining \$1.4 million of settlement payments from the original settlement were forgiven, and the City obtained a promissory note in the amount of \$5.6 million, which is reflected in long term debt in the current year. The details of the purchase, sale, and related financing of the Ottawa Towers and Phoenix Center Garage agreement are outlined below.

The promissory note between City of Pontiac and the seller of Ottawa Towers was entered into in February 2021 for the principal sum of \$5,600,000. The principal balance of the Note shall bear an annual interest rate of 5.90% per year while not in default. The Note is secured by an irrevocable, standby, sight-draft letter of credit, issued by PNC Bank, an FDIC insured bank, in the face amount of \$5,600,000, naming the payee as beneficiary. The City and payee anticipate the letter of credit amount will increase on the one-year anniversary of this Note to account for the planned accrual of the first year's interest.

Interest shall accrue on the principal balance of this Note until the first anniversary of this Note, at which time all then accrued interest of \$330,400 shall be added to the principal balance of the Note bringing the principal balance at February 4, 2022 to \$5,930,400. On February 4, 2022, and on the 4th day of the month thereafter, principal and interest payments shall be due and payable in equal monthly installments over seven years in the amount of \$81,539.71 until January 4, 2028 on which date the entire unpaid principal balance together and all accrued interest, if not paid sooner, and all other indebtedness shall become due and payable in full.

Under the agreement, the City and a developer entered a Public-Private-Partnership (PPP) Agreement for the Phoenix Center. The Developer gains exclusive use of the parking structure to support the commercial demands of the Phoenix Center parking garage, but also allows for shared parking for the Property and for the Phoenix Plaza/Amphitheater when restored and opened for use. The developer agreed to make all necessary repairs to the Phoenix Center garage in exchange for the grant of perpetual access to and use all of the parking areas in the Phoenix Center. The terms of the PPP that grant access and control of the parking areas is contained in a 50-year term Master Lease with five 10-year options to extend said lease, at a rental rate of \$1.00 per year. The City maintains exclusive control of the roof and plaza of the Phoenix Center and shall at its own expense maintain, repair and exercise control of the roof and plaza of the Phoenix Center roof and its access elements. Any final development plan for the Property shall include input from the City, its Council and officials.

8. RESTRICTED ASSETS

The balance of the restricted asset accounts are as follows:

	Governmental Activities
Cash and investments -	
Landfill closure and postclosure costs	<u>\$ 2,047,232</u>

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

9. LANDFILL - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an expense in the government-wide statements in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$2,141,591 reported as landfill closure and postclosure liability at June 30, 2021 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. Effective October 15, 2006, the City closed the landfill. The Michigan Department of Environment, Great Lakes and Energy is in the process of examining closure/postclosure costs. On a volume basis versus site acreage basis, approximately 100 percent of landfill capacity is used as of June 30, 2021. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements and, at June 30, 2021, investments and deposits held in trust of \$2,047,232 are held for these purposes. These are reported as restricted assets on the balance sheet. The total fund balance in the sanitation special revenue fund has been restricted as well. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by future tax revenue.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical and dental, workers' compensation, and general liability expense claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

For medical, dental and workers' compensation, the City was fully insured in the last three fiscal years. However, for prior years in which the City was not fully insured, a liability is estimated for workers' compensation claims that have been reported as well as those that have not yet been reported. As of June 30, 2021, reported claims related to medical and dental for prior years have been paid and no additional claims are expected to be reported.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

These liabilities are recorded in internal service funds. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation	
	2021	2020	2021	2020
Unpaid claims -				
Beginning of year	\$ 449,743	\$ 143,327	\$ 292,527	\$ 983,735
Incurring claims (adjustments)	169,205	365,025	260,811	9,682
Claim payments	(121,592)	(58,609)	(218,263)	(700,890)
Unpaid claims -				
End of year	<u>\$ 497,356</u>	<u>\$ 449,743</u>	<u>\$ 335,075</u>	<u>\$ 292,527</u>

11. DEFINED BENEFIT PENSION PLAN - GENERAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description. The General Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Pontiac General Employees' Retirement System; this plan covers substantially all employees of the City, except police and fire employees. The System provides retirement benefits, as well as death and disability benefits. Employees may receive a cost-of-living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 47450 Woodward, Pontiac, Michigan 48342.

Method Used to Value Investments. Investments held by the System are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market value are reported at estimated fair value, as determined by the System's management. These estimates are determined using audited financial statements issued by the private equity companies or limited partnerships in which such investments are held, adjusted by management as deemed appropriate based on known circumstances.

Approximately 25 percent of the System's assets are not publicly traded, and therefore do not have a readily determinable market value. Because these investments are not readily marketable, their estimated value is subject to uncertainty, and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Investment Policy. The System's policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the board of trustees to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return. For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Benefits Provided. The System provides retirement benefits as well as death and disability benefits. Employees may receive cost-of-living adjustments as a percentage of their retirement allowance, pursuant to the collective bargaining agreement or employment agreement in effect at their date of retirement. The obligation to contribute to and maintain the System was established by City ordinance and negotiations with the employees' collective bargaining units.

Contributions. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the board of trustees retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by the board of trustees in accordance with the city ordinance, union contracts, and plan provisions. For the year ended December 31, 2020, the active members were not required to contribute to the System. The City is required to contribute at an actuarially determined rate. In accordance with the actuary recommendation, the City did not have to make a contribution to the System in the current year. Administrative costs are financed through investment earnings.

Employees Covered by Benefit Terms. At December 31, 2020, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1,063
Inactive employees entitled to but not yet receiving benefits	109
Active employees	<u>26</u>
Total membership	<u>1,198</u>

The plan is closed to all new hires after April 1, 2013, except for those new hires that are hired under the Michigan Association of Public Employees (representing the 50th District Court employees) collective bargaining agreement.

Reserves. In accordance with state law, the City establishes reserves for various purposes. The balance of the reserve accounts at December 31, 2020 are as follows:

Reserve / Group	Balance
Retiree reserve	\$ 229,474,871
Employee reserve	304,204

Net Pension Asset. The City's net pension asset was measured as of December 31, 2020.

Actuarial Assumptions. The total pension asset was determined by an actuarial valuation as of December 31, 2020. The valuation used the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.00%
Salary increases	3.6 - 7.4%, average, including wage inflation of 2.5%
Investment rate of return	6.0%, net of pension plan investment expenses, including inflation

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Mortality assumptions were as follows:

Actives: The Pub-2010 Amount-weighted, General, Employee, Male and Female Tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Healthy retirees: The Pub-2010 Amount-weighted, General, Healthy Retiree, Male and Female Tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95 percent.

Disabled retirees: The Pub-2010 Amount-weighted, General, Disabled Retiree, Male and Female Tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Beginning of the year total pension liability was measured using an investment rate of return of 7.00% and the RP-2014 Healthy Annuitant Mortality Table unadjusted and projected to 2021 using a static projection based on the two-dimensional MP-2014 improvement scales.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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 December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity - All Cap	14.00%	5.15%
Domestic equity - Large Cap	10.00%	4.90%
Domestic equity - Mid Cap	15.00%	5.40%
Domestic equity - Small Cap	11.00%	5.40%
International equity	5.00%	5.32%
Emerging markets equity	5.00%	6.26%
Fixed income - Core	25.00%	1.40%
Real estate	10.00%	4.43%
Private equity	5.00%	7.71%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Asset. The components of the change in the net pension asset are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at December 31, 2019	\$ 256,234,235	\$ 512,817,268	\$ (256,583,033)
Changes for the year:			
Service cost	219,594	-	219,594
Interest	16,988,197	-	16,988,197
Changes in benefit terms	3,277,435	-	3,277,435
Differences between expected and actual experience	(2,528,619)	-	(2,528,619)
Changes in assumptions	40,406,912	-	40,406,912
Benefit payments, including refunds of employee contributions	(27,500,762)	(27,500,762)	-
Net investment income	-	65,127,780	(65,127,780)
Administrative expense	-	(652,449)	652,449
Miscellaneous other charges/revenue	-	107,539	(107,539)
Net changes	<u>30,862,757</u>	<u>37,082,108</u>	<u>(6,219,351)</u>
Balances at December 31, 2020	<u><u>\$ 287,096,992</u></u>	<u><u>\$ 549,899,376</u></u>	<u><u>\$ (262,802,384)</u></u>

Changes in assumptions. In fiscal year 2021, the discount rate decreased from 7.00% to 6.00%, the mortality tables were adjusted. The System moved RP-2014 Healthy Annuitant Mortality Table (unadjusted) projected to 2021 using a static projection based on two-dimensional MP-2014 improvement scales to the following: a.) actives: the Pub-2010 amount-weighted, General, Employee, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019, b.) healthy retirees: the Pub-2010 amount-weighted, general, healthy retiree, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95%, c.) disabled retirees: the Pub-2010 amount-weighted, general, disabled retiree, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the City, calculated using the discount rate of 6.0%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1% lower (5.0%) or 1% higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
City's net pension asset	\$ (234,091,113)	\$ (262,802,384)	\$ (287,033,427)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is provided in Note 16.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2021, the City recognized pension expense of \$10,404,240. At June 30, 2021, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 646,280	\$ (646,280)
Net difference between projected and actual earnings on pension plan investments	-	42,328,460	(42,328,460)
Total	<u>\$ -</u>	<u>\$ 42,974,740</u>	<u>\$ (42,974,740)</u>

Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ (13,348,928)
2023	(6,102,184)
2024	(17,481,193)
2025	<u>(6,042,435)</u>
Total	<u>\$ (42,974,740)</u>

12. DEFINED BENEFIT PENSION PLAN - POLICE AND FIRE RETIREMENT SYSTEM

Plan Description. The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Pontiac Police and Fire Retirement System; this plan covers all police and fire employees of the City. The System provides retirement benefits, as well as death and disability benefits. Employees may receive a cost of living adjustment as a percentage of their base amount, pursuant to the collective bargaining agreement in effect at their date of retirement. The plan issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 47450 Woodward, Pontiac, Michigan 48342.

