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# Public Schools of the City of Ann Arbor, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2022**

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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 Audit of the Financial Statements**

#### **Opinions**

We have audited the 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, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2022 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required 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 is the responsibility of management and, 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.

***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022 on our consideration of the School District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 18, 2022

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, 2022. 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, the 2019 Bond Fund, the 2019 Bond Fund - Series II, the 2010 Sinking Fund, and the Debt Service 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

#### **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

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### Management's Discussion and Analysis (Continued)

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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 responsibility for its custodial funds. All of the School District's fiduciary activities are reported in a 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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 251.6	\$ 235.2
Capital assets	245.2	221.2
Total assets	496.8	456.4
<b>Deferred Outflows of Resources</b>	107.1	151.6
<b>Liabilities</b>		
Current liabilities	57.8	48.6
Noncurrent liabilities	279.6	261.7
Net pension liability	340.0	493.3
Net OPEB liability	22.2	76.0
Total liabilities	699.6	879.6
<b>Deferred Inflows of Resources</b>	231.4	95.2
<b>Net Position (Deficit)</b>		
Net investment in capital assets	107.4	106.1
Restricted	32.0	20.7
Unrestricted	(466.5)	(493.6)
Total net position (deficit)	<b>\$ (327.1)</b>	<b>\$ (366.8)</b>

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 \$(327.1) million at June 30, 2022. Net investment in capital assets totaling \$107.4 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, a deficit of \$466.5 million, was unrestricted.

The \$(466.5) 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, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4.8	\$ 1.8
Operating grants	125.6	99.3
General revenue:		
Taxes	158.9	160.0
State aid not restricted to specific purposes	77.5	80.1
Other	3.8	2.9
Total revenue	370.6	344.1
<b>Expenses</b>		
Instruction	200.9	216.4
Support services	108.2	109.8
Athletics	3.6	3.1
Food services	6.7	3.8
Community services	1.5	1.3
Debt service	6.5	6.7
Other	3.5	3.0
Total expenses	330.9	344.1
<b>Change in Net Position</b>	39.7	-
<b>Net Position (Deficit) - Beginning of year</b>	(366.8)	(366.8)
<b>Net Position (Deficit) - End of year</b>	<u>\$ (327.1)</u>	<u>\$ (366.8)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$330.9 million. Certain activities were partially funded from those who benefited from the programs (\$4.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$125.6 million). We paid for the remaining public benefit portion of our governmental activities with \$158.9 million in taxes, \$77.5 million in state foundation allowance, and other revenue (e.g., interest and general entitlements).

The School District experienced an increase in net position of approximately \$39.7 million. A key reason for the change in net position is a reduction in the School District's share of the net MPSERS pension and OPEB liabilities.

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

### **The School District's Funds**

As we noted earlier, the School District uses funds to 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.

## Public Schools of the City of Ann Arbor, Michigan

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### Management's Discussion and Analysis (Continued)

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As the School District completed this year, the governmental funds reported a combined fund balance of \$193.0 million, which is an increase of \$5.1 million from last year. The primary reason for the increase is due to the sale of the second series of bonds for the 2019 capital improvement program, net of capital outlay expenditures in the current year from the first series of bonds from the 2019 capital improvement program, and an increase in sinking fund balance as a result of delays in planned building repairs and maintenance as a result of a constrained labor market and supply chain.

In the General Fund, our principal operating fund, the fund balance decreased from \$22.2 million to \$19.7 million as a result of greater substitute and retirement costs than anticipated and increased costs due to escalating inflationary pressures on prices of goods and contracted services in the last quarter of the fiscal year.

The total fund balance of our special revenue funds increased by \$0.5 million as a result of greater federal National School Lunch Program food service revenue due to the provision of federal waivers and extension of no-cost student meal provisions.

The fund balance of our Debt Service Fund decreased by \$0.8 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 and 2019 Bond Fund - Series II) decreased by \$6.0 million as the School District leveraged the remaining 2012 Technology Bond Fund resources to purchase and/or upgrade needed student instructional technology hardware and infrastructure. Approximately \$2.1 million will be reimbursed with federal Emergency Connectivity Funds.

#### **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 2022. 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 2021-2022 General Fund original budget. Budgeted revenue was increased by approximately \$30.7 million due to CARES Act grants and local share of foundation allowance revenue. Other sources increased due to an increase in the shared intermediate school district's county-wide special education millage collections.

Budgeted expenditures were also increased by approximately \$24.7 million to account for the increase in costs to recruit and retain high-quality staff and contracted services, including substitute personnel, as well as increased operating costs for COVID-19 informed instruction and environments. Variances between the final budgeted and actual expenditure amounts are due to greater than anticipated substitute personnel costs and inflationary pressures on costs for contracted services, fuel, and goods in the third and fourth quarters.

#### **Capital Assets and Long-term Liability Administration**

##### **Capital Assets**

As of June 30, 2022, the School District had \$245.2 million invested in a broad range of capital assets, including land and land improvements, construction, buildings, buses, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$24 million, or 10.9 percent, from last year.

# Public Schools of the City of Ann Arbor, Michigan

## Management's Discussion and Analysis (Continued)

	2022	2021
Land	\$ 5,701,212	\$ 4,693,116
Construction in progress	46,890,082	12,863,813
Buildings and improvements	423,863,161	419,070,351
Furniture and equipment	44,628,461	44,409,254
Buses and other vehicles	11,937,610	11,937,610
Land improvements	43,984,391	43,350,382
<b>Total capital assets</b>	<b>577,004,917</b>	<b>536,324,526</b>
Less accumulated depreciation	331,761,367	315,122,109
<b>Total capital assets - Net of accumulated depreciation</b>	<b>\$ 245,243,550</b>	<b>\$ 221,202,417</b>

This year's additions of \$40.7 million included building improvements and renovations, site improvements, land, solar installations, and equipment. Several major capital projects are planned for the 2022-2023 fiscal year. The School District adopted a capital improvement plan in alignment with the referendum and in coordination with the 2020 sale of the building and site bonds. We present more detailed information about our capital assets in the notes to the financial statements.

