
Public Schools of the City of Ann Arbor, Michigan

**Financial Report
with Supplemental Information
June 30, 2020**

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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, 2020 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, 2020 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.

Emphasis of Matter

As described in Note 2 to the financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 opinions 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 November 6, 2020 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.



November 6, 2020

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, 2020. 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 and 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 2019 Bond 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 donor-sponsored scholarships. 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 has certain fiduciary responsibilities for its custodial funds. All of the School District's fiduciary activities are reported in the separate statement of fiduciary net position and statement of 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 237.1	\$ 81.2
Capital assets	215.8	224.7
Total assets	452.9	305.9
Deferred Outflows of Resources	191.5	201.7
Liabilities		
Current liabilities	36.8	33.2
Noncurrent liabilities	295.8	168.4
Net pension liability	492.6	441.9
Net OPEB liability	106.0	120.5
Total liabilities	931.2	764.0
Deferred Inflows of Resources	80.0	78.7
Net Position (Deficit)		
Net investment in capital assets	87.7	86.1
Restricted	14.4	8.2
Unrestricted	(468.9)	(429.4)
Total net position (deficit)	\$ (366.8)	\$ (335.1)

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 \$(366.8) million at June 30, 2020. Net investment in capital assets totaling \$87.7 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 (\$(468.9) million) was unrestricted.

The \$(468.9) 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 and 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 5.8	\$ 9.7
Operating grants	89.7	81.0
General revenue:		
Taxes	136.8	131.2
State aid not restricted to specific purposes	78.6	84.8
Other	7.4	4.0
Total revenue	<u>318.3</u>	<u>310.7</u>
Expenses		
Instruction	217.7	193.6
Support services	113.6	105.5
Athletics	3.2	3.2
Food services	4.3	4.0
Community services	1.4	1.5
Debt service	5.6	5.8
Other	5.5	6.5
Total expenses	<u>351.3</u>	<u>320.1</u>
Change in Net Position	(33.0)	(9.4)
Net Position (Deficit) - Beginning of year, as restated	<u>(333.8)</u>	<u>(325.7)</u>
Net Position (Deficit) - End of year	<u><u>\$ (366.8)</u></u>	<u><u>\$ (335.1)</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$351.3 million. Certain activities were partially funded from those who benefited from the programs (\$5.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$89.7 million). We paid for the remaining public benefit portion of our governmental activities with \$136.8 million in taxes, \$78.6 million in state foundation allowance, and other revenue (e.g., interest and general entitlements).

The School District experienced a decrease in net position of \$33.0 million. Key reasons for the change in net position include additional technology and instructional investments to provide services related to virtual instruction and other support services during the COVID-19 pandemic, capital outlay and 2020 bond issuances, and an increase in the School District's share of the MPSERS 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.

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

As required by the Governmental Accounting Standards Board, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$1,309,885, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard unless they elected to defer for one year, as allowed under GASB Statement No. 95.

Prior to the adoption of GASB 84, the School District accounted for child care activities in a separate fund. The School District combined the activities of recreation and child care into one fund called the Community Services Fund and accounts for the fiduciary activities in the School/Student Activity Fund.

The School District's Funds

As we noted earlier, the School District uses funds to 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 entrust to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$201.0 million, which is an increase of \$151.0 million from last year. The primary reason for the increase is the May 21, 2020 sale of building and site bonds, resulting in approximately \$152,000,000 in proceeds. The School District established a new capital projects fund for recording the transactions funded by these bonds.

In the General Fund, our principal operating fund, the fund balance increased from \$17.5 million to \$19.7 million. The change is mainly due to a one-time increase in local revenue and an increase in tax collection of a county-wide special education millage.

The total fund balance of our special revenue funds decreased by \$1.3 million. Due to the COVID-19 pandemic, the School District experienced a substantial decrease in revenue related to our community services programs.

The fund balance of our Debt Service Fund decreased by \$0.2 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund fund balance is reserved since it can be used only to pay debt service obligations.

Combined, the fund balance of our remaining capital projects funds (excluding the 2019 Bond Fund) decreased by \$0.7 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 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information section of these financial statements.

There were significant revisions made to the 2019-2020 General Fund original budget. Budgeted revenue was increased by approximately \$4.5 million due to CARES Act grants and increases in tax revenue. Other sources increased due to an increase in our county-wide special education millage tax collections.

Budgeted expenditures were also increased by approximately \$1.5 million to account for the increase in salaries and benefits and the anticipated increased operating costs for COVID-informed instruction and personal protective equipment resulting from the School District's revised operating plan.

Variances between the final budgeted and actual revenue amounts are due to an unexpected reduction in state school aid after the end of the school year and lower than expected federal revenue due to lower than expected qualifying expenditures.

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

Expenditure variances in business services resulted from unexpected costs of tax tribunal claims and extended costs for temporary staff. Operations and maintenance expenditures exceeded budgeted amounts to account for expenditures related to the Michigan State Police Competitive School Safety Grant award. As a result of the mandated school closure due to the COVID-19 pandemic, the School District invested in virtual learning programs and software, which exceeded the central services budget.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$215.8 million invested in a broad range of capital assets, including land improvements, buildings, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$8.9 million, or 4.0 percent, from last year.

