

Comprehensive Annual Financial Report

Kalamazoo Public Schools

**For the
Fiscal Year Ended
June 30, 2020**

Kalamazoo Public Schools
Kalamazoo, MI 49008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

Kalamazoo Public Schools

1220 Howard Street

Kalamazoo, MI 49008

For the Fiscal Year Ended

June 30, 2020

Dr. Rita Raichoudhuri

Superintendent

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Prepared by:

Laura Kayser, Business Manager

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October 14, 2020

Dear Citizens and Board Members:

The Comprehensive Annual Financial Report of Kalamazoo Public Schools (the “school district”) for the fiscal year ended June 30, 2020 is hereby submitted. This report was prepared by the Business Office and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with the school district. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the school district as measured by the school government-wide financial activity and the activity of its various funds, with all disclosures necessary to enable the reader to gain an understanding of the school district’s financial activities.

Reporting Entity and Services

Kalamazoo Public Schools is an independent reporting entity fully meeting the criteria established by the Governmental Accounting Standards Board. All funds of the school district are included in this report. The school district does not have component units.

The financial section reports separately the government-wide activities, the governmental fund types, and the fiduciary fund type administered by the board.

Report Organization

This Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section

This section introduces the reader to Kalamazoo Public Schools and to this report. Included are facts about the school district, this transmittal letter, and the school district’s organization chart. This letter of transmittal is designed to complement the management’s discussion and analysis and should be read in conjunction with it. The management’s discussion and analysis can be found in the financial section of this document.

Financial Section

The independent auditor's report, management's discussion and analysis, government-wide financial statements, fund financial statements, and notes to the financial statements are included in this section. These are the school district's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of the report. In addition to the basic financial statements, this section includes required and other supplemental information.

Management is responsible for the financial information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information of the effects of certain events and transactions.

The basic financial statements and supplemental information in the financial section of this report present fairly and with full disclosure the financial position and results of the financial operation of the funds in conformity with accounting principles generally accepted in the United States of America and demonstrate compliance with finance-related legal and contractual provisions.

The basis of accounting for each fund is consistent with the activities and objectives of the funds as a fiscal and accounting entity.

The required and other supplemental information contain a more detailed analysis of revenue and expenditures that are compared to the 2019-2020 budgets for the General, Special Revenue and Debt Service funds. In addition, there are combining schedules shown by fund type with totals that agree with those reflected in the basic financial statements as well as the schedule of bonded indebtedness detailing interest rates and annual maturities.

Statistical Section

Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, compare 10 years of data, and are intended to reflect economic data, financial trends, and the fiscal capabilities of the school district.

About Kalamazoo Public Schools

The Community

The school district is located in Kalamazoo County, in the southwest corner of Michigan's Lower Peninsula, and includes the majority of the City of Kalamazoo, and portions of Kalamazoo, Oshtemo and Texas Townships, for a total of approximately 55 square miles. The City of Kalamazoo is the county seat of Kalamazoo County and the principal industrial and cultural center for the area. Kalamazoo County's 2020 population was 265,066.

Situated halfway between Detroit and Chicago, the location of the school district and the availability of highly skilled labor and other resources have made the area one of the most diversified industrial and business centers in the state. Kalamazoo is home to Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College, with the University of Michigan and Michigan State University each within an hour and a half drive. World-class museums, festivals and restaurants combine with numerous lakes and outdoor recreation opportunities for residents and visitors to enjoy.

The Kalamazoo Promise

In the fall of 2005, a group of anonymous donors, interested in the economic strength and quality of life in the City of Kalamazoo, made an amazing gift: every Kalamazoo Public School graduate would be provided the opportunity to attend post-secondary education with up to a 100% tuition scholarship. All students who graduate from Kalamazoo Public Schools, reside in the district, and have been a student for four years or more in a row up to and through high school graduation would be given funding for college tuition and mandatory fees at any public university or community college in the State of Michigan. The funding amount depends on years of school district residency and number of grades attended in Kalamazoo Public Schools. It can range from 65 percent to 100 percent of tuition and mandatory fees. The Kalamazoo Promise has received national media attention with front-page stories in The New York Times and the Wall Street Journal, and headlines on CNN news and ABC World News.

In addition, announced in June 2014, the Kalamazoo Promise was expanded to include 15 private liberal arts colleges in Michigan as well as the 43 public colleges and universities already included. The Kalamazoo Promise celebrated its 10 year anniversary in 2015, with the donors issuing its first ever public statement, stating that ‘As donors, we are humbled and proud to commit that we will be with you for generations to come’.

According to the W.E. Upjohn Institute for Employment Research, 74% of 2018 high school graduates used the Kalamazoo Promise to attend college within twelve months of high school.

The Educational Program

Kalamazoo Public Schools is a district of more than 13,000 students, consisting of 12,848 K-12 students, 354 pre-K students and 408 adult education students. It is the largest school district in southwest Michigan and the second largest on the west side of the state. The school district currently operates seventeen elementary schools, five middle schools, four high schools, the Community Education Center (housing the Adult Education program, Community Education program and the Kalamazoo Area Mathematics and Science Center), an administration building, and other ancillary facilities. The school district employs 1,510 contractual staff and 510 hourly workers.

The school district has a comprehensive educational program for students of all ages and emphasizes a college-going culture. The district has adopted a common district definition of the components of a college-going culture. School staffs continue to work to strengthen these components in their schools, with support from central administration. The eight components are:

1. High expectations for students and staff
2. Higher education exposure
3. Meaningful and engaging homework
4. Literacy: Early language development, reading and writing
5. Substantial opportunities for meaningful parental involvement
6. Education that is relevant to, reflective of, and inclusive of students
7. Development of strong problem-solving skills
8. Development of success skills: meta-cognitive, note-taking, study, time management, organizational, and test-taking skills.

The academic curriculum includes language arts, world languages, mathematics, science, social studies, music, visual arts, physical education, technology, career and technical education, and life skills. Specific programs for gifted and talented students are provided from third grade through high school. Students have access to literacy, bilingual education, English as a second language, and special education programs. Special education services are provided district wide for infants up to age 26. Eight of our elementary schools and two middle schools are magnet schools, which provide students with the opportunity to meet challenging state academic content standards through an innovative curriculum. In addition to the KPS Board of Education approved curriculum, these schools offer a thematic focus. Examples of these themes include environmental science, international studies, the arts, writing, technology and research, and Montessori.