### **Long-term Liability Administration**

At the end of this year, the School District had \$256.4 million in bonds outstanding versus \$241.3 million in the previous year - a change of 6.3 percent. Those bonds consisted of the following:

	2022	2021
General obligation bonds	\$ 256,415,000	\$ 241,330,006

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 limit.

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

### **Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2022-2023 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 2022-2023 budget was adopted in June 2022 based on an estimate of students who will enroll in September 2022, an estimated per pupil foundation allowance, and projected state categorical funding. Approximately 74 percent of total General Fund revenue is from the foundation allowance and state categorical revenue. 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 2022-2023 school year, we anticipate the fall student count will be in line with the estimates used in creating the 2022-2023 budget. Once the final student count and related state funding sources are validated, the School District will take steps to confirm the budget aligns with projected revenue. State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

### **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, 2022

	Governmental Activities
	<u>                    </u>
<b>Assets</b>	
Cash and investments (Note 4)	\$ 32,216,699
Receivables:	
Accounts receivable	703,424
Due from other governments	27,339,997
Inventory	152,503
Prepaid expenses and other assets	1,378,111
Restricted assets (Note 4)	189,747,241
Capital assets - Net (Note 6)	<u>245,243,550</u>
Total assets	496,781,525
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	969,043
Deferred pension costs (Note 11)	73,670,970
Deferred OPEB costs (Note 11)	<u>32,453,112</u>
Total deferred outflows of resources	107,093,125
<b>Liabilities</b>	
Accounts payable	22,747,553
Accrued liabilities and other	33,150,786
Unearned revenue (Note 5)	1,895,860
Noncurrent liabilities:	
Due within one year (Note 8)	38,466,294
Due in more than one year (Note 8)	241,055,393
Net pension liability (Note 11)	340,027,039
Net OPEB liability (Note 11)	<u>22,247,267</u>
Total liabilities	699,590,192
<b>Deferred Inflows of Resources</b>	
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	23,035,415
Deferred pension cost reductions (Note 11)	120,037,117
Deferred OPEB cost reductions (Note 11)	<u>88,280,199</u>
Total deferred inflows of resources	<u>231,352,731</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	107,442,633
Restricted:	
Debt service	564,785
Capital projects	31,448,041
Unrestricted	<u>(466,523,732)</u>
Total net position (deficit)	<u><u>\$ (327,068,273)</u></u>

# Public Schools of the City of Ann Arbor, Michigan

## Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 200,893,592	\$ 364,897	\$ 72,032,043	\$ (128,496,652)
Support services	108,175,106	-	44,872,420	(63,302,686)
Athletics	3,627,399	902,739	-	(2,724,660)
Food services	6,669,283	68,629	7,487,809	887,155
Community services	1,511,488	-	1,180,853	(330,635)
Recreation and child care	3,515,740	3,449,790	-	(65,950)
Interest	6,167,774	-	-	(6,167,774)
Other debt costs	325,889	-	-	(325,889)
Depreciation expense (unallocated)	32,242	-	-	(32,242)
<b>Total primary government</b>	<b>\$ 330,918,513</b>	<b>\$ 4,786,055</b>	<b>\$ 125,573,125</b>	<b>(200,559,333)</b>
General revenue:				
Taxes:				
Property taxes levied for general purposes				91,528,388
Property taxes levied for debt service				42,121,241
Property taxes levied for sinking fund				25,274,145
State aid not restricted to specific purposes				77,542,868
Federal grants and contributions not restricted to specific purposes				2,415
Interest and investment earnings				375,559
Other				3,443,853
<b>Total general revenue</b>				<b>240,288,469</b>
<b>Change in Net Position</b>				<b>39,729,136</b>
<b>Net Position (Deficit) - Beginning of year</b>				<b>(366,797,409)</b>
<b>Net Position (Deficit) - End of year</b>				<b>\$ (327,068,273)</b>

