
Public Schools of the City of Ann Arbor, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the Board of Education
Public Schools of the City of Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Schools of the City of Ann Arbor, Michigan (the "School District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Public Schools of the City of Ann Arbor, Michigan'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Public Schools of the City of Ann Arbor, Michigan as of June 30, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Public Schools of the City of Ann Arbor, Michigan

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, and the schedules of the School District's contributions and share of the net pension and OPEB liabilities, as defined 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 an opinion on the financial statements that collectively comprise Public Schools of the City of Ann Arbor, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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 other supplemental 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 our report dated October 22, 2019 on our consideration of Public Schools of the City of Ann Arbor, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Public Schools of the City of Ann Arbor, Michigan's internal control over financial reporting and compliance.



October 22, 2019

This section of Public Schools of the City of Ann Arbor, Michigan's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Public Schools of the City of Ann Arbor, Michigan financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund and the 2010 Sinking Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statements of fiduciary net position and changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for the General Fund

Schedules of Proportionate Share of the Net Pension and Net OPEB Liabilities

Schedules of Pension and OPEB Contributions

Other Supplemental Information

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

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

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, food services, athletics, recreation, child care, debt service, and capital projects. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2019 and 2018:

| | Governmental Activities | |
|---------------------------------------|-------------------------|-------------------|
| | 2019 | 2018 |
| | (in millions) | |
| Assets | | |
| Current and other assets | \$ 81.2 | \$ 90.8 |
| Capital assets | 224.7 | 219.5 |
| Total assets | 305.9 | 310.3 |
| Deferred Outflows of Resources | 201.7 | 113.0 |
| Liabilities | | |
| Current liabilities | 33.2 | 35.7 |
| Noncurrent liabilities | 168.4 | 185.3 |
| Net pension liability | 441.9 | 364.9 |
| Net OPEB liability | 120.5 | 124.5 |
| Total liabilities | 764.0 | 710.4 |
| Deferred Inflows of Resources | 78.7 | 38.6 |
| Net Position | | |
| Net investment in capital assets | 86.1 | 74.5 |
| Restricted | 8.2 | 5.2 |
| Unrestricted | (429.4) | (405.4) |
| Total net position | \$ (335.1) | \$ (325.7) |

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$(335.1) million at June 30, 2019. Net investment in capital assets totaling \$86.1 million compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(429.4) million) was unrestricted.

The \$(429.4) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations and the impact from adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system), which is driving the substantial negative net position. The operating results of the General Fund and the change in the net pension/OPEB liabilities will have significant impacts on the change in unrestricted net position from year to year. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties.

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2019 and 2018:

| | Governmental Activities | |
|--|-------------------------|-------------------|
| | 2019 | 2018 |
| | (in millions) | |
| Revenue | | |
| Program revenue: | | |
| Charges for services | \$ 9.7 | \$ 9.2 |
| Operating grants | 81.0 | 80.3 |
| General revenue: | | |
| Taxes | 131.2 | 123.8 |
| State aid not restricted to specific purposes | 84.8 | 86.3 |
| Other | 4.0 | 7.1 |
| Total revenue | 310.7 | 306.7 |
| Expenses | | |
| Instruction | 193.6 | 194.5 |
| Support services | 105.5 | 100.7 |
| Athletics | 3.2 | 3.0 |
| Food services | 4.0 | 4.2 |
| Community services | 1.5 | 0.9 |
| Interest on long-term debt | 5.8 | 6.3 |
| Other | 6.5 | 6.0 |
| Total expenses | 320.1 | 315.6 |
| Change in Net Position | (9.4) | (8.9) |
| Net Position - Beginning of year, as restated (Note 11) | (325.7) | (316.8) |
| Net Position - End of year | \$ (335.1) | \$ (325.7) |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$320.1 million. Certain activities were partially funded from those who benefited from the programs (\$9.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$81.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$131.2 million in taxes, \$84.8 million in state foundation allowance, and our other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$9.4 million. Key reasons for the change in net position were capital outlay expenditures related to our technology and building and site bond issuances and an increase in the School District's share of the MPERS and OPEB liabilities.

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

The School District's Funds

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

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$48.6 million, which is a decrease of \$7.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased from \$18.4 million to \$17.5 million. The change is mainly due to increased supplemental payments for additional services rendered to the School District.

The 2010 Sinking Fund (capital project fund) fund balance increased from \$5 million to \$7 million. The change is mainly due to the timing of completion for certain projects that delayed payment of expenditures into the subsequent fiscal year.

Fund balance of our special revenue funds remained consistent at \$3.5 million.

Fund balance of our Debt Service Fund increased by \$0.3 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.

Combined, the fund balance of our remaining capital project funds decreased \$(9.5) million as a result of use of funds on specific capital projects allowed by state law and approved by the voters.

General Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2019. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2018-2019 General Fund original budget. Budgeted revenue was increased by approximately \$8.8 million due to an increase in certain categorical revenue, an increase in foundation allowance, and an increase in actual student enrollment that was greater than original estimates. Other sources increased due to an increase in our Act 18 payments from Washtenaw Intermediate School District.

Budgeted expenditures were also increased by \$8.3 million to account for the increase in salaries and purchased professional services resulting from the School District's revised operating plan.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the School District had \$224.7 million invested in a broad range of capital assets, including land improvements, buildings, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$5.2 million, or 2.4 percent, from last year.

| | <u>2019</u> | <u>2018</u> |
|--|------------------------------|------------------------------|
| Land | \$ 3,339,461 | \$ 2,477,822 |
| Buildings and improvements | 414,049,053 | 404,705,039 |
| Furniture and equipment | 43,607,849 | 36,282,370 |
| Buses and other vehicles | 10,027,857 | 10,564,179 |
| Land improvements | <u>37,681,367</u> | <u>34,531,526</u> |
| Total capital assets | 508,705,587 | 488,560,936 |
| Less accumulated depreciation | <u>284,028,358</u> | <u>269,076,187</u> |
| Total capital assets - Net of accumulated depreciation | <u>\$ 224,677,229</u> | <u>\$ 219,484,749</u> |

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

This year's additions of \$21.1 million included vehicles, building construction, building renovations, and equipment. Several major capital projects are planned for the 2019-2020 fiscal year. We anticipate capital additions will be comparable to this year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$145.5 million in bonds outstanding versus \$159.8 million in the previous year - a change of 8.9 percent. Those bonds consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|----------------|----------------|
| General obligation bonds | \$ 145,455,006 | \$ 159,770,006 |

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt" (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District has no outstanding unqualified general obligation debt as of June 30, 2019.

Other obligations include accrued compensated absences, workers' compensation, and debt issuance premiums. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2019-2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2019-2020 budget was adopted in June 2019 based on an estimate of students who will enroll in September 2019. Approximately 50 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2019 school year, we anticipate that the fall student count will be short of the estimates used in creating the 2019-2020 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including an estimated foundation allowance increase of \$120 per pupil.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 2555 South State Street, Ann Arbor, MI 48104.