Two of our high schools offer a variety of Advanced Placement and honors classes in all core areas. Students who attend the school district's high schools are able to participate in county-wide academic programs, including Education for the Arts (EFA), Education for Employment (EFE), the Kalamazoo Area Math and Science Center, and dual enrollment opportunities at Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College. Students can also participate in the Early Middle College program, which includes 35 programs. This program allows students to earn an associate's degree or certificate along with their high school diploma. The middle and high schools offer a broad range of extra and co-curricular experiences, including athletic and club-based programs.

The school district is a leader in early childhood education, and extended-day kindergarten is offered in 15 of our 17 elementary buildings.

Other programs offered include early intervention preschool programs, an intensive summer school program (educating approximately 650 elementary and 500 secondary students), on-line learning, adult education, and community education programs (offering a full catalog of enrichment classes to Kalamazoo area residents).

The school district has a strong partnership with the non-profit organization Communities in Schools (CIS) of Kalamazoo, which provides services in 20 of the district's schools and free after-school programs in 15 of the district's schools in conjunction with federal grants for which the school district is a co-applicant. CIS also brings together the support of hundreds of volunteers and local organizations to meet student needs before, during, and after school. In addition, the YMCA of Greater Kalamazoo provides before and after school childcare through the Prime Time program in six of the school district's elementary buildings. These are two of more than 200 community partnerships that the school district has created over the years in support of children.

All classrooms have wide-area networked computers with Internet access and telephone. In this growing age of communication, the school district's instructional technology seeks to consolidate the global environment through the use of interactive instructional tools (e.g., smart boards, document cameras), as well as software to allow students to optimize the learning experience. Computer software and internet resources are utilized to locate, process, and present information, as well as to learn and assess skills to prepare students, teachers, administrators and families to interact in a dynamic global environment.

As a result of the 2020 Pandemic, all instructional programs were transitioned to a virtual format beginning March 16, 2020 through the end of the school year. Chromebooks and learning packets were distributed to families, along with food assistance through the Unanticipated School Closure Summer Food Service Program.

The 2020-21 school year will begin in a virtual format, with several options for families to choose from. Students will be transitioned back to in-person learning once the pandemic subsides. Families can also choose to stay virtual for the entire school year.

Strategic Plan

During the 2007-2008 school year, a group of 250 staff and community members came together to create expectations for Kalamazoo Public School students, parents, educators, support staff and the community.

Expectations for the community include the following:

1. We are a diverse community with high expectations for each and every one of our children and their families.
2. We want to eliminate all barriers to success so that all of our children will graduate from high school with the educational and life skills necessary for success, whether through post-secondary education, additional training or employment. In preparing our students for the world of work, this community expects that students will dress appropriately in school, communicate respectfully without profanity, and use manners.
3. We have high expectations for students' physical, behavioral, emotional, educational, and social development.
4. This community expects that all students will succeed, and to succeed they must be challenged with high expectations in school. These core expectations demand universal access to and knowledge of resources, along with high quality instruction, that promote the healthy growth and development of our children.

Expectations for educators include the following:

1. Believe that ALL children can learn and assist all students in meeting or exceeding grade level expectations.
2. Instruct, model, and reinforce daily procedures, routines, and socially accepted manners. Reinforce positive student behaviors.
3. Communicate effectively with students, parents, colleagues, and the community by creating a community of learners and collaborating with others; keep communication open with parents and developing partnerships.
4. Model professional behavior by being prepared for instruction, current in the practice of teaching and learning, and dressed professionally. Be culturally aware and use that knowledge in instructional planning.

These expectations, along with those for students, parents and support staff, are posted in each building of the school district.

In addition, the board adopted a new mission statement during the 2016-2017 school year, "Nurture the dreams of all students and empower all students to contribute to a better world."

Goals and Accomplishments

The Board of Education has adopted long-term (five-year) goals in seven areas. Goal areas are in reading, writing, math, Advanced Placement, graduation rates, district marketing and service, and career awareness, exploration and development in our students' middle years.

A central goal is to become the first urban literacy community in the country. In 2012, KPS established the Lift Up through Literacy program, which offers weekly hands-on literacy opportunities for family members, located at 11 community sites throughout the school district in 2019-20. KPS also has a strong partnership with the Kalamazoo Public Library, which has resulted in an increase in the number of children participating in the summer reading program and has reduced barriers to reading.

For the 2019-20 school year, the school district implemented several new courses, including a new middle school ELA program, high school science adoption, and programs strengthening Multi-Tiered Systems of Supports (for both academics and behavior).

In November 2019, a 1.0 mill county wide career and technical education millage was approved for twenty years, beginning with the 2020-21 school year, by a majority of voters in the county. This program will provide high school students with job training and technical knowledge for careers in skilled trades after graduation, and will be administered by the Kalamazoo Regional Education Services Agency (K/RESA).

In May 2020, the 1.5 mill county wide enhancement millage was renewed for three more years, beginning with the 2020-21 school year, by a majority of voters in the county. This successful millage was originally approved by the voters in 2005 and represented the first enhancement millage approved in the State of Michigan for operational purposes since Proposal A was enacted. This millage generates approximately \$4.7 million for Kalamazoo Public Schools.

Charter Schools

Michigan Public School Academies (charter schools) are state-supported public schools under the state constitution, operating under a charter contract issued by a public authorizing body. Kalamazoo Public Schools does not operate any charter schools. There are several located within the school district boundaries. However, with the introduction of the Kalamazoo Promise in 2005, and continued improvements implemented by the district, charter schools have not had a significant impact on enrollment and, in fact, one has since closed.

Economic Outlook

Since the passage of Proposal A in 1994, it has become apparent that school district revenue may not keep pace with inflation, nor with school district expenditure pressures. Proposal A substantially shifted funding responsibility from the local level to the state level and from property tax to state taxes as the major revenue sources. Proposal A also shifted the funding for public school retirement to local school districts. Now the school district is dependent upon the state legislature not only for the majority of its funds, but also its funding level.