# Public Schools of the City of Ann Arbor, Michigan

## Governmental Funds Balance Sheet

June 30, 2022

	General Fund	2019 Bond Fund - Series II	2019 Bond Fund	2010 Sinking Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments (Note 4)	\$ 28,251,332	\$ -	\$ -	\$ -	\$ -	\$ 3,965,367	\$ 32,216,699
Receivables:							
Accounts receivable	528,644	-	174,780	-	-	-	703,424
Due from other governments	25,212,997	-	-	-	-	2,127,000	27,339,997
Due from other funds (Note 7)	240,730	-	-	-	-	-	240,730
Inventory	-	-	-	-	-	152,503	152,503
Prepaid expenses and other assets	490,883	-	306,500	-	-	580,728	1,378,111
Restricted assets (Note 4)	-	54,746,697	97,587,547	32,810,407	2,046,411	2,556,179	189,747,241
<b>Total assets</b>	<b>\$ 54,724,586</b>	<b>\$ 54,746,697</b>	<b>\$ 98,068,827</b>	<b>\$ 32,810,407</b>	<b>\$ 2,046,411</b>	<b>\$ 9,381,777</b>	<b>\$ 251,778,705</b>
<b>Liabilities</b>							
Accounts payable	\$ 2,723,806	\$ -	\$ 16,988,084	\$ 2,293,055	\$ 18,015	\$ 724,593	\$ 22,747,553
Due to other funds (Note 7)	-	-	97,902	69,241	-	73,587	240,730
Accrued liabilities and other	31,655,656	-	-	-	-	31,519	31,687,175
Unearned revenue (Note 5)	555,308	-	-	-	-	1,340,552	1,895,860
<b>Total liabilities</b>	<b>34,934,770</b>	<b>-</b>	<b>17,085,986</b>	<b>2,362,296</b>	<b>18,015</b>	<b>2,170,251</b>	<b>56,571,318</b>
<b>Deferred Inflows of Resources - Unavailable revenue (Note 5)</b>	<b>107,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,127,000</b>	<b>2,234,334</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>35,042,104</b>	<b>-</b>	<b>17,085,986</b>	<b>2,362,296</b>	<b>18,015</b>	<b>4,297,251</b>	<b>58,805,652</b>
<b>Fund Balances</b>							
Nonspendable:							
Inventory	-	-	-	-	-	152,503	152,503
Prepays	490,883	-	306,500	-	-	580,728	1,378,111
Restricted:							
Debt service	-	-	-	-	2,028,396	-	2,028,396
Capital projects	-	54,746,697	80,676,341	30,448,111	-	2,395,623	168,266,772
Committed:							
Student/School activities	-	-	-	-	-	1,233,455	1,233,455
Community services	-	-	-	-	-	732,153	732,153
Assigned - Subsequent year's budget shortfall	3,693,759	-	-	-	-	-	3,693,759
Unassigned	15,497,840	-	-	-	-	(9,936)	15,487,904
<b>Total fund balances</b>	<b>19,682,482</b>	<b>54,746,697</b>	<b>80,982,841</b>	<b>30,448,111</b>	<b>2,028,396</b>	<b>5,084,526</b>	<b>192,973,053</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 54,724,586</b>	<b>\$ 54,746,697</b>	<b>\$ 98,068,827</b>	<b>\$ 32,810,407</b>	<b>\$ 2,046,411</b>	<b>\$ 9,381,777</b>	<b>\$ 251,778,705</b>

**Public Schools of the City of Ann Arbor, Michigan**

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

**June 30, 2022**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 192,973,053</b>
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	577,004,917
Accumulated depreciation	<u>(331,761,367)</u>
Net capital assets and lease assets used in governmental activities	245,243,550
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	2,234,334
Deferred outflows related to bond refundings are not reported in the funds	969,043
Bonds payable are not due and payable in the current period and are not reported in the funds	(275,895,191)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,463,611)
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	(3,545,470)
Self-insurance liability	(81,026)
Net pension liability and related deferred inflows and outflows	(386,393,186)
Net OPEB liability and related deferred inflows and outflows	(78,074,354)
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>(23,035,415)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (327,068,273)</u></u></b>

**Public Schools of the City of Ann Arbor, Michigan**

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

**Year Ended June 30, 2022**

	General Fund	2019 Bond Fund - Series II	2019 Bond Fund	2010 Sinking Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>							
Local sources	\$ 95,410,023	\$ 47,850	\$ 260,231	\$ 25,274,145	\$ 42,121,671	\$ 4,415,320	\$ 167,529,240
State sources	129,808,830	-	-	-	-	65,532	129,874,362
Federal sources	31,868,706	-	-	-	-	7,974,732	39,843,438
Interdistrict sources	35,721,358	-	-	-	-	-	35,721,358
Total revenue	292,808,917	47,850	260,231	25,274,145	42,121,671	12,455,584	372,968,398
<b>Expenditures</b>							
Current:							
Instruction	176,696,333	-	-	-	-	-	176,696,333
Support services	113,778,940	113,452	1,068,246	248,053	143,077	892,126	116,243,894
Athletics	3,893,628	-	-	-	-	-	3,893,628
Food services	-	-	-	-	-	6,805,480	6,805,480
Community services	1,162,894	-	-	-	-	548,420	1,711,314
Recreation and child care	-	-	-	-	-	3,515,740	3,515,740
Debt service:							
Principal	-	-	-	-	34,915,006	-	34,915,006
Interest	-	-	-	-	7,874,638	-	7,874,638
Other debt costs	-	325,889	-	-	-	-	325,889
Capital outlay	17,788	-	52,528,385	12,562,235	-	5,961,325	71,069,733
Total expenditures	295,549,583	439,341	53,596,631	12,810,288	42,932,721	17,723,091	423,051,655
<b>Excess of Revenue (Under) Over Expenditures</b>	(2,740,666)	(391,491)	(53,336,400)	12,463,857	(811,050)	(5,267,507)	(50,083,257)
<b>Other Financing Sources (Uses)</b>							
Face value of debt issued	-	50,000,000	-	-	-	-	50,000,000
Premium on debt issued	-	5,138,188	-	-	-	-	5,138,188
Transfers in	237,446	-	-	-	-	40,790	278,236
Transfers out	(40,790)	-	-	-	-	(237,446)	(278,236)
Total other financing sources (uses)	196,656	55,138,188	-	-	-	(196,656)	55,138,188
<b>Net Change in Fund Balances</b>	(2,544,010)	54,746,697	(53,336,400)	12,463,857	(811,050)	(5,464,163)	5,054,931
<b>Fund Balances - Beginning of year</b>	22,226,492	-	134,319,241	17,984,254	2,839,446	10,548,689	187,918,122
<b>Fund Balances - End of year</b>	<u>\$ 19,682,482</u>	<u>\$ 54,746,697</u>	<u>\$ 80,982,841</u>	<u>\$ 30,448,111</u>	<u>\$ 2,028,396</u>	<u>\$ 5,084,526</u>	<u>\$ 192,973,053</u>

See notes to financial statements.