	<u>2020</u>	<u>2019</u>
Land	\$ 4,056,933	\$ 3,339,461
Buildings and improvements	418,531,786	414,049,053
Furniture and equipment	44,189,085	43,607,849
Buses and other vehicles	10,019,969	10,027,857
Land improvements	<u>39,229,730</u>	<u>37,681,367</u>
Total capital assets	516,027,503	508,705,587
Less accumulated depreciation	<u>300,208,777</u>	<u>284,028,358</u>
Total capital assets - Net of accumulated depreciation	<u>\$ 215,818,726</u>	<u>\$ 224,677,229</u>

This year's additions of \$7.3 million included vehicles, building construction, building renovations, and equipment. Several major capital projects are planned for the 2020-2021 fiscal year. The School District is preparing to adopt a capital investment plan in coordination with the recent sale of the building and site bonds. We anticipate capital additions will exceed this year's investments. 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 \$273.0 million in bonds outstanding versus \$145.5 million in the previous year - a change of 87.7 percent. Those bonds consisted of the following:

	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 272,990,006	\$ 145,455,006

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's outstanding unqualified general obligation debt is significantly below this statutorily imposed limited.

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.

Public Schools of the City of Ann Arbor, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2020-2021 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 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. Approximately 65 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 2020 school year, we anticipate that the fall student count will be short of the estimates used in creating the 2020-21 budget but that the per pupil foundation allowance will be greater. 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.

As part of the Return to Learn legislation expected to be in the final state school aid budget for the 2020-2021 fiscal year, membership would be determined using a "super blend" comprising the blends of the current and prior school year. The 2019-2020 count (obtained by weighting the February 2019 count at 10 percent and October 2019 count at 90 percent) would make up 75 percent of the super blend. The 2020-2021 count (obtained by weighting the number of full-time pupils engaged in pandemic learning for October 2020 at 90 percent and the February 2020 count at 10 percent) would make up 25 percent. 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 a foundation allowance increase of \$65 per pupil.

The impact of COVID-19 will require the School District to carefully monitor its budget for 2020-2021. Decisions made at the federal and state level related to financial resources will also need to be monitored, as they will have a direct impact on the School District's budget. As information becomes known by the School District, the budget will be reviewed and adjusted as needed to ensure adequate resources are available both now and in the future.

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 illustrate 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, 2020

	Governmental Activities
	<u> </u>
Assets	
Cash and investments (Note 4)	\$ 29,163,592
Receivables:	
Accounts receivable	2,915,214
Due from other governments	20,716,337
Inventory	138,828
Prepaid expenses and other assets	1,400,252
Restricted assets (Note 4)	182,734,752
Capital assets - Net (Note 6)	<u>215,818,726</u>
Total assets	452,887,701
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	1,292,049
Deferred pension costs (Note 11)	153,129,854
Deferred OPEB costs (Note 11)	<u>37,070,188</u>
Total deferred outflows of resources	191,492,091
Liabilities	
Accounts payable	7,125,111
Accrued liabilities and other	28,694,928
Unearned revenue (Note 5)	968,799
Noncurrent liabilities:	
Due within one year (Note 8)	32,629,417
Due in more than one year (Note 8)	263,161,151
Net pension liability (Note 11)	492,622,188
Net OPEB liability (Note 11)	<u>106,009,015</u>
Total liabilities	931,210,609
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	16,289,862
Deferred pension cost reductions (Note 11)	19,427,195
Deferred OPEB cost reductions (Note 11)	<u>44,272,612</u>
Total deferred inflows of resources	<u>79,989,669</u>
Net Position (Deficit)	
Net investment in capital assets	87,691,234
Restricted:	
Debt service	516,221
Capital projects	13,849,007
Unrestricted	<u>(468,876,948)</u>
Total net position (deficit)	<u><u>\$ (366,820,486)</u></u>

Public Schools of the City of Ann Arbor, Michigan

Statement of Activities

Year Ended June 30, 2020

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 217,715,350	\$ 108,711	\$ 52,789,537	\$ (164,817,102)
Support services	113,577,516	-	32,885,285	(80,692,231)
Athletics	3,174,836	747,281	-	(2,427,555)
Food services	4,250,568	901,054	3,162,582	(186,932)
Community services	1,351,908	-	865,402	(486,506)
Recreation and child care	5,570,201	3,999,331	-	(1,570,870)
Interest	4,575,128	-	-	(4,575,128)
Other debt costs	1,074,719	-	-	(1,074,719)
Depreciation expense (unallocated)	31,368	-	-	(31,368)
Total primary government	\$ 351,321,594	\$ 5,756,377	\$ 89,702,806	(255,862,411)
General revenue:				
Taxes:				
Property taxes levied for general purposes				90,716,982
Property taxes levied for debt service				23,091,182
Property taxes levied for sinking fund				22,959,151
State aid not restricted to specific purposes				78,605,159
Federal grants and contributions not restricted to specific purposes				8,439
Interest and investment earnings				832,245
Other				6,647,597
Total general revenue				222,860,755
Change in Net Position				(33,001,656)
Net Position (Deficit) - Beginning of year (as restated)				(333,818,830)
Net Position (Deficit) - End of year				\$ (366,820,486)

Public Schools of the City of Ann Arbor, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2020