Due to the 2020 Pandemic, State of Michigan revenues were estimated to drop significantly, along with school district revenues. A \$175 reduction to the per student foundation rate for school districts was approved by the Michigan Legislature on July 1st, 2020, after the fiscal year had ended for school districts. Since all school districts were required to have a board approved budget in place by June 30th for the 2020-21 fiscal year, a conservative approach was taken and a foundation reduction of \$685 per pupil was assumed, along with a corresponding equal reduction of program expenditures.

As result of the actual proration amount being less than budgeted, the school district's fund balance is 11% of expenditures as of June 30, 2020. Historically, the school district has done an excellent job of maintaining fund balance during periods of declining enrollment and minimal per pupil foundation increases, and has stayed within the 8-11% range since 2006-2007.

Recently, the state has reported that revenues are higher than expected, and the state aid proration will be restored for the 2020-21 school year. Only with financial stability, the school district will be able to continue its current programs, provide adequate increases in staff compensation, and implement new programs to improve student achievement. While the school district is financially stable at the present time, careful monitoring and budget strategies will be needed to ensure that it is able to maintain a balanced budget into the future.

Financial Information

Internal Accounting Controls

Management is responsible for establishing and maintaining an internal control structure. This structure is designed to ensure that the assets of the school district are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. During the fiscal year, reports are available to cost center administrators through real time access to the financial reporting system, and each administrator has the capability to run their own reports as needed. The reports detail the daily transactions and summarize the remaining balances to be spent from the appropriations for goods and services among the programs managed.

The report of the school district's independent certified public accountants, Plante & Moran PLLC, appears on pages 1-2 of this report. The audit of the basic financial statements was performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards and, accordingly, gaining an understanding of the board's system of budgetary and accounting controls.

Budgetary Controls

The school district maintains budgetary controls to ensure that budgets are in compliance with legal provisions of the State of Michigan Uniform Budgeting and Accounting Act and with the annual appropriation budget adopted by the Board of Education. The Board utilizes a functional budget (legal level of budgetary control) that is prepared according to the guidelines and requirements set forth in State law and the Michigan Public School Accounting Manual.

Formal budgetary integration is employed as a management control device throughout the year for the General fund, Special Revenue funds and Debt Service funds. A detailed line-item budget is provided to the appropriate administrator who is responsible for monitoring and controlling his or her respective budget allocations. The budget is amended once a year to address variances that occur in enrollment, revenue, and expenditures.

Management believes that the existing system of budgetary and accounting control provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. As demonstrated by the statements and schedules included in the financial section of this report, the school district continues to meet its responsibility for sound financial management.

Cash Management

Board policy establishes district cash management guidelines. It is the intent of Kalamazoo Public Schools' cash management guidelines to maximize investment revenues while minimizing credit and interest rate risk. Investments are restricted to low risk and non-speculative investments. Only funds not immediately needed for its operations or other obligations are invested. Interest-bearing cash management accounts were utilized for investment of available funds. The school district has not realized any losses from such balances in the past and believes that these balances are with financial institutions that do not subject the school district to any significant losses during the next fiscal year. Further detail on the cash management of the school district can be found in Note 4 to the financial statements.

Financial Condition at June 30, 2020

Please refer to the management's discussion and analysis section for a summary of the financial condition of the school district at June 30, 2020.

Capital Projects Funding

Capital Projects funds are used to account for the financial resources to be used for the acquisition, construction, or major renovation of facilities. These funds are financed by bond issues, approved by voters in 2013 and 2018.

Federal Funding

As a recipient of federal, state, and county financial assistance, the school district is responsible for ensuring that an adequate internal and administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are done by the school district's auditors to determine the adequacy of the internal and administrative control structure.

Independent Audit

The State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC, was appointed to perform this service for the 2019-2020 fiscal year. In addition, Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principals, and Audit requirements for Federal Awards (the Uniform Guidance”), requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis. Both of these requirements have been met, and the auditor’s report on the financial statements is included herein.

Other Information

Enrollment

Since the Promise began in 2005, KPS has gained nearly 2,500 K-12 students. During this period, KPS has grown from the 24th largest school district in the state to the 13th largest.

In addition to the critical and extraordinary advent of the Kalamazoo Promise, enrollment has grown due to the significant improvements in the school district as outlined throughout this letter.

Five-year projections of enrollment are done annually using data from the county and the school district. Live births and cohort survival ratios are used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for our planning purposes. 2019-20 enrollment was higher than the prior year by 33 students and due to the pandemic, is expected to be approximately 2 percent lower for the 2020-21 school year. Factors influencing future enrollment projections include changing birth rates, district marketing efforts, and any employment changes in the Kalamazoo area.

Facilities

In May 2018, the voters approved a 1.25 debt millage increase to support the issuance of \$96,700,000 of School Building and Site bonds to provide for various capital projects, including the replacement of Edison Environmental Science Academy, additions to Phoenix high school, construction of a central kitchen for our Food Service program, and the purchase of buses.

As of result of voters passing bond proposals in 2006, 2010 and 2013, several new schools have been built over the past 13 years; Prairie Ridge Elementary School (2008) – first LEED Gold certified K-12 building in the State of Michigan, Linden Grove Middle School (2009) – also LEED Gold certified, and Washington Writers Academy (2015). Several buildings have been either partially replaced, renovated extensively or additions were made (Milwood Elementary, Hillside and Milwood Magnet Middle, and Loy Norrix High school). Technology systems have been improved at all sites. Current projects include a new transportation facility and significant remodeling at several of the district’s buildings.

In addition to having auditoriums at the district’s two high schools, the district is also home to Chenery Auditorium, originally dedicated in 1924 and recently renovated. Chenery hosts a variety of programs, including the Gilmore Keyboard Festival and the Kalamazoo Symphony Orchestra.