Public Schools of the City of Ann Arbor, Michigan

Statement of Net Position

June 30, 2019

| | Governmental Activities |
|---|--------------------------------|
| | <u> </u> |
| Assets | |
| Cash and investments (Note 4) | \$ 27,348,058 |
| Receivables: | |
| Accounts receivable | 2,572,184 |
| Due from other governments | 22,581,913 |
| Inventory | 76,328 |
| Prepaid expenses and other assets | 983,890 |
| Restricted assets (Note 4) | 27,638,835 |
| Capital assets - Net (Note 6) | <u>224,677,229</u> |
| Total assets | 305,878,437 |
| Deferred Outflows of Resources | |
| Deferred charges on bond refunding (Note 8) | 6,924,054 |
| Deferred pension costs (Note 11) | 166,058,426 |
| Deferred OPEB costs (Note 11) | <u>28,748,783</u> |
| Total deferred outflows of resources | 201,731,263 |
| Liabilities | |
| Accounts payable | 6,296,176 |
| Accrued liabilities and other | 25,507,666 |
| Unearned revenue (Note 5) | 1,401,969 |
| Noncurrent liabilities: | |
| Due within one year (Note 8) | 19,551,600 |
| Due in more than one year (Note 8) | 148,850,698 |
| Net pension liability (Note 11) | 441,935,887 |
| Net OPEB liability (Note 11) | <u>120,480,255</u> |
| Total liabilities | 764,024,251 |
| Deferred Inflows of Resources | |
| Revenue in support of pension contributions made subsequent to the measurement date (Note 11) | 16,763,314 |
| Deferred pension cost reductions (Note 11) | 34,547,573 |
| Deferred OPEB cost reductions (Note 11) | <u>27,403,277</u> |
| Total deferred inflows of resources | <u>78,714,164</u> |
| Net Position | |
| Net investment in capital assets | 86,149,871 |
| Restricted: | |
| Debt service | 971,637 |
| Capital projects | 7,109,963 |
| Unrestricted | <u>(429,360,186)</u> |
| Total net position | <u><u>\$ (335,128,715)</u></u> |

Public Schools of the City of Ann Arbor, Michigan

Statement of Activities

Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenue | | Governmental |
|--|-----------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Activities |
| | | | | Net (Expense) Revenue and Changes in Net Position |
| Primary government - Governmental activities: | | | | |
| Instruction | \$ 193,640,591 | \$ 728,779 | \$ 48,049,536 | \$ (144,862,276) |
| Support services | 105,512,469 | - | 29,599,322 | (75,913,147) |
| Athletics | 3,186,747 | 907,151 | - | (2,279,596) |
| Food services | 4,045,423 | 1,927,991 | 2,539,603 | 422,171 |
| Community services | 1,544,972 | - | 778,930 | (766,042) |
| Recreation and child care | 6,330,318 | 6,115,355 | - | (214,963) |
| Interest | 5,767,348 | - | - | (5,767,348) |
| Other debt costs | 3,924 | - | - | (3,924) |
| Depreciation expense (unallocated) | 32,446 | - | - | (32,446) |
| Total primary government | \$ 320,064,238 | \$ 9,679,276 | \$ 80,967,391 | (229,417,571) |
| General revenue: | | | | |
| Taxes: | | | | |
| Property taxes levied for general purposes | | | | 86,887,895 |
| Property taxes levied for debt service | | | | 22,085,588 |
| Property taxes levied for sinking fund | | | | 22,232,263 |
| State aid not restricted to specific purposes | | | | 84,773,238 |
| Federal grants and contributions not restricted to specific purposes | | | | 577 |
| Interest and investment earnings | | | | 1,262,176 |
| Gain on sale of capital assets | | | | 96,400 |
| Other | | | | 2,675,163 |
| Total general revenue | | | | 220,013,300 |
| Change in Net Position | | | | (9,404,271) |
| Net Position - Beginning of year | | | | (325,724,444) |
| Net Position - End of year | | | | \$ (335,128,715) |

Public Schools of the City of Ann Arbor, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2019

| | General Fund | 2010 Sinking Fund | Nonmajor Funds | Total Governmental Funds |
|---|----------------------|----------------------|----------------------|--------------------------------|
| Assets | | | | |
| Cash and investments (Note 4) | \$ 21,859,761 | \$ - | \$ 5,488,297 | \$ 27,348,058 |
| Receivables: | | | | |
| Accounts receivable | 2,198,691 | - | 373,493 | 2,572,184 |
| Due from other governments | 22,492,818 | 25,825 | 63,270 | 22,581,913 |
| Due from other funds (Note 7) | 523,665 | - | 3,928,030 | 4,451,695 |
| Inventory | - | - | 76,328 | 76,328 |
| Prepaid expenses and other assets | 520,658 | - | 463,232 | 983,890 |
| Restricted assets (Note 4) | - | 10,228,873 | 17,409,962 | 27,638,835 |
| | \$ 47,595,593 | \$ 10,254,698 | \$ 27,802,612 | \$ 85,652,903 |
| Total assets | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 2,334,061 | \$ 3,079,937 | \$ 823,767 | \$ 6,237,765 |
| Due to other funds (Note 7) | 1,587,833 | 64,798 | 2,857,475 | 4,510,106 |
| Accrued liabilities and other | 24,351,799 | - | - | 24,351,799 |
| Unearned revenue (Note 5) | 1,244,222 | - | 157,747 | 1,401,969 |
| | 29,517,915 | 3,144,735 | 3,838,989 | 36,501,639 |
| Total liabilities | | | | |
| Deferred Inflows of Resources - Unavailable revenue (Note 5) | | | | |
| | 534,835 | - | - | 534,835 |
| | 30,052,750 | 3,144,735 | 3,838,989 | 37,036,474 |
| Total liabilities and deferred inflows of resources | | | | |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Inventory | - | - | 76,328 | 76,328 |
| Prepays | 520,658 | - | 463,232 | 983,890 |
| Restricted: | | | | |
| Debt service | - | - | 2,127,504 | 2,127,504 |
| Capital projects | - | 7,109,963 | 18,358,433 | 25,468,396 |
| Committed: | | | | |
| Child care | - | - | 1,292,050 | 1,292,050 |
| Recreation | - | - | 2,172,404 | 2,172,404 |
| Unassigned | 17,022,185 | - | (526,328) | 16,495,857 |
| | 17,542,843 | 7,109,963 | 23,963,623 | 48,616,429 |
| Total fund balances | | | | |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 47,595,593 | \$ 10,254,698 | \$ 27,802,612 | \$ 85,652,903 |