	General Fund	2019 Bond Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 4)	\$ 25,715,304	\$ -	\$ 3,448,288	\$ 29,163,592
Receivables:				
Accounts receivable	2,259,473	-	655,741	2,915,214
Due from other governments	20,683,656	-	32,681	20,716,337
Due from other funds (Note 7)	1,354,530	-	62,587	1,417,117
Inventory	-	-	138,828	138,828
Prepaid expenses and other assets	529,831	-	870,421	1,400,252
Restricted assets (Note 4)	-	151,376,544	31,358,208	182,734,752
	\$ 50,542,794	\$ 151,376,544	\$ 36,566,754	\$ 238,486,092
Total assets				
Liabilities				
Accounts payable	\$ 2,163,856	\$ 6,067	\$ 4,942,713	\$ 7,112,636
Due to other funds (Note 7)	25,286	338,715	1,065,591	1,429,592
Accrued liabilities and other	27,250,864	-	3,208	27,254,072
Unearned revenue (Note 5)	603,771	-	365,028	968,799
Deferred Inflows of Resources - Unavailable revenue (Note 5)	769,756	-	-	769,756
	30,813,533	344,782	6,376,540	37,534,855
Total liabilities and deferred inflows of resources				
Fund Balances				
Nonspendable:				
Inventory	-	-	138,828	138,828
Prepays	529,831	-	870,421	1,400,252
Restricted:				
Debt service	-	-	1,957,077	1,957,077
Capital projects	-	151,031,762	24,747,379	175,779,141
Committed:				
Student/School activities	-	-	1,229,157	1,229,157
Community services	-	-	1,836,180	1,836,180
Assigned - Subsequent year's budget shortfall	7,477,009	-	-	7,477,009
Unassigned	11,722,421	-	(588,828)	11,133,593
	19,729,261	151,031,762	30,190,214	200,951,237
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	\$ 50,542,794	\$ 151,376,544	\$ 36,566,754	\$ 238,486,092

Public Schools of the City of Ann Arbor, Michigan

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

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 200,951,237
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	516,027,503
Accumulated depreciation	<u>(300,208,777)</u>
Net capital assets used in governmental activities	215,818,726
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	769,756
Deferred inflows and outflows related to bond refundings are not reported in the funds	1,292,049
Bonds payable plus bond premiums are not due and payable in the current period and are not reported in the funds	(291,349,675)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,440,856)
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	(4,278,979)
Self-insurance liability	(161,914)
Net pension liability and related deferred inflows and outflows	(358,919,529)
Net OPEB liability and related deferred inflows and outflows	(113,211,439)
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>(16,289,862)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (366,820,486)</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, 2020

	General Fund	2019 Bond Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 97,355,070	\$ 15,194	\$ 52,633,270	\$ 150,003,534
State sources	122,832,833	-	184,291	123,017,124
Federal sources	7,053,092	-	2,978,291	10,031,383
Interdistrict sources	34,559,524	-	-	34,559,524
Total revenue	261,800,519	15,194	55,795,852	317,611,565
Expenditures				
Current:				
Instruction	156,500,144	-	-	156,500,144
Support services	97,685,844	-	1,609,186	99,295,030
Athletics	2,929,239	-	-	2,929,239
Food services	-	-	4,233,688	4,233,688
Community services	1,065,111	-	-	1,065,111
Recreation and child care	-	-	5,568,693	5,568,693
Debt service:				
Principal	-	-	16,275,000	16,275,000
Interest	-	-	6,026,090	6,026,090
Other debt costs	-	768,756	1,215,963	1,984,719
Capital outlay	830,659	-	23,971,055	24,801,714
Total expenditures	259,010,997	768,756	58,899,675	318,679,428
Excess of Revenue Over (Under) Expenditures	2,789,522	(753,562)	(3,103,823)	(1,067,863)
Other Financing Sources (Uses)				
Face value of debt issued	-	140,000,000	55,500,000	195,500,000
Premium on debt issued	-	11,785,324	-	11,785,324
Transfers in (Note 7)	73,442	-	677,413	750,855
Payment to bond refunding escrow agent	-	-	(55,192,538)	(55,192,538)
Transfers out (Note 7)	(676,546)	-	(74,309)	(750,855)
Total other financing (uses) sources	(603,104)	151,785,324	910,566	152,092,786
Net Change in Fund Balances	2,186,418	151,031,762	(2,193,257)	151,024,923
Fund Balances - Beginning of year, as restated	17,542,843	-	32,383,471	49,926,314
Fund Balances - End of year	\$ 19,729,261	\$ 151,031,762	\$ 30,190,214	\$ 200,951,237

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, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 151,024,923
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	7,329,804
Depreciation expense	<u>(16,188,307)</u>
Total	(8,858,503)
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	234,921
Revenue in support of pension contributions made subsequent to the measurement date	473,452
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(207,285,324)
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	74,113,489
Interest expense is recognized in the government-wide statements as it accrues	(284,989)
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>(42,419,625)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (33,001,656)</u></u>

Public Schools of the City of Ann Arbor, Michigan

Fiduciary Fund
Statement of Fiduciary Net Position

June 30, 2020

Custodial Fund

Assets

Cash and investments (Note 4)

\$ 372,054

Due from other funds (Note 7)

12,475

Net Position - Restricted for individuals, organizations, and other governments

\$ 384,529

Public Schools of the City of Ann Arbor, Michigan

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

Year Ended June 30, 2020

	<u>Custodial Fund</u>
Additions	
Interest	\$ 131
Contributions and fundraising	<u>46,038</u>
Total additions	46,169
Deductions	<u>109,611</u>
Net Decrease in Fiduciary Net Position	(63,442)
Net Position - Beginning of year, as restated	<u>447,971</u>
Net Position - End of year	<u><u>\$ 384,529</u></u>

June 30, 2020

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), as 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 health care-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 the following 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, the Debt Service Fund, and capital projects 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 2019 Bond Fund is used to record bond proceeds and the disbursement of invoices specifically designated for upgrading school facilities, enhancing building security, and upgrading learning environments throughout the School District. The fund operates until the purpose for which it was created is accomplished.