**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, 2022**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 5,054,931</b>
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	40,680,391
Depreciation expense	(16,639,258)
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	2,228,698
Revenue in support of pension contributions made subsequent to the measurement date	(4,549,448)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increase long-term liabilities in the statement of net position	(55,138,187)
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 premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	36,773,040
Interest expense is recognized in the government-wide statements as it accrues	(151,170)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	31,470,139
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 39,729,136</u></b>

## Public Schools of the City of Ann Arbor, Michigan

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### Fiduciary Fund Statement of Fiduciary Net Position

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**June 30, 2022**

Custodial Fund

**Assets** - Cash and investments (Note 4)

\$ 389,045

**Liabilities**

-

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

**\$ 389,045**

## Public Schools of the City of Ann Arbor, Michigan

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

Year Ended June 30, 2022

	<u>Custodial Fund</u>
<b>Additions</b>	
Interest	\$ 36
Contributions and fundraising	<u>81,754</u>
Total additions	81,790
<b>Deductions</b>	<u>93,197</u>
<b>Net Decrease in Fiduciary Net Position</b>	(11,407)
<b>Net Position - Beginning of year</b>	<u>400,452</u>
<b>Net Position - End of year</b>	<u><u>\$ 389,045</u></u>

June 30, 2022

### 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 and 2019 Bond Fund - Series II are 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 funds operate until the purpose for which they were created is accomplished.
- The 2010 Sinking Fund is used to record sinking fund millage tax revenue and the disbursement of invoices specifically designated for the purchase of real estate and construction or repairs of school buildings, in accordance with the applicable provisions of §1212 of the State of Michigan Revised School Code.
- The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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.

**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.

**Note 2 - Significant Accounting Policies (Continued)**

**Interfund Activity**

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

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

***Specific Balances and Transactions***

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term money market fund investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for investments in external investment pools 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 and improvements	20 to 50
Furniture and equipment	5 to 20
Vehicles	5 to 10

**Note 2 - Significant Accounting Policies (Continued)**

**Long-term Obligations**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position 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.

**Note 2 - Significant Accounting Policies (Continued)**

**Fund Balance Policies**

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the Board of Education to assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only 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.

**Note 2 - Significant Accounting Policies (Continued)**

**Compensated Absences**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Upcoming Accounting Pronouncements**

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2025.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including October 18, 2022, which is the date the financial statements were available to be issued.

**Note 3 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

The School District adopts 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 approved the Capital Improvement Plan - Phase I budget in 2020; it is anticipated the School District will approve budgets for future phases of the plan.

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

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

The policy of the Board of Education requires the budgeted year-end fund balance of the General Fund to fall within the range of 6 to 15 percent of the preceding year's expenditures. As of June 30, 2022, total operating costs and year-end fund balance of the General Fund are \$295,531,795 and \$19,682,482, respectively. The fund balance necessary to adhere to the Board of Education's policy ranges from approximately \$17,732,000 to \$44,330,000.

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 - Instruction - Basic programs	\$ 135,695,868	\$ 136,892,874
General Fund - Instruction - Added needs	39,203,397	39,585,909
General Fund - Support services - Operations and maintenance	21,135,286	22,878,395
General Fund - Support services - Pupil transport	7,469,500	7,856,982
General Fund - Athletics	3,571,222	3,900,994

***Capital Projects Fund Compliance***

The 2015 Building and Site Bond Fund - Series II, 2012 Technology Bond Fund - Series III, 2019 Bond Fund, and 2019 Bond Fund - Series II 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.

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 3 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 one-day minimum investment period for MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

**Note 4 - Deposits and Investments (Continued)**

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At year end, the School District had bank deposits of \$43,766,687 (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)
<b>Primary Government</b>		
U.S. Treasury	\$ 38,727,574	0.08 - 1.25
U.S. government agency securities	3,817,086	0.12 - 0.65
Commercial paper	26,068,333	0.18 - 0.65
MILAF Term Series	<u>38,650,000</u>	0.12 - 0.65
Total	<u>\$ 107,262,993</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	\$ 38,650,000	AAAf	Fitch
MILAF bank investment pool	71,033,936	AAAm	Standard & Poor's
Commercial paper	26,068,333	A-1/A-1+	Standard & Poor's
U.S. government agency securities	<u>3,817,086</u>	AA+	Standard & Poor's
Total	<u>\$ 139,569,355</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.

**Note 4 - Deposits and Investments (Continued)**

The School District has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Available-for-sale debt securities:				
U.S. Treasury securities	\$ -	\$ 38,727,574	\$ -	\$ 38,727,574
U.S. government agency securities	-	3,817,086	-	3,817,086
Total available-for-sale debt securities	\$ -	\$ 42,544,660	\$ -	\$ 42,544,660

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, 2022, the net asset value of the School District's investment in the MILAF Term Series was \$38,650,000. 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, 2022, 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	\$ 2,234,334	\$ -
Grant, categorical aid, tuition, and food services program payments received prior to meeting all eligibility requirements	-	1,895,860