Partial Termination and Plan Closure. In 2011, a partial termination of the pension plan for police and fire employees was deemed to have occurred when the City contracted with the Oakland County sheriff for policing services. This resulted from the termination of active employee positions at the City under the executive orders issued by the Emergency Manager. As of March 1, 2012, the City contracted with Waterford Township to provide fire services and the plan no longer had any active employees. As a result, for purposes of computing the actuarial determined contribution to the System from the City, the actuary is expressing the amount as a level dollar amount amortized on a closed basis, rather than as a level percent of payroll.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Method Used to Value Investments. Investments are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. Investments that do not have an established market value are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Investment Policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return. For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments was 9.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided. The Retirement System provides retirement, disability, and death benefits. Employees may receive cost of living adjustments as a percentage of their base amounts, pursuant to the collective bargaining agreement or employment agreement in effect at their date of retirement. The benefit terms and the obligation to contribute to and maintain the Retirement System were established by city ordinance and negotiation with the employees' collective bargaining units.

Contributions. State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Retirement System hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to make pension contributions based on the city ordinance, union contracts, and plan provisions; however, given that the plan is now closed, there are no longer any active members of the plan. The Retirement System's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2020, the City's required and actual contribution was \$1,835,294. There were no contributions due from members during fiscal year 2020.

Employees Covered by Benefit Terms. At December 31, 2020, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	432
Inactive employees entitled to but not yet receiving benefits	<u>120</u>
Total membership	<u><u>552</u></u>

Reserves. As of December 31, 2020, the Plan's legally required reserves have been fully funded as follows:

The *retiree reserve* is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The *employee reserve* is credited as employees make contributions; the Plan maintains a record of the amount contributed by each employee.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

The balances of the reserve accounts (required and actual reserves) at December 31, 2020 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 244,097,813	\$ 220,098,193
Employee reserve	1,123,397	1,123,397

Net Pension Liability. The City's net pension liability was measured as of December 31, 2020.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2020. The valuation used the following actuarial assumptions, applied to all periods included in the measurement (there are no assumptions related to inflation and salary increases as there was a partial termination and plan closure in 2011):

Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Cost of living adjustments	2.0%, per year up to 25 years

As the plan is not large enough to have credible experience, the actuary has set the mortality assumptions to reflect general population trends. For healthy annuitants, the plan has utilized the Pub-S 2010 Mortality Table with generational improvements using scale MP-2020. For disabled annuitants, the plan is using the Pub-S 2010 Disabled Mortality with generational improvements using scale MP-2020.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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 December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	6.12%
International equity	12.00%	6.67%
Domestic bonds	18.00%	2.37%
International bonds	5.00%	3.15%
Real estate	10.00%	3.29%
Other assets	10.00%	5.51%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that City's contributions will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and deferred employees. 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.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 240,806,837	\$ 220,936,451	\$ 19,870,386
Changes for the year:			
Interest	17,278,079	-	17,278,079
Changes in benefit terms	627,852	-	627,852
Differences between expected and actual experience	1,610,674	-	1,610,674
Employer contributions	-	1,835,294	(1,835,294)
Changes of assumptions	4,639,281	-	4,639,281
Benefit payments, including refunds of employee contributions	(20,864,910)	(20,864,910)	-
Net investment income	-	19,678,345	(19,678,345)
Administrative expense	-	(365,072)	365,072
Other	-	1,482	(1,482)
Net changes	<u>3,290,976</u>	<u>285,139</u>	<u>3,005,837</u>
Balances at December 31, 2020	<u><u>\$ 244,097,813</u></u>	<u><u>\$ 221,221,590</u></u>	<u><u>\$ 22,876,223</u></u>

Changes in assumptions. During fiscal year 2021, the Retirement System used the Pub-S 1010 Mortality Table with generational improvements using scale MP-2020.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 47,504,537	\$ 22,876,223	\$ 2,136,852

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is provided in Note 16.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2021, the City recognized pension expense of \$6,003,651. At June 30, 2021, the City 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	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 7,057,711	\$ (7,057,711)
Contributions subsequent to measurement date	2,248,844	-	2,248,844
Total	<u>\$ 2,248,844</u>	<u>\$ 7,057,711</u>	<u>\$ (4,808,867)</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ (2,224,322)
2023	350,903
2024	(4,417,220)
2025	<u>(767,072)</u>
Total	<u>\$ (7,057,711)</u>

For the governmental activities, the net pension liability is generally liquidated by the general fund.

13. DEFINED CONTRIBUTION PENSION PLAN

Defined Contribution Plan. Beginning January 1, 2002, the City began providing pension benefits to its full-time nonunion employees and elected officials through a 401(a) defined contribution plan. Nonunion employees and elected officials were given the option to participate in the defined contribution plan or the defined benefit plan. Effective July 1, 2005, SAEA members were also given the option to participate in the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council, the City contributes nine percent of the employees' gross earnings and employees are required to contribute three percent.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

The City entered into a Defined Contribution Plan agreement with the Municipal Employees' Retirement System of Michigan (MERS). The Agreement is to provide retirement benefits effective August 1, 2015 for all full-time employees of the City and 50th District Court hired as full time after January 1, 2011 and not a member of GERS. The Employer/Employee contribution are listed below. Vesting is immediate. Employer contributions for each employee plus interest allocated to the employees' account are immediately vested.

Employee contribution	Employer contribution
0.67%	0.33%
1.00%	0.50%
2.00%	1.00%
4.00%	2.00%
5.00%	2.50%
6.00%	3.00%
8.00%	4.00%
10.00%	5.00%
12.00%	6.00%
14.00%	7.00%

The City's total payroll during the current year was \$5,239,181. The current year contribution was calculated based on covered payroll of \$2,562,405, resulting in employer contributions of \$87,101 and employee contributions of \$158,898. As of June 30, 2021, there were 49 plan participants in the City's Michigan Employee MERS defined contribution plan, and one employee participating in the City's 401A defined contribution plan.

Deferred Compensation Plan. The City offers to all its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

14. OTHER POSTEMPLOYMENT BENEFITS - POLICE AND FIRE RETIREMENT SYSTEM VEBA

Plan Description. The Police and Fire Retiree Prefunded Group Health and Insurance Trust (the "Trust") was established as an irrevocable prefunded group health and insurance trust fund for health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac, and who retired on or after August 22, 1996. The Trust was created as an Internal Revenue Code 501(c)(9) Trust (VEBA). The Trust issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the Trust at 700 Tower Drive, Suite 300, Troy, Michigan 48098.

Contributions that were scheduled to be made to the Trust for the years ended December 31, 2011 and 2010 in the amount of \$2,635,156 and \$2,104,382, respectively, were not remitted to the Trust by the City in those years. During 2011, the Trust filed a lawsuit against the plan sponsor to compel payment on past-due contributions. In March 2013, a settlement agreement was reached between the Trust and the plan sponsor, and the City remitted a payment for past-due contributions in the amount of \$3,243,923. Contributions for 2012 were also the subject of a separate lawsuit. On July 31, 2019, a court judgment was entered in favor of the Trust in the amount of \$4,073,975. To satisfy the judgment, the Trust suspended its reimbursement made to the City each month for health care premium expenses until the judgment was fully satisfied. As of December 31, 2020, the City does not owe an amount to the Trust.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

On April 4, 2017, the City of Pontiac, Michigan announced that a tentative settlement had been reached with regard to retiree health care. In October 2018, the federal judge in the case approved the tentative settlement. The settlement agreement, once approved by various parties, including the Michigan Association of Public Employees (MAPE) and the Internal Revenue Service (IRS), among others, would provide retiree health care benefits to all eligible City of Pontiac, Michigan retirees via the creation of a new VEBA. This new VEBA will be funded by utilizing certain overfunded assets from the City of Pontiac General Employees' Retirement System and this Trust. In March 2021, the IRS issued a favorable determination. The Trust and related entities are pursuing efforts to transfer assets, with appropriate IRS approval.

Method Used to Value Investments. Investments are reported at estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates. Securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. Investments that do not have an established market value are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Investment Policy. The Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trust's board by a majority vote of its members. It is the policy of the Trust's board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return. For the year ended December 31, 2020, the annual money-weighted rate of return on OPEB plan investments was 7.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided. The Trust provides health, optical, dental, and life insurance benefits for retirees who are members of the Police and Fire Retirement System of the City of Pontiac and retired on or after August 22, 1996. During 2013, the board of trustees passed a resolution to expand membership to retirees who retired prior to August 22, 1996. The pre-August 22, 1996 retirees were covered by the Trust effective September 1, 2013 through April 1, 2014. All such benefits are paid out of the Trust.

Contributions. Historically, the Trust has been funded primarily by employer contributions. The trustees voted to implement funding at the actuarial recommended rate beginning on July 1, 2006. However, scheduled contributions were not paid to the Trust by the City. No contribution revenue was recorded in the current year.

Certain retirees are required to contribute toward the premiums paid on their behalf. Benefit expense for the year ended December 31, 2020 was \$2,530,663, which is net of \$610,605 in retiree contributions toward premiums.