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 or committed to expenditure for specified purposes. The School District's special revenue funds include the Food Service Fund, the Community Services Fund, and the School/Student Activity 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 acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are 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. The School District maintains a custodial fund to record the transactions of scholarship funds.

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.

Note 2 - Significant Accounting Policies (Continued)

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 and commercial paper with a maturity of less than 270 days, which are valued 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

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.

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet 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.

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).

Note 2 - Significant Accounting Policies (Continued)

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 either to 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 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 each plan, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

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 Pronouncement

In June 2017, the Governmental Accounting Standards Board issued 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, 2022.

Adoption of New Accounting Pronouncement

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, student activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within a nonmajor governmental special revenue fund.

The effect of this new standard on net position/fund balance was as follows:

	Governmental Activities	Nonmajor funds
Net position/fund balance - June 30, 2019 - As previously reported	\$ (335,128,715)	\$ 31,073,586
Adjustment for GASB Statement No. 84 - To change fund type	1,309,885	1,309,885
Net position/fund balance - June 30, 2019 - As restated	<u>\$ (333,818,830)</u>	<u>\$ 32,383,471</u>

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 6, 2020, which is the date the financial statements were available to be issued.

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$6,507,802 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can be used only for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

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.

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

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.

The policy of the Board of Education is to preserve as a minimum General Fund balance an amount that is within a range of 6 to 15 percent of the total operating costs of the School District. As of June 30, 2020, total operating costs and unassigned fund balance of the General Fund are \$258,180,338 and \$11,722,421, respectively. The unassigned fund balance necessary to adhere to the Board of Education's policy is approximately \$15,491,000 to \$38,727,000.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or 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

During the year, the School District incurred expenditures in budgeted funds that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund - Support services - Business	\$ 2,330,476	\$ 3,008,429
General Fund - Support services - Operations and maintenance	16,007,742	17,525,268
General Fund - Support services - Central	6,194,829	6,630,086

Capital Projects Fund Compliance

The 2015 Bond Building and Site Fund - Series II, 2015 Technology Bond Fund, 2012 Technology Bond Fund - Series III, and 2019 Bond Fund 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 Technology Bonds were issued were considered substantially complete on June 30, 2020, and the cumulative expenditures recognized for the bonds through June 30, 2020 are \$10,512,667.

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 no 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.

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 \$24,167,232 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.

At year end, the School District had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Years)
Primary Government		
U.S. Treasury	\$ 23,263,710	0.92 - 2.94
MILAF Term Series	40,000,000	0.44 - 0.68
Commercial paper	27,643,604	0.44 - 0.68
Total	<u>\$ 90,907,314</u>	

Note 4 - Deposits and Investments (Continued)

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:

Investment	Carrying Value	Rating	Rating Organization
MILAF Term Series	\$ 40,000,000	AAAm	Standard & Poor's
MILAF bank investment pool	102,215,280	AAAm	Standard & Poor's
Commercial paper	<u>27,643,604</u>	A-1/A-1+	Standard & Poor's
Total	<u>\$ 169,858,884</u>		

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.

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.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The School District has the following recurring fair value measurements as of June 30, 2020:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2020			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
U.S. Treasury securities	\$ -	\$ 23,263,710	\$ -
	<u>\$ -</u>	<u>\$ 23,263,710</u>	<u>\$ -</u>
			<u>\$ 23,263,710</u>

Note 4 - Deposits and Investments (Continued)

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

Investments in Entities that Calculate Net Asset Value per Share

The School District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment pool as a practical expedient.

As of June 30, 2020, the net asset value of the School District's investment in the MILAF Term Series was \$40,000,000. The investment pool had no unfunded commitments. The MILAF Term Series allows for the School District to set a specific redemption date set upon initiation of investment. Early redemptions are permitted; however, an early redemption fee would apply.

The MILAF Term Series includes investments that the School District does not control. The investment pool invests primarily in high-quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

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, 2020, 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	\$ 769,756	\$ -
Grant, categorical aid, tuition, and food services program payments received prior to meeting all eligibility requirements	-	968,799

Public Schools of the City of Ann Arbor, Michigan

Notes to Financial Statements

June 30, 2020

Note 6 - Capital Assets

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

	Balance July 1, 2019	Additions and Transfers	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 3,339,461	\$ 717,472	\$ -	\$ 4,056,933
Capital assets being depreciated:				
Buildings and improvements	414,049,053	4,482,733	-	418,531,786
Furniture and equipment	43,607,849	581,236	-	44,189,085
Buses and other vehicles	10,027,857	-	(7,888)	10,019,969
Land improvements	37,681,367	1,548,363	-	39,229,730
Subtotal	505,366,126	6,612,332	(7,888)	511,970,570
Accumulated depreciation:				
Buildings and improvements	227,732,293	11,528,121	-	239,260,414
Furniture and equipment	32,199,749	1,438,850	-	33,638,599
Buses and other vehicles	2,558,808	1,405,726	(7,888)	3,956,646
Land improvements	21,537,508	1,815,610	-	23,353,118
Subtotal	284,028,358	16,188,307	(7,888)	300,208,777
Net capital assets being depreciated	221,337,768	(9,575,975)	-	211,761,793
Net governmental activities capital assets	\$ 224,677,229	\$ (8,858,503)	\$ -	\$ 215,818,726

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

Governmental activities:	
Instruction	\$ 14,797,044
Support services	1,359,895
Unallocated	31,368
Total governmental activities	\$ 16,188,307

Construction Commitments

The School District has active construction projects at year end. At June 30, 2020, the School District's commitments with contractors and vendors totaled approximately \$9,919,000.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	2019 Bond Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 338,715	\$ 1,015,815	\$ 1,354,530
Nonmajor funds	12,811	-	49,776	62,587
Custodial fund	12,475	-	-	12,475
Total	\$ 25,286	\$ 338,715	\$ 1,065,591	\$ 1,429,592

June 30, 2020

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

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.