# Public Schools of the City of Ann Arbor, Michigan

## Notes to Financial Statements

June 30, 2022

### Note 6 - Capital Assets

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

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 4,693,116	\$ -	\$ 1,008,096	\$ -	\$ 5,701,212
Construction in progress	12,863,813	(3,466,550)	37,492,819	-	46,890,082
Subtotal	17,556,929	(3,466,550)	38,500,915	-	52,591,294
Capital assets being depreciated:					
Buildings and improvements	419,070,351	3,466,550	1,326,260	-	423,863,161
Furniture and equipment	44,409,254	-	219,207	-	44,628,461
Buses and other vehicles	11,937,610	-	-	-	11,937,610
Land improvements	43,350,382	-	634,009	-	43,984,391
Subtotal	518,767,597	3,466,550	2,179,476	-	524,413,623
Accumulated depreciation:					
Buildings and improvements	250,861,298	-	11,311,730	-	262,173,028
Land improvements	25,217,268	-	1,880,111	-	27,097,379
Buses and other vehicles	3,743,011	-	1,911,012	-	5,654,023
Furniture and equipment	35,300,532	-	1,536,405	-	36,836,937
Subtotal	315,122,109	-	16,639,258	-	331,761,367
Net capital assets being depreciated	203,645,488	3,466,550	(14,459,782)	-	192,652,256
Net governmental activities capital assets	<u>\$ 221,202,417</u>	<u>\$ -</u>	<u>\$ 24,041,133</u>	<u>\$ -</u>	<u>\$ 245,243,550</u>

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

Governmental activities:	
Instruction	\$ 15,209,239
Support services	1,397,777
Unallocated	32,242
Total governmental activities	<u>\$ 16,639,258</u>

### Construction Commitments

The School District has active construction projects at year end. At June 30, 2022, the School District's commitments with contractors and vendors totaled approximately \$7,479,000. In addition, the School District has executed construction management contracts with several companies in connection with the first phase of the 2019 Bond Program and sinking fund projects.

### Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	2019 Bond Fund	Sinking Fund	Nonmajor Governmental Funds	
General Fund	\$ 97,902	\$ 69,241	\$ 73,587	\$ 240,730

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

These 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, 2022, the Community Services Fund transferred \$60,759 to the General Fund to cover various current year administrative and overhead costs. The General Fund transferred \$40,790 of at-risk funds to the Food Service Fund for its share of the program. Additionally, the Food Service Fund transferred \$176,687 to the General Fund as a reimbursement for indirect operating costs.

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligations	\$ 241,330,006	\$ 50,000,000	\$ (34,915,006)	\$ 256,415,000	\$ 35,635,000
Unamortized bond premiums	16,361,541	5,138,187	(2,019,537)	19,480,191	2,057,094
Total bonds payable	257,691,547	55,138,187	(36,934,543)	275,895,191	37,692,094
Termination pay, accumulated vacation, and sick leave	3,853,987	-	(308,517)	3,545,470	693,174
Self-insurance	174,775	-	(93,749)	81,026	81,026
Total governmental activities long-term debt	<u>\$ 261,720,309</u>	<u>\$ 55,138,187</u>	<u>\$ (37,336,809)</u>	<u>\$ 279,521,687</u>	<u>\$ 38,466,294</u>

The School District had deferred outflows of \$969,043 related to deferred charges on bond refundings at June 30, 2022.

**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.

**Note 8 - Long-term Debt (Continued)**

General obligations outstanding at June 30, 2022 are as follows:

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing May 1	Outstanding at June 30, 2022
\$30,790,000 2015 refunding serial bonds	\$2,565,000 - \$3,055,000	4% - 5%	2029	\$ 19,725,000
\$32,775,000 2015 issuance serial bonds	\$4,225,000 - \$4,700,000	4% - 5%	2025	13,475,000
\$9,485,000 2017 refunding serial bonds	\$900,000 - \$1,000,000	2% - 3%	2029	6,760,000
\$12,775,000 2018 issuance serial bonds	\$1,390,000 - \$1,470,000	3% - 5%	2026	5,725,000
\$55,500,000 2020 refunding serial bonds	\$7,155,000 - \$8,305,000	1% - 3%	2040	53,855,000
\$140,000,000 2019 issuance serial bonds	\$4,550,000 - \$7,500,000	3%	2029	106,875,000
\$50,000,000 2022 issuance serial bonds	\$1,500,000 - \$14,750,000	4% - 5%	2042	50,000,000
Total governmental activities				<u>\$ 256,415,000</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
2023	\$ 35,635,000	\$ 8,781,668	\$ 44,416,668
2024	23,100,000	7,631,264	30,731,264
2025	23,755,000	6,826,662	30,581,662
2026	19,405,000	5,959,862	25,364,862
2027	18,430,000	5,307,510	23,737,510
2028-2032	61,015,000	18,368,328	79,383,328
2033-2037	42,400,000	10,460,750	52,860,750
2038-2042	32,675,000	2,939,250	35,614,250
Total	\$ 256,415,000	\$ 66,275,294	\$ 322,690,294

**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 \$308,349 for the year ended June 30, 2022.

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

	2022	2021
Potential claims, including IBNR - Beginning of year	\$ 174,775	\$ 161,914
(Decrease) increase in estimated liability - Net of claims incurred and claims paid	(93,749)	12,861
Estimated liability - End of year	\$ 81,026	\$ 174,775

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.

**Note 10 - Contingent Liabilities (Continued)**

***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>.

***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 by 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.

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

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

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 participants 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 accounts 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) accounts.

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, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2022 were \$51,835,633, which includes 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 \$23,035,415 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2022.

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

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were \$12,122,775, which includes the School District's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2022, the School District reported a liability of \$340,027,039 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the School District's proportion was 1.44 and 1.45 percent, respectively, representing a change of less than 0.01 percent.

**Net OPEB Liability**

At June 30, 2022, the School District reported a liability of \$22,247,267 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. 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, 2021 and 2020, the School District's proportion was 1.46 and 1.42 percent, respectively, representing a change of 2.71 percent.