Employees Covered by Benefit Terms. At December 31, 2020, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	177
Inactive employees entitled to but not yet receiving benefits	56
Other retirees who could elect	80
	<hr/>
Total membership	313
	<hr/> <hr/>

Net OPEB Asset. The City's net OPEB asset was measured as of December 31, 2020.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, which used update procedures to roll forward the estimated liability to December 30, 2020. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Healthcare cost trend rate	8.00% decreasing 0.5% per year to an ultimate rate of 5% for 2026 and later years
Mortality	General retirees and deferred vested employees: SOA Pub-2010 Headcount-weighted Public Safety Mortality Table fully generational using Scale MP-2019 Disabled retirees: SOA Pub-2010 Headcount-weighted Disabled Public Safety Mortality Table fully generational using Scale MP-2019 Surviving spouses: SOA Pub-2010 Headcount-weighted Contingent Survivor Mortality Table fully generational using Scale MP-2019
Investment rate of return	7.50% net of OPEB plan investment expense, including inflation

Long-term Expected Rate of Return. 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 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. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	52.50%	7.50%
International equity	12.50%	8.50%
Domestic bonds	18.00%	2.50%
Noncore bonds	5.00%	3.50%
Alternative assets	12.00%	6.39%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total OPEB liability at December 31, 2020 was 7.50%.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Asset. The components of the change in the net OPEB asset are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at December 31, 2019	\$ 38,746,859	\$ 43,448,886	\$ (4,702,027)
Changes for the year:			
Interest	2,812,830	-	2,812,830
Differences between expected and actual experience	(8,263,788)	-	(8,263,788)
Benefit payments, including refunds of employee contributions	(2,530,663)	(2,530,663)	-
Net investment income	-	3,023,527	(3,023,527)
Administrative expense	-	(46,032)	46,032
Other	-	161,792	(161,792)
Net changes	<u>(7,981,621)</u>	<u>608,624</u>	<u>(8,590,245)</u>
Balances at December 31, 2020	<u>\$ 30,765,238</u>	<u>\$ 44,057,510</u>	<u>\$ (13,292,272)</u>

Sensitivity of the Net OPEB asset to Changes in the Discount Rate. The following presents the net OPEB asset of the City, calculated using the discount rate of 7.5%, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net OPEB asset	\$ (9,391,092)	\$ (13,292,272)	\$ (16,500,303)

Sensitivity of the Net OPEB asset to Changes in the Healthcare Cost Trend. The following presents the net OPEB asset of the City, calculated using the healthcare cost trend rate of 8.0%, as well as what the City's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Healthcare Cost Trend Rate (8.0%)	1% Increase (9.0%)
City's net OPEB asset	\$ (16,314,610)	\$ (13,292,272)	\$ (9,652,317)

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is provided in Note 16.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2021, the City recognized OPEB expense of (\$8,396,245). At June 30, 2021, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,318	\$ (3,318)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2022	\$ 170,721
2023	510,813
2024	(680,197)
2025	<u>(4,655)</u>
Total	<u>\$ (3,318)</u>

15. OTHER POSTEMPLOYMENT BENEFITS - CITY OF PONTIAC RETIREE HEALTH CARE PLAN

Plan Description and Benefits Provided. The City provides medical, prescription, and core dental benefits for General retirees and Police and Fire retirees not eligible for the Police and Fire Retiree Prefunded Group Health and Insurance Trust noted above. This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements.

Contributions. The collective bargaining agreements do not require employee contributions. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Employees Covered by Benefit Terms. At December 31, 2020, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	722
Inactive employees entitled to but not yet receiving benefits	<u>10</u>
Total membership	<u><u>732</u></u>

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Healthcare cost trend rate	7.50% decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years
Mortality	<p>Healthy general retirees: SOA Pub.H-2010 General Mortality Table fully generational using Scale MP-2020</p> <p>Healthy police and fire retirees: SOA Pub.H-2010 Public Safety Mortality Table fully generational using Scale MP-2020</p> <p>Disabled general retirees: SOA Pub.H-2010 Disabled General Mortality Table fully generational using Scale MP-2020</p> <p>Disabled police and fire retirees: SOA Pub.H-2010 Disabled Public Safety Mortality Table fully generational using Scale MP-2020</p> <p>Beneficiaries: SOA Pub.H-2010 Contingent Survivor Mortality Table fully generational using Scale MP-2020</p>

Discount Rate. Because the OPEB plan does not have a dedicated trust, there are no assets projected to make projected future benefit payments. Therefore, the discount rate incorporates a municipal bond rate which was 2.12% at December 31, 2020. The source of that bond rate was the Bond Buyer GO 20-Bond Municipal Bond Index.

Changes in the Total OPEB Liability. The components of the change in the total OPEB liability are summarized as follows:

	Total OPEB Liability (a)
Balances at December 31, 2019	<u>\$ 69,322,430</u>
Changes for the year:	
Interest	2,192,953
Differences between expected and actual experience	(19,116,925)
Changes of assumptions	7,450,672
Benefit payments, including refunds of employee contributions	<u>(4,141,100)</u>
Net changes	<u>(13,614,400)</u>
Balances at December 31, 2020	<u><u>\$ 55,708,030</u></u>

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 2.12%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.12%) or 1% higher (3.12%) than the current rate:

	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
City's total OPEB liability	\$ 64,073,998	\$ 55,708,030	\$ 49,075,151

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rate (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 5.5%)
City's total OPEB liability	\$ 48,748,087	\$ 55,708,030	\$ 64,307,701

OPEB Expense. For the year ended June 30, 2021, the City recognized OPEB expense of (\$9,473,300).

For the governmental activities, the total OPEB liability is generally liquidated by the general fund.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

16. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FIDUCIARY FUNDS

	Plan Net Position as of December 31, 2020			
	General City Employees' Retirement System	Police and Fire Retirement System	Police and Fire Retirement System VEBA	Total
Assets				
Cash and cash equivalents	\$ 741,322	\$ 670,638	\$ 7,050,591	\$ 8,462,551
Investments at fair value:				
Government agency notes and debentures	58,213,410	-	-	58,213,410
U.S. government securities	-	19,207,646	-	19,207,646
U.S. government mortgage-backed securities	18,428,932	533,458	-	18,962,390
Fixed income	-	-	6,056,034	6,056,034
Commercial mortgage pools	1,931,331	-	-	1,931,331
Corporate and other bonds	34,835,018	20,713,925	-	55,548,943
Limited partnerships	62,471,892	14,271,008	7,730,553	84,473,453
Domestic stock	-	138,273,009	-	138,273,009
Short-term investments	11,795,193	9,137,685	3,826,415	24,759,293
Equities	-	-	24,985,640	24,985,640
Domestic equities	304,815,937	-	-	304,815,937
Private equities	10,054,057	-	-	10,054,057
Foreign equities	46,357,910	-	-	46,357,910
Real estate	-	18,247,038	-	18,247,038
Real estate investment trusts	-	-	1,086,265	1,086,265
Accrued interest and dividends receivable	970,671	234,795	26,961	1,232,427
Other receivables	158,956	-	83,776	242,732
Due from Police and Fire Retirement System VEBA	-	89,798	-	89,798
Total assets	550,774,629	221,379,000	50,846,235	822,999,864
Liabilities				
Due to City of Pontiac	-	-	1,659,116	1,659,116
Due to Police and Fire Retirement System	-	-	89,798	89,798
Due to brokers	-	-	5,010,213	5,010,213
Accounts payable and other	875,253	157,410	29,598	1,062,261
Total liabilities	875,253	157,410	6,788,725	7,821,388
Net position restricted for pension and other employee benefits	\$ 549,899,376	\$ 221,221,590	\$ 44,057,510	\$ 815,178,476

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

	Changes in Plan Net Position for the Year Ended			
	December 31, 2020			
	General City Employees' Retirement System	Police and Fire Retirement System	Police and Fire Retirement System VEBA	Total
Additions				
Investment income:				
Interest and dividend income	\$ 7,200,574	\$ 3,493,505	\$ 1,041,866	\$ 11,735,945
Net increase in fair value	60,369,392	16,810,886	2,070,949	79,251,227
Less investment related expenses	(2,442,186)	(626,046)	(89,288)	(3,157,520)
Net investment income	65,127,780	19,678,345	3,023,527	87,829,652
Contributions - Employer	-	1,835,294	-	1,835,294
Miscellaneous and litigation revenue	107,539	1,482	161,792	270,813
Total additions	65,235,319	21,515,121	3,185,319	89,935,759
Deductions				
Retirees' pension benefits	27,500,762	20,864,910	-	48,365,672
Retiree health benefit payments	-	-	2,530,663	2,530,663
Administrative expenses	652,449	365,072	46,032	1,063,553
Total deductions	28,153,211	21,229,982	2,576,695	51,959,888
Change in net position	37,082,108	285,139	608,624	37,975,871
Net position:				
Beginning of year	512,817,268	220,936,451	43,448,886	777,202,605
End of year	\$ 549,899,376	\$ 221,221,590	\$ 44,057,510	\$ 815,178,476

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

17. CONTINGENT LIABILITIES

Cost Settlements - The City receives grants from the State of Michigan and various federal agencies to fund specific projects. Final determination of grant amounts is subject to audit by the responsible agencies. The City does not believe that disallowed costs will exceed amounts provided for disallowances by an amount material to the financial statements.

Litigation - There are various claims and legal actions pending against the City and its various operating units, many of which are either partially or fully covered by insurance. The City is defending against these actions. In the opinion of City management, the ultimate amount of loss, if any, resulting from these claims and legal actions will not be material to the financial position of the City, except for the following matters:

Retired Employees Association vs. City of Pontiac. On April 4, 2017, the City of Pontiac, Michigan announced that a tentative settlement had been reached regarding retiree health care. In October 2018, the federal judge in the case approved the tentative settlement. The settlement agreement, once approved by various parties, including the Michigan Association of Public Employees (MAPE) and the Internal Revenue Service (IRS), among others, would provide retiree health care benefits to all eligible City of Pontiac, Michigan retirees via the creation of a new VEBA.

This new VEBA will be funded by utilizing certain overfunded assets from the City of Pontiac General Employees' Retirement System and the Police and Fire VEBA. In March 2021, the IRS issued a favorable determination for the new VEBA. The Trust and related entities are pursuing efforts to transfer assets, with appropriate IRS approval.

Board of Trustees Police and Fire VEBA vs. City of Pontiac. The City has been in litigation with the Police and Fire VEBA Board of Trustees relating to a prior Emergency Manager order allowing the City to not make the annual contribution to the VEBA Trust for the period ending June 30, 2012 for the amount of \$3,473,923.