During the year ended June 30, 2020, the Community Services Fund transferred \$73,442 to the General Fund to cover various current year administrative and overhead costs. The General Fund transferred funds of \$676,546 to the Food Service Fund to prevent the Food Service Fund from operating at a deficit for the year due to the unanticipated closure affecting incoming revenue, as the School District continued to pay its food service employees. Additionally, the School/Student Activity Fund transferred \$867 to the Community Services Fund to reimburse the Community Services Fund for various activities.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligations	\$ 145,455,006	\$ 195,500,000	\$ (67,965,000)	\$ 272,990,006	\$ 31,660,000
Unamortized bond premiums	18,354,839	11,785,324	(11,780,494)	18,359,669	161,503
Total bonds payable	163,809,845	207,285,324	(79,745,494)	291,349,675	31,821,503
Termination pay, accumulated vacation, and sick leave	4,291,545	-	(12,566)	4,278,979	646,000
Self-insurance	300,908	-	(138,994)	161,914	161,914
Total governmental activities long-term debt	<u>\$ 168,402,298</u>	<u>\$ 207,285,324</u>	<u>\$ (79,897,054)</u>	<u>\$ 295,790,568</u>	<u>\$ 32,629,417</u>

The School District had deferred outflows of \$1,292,049 related to deferred charges on bond refundings at June 30, 2020.

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.

June 30, 2020

Note 8 - Long-term Debt (Continued)

General obligations outstanding at June 30, 2020 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing May 1	Outstanding at June 30, 2020
\$93,230,000 2012 refunding serial bonds	\$5,785,000 - \$6,065,000	4% - 5%	2022	\$ 11,850,000
\$23,830,000 2012 issuance serial bonds	\$2,250,000 - \$2,335,006	2% - 5%	2022	4,585,006
\$30,790,000 2015 refunding serial bonds	\$1,895,000 - \$3,055,000	4% - 5%	2029	23,600,000
\$32,775,000 2015 issuance serial bonds	\$3,475,000 - \$4,750,000	4% - 5%	2025	20,725,000
\$9,485,000 2017 refunding serial bonds	\$735,000 - \$1,000,000	2% - 3%	2029	8,285,000
\$12,775,000 2018 issuance serial bonds	\$1,350,000 - \$1,470,000	3% - 5%	2026	8,445,000
\$140,000,000 2019 issuance serial bonds	\$4,550,000 - \$17,825,000	3%	2040	140,000,000
\$55,500,000 2019 refunding serial bonds	\$815,000 - \$8,305,000	1% - 3%	2029	55,500,000
Total governmental activities				<u>\$ 272,990,006</u>

Other Long-term Liabilities

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

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.

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.

Note 8 - Long-term Debt (Continued)

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
2021	\$ 31,660,000	\$ 8,645,137	\$ 40,305,137
2022	34,915,006	7,874,644	42,789,650
2023	20,885,000	6,593,509	27,478,509
2024	21,600,000	5,883,764	27,483,764
2025	22,255,000	5,139,161	27,394,161
2026-2030	75,325,000	16,243,700	91,568,700
2031-2035	30,775,000	8,160,000	38,935,000
2036-2040	35,575,000	3,259,500	38,834,500
Total	<u>\$ 272,990,006</u>	<u>\$ 61,799,415</u>	<u>\$ 334,789,421</u>

Advance Bond Refunding

During the year, the School District issued \$55,500,000 in general obligation (revenue) bonds with an average interest rate of 2.4 percent. The proceeds of these bonds were used to advance refund \$51,690,000 of the outstanding portion of the 2012 refunding bonds with an average interest rate of 2.31 percent. The net proceeds of \$56,102,538 (after payment of \$307,462 in underwriting fees, insurance, and other issuance costs) plus an additional \$910,000 of Debt Service Fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments over the next nine years by approximately \$4,300,000, which represents an economic gain of approximately \$3,840,000.

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 \$383,414 for the year ended June 30, 2020.

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

	2020	2019
Potential claims, including IBNR - Beginning of year	\$ 300,908	\$ 82,057
Increase in estimated liability - Net of claims incurred and claims paid	(138,994)	218,851
Estimated liability - End of year	<u>\$ 161,914</u>	<u>\$ 300,908</u>

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 (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 health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care 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 health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services 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 health care 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 health care 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.

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.

June 30, 2020

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

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 health care 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 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 health care 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 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 health care 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.

The range of rates is as follows:

	Pension	OPEB
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

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.

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$41,003,438, 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 \$16,289,862 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, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$10,709,457, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$492,622,188 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. 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, 2019 and 2018, the School District's proportion was 1.49 and 1.47 percent, respectively, representing a change of 1.19 percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$106,009,015 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. 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, 2019 and 2018, the School District's proportion was 1.48 and 1.52 percent, respectively, representing a change of (2.56) percent.