Public Schools of the City of Ann Arbor, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

| | |
|---|---------------------------------------|
| Fund Balances Reported in Governmental Funds | \$ 48,616,429 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | |
| Cost of capital assets | 508,705,587 |
| Accumulated depreciation | <u>(284,028,358)</u> |
| Net capital assets used in governmental activities | 224,677,229 |
| Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds | 534,835 |
| Deferred inflows and outflows related to bond refundings are not reported in the funds | 6,924,054 |
| Bonds payable plus bond premiums are not due and payable in the current period and are not reported in the funds | (163,809,845) |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (1,155,867) |
| Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities: | |
| Employee compensated absences | (4,291,545) |
| Self-insurance liability | (300,908) |
| Net pension liability and related deferred inflows and outflows | (310,425,034) |
| Net OPEB liability and related deferred inflows and outflows | (119,134,749) |
| Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds | <u>(16,763,314)</u> |
| Net Position of Governmental Activities | <u><u>\$ (335,128,715)</u></u> |

Public Schools of the City of Ann Arbor, Michigan

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

| | General Fund | 2010 Sinking Fund | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|--------------------------------|
| Revenue | | | | |
| Local sources | \$ 91,686,368 | \$ 22,250,075 | \$ 30,885,918 | \$ 144,822,361 |
| State sources | 126,290,539 | 25,825 | 275,845 | 126,592,209 |
| Federal sources | 6,908,607 | - | 2,364,562 | 9,273,169 |
| Interdistrict sources | 31,397,107 | - | - | 31,397,107 |
| Total revenue | 256,282,621 | 22,275,900 | 33,526,325 | 312,084,846 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 155,833,687 | - | - | 155,833,687 |
| Support services | 96,977,060 | 25,455 | 660,992 | 97,663,507 |
| Athletics | 3,050,894 | - | - | 3,050,894 |
| Food services | - | - | 4,036,871 | 4,036,871 |
| Community services | 1,061,740 | - | - | 1,061,740 |
| Recreation and child care | - | - | 6,320,809 | 6,320,809 |
| Debt service: | | | | |
| Principal | - | - | 14,315,000 | 14,315,000 |
| Interest | - | - | 7,548,744 | 7,548,744 |
| Other debt costs | - | - | 3,924 | 3,924 |
| Capital outlay | 104,872 | 19,759,119 | 10,075,540 | 29,939,531 |
| Total expenditures | 257,028,253 | 19,784,574 | 42,961,880 | 319,774,707 |
| Excess of Revenue (Under) Over Expenditures | (745,632) | 2,491,326 | (9,435,555) | (7,689,861) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | 96,400 | - | - | 96,400 |
| Transfers in (Note 7) | - | - | 168,176 | 168,176 |
| Transfers out (Note 7) | (168,176) | - | - | (168,176) |
| Total other financing (uses) sources | (71,776) | - | 168,176 | 96,400 |
| Net Change in Fund Balances | (817,408) | 2,491,326 | (9,267,379) | (7,593,461) |
| Fund Balances - Beginning of year | 18,360,251 | 4,618,637 | 33,231,002 | 56,209,890 |
| Fund Balances - End of year | <u>\$ 17,542,843</u> | <u>\$ 7,109,963</u> | <u>\$ 23,963,623</u> | <u>\$ 48,616,429</u> |

Public Schools of the City of Ann Arbor, Michigan

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2019

| | |
|--|-------------------------------------|
| Net Change in Fund Balances Reported in Governmental Funds | \$ (7,593,461) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation: | |
| Capitalized capital outlay | 21,936,712 |
| Depreciation expense | <u>(16,744,232)</u> |
| Total | 5,192,480 |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available | 445,475 |
| Revenue in support of pension contributions made subsequent to the measurement date | (1,966,754) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premiums/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds | 15,994,139 |
| Interest expense is recognized in the government-wide statements as it accrues | 102,257 |
| Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | <u>(21,578,407)</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ (9,404,271)</u></u> |

Public Schools of the City of Ann Arbor, Michigan

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2019

| | Private Purpose Trust Fund | Student Activities Agency Fund |
|-------------------------------|-------------------------------|--------------------------------------|
| Assets | | |
| Cash and investments (Note 4) | \$ 442,086 | \$ 1,291,978 |
| Due from other funds | 6,190 | 52,221 |
| Total assets | 448,276 | <u><u>\$ 1,344,199</u></u> |
| Liabilities | | |
| Accounts payable | 305 | \$ 34,314 |
| Due to student activities | - | 1,309,885 |
| Total liabilities | 305 | <u><u>\$ 1,344,199</u></u> |
| Net Position | <u><u>\$ 447,971</u></u> | |

Public Schools of the City of Ann Arbor, Michigan

**Fiduciary Funds
Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2019

| | <u>Private Purpose Trust Fund</u> |
|---|---------------------------------------|
| Additions | |
| Interest | \$ 123 |
| Private donations | <u>55,514</u> |
| Total additions | 55,637 |
| Deductions | <u>43,759</u> |
| Change in Net Position | 11,878 |
| Net Position - Beginning of year | <u>436,093</u> |
| Net Position - End of year | <u><u>\$ 447,971</u></u> |

June 30, 2019

Note 1 - Nature of Business

Public Schools of the City of Ann Arbor, Michigan (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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 revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 2 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, Debt Service Fund, and capital project funds. The School District reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Sinking Fund is used to account for construction and repair of buildings.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's special revenue funds include the Food Service Fund, Recreation Fund, and the Child Care Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the acquisition of land and construction or acquisition of buildings and equipment. The funds operate until the purpose for which they were created is accomplished.
- The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. Activities that are reported as fiduciary include the following:

- The Student Activities Agency Fund is used to account for assets held as agent for various student activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.
- The Private Purpose Trust Fund is used to account for donated assets that will be awarded to students or awarded to support student learning. Private purpose trust funds are used to account for resources legally held for the benefit of individuals and organizations outside the School District.

Note 2 - Significant Accounting Policies (Continued)

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term money market fund investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for investments in external investment pools, which are at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The unspent bond proceeds of the capital projects and sinking funds require amounts to be set aside for construction or bond-related purchases. In addition, cash and investments in the Debt Service Fund are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | <u>Depreciable Life - Years</u> |
|---|-------------------------------------|
| Buildings, building improvements, and land improvements | 20 to 50 |
| Furniture and equipment | 5 to 20 |
| Vehicles | 5 to 10 |

Note 2 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses." The Debt Service Fund is generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The School District reports deferred outflows related to deferred charges on bond refunding and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to unavailable revenue, revenue in support of pension contributions made subsequent to the measurement date, and deferred pension and OPEB plan costs.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the Board of Education to assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on July 1 and December 1 on the taxable valuation of property as of the preceding March 1. Taxes are considered delinquent on March 1 of the following year. At that time, penalties and interest are assessed, and the total obligation is added to the county tax rolls.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purpose of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated annual sick leave and vacation benefits, as well as accumulated termination pay. A liability for these amounts is reported in governmental funds as it comes due for payment.