On July 31, 2019, a judgement was entered regarding the Board of Trustees and Fire VEBA FY 2012 annual contribution of \$3,473,923. The City was directed to pay the fiscal year 2012 contribution of \$3,473,923 plus interest of \$600,052 for a total award of \$4,073,975 to the VEBA. To satisfy the judgment, the Trust suspended its reimbursement made to the City each month for health care premium expenses until the judgment is fully satisfied. As of December 31, 2020, the City does not owe an amount to the Trust. In addition, the award in the VEBA case of \$4,073,975 offsets the initial contribution of \$4,250,000 mandated in the settlement of the Retired Employees Association vs. City of Pontiac case.

18. TAX ABATEMENTS

The City received reduced property tax revenues during the year as a result of industrial facilities tax exemptions (IFT's), brownfield redevelopment agreements and other agreements entered into by cities, villages, townships, and authorities within the City.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to \$127,416 in reduced City tax revenues for the year.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to \$23,092 in reduced City tax revenues for the year.

The City also has entered into agreements under the State Housing Development Authority Act, PA 346 of 1966. Under this act, a municipality may allow a payment of a service charge in lieu of taxes to provide housing to elderly persons of low to moderate income. The abatements amounted to \$592,997 in reduced City tax revenues for the year.

Finally, the City entered into agreements under the New Personal Property Tax Exemption Act, PA 328 of 1998, as amended. This act affords a 100% property tax exemption for specific businesses located within eligible distressed communities. The abatements amounted to \$1,958,320 in reduced City tax revenues for the year.

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

19. DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, is as follows:

	General	Major Streets	Progress for Pontiac	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 32,734	\$ -	\$ -	\$ 25,507	\$ 58,241
Restricted					
Roads	-	5,779,722	-	2,712,823	8,492,545
Drug enforcement	-	-	-	188,798	188,798
Capital projects	-	-	-	3,160,928	3,160,928
Sanitation	-	-	-	7,171,663	7,171,663
Senior activities	-	-	-	989,114	989,114
Community development	-	-	-	30,335	30,335
Home buyers assistance	-	-	-	3,638	3,638
Cable television	-	-	-	1,214,276	1,214,276
Youth recreation	-	-	-	794,406	794,406
Telecommunications	-	-	-	23,222	23,222
Building inspection	-	-	-	3,838,300	3,838,300
Total restricted	-	5,779,722	-	20,127,503	25,907,225
Committed					
Youth recreation	3,200,000	-	-	-	3,200,000
Assigned					
Ottawa towers settlement	5,600,000	-	-	-	5,600,000
Unassigned					
	12,637,961	-	-	-	12,637,961
Total fund balances	\$ 21,470,695	\$ 5,779,722	\$ -	\$ 20,153,010	\$ 47,403,427

CITY OF PONTIAC, MICHIGAN

Notes to Financial Statements

20. OPERATING LEASE

The City entered into a lease for a building under a non-cancelable operating lease agreement. The total lease expense for the year ending June 30, 2021 was \$70,000. The future minimum lease payment for the lease is as follows:

Year Ended June 30,	Amount
2022	\$ 70,000

21. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The City directly recognized over \$3.0 million during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to provide relief in multiple areas such as public safety payroll costs, cleaning and sanitizing materials, personal protection equipment (PPE) programs, and programs to support the safe reopening of restaurants and bars.



This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Changes in City's Net Pension Asset and Related Ratios

	Fiscal Year Ended June 30,		
	2021	2020	2019
Total pension liability			
Service cost	\$ 219,594	\$ 233,616	\$ 147,521
Interest	16,988,197	17,384,038	17,725,816
Changes in benefit terms	3,277,435	3,402,001	3,470,936
Differences between expected and actual experience	(2,528,619)	1,139,898	1,839,373
Changes in assumptions	40,406,912	-	-
Benefit payments, including refunds of member contributions	(27,500,762)	(28,114,053)	(28,199,311)
Net change in total pension liability	<u>30,862,757</u>	<u>(5,954,500)</u>	<u>(5,015,665)</u>
Total pension liability, beginning of year	<u>256,234,235</u>	<u>262,188,735</u>	<u>267,204,400</u>
Total pension liability, end of year	<u>287,096,992</u>	<u>256,234,235</u>	<u>262,188,735</u>
Plan fiduciary net position			
Net investment income (loss)	65,127,780	87,393,680	(23,328,559)
Benefit payments, including refunds of member contributions	(27,500,762)	(28,114,053)	(28,199,310)
Administrative expense	(652,449)	(691,928)	(770,714)
Other	107,539	55,649	35,826
Net change in plan fiduciary net position	<u>37,082,108</u>	<u>58,643,348</u>	<u>(52,262,757)</u>
Plan fiduciary net position, beginning of year	<u>512,817,268</u>	<u>454,173,920</u>	<u>506,436,677</u>
Plan fiduciary net position, end of year	<u>549,899,376</u>	<u>512,817,268</u>	<u>454,173,920</u>
City's net pension asset	<u>\$ (262,802,384)</u>	<u>\$ (256,583,033)</u>	<u>\$ (191,985,185)</u>
Plan fiduciary net position as a percentage of the total pension liability	191.5%	200.1%	173.2%
Covered payroll	\$ 1,349,022	\$ 1,391,765	\$ 1,427,628
City's net pension asset as a percentage of covered payroll	19481.0%	18435.8%	13447.8%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Changes in Benefit Terms. The City of Pontiac, Michigan (plan sponsor) adopted a resolution in fiscal year 2020 to extend the \$400 temporary benefits that were paid out to retirees through August 2021.

Assumption Changes. In fiscal year 2016, the mortality tables were updated from the 1983 Group Annuity Mortality table to RP-2014 Blue Collar tables. In fiscal year 2017, changes included a decrease in the discount rate from 7.50% to 7.00%, and the mortality tables were updated from RP-2014 Blue Collar tables to RP-2014 Healthy Annuitant Mortality table (unadjusted) projected to 2021 using static projection based on the two-dimensional MP-2014 improvement scales. In fiscal year 2021, the discount rate decreased from 7.00% to 6.00%, the mortality tables were adjusted. The System moved RP-2014 Healthy Annuitant Mortality Table (unadjusted) projected to 2021 using a static projection based on two-dimensional MP-2014 improvement scales to the following: a.) actives: the Pub-2010 amount-weighted, General, Employee, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019, b.) healthy retirees: the Pub-2010 amount-weighted, general, healthy retiree, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019 with male and female rates scaled by 95%, c.) disabled retirees: the Pub-2010 amount-weighted, general, disabled retiree, male and female tables, with future mortality improvements projected generationally to 2030 using scale MP-2019.

Fiscal Year Ended June 30,			
2018	2017	2016	2015
\$ 350,549	\$ 324,671	\$ 314,272	\$ 279,187
17,598,425	17,944,933	19,232,034	19,973,828
10,658,814	-	5,407,365	-
871,705	5,189,027	(23,548,600)	(2,538,358)
-	15,686,953	9,124,140	-
<u>(26,916,912)</u>	<u>(27,119,534)</u>	<u>(28,052,593)</u>	<u>(27,507,232)</u>
2,562,581	12,026,050	(17,523,382)	(9,792,575)
<u>264,641,819</u>	<u>252,615,769</u>	<u>270,139,151</u>	<u>279,931,726</u>
<u>267,204,400</u>	<u>264,641,819</u>	<u>252,615,769</u>	<u>270,139,151</u>
67,868,606	34,606,547	(3,414,613)	29,460,854
(26,916,912)	(27,119,534)	(28,052,593)	(27,507,232)
(696,340)	(683,083)	(954,593)	(699,715)
29,291	5,748	37,357	-
<u>40,284,645</u>	<u>6,809,678</u>	<u>(32,384,442)</u>	<u>1,253,907</u>
<u>466,152,032</u>	<u>459,342,354</u>	<u>491,726,796</u>	<u>490,472,889</u>
<u>506,436,677</u>	<u>466,152,032</u>	<u>459,342,354</u>	<u>491,726,796</u>
<u>\$ (239,232,277)</u>	<u>\$ (201,510,213)</u>	<u>\$ (206,726,585)</u>	<u>\$ (221,587,645)</u>
189.5%	176.1%	181.8%	182.0%
\$ 1,450,352	\$ 1,540,472	\$ 1,528,731	\$ 1,478,241
16494.8%	13081.1%	13522.8%	14990.0%

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Net Pension Asset

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Asset	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Asset as Percentage of Payroll
2021	\$ 287,096,992	\$ 549,899,376	\$ (262,802,384)	191.54%	\$ 1,349,022	19481.0%
2020	256,234,235	512,817,268	(256,583,033)	200.14%	1,391,765	18435.8%
2019	262,188,735	454,173,920	(191,985,185)	173.22%	1,427,628	13447.8%
2018	267,204,400	506,436,677	(239,232,277)	189.53%	1,450,352	16494.8%
2017	264,641,819	466,152,032	(201,510,213)	176.14%	1,540,472	13081.1%
2016	252,615,769	459,342,354	(206,726,585)	181.83%	1,528,731	13522.8%
2015	270,139,151	491,726,796	(221,587,645)	182.03%	1,478,241	14990.0%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

General Employees' Retirement System

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2021	\$ -	\$ -	\$ -	\$ 1,349,022	0.0%
2020	-	-	-	1,391,765	0.0%
2019	-	-	-	1,427,628	0.0%
2018	-	-	-	1,450,352	0.0%
2017	-	-	-	1,540,472	0.0%
2016	-	-	-	1,528,731	0.0%
2015	-	-	-	1,478,241	0.0%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of June 30, two and a half years prior to the end of the fiscal year in which the contributions are reported. The most recent valuation is as of December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.6 - 7.4% (includes inflation)
Investment rate of return	7.0%
Retirement age	Age-based table of rates are specific to the type of eligibility condition
Mortality rates	The RP-2014 Health Annuitant Mortality Table (unadjusted) projected to 2021 using a static projection based on the two-dimensional MP-2014 improvement scales