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

For 2022, the School District recognized pension expense of \$40,654,396, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, 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	\$ 5,267,165	\$ (2,002,355)
Changes in assumptions	21,434,089	-
Net difference between projected and actual earnings on pension plan investments	-	(109,317,600)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	3,256,223	(8,717,162)
The School District's contributions to the plan subsequent to the measurement date	43,713,493	-
Total	<u>\$ 73,670,970</u>	<u>\$ (120,037,117)</u>

June 30, 2022

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

The \$23,035,415 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, 2023. 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
2023	\$ (10,433,030)
2024	(21,994,009)
2025	(28,099,760)
2026	(29,552,841)
Total	<u>\$ (90,079,640)</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, 2022, the School District recognized OPEB recovery of \$11,689,573.

At June 30, 2022, 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	\$ -	\$ (63,503,238)
Changes in assumptions	18,597,611	(2,782,897)
Net difference between projected and actual earnings on OPEB plan investments	-	(16,768,165)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5,496,033	(5,225,899)
Employer contributions to the plan subsequent to the measurement date	8,359,468	-
Total	<u>\$ 32,453,112</u>	<u>\$ (88,280,199)</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
2023	\$ (16,021,640)
2024	(15,300,374)
2025	(14,872,256)
2026	(13,408,815)
2027	(4,051,868)
Thereafter	(531,602)
Total	<u>\$ (64,186,555)</u>

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

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 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 based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
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, 2018 valuation.

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2020.

Significant assumption changes since the measurement date, September 30, 2021, for the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent. The change increases the total plan's net pension liability by approximately \$8.1 billion and the total plan's net OPEB liability by approximately \$1.1 billion.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. 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.

**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	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Real return/opportunistic pools	12.50	6.10
Short-term investment pools	2.00	(1.30)
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.0 percent.

***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	\$ 486,146,450	\$ 340,027,039	\$ 218,884,463

***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	\$ 41,339,437	\$ 22,247,267	\$ 6,044,833

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

***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	Current Rate	1 Percentage Point Increase
Net OPEB liability of the School District	\$ 5,414,808	\$ 22,247,267	\$ 41,185,809

***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, 2022, the School District reported a payable of \$8,246,212 and \$1,639,736 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

**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, 2022, the School District's property tax revenue was reduced by approximately \$341,000 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 \$250,000 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.

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## Required Supplemental Information

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## Public Schools of the City of Ann Arbor, Michigan

### Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 103,148,226	\$ 94,180,979	\$ 95,410,023	\$ 1,229,044
State sources	113,889,564	127,446,853	129,808,830	2,361,977
Federal sources	13,071,467	36,021,948	31,868,706	(4,153,242)
Interdistrict sources	32,458,200	35,592,846	35,721,358	128,512
Total revenue	262,567,457	293,242,626	292,808,917	(433,709)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	117,665,363	135,695,868	136,892,874	1,197,006
Added needs	38,602,702	39,203,397	39,585,909	382,512
Adult/Continuing education	268,464	335,842	280,176	(55,666)
Support services:				
Pupil	34,505,394	36,831,266	36,189,833	(641,433)
Instructional staff	17,581,009	15,386,677	14,463,995	(922,682)
General administration	2,828,215	4,039,180	3,781,253	(257,927)
School administration	17,763,936	17,463,785	17,154,038	(309,747)
Business	3,027,748	3,268,758	3,220,814	(47,944)
Operations and maintenance	16,557,639	21,135,286	22,878,395	1,743,109
Pupil transportation services	9,010,396	7,469,500	7,856,982	387,482
Central	6,754,041	8,217,600	8,181,426	(36,174)
Athletics	3,252,571	3,571,222	3,900,994	329,772
Community services	1,022,980	1,395,715	1,162,894	(232,821)
Total expenditures	268,840,458	294,014,096	295,549,583	1,535,487
<b>Excess of Expenditures Over Revenue</b>	(6,273,001)	(771,470)	(2,740,666)	(1,969,196)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	237,446	237,446
Transfers out	(445,240)	-	(40,790)	(40,790)
Total other financing (uses) sources	(445,240)	-	196,656	196,656
<b>Net Change in Fund Balance</b>	(6,718,241)	(771,470)	(2,544,010)	(1,772,540)
<b>Fund Balance - Beginning of year</b>	22,226,492	22,226,492	22,226,492	-
<b>Fund Balance - End of year</b>	<u>\$ 15,508,251</u>	<u>\$ 21,455,022</u>	<u>\$ 19,682,482</u>	<u>\$ (1,772,540)</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

	<b>Last Eight Plan Years</b>							
	<b>Plan Years Ended September 30</b>							
	<u>2021</u>	<u>2020</u>	<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	1.43620 %	1.43607 %	1.48754 %	1.47009 %	1.40802 %	1.32793 %	1.27127 %	1.26546 %
School District's proportionate share of the net pension liability	\$340,027,039	\$493,306,120	\$492,622,188	\$441,935,887	\$364,878,575	\$331,306,659	\$310,508,345	\$278,734,374
School District's covered payroll	\$132,044,548	\$126,016,404	\$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	257.51 %	391.46 %	381.10 %	342.13 %	303.28 %	289.98 %	296.56 %	272.28 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	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

	<b>Last Eight Fiscal Years</b>							
	<b>Years Ended June 30</b>							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 50,481,999	\$ 44,026,557	\$ 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>50,481,999</u>	<u>44,026,557</u>	<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>
<b>Contribution Deficiency</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>School District's Covered Payroll</b>	\$138,215,285	\$130,986,956	\$125,495,569	\$129,370,099	\$127,969,324	\$116,978,719	\$106,641,677	\$101,096,608
<b>Contributions as a Percentage of Covered Payroll</b>	36.52 %	33.61 %	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 Five Plan Years  
 Plan Years Ended September 30**