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.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on the financial statements. As of July 1, 2019, the School District will report the activities and related balances currently reported as fiduciary in a newly created special revenue fund. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. In addition, the School District adopts a budget for the bond portion of the capital projects funds upon receipt of the bond proceeds.

All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The School District budgets and reports capital outlay expenditures within the related function in the budgetary comparison schedule - General Fund. In accordance with generally accepted accounting principles, the School District reports capital outlay separately in the statement of revenue, expenditures, and changes in fund balances. Various administrators are authorized to transfer budgeted amounts within functions with any fund. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District amended budgeted amounts during the year in response to changes in budgeted expectations.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

The policy of the Board of Education is to preserve as a minimum General Fund balance an amount that is no less than 15 percent of the total operating costs of the School District. As of June 30, 2019, total operating costs and unassigned fund balance of the General Fund are \$256,923,381 and \$17,022,185, respectively. The unassigned fund balance necessary to adhere to the Board of Education's policy is approximately \$38,535,000.

Cash Flow Allocation

The School District allocates a portion of the General Fund fund balance for future cash flow. The School District begins to receive a portion of its summer tax collections in mid-August. However, the School District's new fiscal year and operations begin on July 1. An analysis of cash flow requirements indicates that the School District maintains a portion of its General Fund fund balance equal to approximately 45 days of operating expenditures.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. There were no encumbrances outstanding at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2012 Bond Building and Site Fund, 2015 Technology Bond Fund, 2015 Building and Site Bond Fund Series I and II, and the 2012 Technology Bond Fund - Series III include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the School District's capital projects funds. The projects for which the 2015 School Building and Site - Series I bonds were issued were considered complete on June 30, 2019.

The 2010 Sinking Fund accounts for construction and repair of the buildings. For this fund, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The Board of Education has authorized 11 financial institutions for the deposit of its funds. The School District has designated three of those financial institutions for its deposits.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

Note 4 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At year end, the School District had \$29,767,799 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District 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 School District 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.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's credit risk is minimized by limiting investments to types of securities allowed by state law and by prequalifying the financial institutions, brokers/dealers, and advisors with which the School District will do business using the criteria established in the investment policy.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District minimizes interest rate risk by investing funds in primarily shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the School District's requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Rating Organization</u> |
|----------------------------|-------------------|---------------|----------------------------|
| Michigan Liquid Asset Fund | \$ 29,770,252 | AAAm | Standard & Poor's |

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The School District does not have any investments subject to concentration of credit risk.

June 30, 2019

Note 4 - Deposits and Investments (Continued)

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. State law and the School District's investment policy prohibit investments in foreign currency.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2019, the various components of unearned and unavailable revenue were as follows:

| | Governmental Funds | |
|--|----------------------------------|-------------------------|
| | Deferred Inflow - Unavailable | Liability - Unearned |
| Grant receipts not available to liquidate liabilities of the current period | \$ 534,835 | \$ - |
| Grant, categorical aid, tuition, and food services program payments received prior to meeting all eligibility requirements | - | 1,401,969 |

Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

| | Balance July 1, 2018 | Additions and Transfers | Disposals and Adjustments | Balance June 30, 2019 |
|---|-------------------------|----------------------------|------------------------------|--------------------------|
| Capital assets not being depreciated - Land | \$ 2,477,822 | \$ 861,639 | \$ - | \$ 3,339,461 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 404,705,039 | 9,344,014 | - | 414,049,053 |
| Furniture and equipment | 36,282,370 | 7,325,479 | - | 43,607,849 |
| Buses and other vehicles | 10,564,179 | 1,255,739 | (1,792,061) | 10,027,857 |
| Land improvements | 34,531,526 | 3,149,841 | - | 37,681,367 |
| Subtotal | 486,083,114 | 21,075,073 | (1,792,061) | 505,366,126 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 216,553,973 | 11,178,320 | - | 227,732,293 |
| Furniture and equipment | 29,604,373 | 2,595,376 | - | 32,199,749 |
| Buses and other vehicles | 3,117,777 | 1,233,092 | (1,792,061) | 2,558,808 |
| Land improvements | 19,800,064 | 1,737,444 | - | 21,537,508 |
| Subtotal | 269,076,187 | 16,744,232 | (1,792,061) | 284,028,358 |
| Net capital assets being depreciated | 217,006,927 | 4,330,841 | - | 221,337,768 |
| Net governmental activities capital assets | <u>\$ 219,484,749</u> | <u>\$ 5,192,480</u> | <u>\$ -</u> | <u>\$ 224,677,229</u> |

Note 6 - Capital Assets (Continued)

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

| | | |
|-------------------------------|--|----------------------|
| Governmental activities: | | |
| Instruction | | \$ 15,305,191 |
| Support services | | 1,406,595 |
| Unallocated | | <u>32,446</u> |
| Total governmental activities | | <u>\$ 16,744,232</u> |

Construction Commitments

The School District has active construction projects at year end. At June 30, 2019, the School District's commitments with contractors and vendors totaled approximately \$5,604,000.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Fund Due To | Fund Due From | | | Total |
|----------------|---------------------|------------------|---------------------|---------------------|
| | General Fund | Sinking Fund | Nonmajor Funds | |
| General Fund | \$ - | \$ 64,798 | \$ 458,867 | \$ 523,665 |
| Nonmajor funds | 1,529,422 | - | 2,398,608 | 3,928,030 |
| Fiduciary | 58,411 | - | - | 58,411 |
| Total | <u>\$ 1,587,833</u> | <u>\$ 64,798</u> | <u>\$ 2,857,475</u> | <u>\$ 4,510,106</u> |

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

| Paying Fund (Transfer Out) | Receiving Fund (Transfer In) | Amount |
|----------------------------|------------------------------|------------|
| General Fund | Nonmajor funds | \$ 168,176 |

Transfers represent nonreciprocal activity between the funds and primarily represent reimbursement for indirect costs incurred by the funds.

Public Schools of the City of Ann Arbor, Michigan

Notes to Financial Statements

June 30, 2019

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|--|-----------------------|-------------------|------------------------|-----------------------|------------------------|
| Bonds payable: | | | | | |
| General obligations | \$ 159,770,006 | \$ - | \$ (14,315,000) | \$ 145,455,006 | \$ 16,275,000 |
| Unamortized bond premiums | 20,742,531 | - | (2,387,692) | 18,354,839 | 2,387,692 |
| Total bonds payable | 180,512,537 | - | (16,702,692) | 163,809,845 | 18,662,692 |
| Termination pay, accumulated vacation, and sick leave | 4,812,327 | - | (520,782) | 4,291,545 | 588,000 |
| Workers' compensation | 82,057 | 218,851 | - | 300,908 | 300,908 |
| Total governmental activities long-term debt | <u>\$ 185,406,921</u> | <u>\$ 218,851</u> | <u>\$ (17,223,474)</u> | <u>\$ 168,402,298</u> | <u>\$ 19,551,600</u> |

The School District had deferred outflows of \$6,924,054 related to deferred charges on bond refundings at June 30, 2019.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. Other long-term obligations include compensated absences, workers' compensation claims, and medical self-insurance.