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System

Schedule of Changes in City's Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,		
	2021	2020	2019
Total pension liability			
Interest	\$ 17,278,079	\$ 17,523,601	\$ 17,768,283
Changes in benefit terms	627,852	666,543	464,793
Differences between expected and actual experience	1,610,674	(181,582)	(451,296)
Changes in assumptions	4,639,281	(556,186)	(434,944)
Benefit payments, including refunds of member contributions	(20,864,910)	(20,587,103)	(20,631,416)
Net change in total pension liability	3,290,976	(3,134,727)	(3,284,580)
Total pension liability, beginning of year	240,806,837	243,941,564	247,226,144
Total pension liability, end of year	244,097,813	240,806,837	243,941,564
Plan fiduciary net position			
Employer contributions	1,835,294	2,133,428	2,412,557
Net investment income (loss)	19,678,345	33,045,584	(7,116,516)
Benefit payments, including refunds of member contributions	(20,864,910)	(20,587,103)	(20,631,416)
Administrative expense	(365,072)	(297,302)	(257,590)
Other	1,482	3,583	10,085
Net change in plan fiduciary net position	285,139	14,298,190	(25,582,880)
Plan fiduciary net position, beginning of year	220,936,451	206,638,261	232,221,141
Plan fiduciary net position, end of year	221,221,590	220,936,451	206,638,261
City's net pension liability	\$ 22,876,223	\$ 19,870,386	\$ 37,303,303
Plan fiduciary net position as a percentage of the total pension liability	90.6%	91.7%	84.7%
Covered payroll	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	0.0%	0.0%	0.0%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Assumption Changes. In fiscal year 2017, the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2016 was used, as compared to the RP-2014 Blue Collar Mortality Table with generational improvements using scale MP-2015 used in fiscal year 2016. In fiscal year 2018, the RP-2014 Blue Collar Table with generational improvements using scale MP-2017 was used. In fiscal year 2019, the RP-2014 Blue Collar Table with generational improvements using scale MP-2018 was used. In fiscal year 2020, the RP-2014 Blue Collar Table with generational improvements using scale MP-2019 was used. During fiscal year 2021, the Retirement System used the Pub-S 1010 Mortality Table with generational improvements using scale MP-2020.

Fiscal Year Ended June 30,			
2018	2017	2016	2015
\$ 18,015,944	\$ 18,142,691	\$ 17,667,136	\$ 17,801,885
765,616	780,417	1,179,108	-
(575,621)	2,964,382	4,777,253	67,662
(606,903)	(2,147,637)	3,437,195	-
<u>(21,170,946)</u>	<u>(21,688,683)</u>	<u>(19,751,254)</u>	<u>(19,581,140)</u>
(3,571,910)	(1,948,830)	7,309,438	(1,711,593)
<u>250,798,054</u>	<u>252,746,884</u>	<u>245,437,446</u>	<u>247,149,039</u>
<u>247,226,144</u>	<u>250,798,054</u>	<u>252,746,884</u>	<u>245,437,446</u>
1,773,627	2,041,923	2,327,949	901,797
28,866,568	18,343,180	1,600,942	15,235,786
(21,170,946)	(21,688,683)	(19,751,254)	(19,581,140)
(310,593)	(300,220)	(328,225)	(332,389)
5,188	25,735	1,020	40,671
<u>9,163,844</u>	<u>(1,578,065)</u>	<u>(16,149,568)</u>	<u>(3,735,275)</u>
<u>223,057,297</u>	<u>224,635,362</u>	<u>240,784,930</u>	<u>244,520,205</u>
<u>232,221,141</u>	<u>223,057,297</u>	<u>224,635,362</u>	<u>240,784,930</u>
<u>\$ 15,005,003</u>	<u>\$ 27,740,757</u>	<u>\$ 28,111,522</u>	<u>\$ 4,652,516</u>
93.9%	88.9%	88.9%	98.1%
\$ -	\$ -	\$ -	\$ -
0.0%	0.0%	0.0%	0.0%

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System

Schedule of Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2021	\$ 244,097,813	\$ 221,221,590	\$ 22,876,223	90.63%	\$ -	0.00%
2020	240,806,837	220,936,451	19,870,386	91.75%	-	0.00%
2019	243,941,564	206,638,261	37,303,303	84.71%	-	0.00%
2018	247,226,144	232,221,141	15,005,003	93.93%	-	0.00%
2017	250,798,054	223,057,297	27,740,757	88.94%	-	0.00%
2016	252,746,884	224,635,362	28,111,522	88.88%	-	0.00%
2015	245,437,446	240,784,930	4,652,516	98.10%	-	0.00%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2021	\$ 1,835,294	\$ 1,835,294	\$ -	\$ -	0.0%
2020	2,133,428	2,133,428	-	-	0.0%
2019	2,412,557	2,412,557	-	-	0.0%
2018	1,773,627	1,773,627	-	-	0.0%
2017	2,041,923	2,041,923	-	-	0.0%
2016	2,327,949	2,327,949	-	-	0.0%
2015	901,797	901,797	-	-	0.0%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of June 30, two and a half years prior to the end of the fiscal year in which the contributions are reported. The most recent valuation is as of December 31, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	20% write-up
Inflation	0.0%
Salary increases	N/A
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Experience-based table of rates to the type of eligibility condition
Mortality rates	RP-2014 Blue Collar, with general improvements using MP-2019 scale
Other information	Cost-of-living adjustments are 2.0% of original pension amounts at retirement for certain plan members and applied to years of retirement

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System VEBA

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios

	Fiscal Year Ended June 30,	
	2021	2020
Total OPEB liability		
Interest on total OPEB liability	\$ 2,812,830	\$ 2,857,872
Difference between expected and actual experience	(8,263,788)	(1,140,426)
Changes of assumptions	-	(3,059,994)
Benefit payments	(2,530,663)	(2,614,513)
Net change in total OPEB liability	(7,981,621)	(3,957,061)
Total OPEB liability, beginning of year	38,746,859	42,703,920
Total OPEB liability, end of year	30,765,238	38,746,859
Plan fiduciary net position		
Employer contributions	-	-
Benefit payments, including refunds	(2,530,663)	(2,614,513)
OPEB plan net investment income (loss)	3,023,527	6,263,203
Administrative expense	(46,032)	(49,079)
Other	161,792	3,081
Net change in plan fiduciary net position	608,624	3,602,692
Plan fiduciary net position, beginning of year	43,448,886	39,846,194
Plan fiduciary net position, end of year	44,057,510	43,448,886
Net OPEB (asset) liability	\$ (13,292,272)	\$ (4,702,027)
Plan fiduciary net position as a percentage of total OPEB liability	143.2%	112.1%

Note: Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption Changes. In fiscal year 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.10% to 6.50%. In fiscal year 2019, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.50% to 6.90%. In fiscal year 2020, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.90% to 7.50%, and mortality table from the SOA RPH-2006 Total Dataset Mortality Table fully generational with SS 2018 improvement scale to various SOA Pub-2010 headcount-weighted tables fully generational using scale MP-2019.



Fiscal Year Ended June 30,

2019 **2018**

\$ 2,983,381	\$ 2,890,913
(2,597,547)	3,832,503
(2,409,464)	551,988
<u>(2,304,955)</u>	<u>(1,887,615)</u>
(4,328,585)	5,387,789

<u>47,032,505</u>	<u>41,644,716</u>
-------------------	-------------------

<u>42,703,920</u>	<u>47,032,505</u>
-------------------	-------------------

4,073,975	-
(2,304,955)	(1,887,615)
(2,848,439)	4,508,528
(55,482)	(95,449)
29,049	845
<u>(1,105,852)</u>	<u>2,526,309</u>

<u>40,952,046</u>	<u>38,425,737</u>
-------------------	-------------------

<u>39,846,194</u>	<u>40,952,046</u>
-------------------	-------------------

<u>\$ 2,857,726</u>	<u>\$ 6,080,459</u>
---------------------	---------------------

93.3%	87.1%
-------	-------

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System VEBA

Schedule of Net OPEB (Asset) Liability

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB (Asset) Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB (Asset) Liability as Percentage of Covered Payroll
2021	\$ 30,765,238	\$ 44,057,510	\$ (13,292,272)	143.2%	n/a	n/a
2020	38,746,859	43,448,886	(4,702,027)	112.1%	n/a	n/a
2019	42,703,920	39,846,194	2,857,726	93.3%	n/a	n/a
2018	47,032,505	40,952,046	6,080,459	87.1%	n/a	n/a

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Police and Fire Retirement System VEBA
 Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2021	\$ -	\$ -	\$ -	n/a	n/a
2020	-	2,925,244	2,925,244	n/a	n/a
2019	82,480	-	(82,480)	n/a	n/a
2018	287,012	-	(287,012)	n/a	n/a

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Note: The amount shown as contributions for 2020 relate to the court judgment against the City for 2012 contributions, which was partially received in 2020. Annual determined contribution was zero for 2021.