A listing of our facilities and their respective ages is as follows (with related renovation dates):

Facility Name	Year of Construction	Age of Facility (Years)	Remodeling (Year)
<i>Elementary:</i>			
Arcadia	1964	55	1965/66/69/96/98/2012/2016
El Sol	1924	95	1963/2014/2019
Edison	1923	96	1958/69/92/98/99/05/09
Greenwood	1954	65	1997/98/09/15
Indian Prairie	1959	60	1996/00/02/09/15
King Westwood	1952	67	1956/66/91/98/99/02/10/16
Lincoln	1922	97	1992/2005/15/19
Milwood	1949/2016	70	98/03/10/16
Northeastern	1953	66	1957/66/80/04/15
Northglade	1959	60	1996/99/15/16/19
Parkwood-Upjohn	1922	97	1931/39/48/56/02/10/14
Prairie Ridge	2008	11	2019
Spring Valley	1956	63	1958/60/96/98/03/16/19
Washington	2015	4	-
Winchell	1959	60	1970/96/98/01/08/15
Woods Lake	1952	67	1955/58/66/80/08/13/17/19
Woodward	1921	98	1930/98/04/13/14
<i>Middle School:</i>			
Hillside	1958	61	2004/08/11/17/19
Linden Grove	2009	10	-
Milwood	1959	60	2001/04//08/09/11/17/19
Maple Street	1951	68	2001/04/16
Oakwood**	1963	56	2016
<i>High School:</i>			
Kalamazoo Central	1972	47	2002/05/08/15/17
Loy Norrix	1960	59	1971/02/03/09/15/18/19
Phoenix Alternative	1965	54	1970/77/98/17
Kalamazoo-Innovative Learning Program	1954*	65	2013
Community Education Center	1913	106	23/24/86/92/07/08/09/15/19
Administration Building	1960	59	2007
Stockroom Building	1997	22	2003
Transportation Building	1965/1998	54	
Lakewood Building ***	1939	80	1957/65/05
Lake Street Barns	1985	34	-
West Main Prof. Dev. Ctr.	1926	93	1956/61/02/13
Chime***	1953	66	1958/61/63/64/74/92/94/96

*Building purchased in 2012 from a parochial school.

**Oakwood houses the Middle School Alternative Learning Program.

***Leased to Kalamazoo Regional Education Services Agency.

Certificate of Excellence

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to Kalamazoo Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This is the sixth year that the school district has achieved this prestigious award. In order to be awarded a Certificate of Excellence, the school district must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement

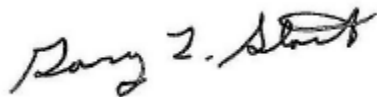
This report has also been prepared following guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Kalamazoo Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the sixth year that the school district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

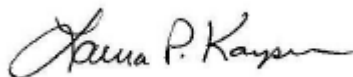
Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the effort and dedicated services of the entire staff of the Business Office. We would like to express our appreciation to other department staff who assisted in the preparation of this report.

Sincerely,



Gary L. Start,
Deputy Superintendent



Laura P. Kayser, CPA
Business Manager

Kalamazoo Public Schools
District Officials as of June 30, 2020

Administration

Dr. Rita Raichoudhuri

Superintendent

Mr. Gary L. Start

Deputy Superintendent

Ms. Cindy D. Green

Assistant Superintendent of Teaching
and Learning Services

Ms. Sheila R. Dorsey-Smith

Assistant Superintendent of Human Resources

Board of Education

Ms. Patti Sholler-Barber

President

Ms. TiAnna Harrison

Vice-President

Ms. Jennie Hill

Secretary

Mr. Ken Greschak

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Mr. Jermaine Jackson

Trustee

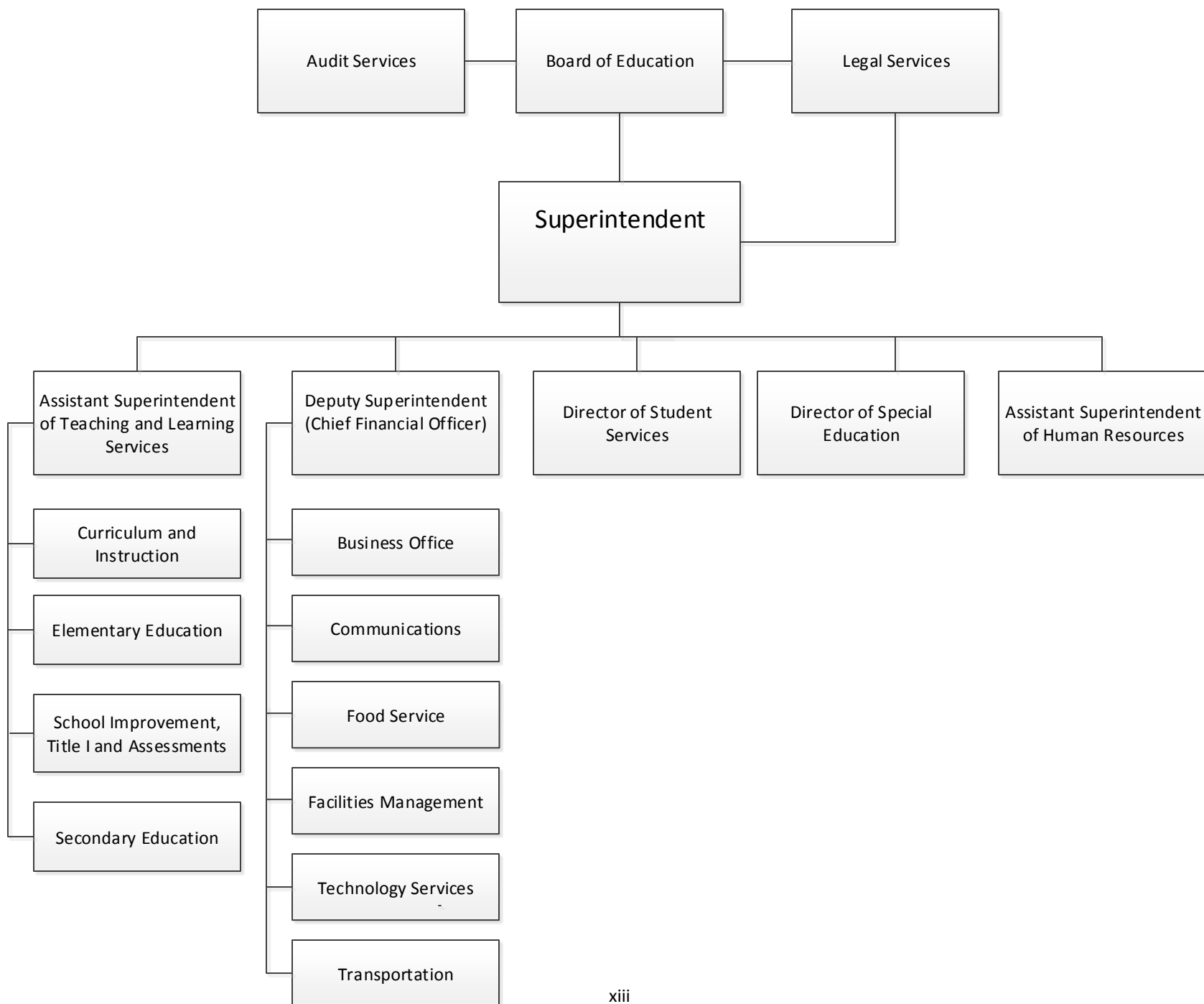
Mr. Jason Morris

Trustee

Ms. Tandy Moore

Trustee

**Kalamazoo Public Schools
Administrative Organizational Chart**





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Kalamazoo Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Kalamazoo Public Schools
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO

Independent Auditor's Report

To the Board of Education
Kalamazoo Public Schools

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining information of Kalamazoo Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the basic financial statements, which collectively comprise Kalamazoo Public Schools' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, basic the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining information of Kalamazoo Public Schools as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Kalamazoo Public Schools

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalamazoo Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, and introductory and statistical section schedule, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of Kalamazoo Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kalamazoo Public Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2020

This section of the annual financial report for Kalamazoo Public Schools (the "School District") presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Kalamazoo Public Schools 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, Debt Service Fund, and 2018 Capital Projects Series A Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Basic Financial Statements

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Schedule of the School District's Proportionate Share of the Net Pension Liability

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Schedule of Pension Contributions

Schedule of 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.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, food services, debt services, and depreciation. 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). The governmental funds of the School District use the following accounting approach:

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 student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. 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.

Kalamazoo Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Assets		
Current and other assets	\$ 92.9	\$ 106.8
Capital assets	200.2	192.6
Total assets	293.1	299.4
Deferred Outflows of Resources	101.5	101.4
Liabilities		
Current liabilities	36.5	33.4
Noncurrent liabilities	201.8	217.4
Net pension liability	291.1	265.0
Net OPEB liability	63.3	70.1
Total liabilities	592.7	585.9
Deferred Inflows of Resources	45.7	45.8
Net Position (Deficit)		
Net investment in capital assets	29.3	28.1
Restricted	9.9	7.9
Unrestricted	(283.0)	(266.9)
Total net position (deficit)	\$ (243.8)	\$ (230.9)

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 \$(243.8) million at June 30, 2020. Net investment in capital assets totaling \$29.3 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 (\$(283.0) million) was unrestricted.

The \$(283.0) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a moderate impact on the change in unrestricted net position from year to year.

Kalamazoo Public Schools

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.1	\$ 1.5
Operating grants	69.8	62.4
General revenue:		
Taxes	43.4	41.6
State aid not restricted to specific purposes	79.9	80.8
Other	1.5	1.9
Total revenue	195.7	188.2
Expenses		
Instruction	108.9	100.4
Support services	74.6	70.1
Athletics	1.5	1.6
Food services	9.3	8.0
Community services	2.0	2.0
Debt service	7.1	8.0
Depreciation expense (unallocated excluding direct depreciation allocated to programs)	5.2	5.4
Total expenses	208.6	195.5
Excess of Expenses Over Revenue	(12.9)	(7.3)
Net Position (Deficit) - Beginning of year	(230.9)	(223.6)
Net Position (Deficit) - End of year	<u>\$ (243.8)</u>	<u>\$ (230.9)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$208.6 million. Certain activities were partially funded by those who benefited from the programs (\$1.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$69.8 million). We paid for the remaining public benefit portion of our governmental activities with \$43.4 million in taxes, \$79.9 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced a decrease in net position of \$12.9 million. Key reasons for the change in net position are the GASB Statement Nos. 68 and 75 related pension and OPEB adjustments, the investment in capital assets (offset with the current year depreciation), and the payment of principal on bonded debt.

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 school district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$57.5 million, which is a decrease of \$17.0 million from last year. The primary reasons for the decrease are as follows:

- In the General Fund, our principal operating fund, the fund balance increased by \$2,798,754 to \$17,462,979. The increase in fund balance is mainly due to a lower state aid foundation proration than expected. A \$175 reduction in the per student foundation rate was approved by the Michigan Legislature on July 1, 2020, after the end of the School District's fiscal year. A reduction of \$685 per pupil was budgeted. This increase in state revenue is offset by lower federal revenue due to less spending than anticipated of the federal ESSER formula funds.
- Fund balance of our special revenue fund increased from the prior year by \$747,237, with a favorable variance of \$272,237. This variance is the result of higher federal revenue than budgeted, primarily due to the Unanticipated School Closure SFSP funds, and lower operating costs, as a result of being closed due to the pandemic.
- The Debt Service Fund fund balance increased by \$204,423, approximating budget. Millage rates are adjusted annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service fund balances are reserved since they can only be used to pay debt service obligations.
- Combined, the fund balance of our capital projects funds decreased by \$20,780,215. This decrease is primarily due to continued construction related to the 2013 Series D and 2018 Series A bond issues, ending the year with a combined fund balance of \$31,926,245. Proceeds from bond funds are used for constructing buildings; acquiring and installing technology; construction; furnishing and equipping additions to existing school buildings; partially remodeling; furnishing; refurbishing; equipping and reequipping existing school district buildings; and improving and developing sites, including playgrounds, athletic fields, facilities, and structures in the School District.

General Fund Budgetary Highlights

Each year, the board approves a close estimate budget that contains amendments to recognize new information that was not available at the time the preliminary budget was adopted. Key factors, such as enrollment, employee compensation increases, the number of salaried positions, and projected grant expenditures, are often based on estimates in the preliminary budget. The close estimate budget incorporates updated costs and projects based on the most current information.

The 2019-2020 close estimate budget was adopted in June 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information section of these financial statements.

Significant changes between the preliminary and close estimate budgets for 2019-2020 include an increase in local revenue due to increases in property tax, transportation, and USF revenue. The decrease in state sources is primarily due to the anticipation of a \$685 per pupil state aid proration and the reclassification of Kalamazoo Area Math and Science Center (KRESA) moneys to interdistrict sources due to a change in the funding model (see corresponding increase in interdistrict sources). These changes are offset by an increase in state categorical funds, primarily for special education and retirement. The budget for federal revenue increased due to the addition of federal ESSER formula funds.