General obligations outstanding at June 30, 2019 are as follows:

| Purpose | Remaining Annual Installments | Interest Rates (Percent) | Maturing May 1 | Outstanding at June 30, 2019 |
|--|----------------------------------|--------------------------------|-------------------|---------------------------------|
| \$17,730,000 2008 issuance serial bonds | \$285,000 | 4.00 | 2020 | \$ 285,000 |
| \$93,230,000 2012 refunding serial bonds | \$5,520,000 - \$8,565,000 | 4.00-5.00 | 2029 | 69,060,000 |
| \$23,830,000 2012 issuance serial bonds | \$2,130,000 - \$2,335,006 | 5.00 | 2022 | 6,715,006 |
| \$30,790,000 2015 refunding serial bonds | \$1,845,000 - \$3,055,000 | 5.00 | 2029 | 25,445,000 |
| \$32,775,000 2015 issuance serial bonds | \$3,050,000 - \$4,750,000 | 5.00 | 2025 | 23,775,000 |
| \$3,485,000 2017 refunding serial bonds | \$710,000 - \$1,000,000 | 2.00-3.00 | 2029 | 8,995,000 |
| \$12,775,000 2018 issuance serial bonds | \$1,350,000 - \$2,735,000 | 4.00-5.00 | 2026 | 11,180,000 |
| Total governmental activities | | | | <u>\$ 145,455,006</u> |

Other Long-term Liabilities

Compensated absences attributable to the governmental activities consist of unpaid accumulated termination of employment, vacation, and sick leave balances.

Note 8 - Long-term Debt (Continued)

Termination Pay

Certain employees are entitled to receive a lump-sum payment upon termination of employment with the School District. The amount is generally based on the employees' current wage rate and number of years of service accumulated as of June 30, 2003. Expenditures for accumulated termination pay are budgeted and paid on an annual basis. Total termination pay expense, net of salary increases, including related FICA, was \$547,136 for the year ended June 30, 2019.

Accumulated Vacation

Employees other than instructors accrue vacation based on number of days worked and seniority. Accumulated vacation days lapse at year end for school district administrators and unclassified personnel. However, such groups are permitted to carry over a maximum of 20 unused vacation days. All other noninstructor employee groups accrue vacation days during the current fiscal year.

Sick Leave

School district employees are entitled to accumulate unused sick leave days. Subject to variations among different classes of personnel, employees with 10 or more years of service who retire or terminate employment are paid a per diem rate for a percentage (50 percent to 70 percent range) of their accumulated sick leave days, based on contract language.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Years Ending June 30 | Governmental Activities | | |
|-------------------------|-------------------------|----------------------|-----------------------|
| | Principal | Interest | Total |
| 2020 | \$ 16,275,000 | \$ 6,935,200 | \$ 23,210,200 |
| 2021 | 15,545,000 | 6,183,900 | 21,728,900 |
| 2022 | 16,260,006 | 5,443,850 | 21,703,856 |
| 2023 | 15,485,000 | 4,713,550 | 20,198,550 |
| 2024 | 16,225,000 | 3,969,300 | 20,194,300 |
| 2025-2029 | 65,665,000 | 9,102,850 | 74,767,850 |
| Total | <u>\$ 145,455,006</u> | <u>\$ 36,348,650</u> | <u>\$ 181,803,656</u> |

Note 9 - Self-insurance

The School District has a self-insurance plan for workers' compensation. Under the plan, the maximum claim loss of the School District is limited to the amount not covered by the School District's excess insurance carrier. Generally accepted accounting principles require an amount to be determined for claims that have been incurred but not yet been reported (IBNR) as of the date of the financial statements. The School District's workers' compensation expenditures for the General Fund were \$396,913 for the year ended June 30, 2019.

Changes in the balances of potential claims of the School District during the past year are as follows:

| | 2019 | 2018 |
|--|-------------------|------------------|
| Potential claims, including IBNR - Beginning of year | \$ 82,057 | \$ 40,749 |
| Increase in estimated liability - Net of claims incurred and claims paid | 218,851 | 41,308 |
| Estimated liability - End of year | <u>\$ 300,908</u> | <u>\$ 82,057</u> |

Note 9 - Self-insurance (Continued)

In addition, the School District is exposed to various risks of loss related to property loss, torts, and errors and omissions. The School District has purchased commercial insurance for these potential losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Contingent Liabilities

Legal Actions

The School District is subject to various legal proceedings and claims that arise in the ordinary course of its business. The School District believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

Property Tax Appeals

Several appeals of property tax assessments are currently pending before the Michigan Tax Tribunal. The School District would become liable to refund any taxes collected due to overassessment, but would subsequently be reimbursed by the State for any refunded amounts related to operating levies (but not for amounts related to debt or sinking fund levies). Management is unable to estimate the amount of property tax revenue that could be subject to refund if the tax tribunal determines that an overassessment has occurred.

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

June 30, 2019

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The School District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

The range of rates is as follows:

| | Pension | OPEB |
|---------------------------------------|-----------------|---------------|
| October 1, 2017- January 31, 2018 | 13.54% - 17.89% | 7.42% - 7.67% |
| February 1, 2018 - September 30, 2018 | 13.54% - 19.74% | 7.42% - 7.67% |
| October 1, 2018 - September 30, 2019 | 13.39% - 19.59% | 7.57% - 7.93% |

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2019 were \$40,382,424, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$16,763,314 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were \$10,747,761, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019, the School District reported a liability of \$441,935,887 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 1.47 and 1.41 percent, respectively, representing a change of 4.41 percent.

Net OPEB Liability

At June 30, 2019, the School District reported a liability of \$120,480,255 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the School District's proportion was 1.52 and 1.41 percent, respectively, representing a change of 7.85 percent.

June 30, 2019

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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

For 2019, the School District recognized pension expense of \$65,633,251, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 2,050,665 | \$ (3,211,472) |
| Changes in assumptions | 102,351,988 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (30,217,181) |
| Changes in proportion and differences between the School District's contributions and proportionate share of contributions | 27,326,393 | (1,118,920) |
| The School District's contributions to the plan subsequent to the measurement date | 34,329,380 | - |
| | <u>34,329,380</u> | <u>-</u> |
| Total | <u>\$ 166,058,426</u> | <u>\$ (34,547,573)</u> |

The \$16,763,314 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending | Amount |
|--------------|----------------------|
| 2020 | \$ 39,101,377 |
| 2021 | 30,439,563 |
| 2022 | 20,036,955 |
| 2023 | 7,603,578 |
| Total | <u>\$ 97,181,473</u> |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$7,611,052.