	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	1.45752 %	1.41905 %	1.47691 %	1.51567 %	1.40536 %
School District's proportionate share of the net OPEB liability \$	22,247,267	76,022,083	106,009,015	120,480,255	124,451,090
School District's covered payroll \$	132,044,548	126,016,404	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	16.85 %	60.33 %	82.01 %	93.27 %	103.44 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	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

	<b>Last Five Fiscal Years</b>				
	<b>Years Ended June 30</b>				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 11,263,440	\$ 10,900,407	\$ 10,084,322	\$ 10,162,054	\$ 9,242,872
Contributions in relation to the statutorily required contribution	11,263,440	10,900,407	10,084,322	10,162,054	9,242,872
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 138,215,285</b>	<b>\$ 130,986,956</b>	<b>\$ 125,495,569</b>	<b>\$ 129,370,099</b>	<b>\$ 127,969,324</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.15 %</b>	<b>8.32 %</b>	<b>8.04 %</b>	<b>7.86 %</b>	<b>7.22 %</b>

June 30, 2022

### ***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:

- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.
- 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.

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## Other Supplemental Information

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# Public Schools of the City of Ann Arbor, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds			Capital Project Funds			Total
	Food Service Fund	Community Services Fund	School/Student Activity Fund	2015 Building and Site Bond Fund - Series II	2012 Technology Bond Fund - Series III	2015 Technology Bond Fund	
<b>Assets</b>							
Cash and investments	\$ 1,216,301	\$ 1,498,519	\$ 1,250,547	\$ -	\$ -	\$ -	\$ 3,965,367
Receivables - Due from other governments	-	-	-	-	2,127,000	-	2,127,000
Inventory	152,503	-	-	-	-	-	152,503
Prepaid expenses and other assets	450,000	130,728	-	-	-	-	580,728
Restricted assets	-	-	-	2,261,690	294,489	-	2,556,179
<b>Total assets</b>	<b>\$ 1,818,804</b>	<b>\$ 1,629,247</b>	<b>\$ 1,250,547</b>	<b>\$ 2,261,690</b>	<b>\$ 2,421,489</b>	<b>\$ -</b>	<b>\$ 9,381,777</b>
<b>Liabilities</b>							
Accounts payable	\$ 466,699	\$ 80,246	\$ 17,092	\$ -	\$ 160,556	\$ -	\$ 724,593
Due to other funds	73,587	-	-	-	-	-	73,587
Accrued liabilities and other	9,977	21,542	-	-	-	-	31,519
Unearned revenue	675,974	664,578	-	-	-	-	1,340,552
<b>Total liabilities</b>	<b>1,226,237</b>	<b>766,366</b>	<b>17,092</b>	<b>-</b>	<b>160,556</b>	<b>-</b>	<b>2,170,251</b>
<b>Deferred Inflows of Resources</b> - Unavailable revenue	-	-	-	-	2,127,000	-	2,127,000
<b>Total liabilities and deferred inflows of resources</b>	<b>1,226,237</b>	<b>766,366</b>	<b>17,092</b>	<b>-</b>	<b>2,287,556</b>	<b>-</b>	<b>4,297,251</b>
<b>Fund Balances</b>							
Nonspendable	602,503	130,728	-	-	-	-	733,231
Restricted - Capital projects	-	-	-	2,261,690	133,933	-	2,395,623
Committed:							
Student/School activities	-	-	1,233,455	-	-	-	1,233,455
Community services	-	732,153	-	-	-	-	732,153
Unassigned	(9,936)	-	-	-	-	-	(9,936)
<b>Total fund balances</b>	<b>592,567</b>	<b>862,881</b>	<b>1,233,455</b>	<b>2,261,690</b>	<b>133,933</b>	<b>-</b>	<b>5,084,526</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,818,804</b>	<b>\$ 1,629,247</b>	<b>\$ 1,250,547</b>	<b>\$ 2,261,690</b>	<b>\$ 2,421,489</b>	<b>\$ -</b>	<b>\$ 9,381,777</b>

## 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, 2022**

	Special Revenue Funds			Capital Project Funds			Total
	Food Service Fund	Community Services Fund	School/Student Activity Fund	2015 Building and Site Bond Fund - Series II	2012 Technology Bond Fund - Series III	2015 Technology Bond Fund	
<b>Revenue</b>							
Local sources	\$ 68,629	\$ 3,519,180	\$ 822,154	\$ 3,692	\$ 1,665	\$ -	\$ 4,415,320
State sources	62,178	3,354	-	-	-	-	65,532
Federal sources	7,430,707	544,025	-	-	-	-	7,974,732
<b>Total revenue</b>	<b>7,561,514</b>	<b>4,066,559</b>	<b>822,154</b>	<b>3,692</b>	<b>1,665</b>	<b>-</b>	<b>12,455,584</b>
<b>Expenditures</b>							
Current:							
Support services	81,789	1,420	808,917	-	-	-	892,126
Food services	6,805,480	-	-	-	-	-	6,805,480
Community services	-	548,420	-	-	-	-	548,420
Recreation and child care	-	3,515,740	-	-	-	-	3,515,740
Capital outlay	-	-	-	383,643	5,307,027	270,655	5,961,325
<b>Total expenditures</b>	<b>6,887,269</b>	<b>4,065,580</b>	<b>808,917</b>	<b>383,643</b>	<b>5,307,027</b>	<b>270,655</b>	<b>17,723,091</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>674,245</b>	<b>979</b>	<b>13,237</b>	<b>(379,951)</b>	<b>(5,305,362)</b>	<b>(270,655)</b>	<b>(5,267,507)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	40,790	-	-	-	-	-	40,790
Transfers out	(176,687)	(60,759)	-	-	-	-	(237,446)
<b>Total other financing uses</b>	<b>(135,897)</b>	<b>(60,759)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(196,656)</b>
<b>Net Change in Fund Balances</b>	<b>538,348</b>	<b>(59,780)</b>	<b>13,237</b>	<b>(379,951)</b>	<b>(5,305,362)</b>	<b>(270,655)</b>	<b>(5,464,163)</b>
<b>Fund Balances - Beginning of year</b>	<b>54,219</b>	<b>922,661</b>	<b>1,220,218</b>	<b>2,641,641</b>	<b>5,439,295</b>	<b>270,655</b>	<b>10,548,689</b>
<b>Fund Balances - End of year</b>	<b>\$ 592,567</b>	<b>\$ 862,881</b>	<b>\$ 1,233,455</b>	<b>\$ 2,261,690</b>	<b>\$ 133,933</b>	<b>\$ -</b>	<b>\$ 5,084,526</b>