The overall increase in budgeted expenditures was the result of increases for various staffing adjustments, additional ELA and science resources, technology needs, and transportation expenses.

Significant budget variances for the General Fund include a favorable variance in state sources, primarily due to the actual state aid proration being less than budgeted (\$175 per pupil rather than the \$685 budgeted). The unfavorable variance in federal sources is the result of less spending than budgeted of the ESSER formula funds, along with the 21st Century Grant, Title II A, Title IV, and SIG grants due to the pandemic-related closure of schools.

Kalamazoo Public Schools

Management's Discussion and Analysis (Continued)

The favorable variance of \$3,726,561 in total expenditures is primarily due to lower costs than budgeted in most functions, as a result of the pandemic-related school closure beginning in March 2020. Instruction was moved to a virtual environment; vacant positions were not filled; and lower costs were incurred in the areas of supplies and materials, staff development, diesel fuel and custodial costs.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$200.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This represents a net increase (including additions, disposals, and depreciation) of approximately \$7.5 million, or 3.9 percent, from last year:

	2020	2019
Land	\$ 7,266,440	\$ 7,266,440
Construction in progress	16,551,998	6,964,763
Buildings and improvements	159,686,339	160,171,108
Furniture and equipment	10,764,731	11,537,586
Buses and other vehicles	5,895,056	6,705,923
Total capital assets - Net of accumulated depreciation	\$ 200,164,564	\$ 192,645,820

This year's additions of \$23.1 million included various projects, including bus replacement, technology, and building improvements at multiple buildings. Bond proceeds from the 2013 and 2018 bond issues were used for these additions. Many major capital projects are planned for the 2020-2021 fiscal year that will be funded with remaining bond proceeds. We present more detailed information about our capital assets in Note 6 to the financial statements, *Capital Assets*.

Debt

At the end of this year, the School District had \$191.2 million in bonds outstanding versus \$207.6 million in the previous year.

The School District's general obligation bond rating is Aa3 (Moody's). 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 of \$200.4 million is significantly below this \$465.5 million statutorily imposed limit.

Other obligations include debt premium, self-insurance for workers' compensation, and accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in Note 8 to the financial statements, *Long-term Debt*.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2020 fiscal year was 90 percent of the fall count and 10 percent of the supplemental count. Due to the pandemic, for the 2020-2021 school year, school will begin virtually and later transition to in-person learning pending the status of the COVID-19 outbreak. As a result of this situation, the 2020-2021 blended student count will be a "super blend" consisting of 75 percent of the 2019-2020 blended count and 25 percent of the 2020-2021 blended count. Overall, enrollment has grown over the past 14 years since the introduction of the Kalamazoo Promise, with a slight increase (33 students) over the past year. The 2020-2021 preliminary budget was adopted in June 2020, based on an estimate of students that will be enrolled in September 2020 (the School District projects a flat enrollment over the past year). Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall count will be approximately 2 percent less than budgeted enrollment. Any changes in the final student count will be considered when we amend the budget through adoption of the 2020-2021 close estimate budget.

On average, approximately 65.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations, except on a county-wide basis. As a result, school district funding is heavily dependent on the State's ability to fund local school operations. Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, and the foundation amount will be restored to 2019-2020 levels before the prororation.

Contacting the School District's Management

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

June 30, 2020

	Primary Government Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 25,875,660
Receivables:	
Taxes receivable	30,353
Accounts receivable	1,114,719
Due from other governments	20,557,815
Inventories	407,696
Prepaid costs and other assets	1,538,693
Restricted assets (Notes 4 and 9)	43,414,218
Capital assets: (Note 6)	
Assets not subject to depreciation	23,818,438
Assets subject to depreciation - Net	176,346,126
Total assets	293,103,718
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 8)	712,918
Deferred pension costs (Note 11)	82,047,607
Deferred OPEB costs (Note 11)	18,764,353
Total deferred outflows of resources	101,524,878
Liabilities	
Accounts payable	7,825,454
Accrued payroll and other liabilities	17,928,248
State aid anticipation note (Note 12)	5,262,841
Unearned revenue (Note 5)	5,579,776
Noncurrent liabilities:	
Due within one year (Note 8)	18,725,877
Due in more than one year: (Note 8)	
Compensated absences	460,359
Provision for claims	345,474
Bonds payable - Net of current portion	182,326,771
Net pension liability (Note 11)	291,073,635
Net OPEB liability (Note 11)	63,255,898
Total liabilities	592,784,333
Deferred Inflows of Resources	
Deferred benefit on bond refunding (Note 8)	195,365
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	9,720,187
Deferred pension cost reductions (Note 11)	11,269,069
Deferred OPEB cost reductions (Note 11)	24,466,572
Total deferred inflows of resources	45,651,193
Net Position (Deficit)	
Net investment in capital assets	29,276,975
Restricted:	
Debt service	4,243,986
Capital projects	2,972,889
Food service	2,679,272
Unrestricted	(282,980,052)
Total net position (deficit)	\$ (243,806,930)

Kalamazoo Public Schools

Statement of Activities

Year Ended June 30, 2020

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 108,855,391	\$ 84,610	\$ 40,224,622	\$ (68,546,159)
Support services	74,599,351	-	19,812,264	(54,787,087)
Athletics	1,539,659	132,985	-	(1,406,674)
Food services	9,246,316	310,599	9,716,574	780,857
Community services	2,023,018	528,076	-	(1,494,942)
Interest	6,994,824	-	-	(6,994,824)
Other debt costs	127,256	-	-	(127,256)
Depreciation expense (unallocated excluding direct depreciation allocated to programs)	5,218,240	-	-	(5,218,240)
Total primary government	\$ 208,604,055	\$ 1,056,270	\$ 69,753,460	(137,794,325)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				21,862,895
Property taxes, levied for debt service				21,576,770
State aid not restricted to specific purposes				79,864,683
Federal grants and contributions not restricted to specific purposes				25,136
Interest and investment earnings				1,106,199
Penalties, interest, and other taxes				159,134
Other				328,293
Total general revenue				124,923,110
Change in Net Position				(12,871,215)
Net Position (Deficit) - Beginning of year				(230,935,715)
Net Position (Deficit) - End of year				\$ (243,806,930)