June 30, 2019

Note 11 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (22,424,471) |
| Changes in assumptions | 12,758,921 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | (4,630,344) |
| Changes in proportionate share or difference between amount contributed and proportionate share of contributions | 8,306,054 | (348,462) |
| Employer contributions to the plan subsequent to the measurement date | 7,683,808 | - |
| Total | <u>\$ 28,748,783</u> | <u>\$ (27,403,277)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

| Years Ending | Amount |
|--------------|-----------------------|
| 2020 | \$ (1,800,590) |
| 2021 | (1,800,590) |
| 2022 | (1,800,590) |
| 2023 | (857,034) |
| 2024 | (79,498) |
| Total | <u>\$ (6,338,302)</u> |

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

| | | |
|-------------------------------------|------------------------------|--|
| Actuarial cost method | | Entry age normal |
| Investment rate of return - Pension | 6.00 percent - 7.05 percent | Net of investment expenses based on the groups |
| Investment rate of return - OPEB | 7.15 percent | Net of investment expenses based on the groups |
| Salary increases | 2.75 percent - 11.55 percent | Including wage inflation of 2.75 percent for 2019 and 3.50 percent for 2018 |
| Healthcare cost trend rate - OPEB | 7.50 percent | Year 1 graded to 3.0 percent year 12 |
| Mortality basis | | RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) and adjusted for mortality improvements using projection scale MP2017 from 2006 |
| Cost of living pension adjustments | 3.00 percent | Annual noncompounded for MIP members |

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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 target allocation and 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 pools | 28.00 % | 5.70 % |
| Private equity pools | 18.00 | 9.20 |
| International equity pools | 16.00 | 7.20 |
| Fixed-income pools | 10.50 | 0.50 |
| Real estate and infrastructure pools | 10.00 | 3.90 |
| Absolute return pools | 15.50 | 5.20 |
| Short-term investment pools | 2.00 | - |
| Total | 100.00 % | |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percent Decrease (5.00 - 6.05%) | Current Discount Rate (6.00 - 7.05%) | 1 Percent Increase (7.00 - 8.05%) |
|--|---|--|---|
| Net pension liability of the School District | \$ 580,227,687 | \$ 441,935,887 | \$ 327,037,882 |

June 30, 2019

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percent Decrease (6.15%) | Current Discount Rate (7.15%) | 1 Percent Increase (8.15%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Net OPEB liability of the School District | \$ 144,634,096 | \$ 120,480,255 | \$ 100,163,923 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percent Decrease (6.50%) | Current Rate (7.50%) | 1 Percent Increase (8.50%) |
|---|----------------------------------|-------------------------|----------------------------------|
| Net OPEB liability of the School District | \$ 99,093,683 | \$ 120,480,255 | \$ 145,015,021 |

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2019, the School District reported a payable of \$5,837,505 and \$1,219,649 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019, the School District's property tax revenue was reduced by approximately \$156,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$123,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the sinking fund or debt service millages. There are no abatements made by the School District.

Required Supplemental Information

Public Schools of the City of Ann Arbor, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|--|----------------------|----------------------|----------------------|------------------------------|
| Revenue | | | | |
| Local sources | \$ 87,531,229 | \$ 91,275,758 | \$ 91,686,368 | \$ 410,610 |
| State sources | 122,861,777 | 125,757,785 | 126,290,539 | 532,754 |
| Federal sources | 8,906,275 | 8,559,158 | 6,908,607 | (1,650,551) |
| Interdistrict sources | 29,488,779 | 32,013,813 | 31,397,107 | (616,706) |
| Total revenue | 248,788,060 | 257,606,514 | 256,282,621 | (1,323,893) |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 116,915,769 | 119,793,852 | 120,017,609 | 223,757 |
| Added needs | 34,862,185 | 35,558,346 | 35,499,862 | (58,484) |
| Adult/Continuing education | 400,529 | 407,875 | 323,065 | (84,810) |
| Support services: | | | | |
| Pupil | 30,633,047 | 31,248,623 | 31,175,757 | (72,866) |
| Instructional staff | 13,105,194 | 13,864,190 | 12,877,552 | (986,638) |
| General administration | 2,720,720 | 2,759,883 | 2,999,292 | 239,409 |
| School administration | 15,987,582 | 16,387,947 | 16,499,154 | 111,207 |
| Business | 2,039,425 | 2,359,183 | 2,262,674 | (96,509) |
| Operations and maintenance | 16,015,850 | 17,236,834 | 16,201,966 | (1,034,868) |
| Pupil transportation services | 8,345,122 | 9,835,396 | 9,310,731 | (524,665) |
| Central | 5,168,455 | 6,043,679 | 5,738,995 | (304,684) |
| Athletics | 3,640,595 | 2,976,812 | 3,059,856 | 83,044 |
| Community services | 1,381,667 | 1,100,331 | 1,061,740 | (38,591) |
| Total expenditures | 251,216,140 | 259,572,951 | 257,028,253 | (2,544,698) |
| Excess of Expenditures Over Revenue | (2,428,080) | (1,966,437) | (745,632) | 1,220,805 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | - | - | 96,400 | 96,400 |
| Transfers out | - | (45,240) | (168,176) | (122,936) |
| Total other financing uses | - | (45,240) | (71,776) | (26,536) |
| Net Change in Fund Balance | (2,428,080) | (2,011,677) | (817,408) | 1,194,269 |
| Fund Balance - Beginning of year | 18,360,251 | 18,360,251 | 18,360,251 | - |
| Fund Balance - End of year | <u>\$ 15,932,171</u> | <u>\$ 16,348,574</u> | <u>\$ 17,542,843</u> | <u>\$ 1,194,269</u> |

Public Schools of the City of Ann Arbor, Michigan

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

| | Last Five Plan Years | | | | |
|--|-------------------------------|----------------|----------------|----------------|----------------|
| | Plan Years Ended September 30 | | | | |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| School District's proportion of the net pension liability | 1.47009 % | 1.40802 % | 1.32793 % | 1.27127 % | 1.26546 % |
| School District's proportionate share of the net pension liability | \$ 441,935,887 | \$ 364,878,575 | \$ 331,306,659 | \$ 310,508,345 | \$ 278,734,374 |
| School District's covered employee payroll | \$ 129,172,261 | \$ 120,309,307 | \$ 114,252,448 | \$ 104,701,750 | \$ 102,370,153 |
| School District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 342.13 % | 303.28 % | 289.98 % | 296.56 % | 272.28 % |
| Plan fiduciary net position as a percentage of total pension liability | 62.12 % | 63.96 % | 63.01 % | 62.92 % | 66.20 % |