Notes to Schedule of Contributions

Notes Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine rates:

Actuarial cost method	Entry-age normal, level % of salary
Amortization method	Level dollar, closed
Remaining amortization period	26 years
Asset valuation method	Market value
Inflation	2.25%
Health care trend rates	8.00% decreasing 0.50% per year to an ultimate rate of 5.0% for 2026 and later years
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Mortality	Various SOA Pub-2010 headcount-weighted tables fully generational using Scale MP-2019

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Retiree Health Care Plan

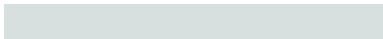
Schedule of Changes in Total OPEB Liability and Related Ratios

	Fiscal Year Ended June 30,	
	2021	2020
Total OPEB liability		
Interest on total OPEB liability	\$ 2,192,953	\$ 2,574,801
Changes in benefit terms	-	-
Difference between expected and actual experience	(19,116,925)	(1,308,160)
Changes of assumptions	7,450,672	7,449,434
Benefit payments	(4,141,100)	(4,041,063)
Net change in total OPEB liability	(13,614,400)	4,675,012
Total OPEB liability, beginning of year	69,322,430	64,647,418
Total OPEB liability, end of year	\$ 55,708,030	\$ 69,322,430
Covered-employee payroll	n/a	n/a
Total OPEB liability as a percentage of covered-employee payroll	n/a	n/a

Note: Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Assumption Changes: In fiscal year 2020, the mortality tables changed from SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale SS-2017 for all plan participants to the following: SOA Pub.H-2010 Public Safety Mortality Table fully generational using Scale MP-2020 for police and fire retirees, SOA Pub.H-2010 General Mortality Table fully generational using Scale MP-2020 for general retirees, SOA Pub.H-2010 Disabled Public Safety Mortality Table fully generational using Scale MP-2020 for disabled police and fire retirees, SOA Pub.H-2010 Disabled General Mortality Table fully generational using Scale MP-2020 for disabled general retirees, and SOA Pub.H-2010 Contingent Survivor Mortality Table fully generational using Scale MP-2020 for beneficiaries. Additionally, healthcare trend rates reset to an initial rate of 8.0% for pre-Medicare and 6.5% for Medicare, decreasing by 0.5% annually to an ultimate rate of 4.5% for pre-Medicare and 4.0% for Medicare. In fiscal year 2018, the mortality table improvement scale updated from SS 2016 improvement scale to SS 2017 improvement scale, and healthcare trend rates reset to an initial rate of 9.0% for pre-Medicare and 7.0% for Medicare, decreasing by 0.5% annually to an ultimate rate of 5.0% for pre-Medicare and 4.0% for Medicare.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



Fiscal Year Ended June 30,	
2019	2018
\$ 2,693,118	\$ 3,237,511
-	(6,518,093)
(8,545,849)	391,102
(5,607,379)	(4,610,100)
(4,325,000)	-
<u>(15,785,110)</u>	<u>(7,499,580)</u>
<u>80,432,528</u>	<u>87,932,108</u>
<u>\$ 64,647,418</u>	<u>\$ 80,432,528</u>

n/a

n/a

n/a

n/a

CITY OF PONTIAC, MICHIGAN

Required Supplementary Information

Retiree Health Care Plan
 Schedule of the Total OPEB Liability

Fiscal Year Ending June 30,	Total OPEB Liability	Covered Payroll	Total OPEB Liability as Percentage of Covered Payroll
2021	\$ 55,708,030	n/a	n/a
2020	69,322,430	n/a	n/a
2019	64,647,418	n/a	n/a
2018	80,432,528	n/a	n/a

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF PONTIAC, MICHIGAN

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes and special assessments	\$ 8,478,935	\$ 8,478,935	\$ 8,777,748	\$ 298,813
Income taxes	13,541,775	13,541,775	15,118,035	1,576,260
Federal revenue	20,000	515,640	3,008,105	2,492,465
State revenue	10,630,785	10,630,785	11,371,028	740,243
Charges for services	1,048,900	1,048,900	1,188,616	139,716
Fines and forfeitures	8,000	8,000	30,570	22,570
Licenses and permits	178,900	178,900	175,290	(3,610)
Interest and rental revenue	751,800	751,800	612,182	(139,618)
Other revenue	1,837,482	1,837,482	3,445,170	1,607,688
Total revenues	36,496,577	36,992,217	43,726,744	6,734,527
Expenditures				
Current:				
General government	7,575,978	7,981,618	6,754,214	(1,227,404)
Public safety	21,825,652	21,825,652	22,144,424	318,772
Public works	2,594,021	2,594,021	2,696,762	102,741
Community and economic development	1,973,792	2,063,792	1,656,860	(406,932)
Recreation and culture	3,754,861	3,754,861	635,705	(3,119,156)
Retiree fringe benefits	2,258,844	2,258,844	2,445,767	186,923
Total expenditures	39,983,148	40,478,788	36,333,732	(4,145,056)
Revenues over (under) expenditures	(3,486,571)	(3,486,571)	7,393,012	10,879,583
Other financing sources (uses)				
Transfers in	750,214	750,214	23,975	(726,239)
Transfers out	(2,919,503)	(2,919,503)	(1,600,019)	(1,319,484)
Total other financing sources (uses)	(2,169,289)	(2,169,289)	(1,576,044)	593,245
Net change in fund balance	(5,655,860)	(5,655,860)	5,816,968	11,472,828
Fund balance, beginning of year	15,653,727	15,653,727	15,653,727	-
Fund balance, end of year	\$ 9,997,867	\$ 9,997,867	\$ 21,470,695	\$ 11,472,828

CITY OF PONTIAC, MICHIGAN

Budgetary Comparison Schedule

Major Streets Special Revenue Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State revenue	\$ 5,822,659	\$ 5,822,659	\$ 9,130,907	\$ 3,308,248
Interest	25,700	25,700	5,290	(20,410)
Other revenue	-	-	193,437	193,437
Total revenues	5,848,359	5,848,359	9,329,634	3,481,275
Expenditures				
Public works	6,789,748	6,789,748	7,469,063	679,315
Net change in fund balance	(941,389)	(941,389)	1,860,571	2,801,960
Fund balance, beginning of year	3,919,151	3,919,151	3,919,151	-
Fund balance, end of year	<u>\$ 2,977,762</u>	<u>\$ 2,977,762</u>	<u>\$ 5,779,722</u>	<u>\$ 2,801,960</u>

CITY OF PONTIAC, MICHIGAN

Note to Required Supplementary Information

1. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds.

Budget requests are reviewed by the budget department, finance department and executive office. The final budget is adopted by June 30 each year. City Council adopted the final budget for the June 30, 2021 year end.

City officials responsible for the expenditures authorized in the budget may expend City funds up to, but not to exceed, the total appropriated authorized for each function.

All annual appropriations lapse at year end except those approved for carryforward through encumbrances. Encumbrances (e.g., purchase orders, contracts) do not constitute expenditures or liabilities because the goods and services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

During the year ended June 30, 2021, the City incurred expenditures in excess of the amounts appropriated as follows:

	Amended Budget	Actual	Over Budget
General fund			
Public safety	\$ 21,825,652	\$ 22,144,424	\$ 318,772
Public works	2,594,021	2,696,762	102,741
Retiree fringe benefits	2,258,844	2,445,767	186,923
Major streets			
special revenue fund			
Public works	6,789,748	7,469,063	679,315



This page intentionally left blank.

OTHER SUPPLEMENTAL INFORMATION

CITY OF PONTIAC, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2021

	Special Revenue Funds					
	Youth Recreation	PA-48 Tele-communication Allocation	Community Development Block Grant	Home Buyers Assistance	Local Streets	Senior Activities
Assets						
Cash and investments	\$ 821,253	\$ 23,222	\$ 30,335	\$ 3,638	\$ 3,549,425	\$ 1,012,320
Accounts receivable	-	-	-	-	-	-
Taxes receivable, net	2,566	-	-	-	-	4,582
Interest receivable	-	-	-	-	642	73
Due from other governments	-	-	-	-	294,965	-
Prepays	25,283	-	-	-	-	10
Restricted assets	-	-	-	-	-	-
Total assets	<u>\$ 849,102</u>	<u>\$ 23,222</u>	<u>\$ 30,335</u>	<u>\$ 3,638</u>	<u>\$ 3,845,032</u>	<u>\$ 1,016,985</u>
Liabilities						
Accounts payable	\$ 14,621	\$ -	\$ -	\$ -	\$ 719,894	\$ 15,577
Accrued wages	9,463	-	-	-	9,091	8,181
Unearned revenue	-	-	-	-	-	-
Due to other governments	2,763	-	-	-	-	1,990
Due to other funds	-	-	-	-	402,742	-
Deposits payable	-	-	-	-	-	400
Total liabilities	<u>26,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,131,727</u>	<u>26,148</u>
Deferred inflows of resources						
Unavailable revenue	2,566	-	-	-	482	1,713
Fund balances						
Nonspendable	25,283	-	-	-	-	10
Restricted	794,406	23,222	30,335	3,638	2,712,823	989,114
Total fund balances	<u>819,689</u>	<u>23,222</u>	<u>30,335</u>	<u>3,638</u>	<u>2,712,823</u>	<u>989,124</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 849,102</u>	<u>\$ 23,222</u>	<u>\$ 30,335</u>	<u>\$ 3,638</u>	<u>\$ 3,845,032</u>	<u>\$ 1,016,985</u>

Special Revenue Funds						Capital Projects	
Drug Enforcement Fund	Cable Fund	Building Inspection Fund	District Court Fund	Sanitation Fund	MIDC Grant Fund	Capital Improvement	Total
\$ 197,005	\$ 1,193,126	\$ 4,111,510	\$ 806,886	\$ 5,308,103	\$ 577,234	\$ 3,167,310	\$ 20,801,367
-	35,966	-	-	108,333	-	-	144,299
-	-	-	-	9,452	-	4,918	21,518
14	88	103	-	1,038	-	395	2,353
-	-	-	-	-	-	-	294,965
-	108	-	106	-	-	-	25,507
-	-	-	-	2,047,232	-	-	2,047,232
<u>\$ 197,019</u>	<u>\$ 1,229,288</u>	<u>\$ 4,111,613</u>	<u>\$ 806,992</u>	<u>\$ 7,474,158</u>	<u>\$ 577,234</u>	<u>\$ 3,172,623</u>	<u>\$ 23,337,241</u>
\$ 8,207	\$ 9,947	\$ 272,843	\$ 10,236	\$ 274,437	\$ 42,607	\$ 1,041	\$ 1,369,410
-	4,957	-	72,730	3,958	3,583	-	111,963
-	-	-	-	-	531,044	-	531,044
-	-	-	-	13,728	-	5,546	24,027
-	-	-	632,455	-	-	-	1,035,197
-	-	470	91,465	-	-	-	92,335
<u>8,207</u>	<u>14,904</u>	<u>273,313</u>	<u>806,886</u>	<u>292,123</u>	<u>577,234</u>	<u>6,587</u>	<u>3,163,976</u>
<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,372</u>	<u>-</u>	<u>5,108</u>	<u>20,255</u>
-	108	-	106	-	-	-	25,507
<u>188,798</u>	<u>1,214,276</u>	<u>3,838,300</u>	<u>-</u>	<u>7,171,663</u>	<u>-</u>	<u>3,160,928</u>	<u>20,127,503</u>
<u>188,798</u>	<u>1,214,384</u>	<u>3,838,300</u>	<u>106</u>	<u>7,171,663</u>	<u>-</u>	<u>3,160,928</u>	<u>20,153,010</u>
<u>\$ 197,019</u>	<u>\$ 1,229,288</u>	<u>\$ 4,111,613</u>	<u>\$ 806,992</u>	<u>\$ 7,474,158</u>	<u>\$ 577,234</u>	<u>\$ 3,172,623</u>	<u>\$ 23,337,241</u>