Kalamazoo Public Schools

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Debt Service Fund	2018 Capital Projects Series A Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 25,875,660	\$ -	\$ -	\$ -	\$ 25,875,660
Receivables:					
Taxes receivable	30,353	-	-	-	30,353
Accounts receivable	914,811	181,855	7,400	10,653	1,114,719
Due from other governments	19,040,525	-	-	1,517,290	20,557,815
Due from other funds (Note 7)	-	-	-	1,284,417	1,284,417
Inventories	160,055	-	-	247,641	407,696
Prepaid costs and other assets	1,538,693	-	-	-	1,538,693
Restricted assets (Notes 4 and 9)	-	5,251,313	34,966,059	3,196,846	43,414,218
Total assets	\$ 47,560,097	\$ 5,433,168	\$ 34,973,459	\$ 6,256,847	\$ 94,223,571
Liabilities					
Accounts payable	\$ 1,370,505	\$ -	\$ 5,158,523	\$ 1,296,426	\$ 7,825,454
Due to other funds (Note 7)	1,284,417	-	-	-	1,284,417
Accrued payroll and other liabilities	16,569,226	-	-	169,840	16,739,066
State aid anticipation note (Note 12)	5,262,841	-	-	-	5,262,841
Unearned revenue (Note 5)	5,579,776	-	-	-	5,579,776
Total liabilities	30,066,765	-	5,158,523	1,466,266	36,691,554
Deferred Inflows of Resources -					
Unavailable revenue (Note 5)	30,353	-	-	-	30,353
Total liabilities and deferred inflows of resources	30,097,118	-	5,158,523	1,466,266	36,721,907
Fund Balances					
Nonspendable - Inventory and prepaid assets	1,698,748	-	-	247,641	1,946,389
Restricted:					
Debt service	-	5,433,168	-	-	5,433,168
Capital projects	-	-	29,814,936	2,111,309	31,926,245
Food service	-	-	-	2,431,631	2,431,631
Unassigned	15,764,231	-	-	-	15,764,231
Total fund balances	17,462,979	5,433,168	29,814,936	4,790,581	57,501,664
Total liabilities, deferred inflows of resources, and fund balances	\$ 47,560,097	\$ 5,433,168	\$ 34,973,459	\$ 6,256,847	\$ 94,223,571

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 57,501,664
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	398,207,915
Accumulated depreciation	<u>(198,043,351)</u>
Net capital assets used in governmental activities	200,164,564
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	30,353
Net deferred inflows and outflows related to bond refundings are not reported in the funds	517,553
Bonds payable and related premiums are not due and payable in the current period and are not reported in the funds	(200,358,498)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,189,182)
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	(1,117,378)
Provision for workers' compensation claims	(382,605)
Net pension liability and related deferred inflows and outflows	(220,295,097)
Net OPEB liability and related deferred inflows and outflows	(68,958,117)
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>(9,720,187)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (243,806,930)</u></u>

Kalamazoo Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Debt Service Fund	2018 Capital Projects Series A Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 25,991,753	\$ 21,785,033	\$ 1,255,230	\$ 425,137	\$ 49,457,153
State sources	108,782,992	662,997	-	281,147	109,727,136
Federal sources	9,594,386	360,739	-	9,444,484	19,399,609
Interdistrict sources	17,192,318	-	-	-	17,192,318
Total revenue	161,561,449	22,808,769	1,255,230	10,150,768	195,776,216
Expenditures					
Current:					
Instruction	91,855,578	-	-	-	91,855,578
Support services	63,679,419	-	111,037	157,499	63,947,955
Athletics	1,349,542	-	-	-	1,349,542
Food services	-	-	-	8,656,303	8,656,303
Community services	1,293,794	-	-	-	1,293,794
Debt service:					
Principal	-	14,560,000	-	-	14,560,000
Interest	-	7,421,191	-	-	7,421,191
Other debt costs	-	127,256	-	-	127,256
Capital outlay	1,054,362	-	16,832,888	5,211,249	23,098,499
Total expenditures	159,232,695	22,108,447	16,943,925	14,025,051	212,310,118
Excess of Revenue Over (Under) Expenditures	2,328,754	700,322	(15,688,695)	(3,874,283)	(16,533,902)
Other Financing Sources (Uses)					
Face value of debt issued (Note 8)	-	16,915,000	-	-	16,915,000
Premium on debt issued (Note 8)	-	1,681,432	-	-	1,681,432
Transfers in (Note 7)	470,000	-	-	-	470,000
Payment to bond refunding escrow agent (Note 8)	-	(19,092,331)	-	-	(19,092,331)
Transfers out (Note 7)	-	-	-	(470,000)	(470,000)
Total other financing sources (uses)	470,000	(495,899)	-	(470,000)	(495,899)
Net Change in Fund Balances	2,798,754	204,423	(15,688,695)	(4,344,283)	(17,029,801)
Fund Balances - Beginning of year	14,664,225	5,228,745	45,503,631	9,134,864	74,531,465
Fund Balances - End of year	<u>\$ 17,462,979</u>	<u>\$ 5,433,168</u>	<u>\$ 29,814,936</u>	<u>\$ 4,790,581</u>	<u>\$ 57,501,664</u>

Governmental Funds

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds **\$ (17,029,801)**

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	23,098,499
Depreciation expense	(15,579,755)

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	(32,573)
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Revenue in support of pension contributions made subsequent to the measurement date	34,760
-------------------------------------------------------------------------------------	--------

Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(18,596,432)
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

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	33,988,242
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

Interest expense is recognized in the government-wide statements as it accrues	90,456
--------------------------------------------------------------------------------	--------

Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(18,844,611)
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Change in Net Position of Governmental Activities **\$ (12,871,215)**

Kalamazoo Public Schools

Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2020

	Student Activities Agency Fund
Assets - Cash and investments (Note 4)	\$ 1,694,878
Liabilities	
Accounts payable	\$ 9,655
Due to student activities	1,685,223
Total liabilities	\$ 1,694,878

June 30, 2020

Note 1 - Nature of Business

Kalamazoo Public Schools (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. 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 and its component units, as applicable. 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, unrestricted intergovernmental receipts, 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, if any, are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)***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. Governmental funds can include the General Fund, special revenue funds, debt service funds, 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.
- 2018 Capital Projects Series A Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment and for remodeling. This fund operates until the purpose for which it was created is accomplished.
- The debt service fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes and derived from sales to customers and dedicated grants from federal and state sources. The School District's special revenue fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.
- 2013 Capital Projects Series D Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings and equipment and for remodeling. This fund operates until the purpose for which it was 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 Student Activities Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

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. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Note 2 - Significant Accounting Policies (Continued)

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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.