Public Schools of the City of Ann Arbor, Michigan

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

| | Last Five Fiscal Years Years Ended June 30 | | | | |
|--|---|--------------------|--------------------|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Statutorily required contribution | \$ 40,073,251 | \$ 37,893,647 | \$ 32,516,905 | \$ 29,618,370 | \$ 21,769,845 |
| Contributions in relation to the statutorily required contribution | <u>40,073,251</u> | <u>37,893,647</u> | <u>32,516,905</u> | <u>29,618,370</u> | <u>21,769,845</u> |
| Contribution Deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's Covered Employee Payroll | \$ 129,370,099 | \$ 127,969,324 | \$ 116,978,719 | \$ 106,641,677 | \$ 101,096,608 |
| Contributions as a Percentage of Covered Employee Payroll | 30.98 % | 29.61 % | 27.80 % | 27.77 % | 21.53 % |

Public Schools of the City of Ann Arbor, Michigan

Required Supplemental Information
Schedule of the School District's Proportionate Share of the Net OPEB
Liability
Michigan Public School Employees' Retirement System

| | Last Two Plan Years | |
|---|--------------------------------------|----------------|
| | Plan Years Ended September 30 | |
| | <u>2018</u> | <u>2017</u> |
| School District's proportion of the net OPEB liability | 1.51567 % | 1.40536 % |
| School District's proportionate share of the net OPEB liability | \$ 120,480,255 | \$ 124,451,090 |
| School District's covered employee payroll | \$ 129,172,261 | \$ 120,309,307 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 93.27 % | 103.44 % |
| Plan fiduciary net position as a percentage of total OPEB liability | 43.10 % | 36.53 % |

Public Schools of the City of Ann Arbor, Michigan

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

| | Last Two Fiscal Years | |
|--|------------------------------|--------------------|
| | Years Ended June 30 | |
| | <u>2019</u> | <u>2018</u> |
| Statutorily required contribution | \$ 10,162,054 | \$ 9,242,872 |
| Contributions in relation to the statutorily required contribution | <u>10,162,054</u> | <u>9,242,872</u> |
| Contribution Deficiency | <u>\$ -</u> | <u>\$ -</u> |
| School District's Covered Employee Payroll | \$ 129,370,099 | \$ 127,969,324 |
| Contributions as a Percentage of Covered Employee Payroll | 7.86 % | 7.22 % |

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes in benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

Other Supplemental Information

Public Schools of the City of Ann Arbor, Michigan

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2019

| | Special Revenue Funds | | | | Capital Project Funds | | | | | Total |
|--|-----------------------|---------------------|---------------------|---------------------|--|----------------------------------|--|---------------------------|----------------------------------|----------------------|
| | Food Service Fund | Recreation Fund | Child Care Fund | Debt Service Fund | 2015 Building and Site Bond Fund - Series II | 2012 Bond Building and Site Fund | 2012 Technology Bond Fund - Series III | 2015 Technology Bond Fund | 2015 Building and Site Bond Fund | |
| Assets | | | | | | | | | | |
| Cash and investments | \$ 10,973 | \$ 2,244,520 | \$ 3,232,804 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,488,297 |
| Receivables | 339,037 | 34,447 | 9 | 63,270 | - | - | - | - | - | 436,763 |
| Due from other funds | 122,936 | 130,397 | - | - | 78,174 | - | - | 3,596,523 | - | 3,928,030 |
| Inventory | 76,328 | - | - | - | - | - | - | - | - | 76,328 |
| Prepaid expenses and other assets | 450,000 | 13,232 | - | - | - | - | - | - | - | 463,232 |
| Restricted assets | - | - | - | 2,129,271 | 4,885,125 | - | 8,146,102 | 1,943,478 | 305,986 | 17,409,962 |
| Total assets | \$ 999,274 | \$ 2,422,596 | \$ 3,232,813 | \$ 2,192,541 | \$ 4,963,299 | \$ - | \$ 8,146,102 | \$ 5,540,001 | \$ 305,986 | \$ 27,802,612 |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ 180,562 | \$ 103,864 | \$ 3,778 | \$ 16,782 | \$ 35,801 | \$ - | \$ - | \$ 255,168 | \$ 227,812 | \$ 823,767 |
| Due to other funds | 794,061 | - | 1,936,985 | 48,255 | - | - | - | - | 78,174 | 2,857,475 |
| Unearned revenue | 24,651 | 133,096 | - | - | - | - | - | - | - | 157,747 |
| Total liabilities | 999,274 | 236,960 | 1,940,763 | 65,037 | 35,801 | - | - | 255,168 | 305,986 | 3,838,989 |
| Fund Balances | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Inventory | 76,328 | - | - | - | - | - | - | - | - | 76,328 |
| Prepays | 450,000 | 13,232 | - | - | - | - | - | - | - | 463,232 |
| Restricted: | | | | | | | | | | |
| Debt service | - | - | - | 2,127,504 | - | - | - | - | - | 2,127,504 |
| Capital projects | - | - | - | - | 4,927,498 | - | 8,146,102 | 5,284,833 | - | 18,358,433 |
| Committed: | | | | | | | | | | |
| Child care | - | - | 1,292,050 | - | - | - | - | - | - | 1,292,050 |
| Recreation | - | 2,172,404 | - | - | - | - | - | - | - | 2,172,404 |
| Unassigned | (526,328) | - | - | - | - | - | - | - | - | (526,328) |
| Total fund balances | - | 2,185,636 | 1,292,050 | 2,127,504 | 4,927,498 | - | 8,146,102 | 5,284,833 | - | 23,963,623 |
| Total liabilities and fund balances | \$ 999,274 | \$ 2,422,596 | \$ 3,232,813 | \$ 2,192,541 | \$ 4,963,299 | \$ - | \$ 8,146,102 | \$ 5,540,001 | \$ 305,986 | \$ 27,802,612 |