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

For 2020, the School District recognized pension expense of \$86,999,784, inclusive of payments to fund the MPERS UAAL stabilization rate. At June 30, 2020, 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	\$ 2,208,089	\$ (2,054,187)
Changes in assumptions	96,455,771	-
Net difference between projected and actual earnings on pension plan investments	-	(15,787,704)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	20,077,098	(1,585,304)
The School District's contributions to the plan subsequent to the measurement date	34,388,896	-
Total	<u>\$ 153,129,854</u>	<u>\$ (19,427,195)</u>

June 30, 2020

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

The \$16,289,862 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, 2021. 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
2021	\$ 41,933,749
2022	31,453,063
2023	18,914,964
2024	7,011,987
Total	<u>\$ 99,313,763</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, 2020, the School District recognized OPEB expense of \$3,749,614.

At June 30, 2020, 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	\$ -	\$ (38,897,705)
Changes in assumptions	22,970,008	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,843,548)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	6,500,419	(3,531,359)
Employer contributions to the plan subsequent to the measurement date	7,599,761	-
Total	<u>\$ 37,070,188</u>	<u>\$ (44,272,612)</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
2021	\$ (3,897,077)
2022	(3,897,077)
2023	(2,977,689)
2024	(2,237,659)
2025	(1,792,683)
Total	<u>\$ (14,802,185)</u>

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

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 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% - 6.80%	Net of investment expenses on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	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.

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates; continued impact of the updated experience study, which resulted in a lower than projected per person health benefit cost for OPEB; and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. 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.

June 30, 2020

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

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 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
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 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 640,440,359	\$ 492,622,188	\$ 370,057,831

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 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 130,035,986	\$ 106,009,015	\$ 85,833,032

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

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

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 84,977,658	\$ 106,009,015	\$ 130,033,135

June 30, 2020

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

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, 2020, the School District reported a payable of \$6,165,441 and \$1,344,648 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

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, 2020, the School District's property tax revenue was reduced by approximately \$220,000 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 \$173,000 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, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 95,275,758	\$ 96,092,565	\$ 97,355,070	\$ 1,262,505
State sources	123,661,697	124,390,386	122,832,833	(1,557,553)
Federal sources	8,064,069	9,334,069	7,053,092	(2,280,977)
Interdistrict sources	32,873,638	34,546,182	34,559,524	13,342
Total revenue	259,875,162	264,363,202	261,800,519	(2,562,683)
Expenditures				
Current:				
Instruction:				
Basic programs	119,536,161	121,030,589	119,209,731	(1,820,858)
Added needs	35,483,657	36,943,522	37,024,462	80,940
Adult/Continuing education	407,005	307,420	273,590	(33,830)
Support services:				
Pupil	31,183,691	32,922,299	32,046,737	(875,562)
Instructional staff	13,839,611	12,824,760	12,583,522	(241,238)
General administration	2,755,585	3,144,943	2,732,234	(412,709)
School administration	16,353,321	16,952,704	15,678,608	(1,274,096)
Business	2,354,014	2,330,476	3,008,429	677,953
Operations and maintenance	17,640,097	16,007,742	17,525,268	1,517,526
Pupil transportation services	10,110,396	8,550,000	8,295,378	(254,622)
Central	6,037,007	6,194,829	6,630,086	435,257
Other	-	-	75	75
Athletics	2,972,461	3,007,693	2,937,766	(69,927)
Community services	1,097,957	1,068,213	1,065,111	(3,102)
Total expenditures	259,770,963	261,285,190	259,010,997	(2,274,193)
Excess of Revenue Over Expenditures	104,199	3,078,012	2,789,522	(288,490)
Other Financing Sources (Uses)				
Transfers in	-	-	73,442	73,442
Transfers out	(45,240)	(45,240)	(676,546)	(631,306)
Total other financing uses	(45,240)	(45,240)	(603,104)	(557,864)
Net Change in Fund Balance	58,959	3,032,772	2,186,418	(846,354)
Fund Balance - Beginning of year	17,542,843	17,542,843	17,542,843	-
Fund Balance - End of year	<u>\$ 17,601,802</u>	<u>\$ 20,575,615</u>	<u>\$ 19,729,261</u>	<u>\$ (846,354)</u>

Public Schools of the City of Ann Arbor, Michigan

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

	Last Six Plan Years					
	Plan Years Ended September 30					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	1.48754 %	1.47009 %	1.40802 %	1.32793 %	1.27127 %	1.26546 %
School District's proportionate share of the net pension liability	\$ 492,622,188	\$ 441,935,887	\$ 364,878,575	\$ 331,306,659	\$ 310,508,345	\$ 278,734,374
School District's covered payroll	\$ 129,262,694	\$ 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 payroll	381.10 %	342.13 %	303.28 %	289.98 %	296.56 %	272.28 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	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 Six Fiscal Years					
	Years Ended June 30					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 40,068,888	\$ 40,073,251	\$ 37,893,647	\$ 32,516,905	\$ 29,618,370	\$ 21,769,845
Contributions in relation to the statutorily required contribution	<u>40,068,888</u>	<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>	<u>\$ -</u>
School District's Covered Payroll	\$ 125,495,569	\$ 129,370,099	\$ 127,969,324	\$ 116,978,719	\$ 106,641,677	\$ 101,096,608
Contributions as a Percentage of Covered Payroll	31.93 %	30.98 %	29.61 %	27.80 %	27.77 %	21.53 %