CITY OF PONTIAC, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Funds					
	Youth Recreation	PA-48 Tele- communication Allocation	Community Development Block Grant	Home Buyers Assistance	Local Streets	Senior Activities
Revenues						
Property taxes and special assessments	\$ 1,023,186	\$ -	\$ -	\$ -	\$ -	\$ 346,460
State revenue	51,742	-	-	-	1,801,412	17,246
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Interest and rental revenue	-	-	-	-	11,356	1,160
Other revenue	70,000	-	-	-	-	-
Total revenues	1,144,928	-	-	-	1,812,768	364,866
Expenditures						
Current expenditures:						
General government	-	-	-	-	-	-
District court	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	2,672,393	-
Community and human services	-	-	-	-	-	379,171
Recreation and culture	767,419	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	767,419	-	-	-	2,672,393	379,171
Revenues over (under) expenditures	377,509	-	-	-	(859,625)	(14,305)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(7,750)	-	-	-	-
Total other financing sources (uses)	-	(7,750)	-	-	-	-
Net change in fund balances	377,509	(7,750)	-	-	(859,625)	(14,305)
Fund balances, beginning of year	442,180	30,972	30,335	3,638	3,572,448	1,003,429
Fund balances, end of year	\$ 819,689	\$ 23,222	\$ 30,335	\$ 3,638	\$ 2,712,823	\$ 989,124

Special Revenue Funds						Capital Projects	
Drug Enforcement Fund	Cable Fund	Building Inspection Fund	District Court Fund	Sanitation Fund	MIDC Grant Fund	Capital Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,945,397	\$ -	\$ 970,234	\$ 4,285,277
-	-	-	154,318	97,214	-	48,607	2,170,539
-	-	143,781	641,706	2,288,037	-	-	3,073,524
34,964	-	-	628,953	-	-	-	663,917
-	-	3,361,233	-	-	-	-	3,361,233
229	2,519	1,823	544	18,268	-	8,365	44,264
-	146,087	25	-	619	440,876	-	657,607
<u>35,193</u>	<u>148,606</u>	<u>3,506,862</u>	<u>1,425,521</u>	<u>4,349,535</u>	<u>440,876</u>	<u>1,027,206</u>	<u>14,256,361</u>
-	145,044	-	-	-	458,881	-	603,925
-	-	-	2,992,449	-	-	-	2,992,449
58,447	-	2,751,331	-	-	-	-	2,809,778
-	-	-	-	3,732,743	-	-	6,405,136
-	-	-	-	-	-	-	379,171
-	-	-	-	-	-	-	767,419
-	-	-	-	-	-	155,568	155,568
<u>58,447</u>	<u>145,044</u>	<u>2,751,331</u>	<u>2,992,449</u>	<u>3,732,743</u>	<u>458,881</u>	<u>155,568</u>	<u>14,113,446</u>
<u>(23,254)</u>	<u>3,562</u>	<u>755,531</u>	<u>(1,566,928)</u>	<u>616,792</u>	<u>(18,005)</u>	<u>871,638</u>	<u>142,915</u>
-	-	-	1,600,019	-	18,005	-	1,618,024
-	-	-	(34,230)	-	-	-	(41,980)
-	-	-	1,565,789	-	18,005	-	1,576,044
<u>(23,254)</u>	<u>3,562</u>	<u>755,531</u>	<u>(1,139)</u>	<u>616,792</u>	<u>-</u>	<u>871,638</u>	<u>1,718,959</u>
<u>212,052</u>	<u>1,210,822</u>	<u>3,082,769</u>	<u>1,245</u>	<u>6,554,871</u>	<u>-</u>	<u>2,289,290</u>	<u>18,434,051</u>
<u>\$ 188,798</u>	<u>\$ 1,214,384</u>	<u>\$ 3,838,300</u>	<u>\$ 106</u>	<u>\$ 7,171,663</u>	<u>\$ -</u>	<u>\$ 3,160,928</u>	<u>\$ 20,153,010</u>

CITY OF PONTIAC, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2021

	Self-insurance Workers' Compensation	Insurance	Employee Sick and Vacation	Total
Assets				
Current assets:				
Cash and investments	\$ 1,489,807	\$ 358,336	\$ 376,536	\$ 2,224,679
Accounts receivable	413	427,848	-	428,261
Prepays	57,411	5,861,582	-	5,918,993
Total assets	1,547,631	6,647,766	376,536	8,571,933
Liabilities				
Current liabilities:				
Accounts payable	6,818	51,743	-	58,561
Accrued liabilities	335,075	497,356	-	832,431
Due to other funds	-	3,961,050	-	3,961,050
Current portion of compensated absences	-	-	253,224	253,224
Total current liabilities	341,893	4,510,149	253,224	5,105,266
Noncurrent liabilities -				
Compensated absences, net of current portion	-	-	123,312	123,312
Total liabilities	341,893	4,510,149	376,536	5,228,578
Net position				
Unrestricted	\$ 1,205,738	\$ 2,137,617	\$ -	\$ 3,343,355

CITY OF PONTIAC, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2021

	Self-insurance Workers' Compensation	Insurance	Employee Sick and Vacation	Total
Operating revenues				
Charges for services	\$ 258,992	\$ 3,349,584	\$ -	\$ 3,608,576
Other revenue	-	741,013	-	741,013
Total operating revenues	<u>258,992</u>	<u>4,090,597</u>	<u>-</u>	<u>4,349,589</u>
Operating expenses				
Insurance	-	5,060,325	-	5,060,325
Workers' compensation expense	342,333	-	-	342,333
Miscellaneous expense	-	-	324	324
Total operating expenses	<u>342,333</u>	<u>5,060,325</u>	<u>324</u>	<u>5,402,982</u>
Operating loss	(83,341)	(969,728)	(324)	(1,053,393)
Nonoperating revenue				
Interest income	1,869	-	324	2,193
Change in net position	<u>(81,472)</u>	<u>(969,728)</u>	<u>-</u>	<u>(1,051,200)</u>
Net position, beginning of year	1,287,210	3,107,345	-	4,394,555
Net position, end of year	<u>\$ 1,205,738</u>	<u>\$ 2,137,617</u>	<u>\$ -</u>	<u>\$ 3,343,355</u>

CITY OF PONTIAC, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2021

	Self-insurance Workers' Compensation	Insurance	Employee Sick and Vacation	Total
Cash flows from operating activities				
Cash payments to suppliers	\$ (317,473)	\$ (5,031,684)	\$ -	\$ (5,349,157)
Cash payments to employees	-	-	(24,381)	(24,381)
Cash received from interfund services	258,994	5,390,020	-	5,649,014
Net cash provided by (used in) operating activities	(58,479)	358,336	(24,381)	275,476
Cash flows from investing activities				
Interest income received	1,869	-	324	2,193
Net change in cash and investments	(56,610)	358,336	(24,057)	277,669
Cash and investments, beginning of year	1,546,417	-	400,593	1,947,010
Cash and investments, end of year	\$ 1,489,807	\$ 358,336	\$ 376,536	\$ 2,224,679
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating loss	\$ (83,341)	\$ (969,728)	\$ (324)	\$ (1,053,393)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Change in:				
Accounts receivable	2	1,299,423	-	1,299,425
Prepays	2,243	(488,146)	-	(485,903)
Accounts payable	(19,931)	38,208	-	18,277
Accrued liabilities	42,548	47,613	-	90,161
Due to other funds	-	430,966	-	430,966
Compensated absences	-	-	(24,057)	(24,057)
Net cash provided by (used in) operating activities	\$ (58,479)	\$ 358,336	\$ (24,381)	\$ 275,476

CITY OF PONTIAC, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2021

	District Court	Current Tax Collection	Total
Assets			
Cash and cash equivalents	\$ 81,633	\$ 89,873	\$ 171,506
Liabilities			
Due to other governments	-	89,873	89,873
Deposits payable	81,633	-	81,633
Total liabilities	<u>81,633</u>	<u>89,873</u>	<u>171,506</u>
Net position			
Restricted for individuals, organizations, and other governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PONTIAC, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended June 30, 2021

	District Court	Current Tax Collection	Total
Additions			
Taxes collected for other governments	\$ -	\$ 22,316,880	\$ 22,316,880
Court collections	885,748	-	885,748
Total additions	<u>885,748</u>	<u>22,316,880</u>	<u>23,202,628</u>
Deductions			
Payments of taxes to other governments	-	22,316,880	22,316,880
Court distributions	885,748	-	885,748
Total deductions	<u>885,748</u>	<u>22,316,880</u>	<u>23,202,628</u>
Change in net position	-	-	-
Net position, beginning of year	-	-	-
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PONTIAC, MICHIGAN