Public Schools of the City of Ann Arbor, Michigan

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2019

| | Special Revenue Funds | | | | Capital Project Funds | | | | | Total |
|--|-----------------------|---------------------|---------------------|---------------------|--|----------------------------------|--|---------------------------|----------------------------------|----------------------|
| | Food Service Fund | Recreation Fund | Child Care Fund | Debt Service Fund | 2015 Building and Site Bond Fund - Series II | 2012 Bond Building and Site Fund | 2012 Technology Bond Fund - Series III | 2015 Technology Bond Fund | 2015 Building and Site Bond Fund | |
| Revenue | | | | | | | | | | |
| Local sources | \$ 1,927,991 | \$ 4,074,824 | \$ 2,225,693 | \$ 22,137,004 | \$ 204,983 | \$ 24,875 | \$ 169,884 | \$ 120,664 | \$ - | \$ 30,885,918 |
| State sources | 206,142 | - | - | 69,703 | - | - | - | - | - | 275,845 |
| Federal sources | 2,364,562 | - | - | - | - | - | - | - | - | 2,364,562 |
| Total revenue | 4,498,695 | 4,074,824 | 2,225,693 | 22,206,707 | 204,983 | 24,875 | 169,884 | 120,664 | - | 33,526,325 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Support services | 629,257 | - | - | 31,735 | - | - | - | - | - | 660,992 |
| Food services | 4,036,871 | - | - | - | - | - | - | - | - | 4,036,871 |
| Recreation and child care | - | 4,363,264 | 1,957,545 | - | - | - | - | - | - | 6,320,809 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | 14,315,000 | - | - | - | - | - | 14,315,000 |
| Interest | - | - | - | 7,548,744 | - | - | - | - | - | 7,548,744 |
| Other debt costs | - | - | - | 3,924 | - | - | - | - | - | 3,924 |
| Capital outlay | 743 | 4,622 | 4,887 | - | 1,252,337 | 1,104,022 | - | 1,484,236 | 6,224,693 | 10,075,540 |
| Total expenditures | 4,666,871 | 4,367,886 | 1,962,432 | 21,899,403 | 1,252,337 | 1,104,022 | - | 1,484,236 | 6,224,693 | 42,961,880 |
| Excess of Revenue (Under) Over Expenditures | (168,176) | (293,062) | 263,261 | 307,304 | (1,047,354) | (1,079,147) | 169,884 | (1,363,572) | (6,224,693) | (9,435,555) |
| Other Financing Sources - Transfers in | 168,176 | - | - | - | - | - | - | - | - | 168,176 |
| Net Change in Fund Balances | - | (293,062) | 263,261 | 307,304 | (1,047,354) | (1,079,147) | 169,884 | (1,363,572) | (6,224,693) | (9,267,379) |
| Fund Balances - Beginning of year | - | 2,478,698 | 1,028,789 | 1,820,200 | 5,974,852 | 1,079,147 | 7,976,218 | 6,648,405 | 6,224,693 | 33,231,002 |
| Fund Balances - End of year | \$ - | \$ 2,185,636 | \$ 1,292,050 | \$ 2,127,504 | \$ 4,927,498 | \$ - | \$ 8,146,102 | \$ 5,284,833 | \$ - | \$ 23,963,623 |

Public Schools of the City of Ann Arbor, Michigan

**Other Supplemental Information
Schedule of Bonded Indebtedness**

June 30, 2019

| Years Ending June 30 | 2008 Bond Debt Payment | | (2012R) 2004 Bond Debt Payment | | 2012 Bond Debt Payment | | 2015 Refunding Debt Payment | |
|---------------------------------|------------------------|------------------|--------------------------------|----------------------|------------------------|-------------------|-----------------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 285,000 | \$ 11,400 | \$ 5,520,000 | \$ 3,381,400 | \$ 2,130,000 | \$ 335,750 | \$ 1,845,000 | \$ 1,272,250 |
| 2021 | - | - | 5,785,000 | 3,116,350 | 2,250,000 | 229,250 | 1,895,000 | 1,180,000 |
| 2022 | - | - | 6,065,000 | 2,827,100 | 2,335,006 | 116,750 | 1,980,000 | 1,085,250 |
| 2023 | - | - | 6,305,000 | 2,584,500 | - | - | 2,565,000 | 986,250 |
| 2024 | - | - | 6,655,000 | 2,269,250 | - | - | 2,650,000 | 858,000 |
| 2025 | - | - | 7,000,000 | 1,936,500 | - | - | 2,735,000 | 725,500 |
| 2026 | - | - | 7,370,000 | 1,586,500 | - | - | 2,820,000 | 588,750 |
| 2027 | - | - | 7,715,000 | 1,218,000 | - | - | 2,905,000 | 447,750 |
| 2028 | - | - | 8,080,000 | 832,250 | - | - | 2,995,000 | 302,500 |
| 2029 | - | - | 8,565,000 | 428,250 | - | - | 3,055,000 | 152,750 |
| Total remaining payments | \$ 285,000 | \$ 11,400 | \$ 69,060,000 | \$ 20,180,100 | \$ 6,715,006 | \$ 681,750 | \$ 25,445,000 | \$ 7,599,000 |
| Principal payments due | May 1 | | May 1 | | May 1 | | May 1 | |
| Interest payments due | May 1 & November 1 | | May 1 & November 1 | | May 1 & November 1 | | May 1 & November 1 | |
| Interest rate | 4.00% | | 4.00 - 5.00% | | 5.00% | | 5.00% | |
| Original issue | \$ 17,730,000 | | \$ 93,230,000 | | \$ 23,830,000 | | \$ 30,790,000 | |

Public Schools of the City of Ann Arbor, Michigan

Other Supplemental Information
Schedule of Bonded Indebtedness (Continued)

June 30, 2019

| Years Ending June 30 | 2015 Bond Debt Payment | | 2017 Refunding Debt Payment | | 2018 Bond Debt Payment | | Total |
|---------------------------------|------------------------|---------------------|-----------------------------|---------------------|------------------------|---------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2020 | \$ 3,050,000 | \$ 1,188,750 | \$ 710,000 | \$ 227,500 | \$ 2,735,000 | \$ 518,150 | \$ 23,210,200 |
| 2021 | 3,475,000 | 1,036,250 | 790,000 | 213,300 | 1,350,000 | 408,750 | 21,728,900 |
| 2022 | 3,775,000 | 862,500 | 735,000 | 197,500 | 1,370,000 | 354,750 | 21,703,856 |
| 2023 | 4,225,000 | 673,750 | 1,000,000 | 182,800 | 1,390,000 | 286,250 | 20,198,550 |
| 2024 | 4,500,000 | 462,500 | 1,000,000 | 162,800 | 1,420,000 | 216,750 | 20,194,300 |
| 2025 | 4,750,000 | 237,500 | 1,000,000 | 142,800 | 1,445,000 | 145,750 | 20,118,050 |
| 2026 | - | - | 900,000 | 112,800 | 1,470,000 | 73,500 | 14,921,550 |
| 2027 | - | - | 950,000 | 85,800 | - | - | 13,321,550 |
| 2028 | - | - | 955,000 | 57,300 | - | - | 13,222,050 |
| 2029 | - | - | 955,000 | 28,650 | - | - | 13,184,650 |
| Total remaining payments | \$ 23,775,000 | \$ 4,461,250 | \$ 8,995,000 | \$ 1,411,250 | \$ 11,180,000 | \$ 2,003,900 | \$ 181,803,656 |
| Principal payments due | May 1 | | May 1 | | May 1 | | |
| Interest payments due | May 1 & November 1 | | May 1 & November 1 | | May 1 & November 1 | | |
| Interest rate | 5.00% | | 2.00 - 3.00% | | 4.00 - 5.00% | | |
| Original issue | \$ 32,775,000 | | \$ 9,485,000 | | \$ 12,775,000 | | |