Public Schools of the City of Ann Arbor, Michigan

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

**Last Three Plan Years
Plan Years Ended September 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	1.47691 %	1.51567 %	1.40536 %
School District's proportionate share of the net OPEB liability	\$ 106,009,015	\$ 120,480,255	\$ 124,451,090
School District's covered payroll	\$ 129,262,694	\$ 129,172,261	\$ 120,309,307
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.01 %	93.27 %	103.44 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	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 Three Fiscal Years		
	Years Ended June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 10,084,322	\$ 10,162,054	\$ 9,242,872
Contributions in relation to the statutorily required contribution	<u>10,084,322</u>	<u>10,162,054</u>	<u>9,242,872</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 125,495,569	\$ 129,370,099	\$ 127,969,324
Contributions as a Percentage of Covered Payroll	8.04 %	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:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

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:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Public Schools of the City of Ann Arbor, Michigan

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

June 30, 2020

	Special Revenue Funds				Capital Projects Funds				Total
	Food Service Fund	Community Services Fund	School/Student Activity Fund	Debt Service Fund	2015 Building and Site Bond Fund - Series II	2012 Technology Bond Fund - Series III	2015 Technology Bond Fund	2010 Sinking Fund	
Assets									
Cash and investments	\$ -	\$ 2,122,079	\$ 1,326,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,448,288
Receivables	688,422	-	-	-	-	-	-	-	688,422
Due from other funds	49,776	-	-	361	-	-	12,450	-	62,587
Inventory	138,828	-	-	-	-	-	-	-	138,828
Prepaid expenses and other assets	450,000	420,421	-	-	-	-	-	-	870,421
Restricted assets	-	-	-	2,001,823	3,227,888	8,274,679	455,290	17,398,528	31,358,208
Total assets	\$ 1,327,026	\$ 2,542,500	\$ 1,326,209	\$ 2,002,184	\$ 3,227,888	\$ 8,274,679	\$ 467,740	\$ 17,398,528	\$ 36,566,754
Liabilities									
Accounts payable	\$ 241,757	\$ 18,980	\$ 46,344	\$ 45,107	\$ 39,802	\$ -	\$ 25,503	\$ 4,525,220	\$ 4,942,713
Due to other funds	725,891	262,690	46,079	-	-	-	-	30,931	1,065,591
Accrued liabilities and other	-	3,208	-	-	-	-	-	-	3,208
Unearned revenue	359,378	1,021	4,629	-	-	-	-	-	365,028
Total liabilities	1,327,026	285,899	97,052	45,107	39,802	-	25,503	4,556,151	6,376,540
Fund Balances									
Nonspendable:									
Inventory	138,828	-	-	-	-	-	-	-	138,828
Prepays	450,000	420,421	-	-	-	-	-	-	870,421
Restricted:									
Debt service	-	-	-	1,957,077	-	-	-	-	1,957,077
Capital projects	-	-	-	-	3,188,086	8,274,679	442,237	12,842,377	24,747,379
Committed:									
Student/School activities	-	-	1,229,157	-	-	-	-	-	1,229,157
Community services	-	1,836,180	-	-	-	-	-	-	1,836,180
Unassigned	(588,828)	-	-	-	-	-	-	-	(588,828)
Total fund balances	-	2,256,601	1,229,157	1,957,077	3,188,086	8,274,679	442,237	12,842,377	30,190,214
Total liabilities and fund balances	\$ 1,327,026	\$ 2,542,500	\$ 1,326,209	\$ 2,002,184	\$ 3,227,888	\$ 8,274,679	\$ 467,740	\$ 17,398,528	\$ 36,566,754

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, 2020

	Special Revenue Funds				Capital Projects Funds				Total
	Food Service Fund	Community Services Fund	School/Student Activity Fund	Debt Service Fund	2015 Building and Site Bond - Series II	2012 Technology Bond - Series III	2015 Technology Bond Fund	2010 Sinking Fund	
Revenue									
Local sources	\$ 901,054	\$ 4,422,767	\$ 872,320	\$ 23,112,659	\$ 86,804	\$ 128,577	\$ 50,034	\$ 23,059,055	\$ 52,633,270
State sources	184,291	-	-	-	-	-	-	-	184,291
Federal sources	2,978,291	-	-	-	-	-	-	-	2,978,291
Total revenue	4,063,636	4,422,767	872,320	23,112,659	86,804	128,577	50,034	23,059,055	55,795,852
Expenditures									
Current:									
Support services	506,494	1,076	952,181	73,495	-	-	-	75,940	1,609,186
Food services	4,233,688	-	-	-	-	-	-	-	4,233,688
Recreation and child care	-	5,568,693	-	-	-	-	-	-	5,568,693
Debt service:									
Principal	-	-	-	16,275,000	-	-	-	-	16,275,000
Interest	-	-	-	6,026,090	-	-	-	-	6,026,090
Other debt costs	-	-	-	1,215,963	-	-	-	-	1,215,963
Capital outlay	-	1,508	-	-	1,826,216	-	4,892,630	17,250,701	23,971,055
Total expenditures	4,740,182	5,571,277	952,181	23,590,548	1,826,216	-	4,892,630	17,326,641	58,899,675
Excess of Revenue (Under) Over Expenditures	(676,546)	(1,148,510)	(79,861)	(477,889)	(1,739,412)	128,577	(4,842,596)	5,732,414	(3,103,823)
Other Financing Sources (Uses)									
Face value of debt issued	-	-	-	55,500,000	-	-	-	-	55,500,000
Transfers in	676,546	867	-	-	-	-	-	-	677,413
Payment to bond refunding escrow agent	-	-	-	(55,192,538)	-	-	-	-	(55,192,538)
Transfers out	-	(73,442)	(867)	-	-	-	-	-	(74,309)
Total other financing sources (uses)	676,546	(72,575)	(867)	307,462	-	-	-	-	910,566
Net Change in Fund Balances	-	(1,221,085)	(80,728)	(170,427)	(1,739,412)	128,577	(4,842,596)	5,732,414	(2,193,257)
Fund Balances - Beginning of year, as restated	-	3,477,686	1,309,885	2,127,504	4,927,498	8,146,102	5,284,833	7,109,963	32,383,471
Fund Balances - End of year	\$ -	\$ 2,256,601	\$ 1,229,157	\$ 1,957,077	\$ 3,188,086	\$ 8,274,679	\$ 442,237	\$ 12,842,377	\$ 30,190,214