Combining Balance Sheet

Component Units

June 30, 2021

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Assets					
Cash and investments	\$ -	\$ 252,662	\$ 252,662	\$ 344,670	\$ 597,332
Property taxes receivable - net	770	9,469	10,239	-	10,239
Total assets	<u>\$ 770</u>	<u>\$ 262,131</u>	<u>\$ 262,901</u>	<u>\$ 344,670</u>	<u>\$ 607,571</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,405	\$ 18,405
Due to other governments	-	5,672	5,672	4,352	10,024
Financial guarantee	3,293,823	2,536,634	5,830,457	-	5,830,457
Total liabilities	3,293,823	2,542,306	5,836,129	22,757	5,858,886
Deferred inflows of resources					
Unavailable revenue	770	9,469	10,239	-	10,239
Fund balances					
Unassigned (deficit)	(3,293,823)	(2,289,644)	(5,583,467)	321,913	(5,261,554)
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 770</u>	<u>\$ 262,131</u>	<u>\$ 262,901</u>	<u>\$ 344,670</u>	<u>\$ 607,571</u>

CITY OF PONTIAC, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
Component Units
June 30, 2021

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Fund balances (deficits) for component units	\$ (3,293,823)	\$ (2,289,644)	\$ (5,583,467)	\$ 321,913	\$ (5,261,554)
Amounts reported for <i>component units</i> in the statement of net position are different because:					
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance.					
Unavailable property taxes receivable	770	9,469	10,239	-	10,239
Deferred charges on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.					
	-	426,422	426,422	-	426,422
Certain liabilities, such as bonds payable, property tax settlements and compensated absences are not due and payable in the current period, and therefore are not reported in the funds.					
Accrued interest on bonds	(7,498)	(125,286)	(132,784)	-	(132,784)
Bonds payable	(915,000)	(15,995,000)	(16,910,000)	-	(16,910,000)
Net position for component units	<u>\$ (4,215,551)</u>	<u>\$ (17,974,039)</u>	<u>\$ (22,189,590)</u>	<u>\$ 321,913</u>	<u>\$ (21,867,677)</u>

CITY OF PONTIAC, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2021

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Revenues					
Taxes	\$ 37	\$ 1,539,163	\$ 1,539,200	\$ 16,894	\$ 1,556,094
State revenue	-	196,348	196,348	-	196,348
Charges for services	50,000	-	50,000	-	50,000
Contributions from primary government	325,698	228,952	554,650	-	554,650
Total revenues	375,735	1,964,463	2,340,198	16,894	2,357,092
Expenditures					
Financial guarantee	325,698	228,952	554,650	-	554,650
Debt service:					
Principal	315,000	1,155,000	1,470,000	-	1,470,000
Interest and fiscal charges	60,738	809,463	870,201	-	870,201
Total expenditures	701,436	2,193,415	2,894,851	-	2,894,851
Net change in fund balances	(325,701)	(228,952)	(554,653)	16,894	(537,759)
Fund balances (deficit), beginning of year	(2,968,122)	(2,060,692)	(5,028,814)	305,019	(4,723,795)
Fund balances (deficit), end of year	\$ (3,293,823)	\$ (2,289,644)	\$ (5,583,467)	\$ 321,913	\$ (5,261,554)

CITY OF PONTIAC, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Component Units
For the Year Ended June 30, 2021

	Tax Increment Finance Authority			Brownfield Redevelopment Authority	Total
	District 2	District 3	Total		
Net change in fund balances - component units	\$ (325,701)	\$ (228,952)	\$ (554,653)	\$ 16,894	\$ (537,759)
Amounts reported for <i>component units</i> in the statement of activities are different because:					
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.					
	-	(3,502)	(3,502)	-	(3,502)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.					
Principal payments on long-term liabilities	315,000	1,155,000	1,470,000	-	1,470,000
Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.					
Change in accrued interest on bonds	2,624	9,624	12,248	-	12,248
Change in deferred charge on refunding	-	(42,642)	(42,642)	-	(42,642)
Change in net position of component units	<u>\$ (8,077)</u>	<u>\$ 889,528</u>	<u>\$ 881,451</u>	<u>\$ 16,894</u>	<u>\$ 898,345</u>

City of Pontiac,
Michigan



Year Ended
June 30, 2021

Single Audit Act
Compliance

Rehmann

CITY OF PONTIAC, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	6
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11



INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

December 23, 2021

The Honorable Mayor and City Council
City of Pontiac
Pontiac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Pontiac, Michigan** (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

Rehmann is an independent member of Nexia International.



CITY OF PONTIAC, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant/Entitlement Grant Cluster:				
Entitlement	14.218	OC	B-14-UC-26-0006	\$ 24,890
U.S. Department of Treasury				
COVID-19 - Coronavirus Relief Fund:				
Coronavirus Relief Local Government Grant	21.019	MDT	63-2170-CRLGG	1,307,584
Oakland Together Local Government Partnership - Community and Senior Centers	21.019	OC	11763M	56,193
Oakland Together COVID Relief Fund - Elections grant	21.019	OC	10848M	6,250
Oakland Together Restaurant Relief Program	21.019	OC	10037RR	80,000
Oakland Together Local Government Partnership	21.019	OC	11766M	1,533,188
Total U.S. Department of Treasury				<u>2,983,215</u>
Total Expenditures of Federal Awards				<u>\$ 3,008,105</u>

See notes to schedule of expenditures of federal awards.

CITY OF PONTIAC, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Pontiac, Michigan (the "City") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the City has not elected to use the de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDT	Michigan Department of Treasury
OC	Oakland County



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 23, 2021

The Honorable Mayor and City Council
City of Pontiac
Pontiac, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Pontiac, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2021. Our report includes a reference to other auditors who audited the fiduciary component unit financial statements of the General City Employees' Retirement System, the Police and Fire Retirement System, and the Police and Fire Retirement System VEBA, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the General City Employees' Retirement System, the Police and Fire Retirement System, and the Police and Fire Retirement System VEBA were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Rehmann is an independent member of Nexia International.



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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive style with a large, stylized 'R' and 'J'.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 23, 2021

The Honorable Mayor and City Council
City of Pontiac
Pontiac, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the **City of Pontiac, Michigan** (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2021. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Rehmann is an independent member of Nexia International.



Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

CITY OF PONTIAC, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
21.019	COVID-19 - Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

CITY OF PONTIAC, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

CITY OF PONTIAC, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

■ ■ ■ ■ ■

CITY OF PONTIAC, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

No matters were noted.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 23, 2021

The Honorable Mayor and City Council
City of Pontiac
Pontiac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Pontiac, Michigan* (the "City") as of and for the year ended June 30, 2021, and have issued our report thereon dated December 23, 2021. Our report includes a reference to other auditors who audited the fiduciary component unit financial statements of the General City Employees' Retirement System, the Police and Fire Retirement System, and the Police and Fire Retirement System VEBA, as described in our report on the City's financial statements. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 23, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 23, 2021.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- Management's estimate of landfill postclosure costs have been calculated based on state guidelines and landfill utilization to date.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

The schedule of adjustments passed is included with management's written representations in Attachment B to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the **City of Pontiac, Michigan** and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lobson LLC

CITY OF PONTIAC, MICHIGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2022)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the City.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the City.

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the City.

CITY OF PONTIAC, MICHIGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the City.

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the City.

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.



CITY OF PONTIAC, MICHIGAN

Attachment B – Management Representations

For the June 30, 2021 Audit

The following pages contain the written representations that we requested from management.



DR. DEIRDRE WATERMAN
MAYOR
CITY OF PONTIAC

December 23, 2021

Rehmann Robson
1500 W. Big Beaver Road
2nd Floor
Troy, Michigan 48084

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Pontiac, Michigan* (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the general fund and each major special revenue fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 23, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 23, 2021, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;

47450 Woodward Avenue • Pontiac, Michigan 48342
Direct: (248) 758-3181 • Appointments: (248) 758-3326 • Fax: (248) 758-3292
E-mail: DWaterman@pontiac.mi.us • www.pontiac.mi.us
<https://www.facebook.com/pontiacmayor/>

- c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
 9. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
 10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 11. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
 12. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
 13. All funds and activities are properly classified.
 14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 15. All components of net position and fund balance classifications have been properly reported.
 16. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 17. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
 18. All interfund and intra-entity transactions and balances have been properly classified and reported.
 19. Special items and extraordinary items have been properly classified and reported.
 20. Deposit and investment risks have been properly and fully disclosed.

21. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
22. All required supplementary information is measured and presented within the prescribed guidelines.
23. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
24. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the City for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The City directly recognized over \$3 million during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to provide relief in multiple areas such as vaccination programs, personal protection equipment (PPE) programs, small business grants, housing assistance and food and transportation assistance among others.

Information Provided

25. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
26. All transactions have been recorded in the accounting records and are reflected in the financial statements.
27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
28. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
29. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
30. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
31. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
32. We have a process to track the status of audit findings and recommendations.
33. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
34. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

35. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
36. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
37. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
38. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
39. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
40. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
41. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
42. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
43. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
44. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

45. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

46. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Uniform Guidance (2 CFR 200)

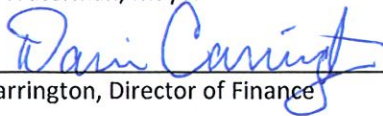
47. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
 - h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
 - i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
 - j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
 - k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
 - l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our

federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.

- m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- w. The reporting package does not contain protected personally identifiable information.
- x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- y. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Deirdre Waterman, Mayor



Darin Carrington, Director of Finance

CITY OF PONTIAC, MICHIGAN

Schedule of Adjustments Passed (SOAP) For the June 30, 2021 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Governmental Activities / Special Revenue - District Court					
Open bond listing variance	\$ -	\$ (18,679)	\$ -	\$ -	\$ (18,679)
Misstatement as a percentage of total expenditures - governmental activities	0.00%	-0.84%	0.00%	0.00%	-0.84%