# Public Schools of the City of Ann Arbor, Michigan

Years Ending June 30	2015 Refunding Debt Payment		2015 Bond Debt Payment		2017 Refunding Debt Payment	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,565,000	\$ 986,250	\$ 4,225,000	\$ 673,750	\$ 1,000,000	\$ 182,800
2024	2,650,000	858,000	4,500,000	462,500	1,000,000	162,800
2025	2,735,000	725,500	4,750,000	237,500	1,000,000	142,800
2026	2,820,000	588,750	-	-	900,000	112,800
2027	2,905,000	447,750	-	-	950,000	85,800
2028	2,995,000	302,500	-	-	955,000	57,300
2029	3,055,000	152,750	-	-	955,000	28,650
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
Total remaining payments	<b>\$ 19,725,000</b>	<b>\$ 4,061,500</b>	<b>\$ 13,475,000</b>	<b>\$ 1,373,750</b>	<b>\$ 6,760,000</b>	<b>\$ 772,950</b>
Principal payments due	May 1		May 1		May 1	
Interest payments due	May 1 and November 1		May 1 and November 1		May 1 and November 1	
Interest rate	4.00 - 5.00%		4.00 - 5.00%		2.00 - 3.00%	
Original issue	<b>\$ 30,790,000</b>		<b>\$ 32,775,000</b>		<b>\$ 9,485,000</b>	

## Other Supplemental Information Schedule of Bonded Indebtedness

**June 30, 2022**

2018 Bond Debt Payment		2019 Bond Debt Payment		2020 Refunding Debt Payment		2022 Bond Debt Payment		Total
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
\$ 1,390,000	\$ 286,250	\$ 4,550,000	\$ 3,206,250	\$ 7,155,000	\$ 1,258,209	\$ 14,750,000	\$ 2,188,160	\$ 44,416,669
1,420,000	216,750	4,700,000	3,069,750	7,330,000	1,113,964	1,500,000	1,747,500	30,731,264
1,445,000	145,750	4,825,000	2,928,750	7,500,000	958,861	1,500,000	1,687,500	30,581,661
1,470,000	73,500	4,975,000	2,784,000	7,690,000	788,311	1,550,000	1,612,500	25,364,861
-	-	5,125,000	2,634,750	7,850,000	604,213	1,600,000	1,535,000	23,737,513
-	-	5,275,000	2,481,000	8,025,000	409,925	1,625,000	1,455,000	23,580,725
-	-	5,450,000	2,322,750	8,305,000	209,701	1,675,000	1,373,750	23,527,601
-	-	5,625,000	2,159,250	-	-	1,725,000	1,290,000	10,799,250
-	-	5,800,000	1,990,500	-	-	1,775,000	1,203,750	10,769,250
-	-	5,975,000	1,816,500	-	-	1,800,000	1,115,000	10,706,500
-	-	6,150,000	1,637,250	-	-	1,850,000	1,025,000	10,662,250
-	-	6,325,000	1,452,750	-	-	1,900,000	932,500	10,610,250
-	-	6,525,000	1,263,000	-	-	1,950,000	837,500	10,575,500
-	-	6,725,000	1,067,250	-	-	2,000,000	740,000	10,532,250
-	-	6,925,000	865,500	-	-	2,050,000	640,000	10,480,500
-	-	7,125,000	657,750	-	-	2,100,000	537,500	10,420,250
-	-	7,300,000	444,000	-	-	2,150,000	432,500	10,326,500
-	-	7,500,000	225,000	-	-	2,200,000	325,000	10,250,000
-	-	-	-	-	-	2,250,000	215,000	2,465,000
-	-	-	-	-	-	2,050,000	102,500	2,152,500
<b>\$ 5,725,000</b>	<b>\$ 722,250</b>	<b>\$106,875,000</b>	<b>\$ 33,006,000</b>	<b>\$ 53,855,000</b>	<b>\$ 5,343,184</b>	<b>\$ 50,000,000</b>	<b>\$ 20,995,660</b>	<b>\$ 322,690,294</b>
May 1		May 1		May 1		May 1		
May 1 and November 1		May 1 and November 1		May 1 and November 1		May 1 and November 1		
3.00 - 5.00%		3.00%		1.00 - 3.00%		4.00 - 5.00%		
<b>\$ 12,775,000</b>		<b>\$140,000,000</b>		<b>\$ 55,500,000</b>		<b>\$ 50,000,000</b>		