Public Schools of the City of Ann Arbor, Michigan

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2012 Refunding Debt Payment		2012 Bond Debt Payment		2015 Refunding Debt Payment		2015 Bond Debt Payment	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 5,785,000	\$ 531,850	\$ 2,250,000	\$ 229,250	\$ 1,895,000	\$ 1,180,000	\$ 3,475,000	\$ 1,036,250
2022	6,065,000	242,600	2,335,006	116,750	1,980,000	1,085,250	3,775,000	862,500
2023	-	-	-	-	2,565,000	986,250	4,225,000	673,750
2024	-	-	-	-	2,650,000	858,000	4,500,000	462,500
2025	-	-	-	-	2,735,000	725,500	4,750,000	237,500
2026	-	-	-	-	2,820,000	588,750	-	-
2027	-	-	-	-	2,905,000	447,750	-	-
2028	-	-	-	-	2,995,000	302,500	-	-
2029	-	-	-	-	3,055,000	152,750	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
Total remaining payments	\$ 11,850,000	\$ 774,450	\$ 4,585,006	\$ 346,000	\$ 23,600,000	\$ 6,326,750	\$ 20,725,000	\$ 3,272,500
Principal payments due	May 1		May 1		May 1		May 1	
Interest payments due	May 1 and November 1		May 1 and November 1		May 1 and November 1		May 1 and November 1	
Interest rate	4.00 - 5.00%		2.00 - 5.00%		4.00 - 5.00%		4.00 - 5.00%	
Original issue	<u>\$ 93,230,000</u>		<u>\$ 23,830,000</u>		<u>\$ 30,790,000</u>		<u>\$ 32,775,000</u>	

Public Schools of the City of Ann Arbor, Michigan

**Other Supplemental Information
Schedule of Bonded Indebtedness (Continued)**

June 30, 2020

Years Ending June 30	2017 Refunding Debt Payment		2018 Bond Debt Payment		2019 Bond Debt Payment		2020 Refunding Debt Payment		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 790,000	\$ 213,300	\$ 1,350,000	\$ 408,750	\$ 15,300,000	\$ 3,756,667	\$ 815,000	\$ 1,289,070	\$ 40,305,137
2022	735,000	197,500	1,370,000	354,750	17,825,000	3,741,000	830,000	1,274,294	42,789,650
2023	1,000,000	182,800	1,390,000	286,250	4,550,000	3,206,250	7,155,000	1,258,209	27,478,509
2024	1,000,000	162,800	1,420,000	216,750	4,700,000	3,069,750	7,330,000	1,113,964	27,483,764
2025	1,000,000	142,800	1,445,000	145,750	4,825,000	2,928,750	7,500,000	958,861	27,394,161
2026	900,000	112,800	1,470,000	73,500	4,975,000	2,784,000	7,690,000	788,311	22,202,361
2027	950,000	85,800	-	-	5,125,000	2,634,750	7,850,000	604,213	20,602,513
2028	955,000	57,300	-	-	5,275,000	2,481,000	8,025,000	409,925	20,500,725
2029	955,000	28,650	-	-	5,450,000	2,322,750	8,305,000	209,701	20,478,851
2030	-	-	-	-	5,625,000	2,159,250	-	-	7,784,250
2031	-	-	-	-	5,800,000	1,990,500	-	-	7,790,500
2032	-	-	-	-	5,975,000	1,816,500	-	-	7,791,500
2033	-	-	-	-	6,150,000	1,637,250	-	-	7,787,250
2034	-	-	-	-	6,325,000	1,452,750	-	-	7,777,750
2035	-	-	-	-	6,525,000	1,263,000	-	-	7,788,000
2036	-	-	-	-	6,725,000	1,067,250	-	-	7,792,250
2037	-	-	-	-	6,925,000	865,500	-	-	7,790,500
2038	-	-	-	-	7,125,000	657,750	-	-	7,782,750
2039	-	-	-	-	7,300,000	444,000	-	-	7,744,000
2040	-	-	-	-	7,500,000	225,000	-	-	7,725,000
Total remaining payments	\$ 8,285,000	\$ 1,183,750	\$ 8,445,000	\$ 1,485,750	\$ 140,000,000	\$ 40,503,667	\$ 55,500,000	\$ 7,906,548	\$ 334,789,421
Principal payments due	May 1		May 1		May 1		May 1		
Interest payments due	May 1 and November 1		May 1 and November 1		May 1 and November 1		May 1 and November 1		
Interest rate	2.00 - 3.00%		3.00 - 5.00%		3.00%		1.00 - 3.00%		
Original issue	<u>\$ 9,485,000</u>		<u>\$ 12,775,000</u>		<u>\$ 140,000,000</u>		<u>\$ 55,500,000</u>		