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.

Specific Balances and Transactions**Cash and Investments**

Cash and cash equivalents include cash on hand and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost or net asset value (NAV).

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories and prepaid items 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 and related interest of the capital projects funds require amounts to be set aside for construction. In addition, the unspent property taxes levied in the debt service fund are required to be set aside for future bond principal and interest payments. These cash balances have been classified as restricted assets.

Capital Assets

Capital assets 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 \$5,000 and an estimated useful life in excess of one year. 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.

Note 2 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Buildings and building additions	20 - 50
Furniture and equipment	5 - 10
Buses and other vehicles	5 - 10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the lives 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 funds are 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 (expense/expenditure) until then.

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB plan 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 deferred benefits on bond refundings and deferred revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

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 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.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Fund Balance Flow Assumptions**

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

Fund Balance Policies

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

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 Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

Property Tax Revenue

Property taxes are assessed as of December 31, and the related property taxes become a lien and are billed on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed, and the total obligation is added to the county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

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

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****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 MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits depending on the employee group. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

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.

Tax Abatements

The School District evaluated tax abatements and considered the total property tax abatements to be insignificant.

Upcoming Accounting Pronouncements

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

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2022.

June 30, 2020

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and special revenue funds. The School District also adopts a budget for the debt service fund. 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. 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 revised budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. These include the 2013 Capital Projects Series D and the 2018 Capital Projects Series A bonded projects. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 4 - Deposits and Investments

A reconciliation of cash and investments, as shown on the statement of net position and statement of fiduciary assets and liabilities as of June 30, 2020, is as follows:

Statement of Net Position

Cash and cash investments	\$ 25,875,660
Restricted assets	43,414,218

Statement of Fiduciary Assets and Liabilities - Student Activities Agency Fund

	1,694,878
Total	<u>70,984,756</u>

Deposits and Investments

Bank deposits (book balance)	11,269,748
Money market	36,289,037
U.S. Treasury notes, U.S. agency securities, and commercial paper (including accrued interest)	<u>23,425,971</u>
Total	<u>\$ 70,984,756</u>

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, 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.

Note 4 - Deposits and Investments (Continued)

The School District has designated three banks for the deposit of its funds. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost except for a one-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$13,265,350 included \$12,765,350 of bank deposits (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 does not have a policy for custodial credit risk. At year end, \$0 of investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the School District's name.

Interest Rate Risk

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

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

Primary Government	Carrying Value	Less Than One Year
U.S. Treasury notes and U.S. agency securities	\$ 15,889,657	\$ 15,889,657
Commercial paper	7,432,359	7,432,359

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

Investment	Carrying Value	Weighted-average Maturity (Years)
U.S. Treasury notes and U.S. agency securities	\$ 15,889,657	0.43
Commercial paper	7,432,359	0.34

June 30, 2020

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
Primary Government			
U.S. agency securities	\$ 3,095,400	Aaa/AA+	S&P
Commercial paper	7,432,359	A-1/P-1	S&P
MILAF	31,284,924	AAm	S&P
Money market	5,004,114	A/A-1/A-1	S&P
Total	<u>\$ 46,816,797</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. More than 5 percent of the School District's investments are in Fannie Mae; these investments are 6 percent of the School District's total investments.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment 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 below.

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.

June 30, 2020

Note 4 - Deposits and Investments (Continued)

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

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Assets - Debt securities				
U.S. Treasury notes and U.S. agency securities	\$ -	\$ 15,889,657	\$ -	\$ 15,889,657
Commercial paper	-	7,432,359	-	7,432,359
Total assets	\$ -	\$ 23,322,016	\$ -	\$ 23,322,016

The fair value of U.S. Treasury notes, U.S. agency securities, and commercial paper at June 30, 2020 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Unavailable/Unearned Revenue

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

At June 30, 2020, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 30,353	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	5,579,776
Total	\$ 30,353	\$ 5,579,776

June 30, 2020
Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 7,266,440	\$ -	\$ -	\$ -	\$ 7,266,440
Construction in progress	6,964,763	(6,028,037)	15,615,272	-	16,551,998
Subtotal	14,231,203	(6,028,037)	15,615,272	-	23,818,438
Capital assets being depreciated:					
Buildings and improvements	282,681,244	6,028,037	3,560,408	-	292,269,689
Furniture and equipment	64,861,674	-	3,487,898	-	68,349,572
Buses and other vehicles	14,164,013	-	434,921	(828,718)	13,770,216
Subtotal	361,706,931	6,028,037	7,483,227	(828,718)	374,389,477
Accumulated depreciation:					
Buildings and improvements	122,510,136	-	10,073,214	-	132,583,350
Furniture and equipment	53,324,088	-	4,260,753	-	57,584,841
Buses and other vehicles	7,458,090	-	1,245,788	(828,718)	7,875,160
Subtotal	183,292,314	-	15,579,755	(828,718)	198,043,351
Net capital assets being depreciated	178,414,617	6,028,037	(8,096,528)	-	176,346,126
Net governmental activities capital assets	<u>\$ 192,645,820</u>	<u>\$ -</u>	<u>\$ 7,518,744</u>	<u>\$ -</u>	<u>\$ 200,164,564</u>

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

Governmental activities:	
Instruction	\$ 5,413,891
Support services	4,196,791
Community services	617,710
Food services	40,796
Athletics	92,327
Unallocated	5,218,240
Total governmental activities	<u>\$ 15,579,755</u>

Construction Commitments

The School District has active construction projects at year end. At year end, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2013 Capital Projects Series D Fund	\$ 4,492,142	\$ 1,010,250
2018 Capital Projects Series A Fund	7,105,381	12,783,025
Total	<u>\$ 11,597,523</u>	<u>\$ 13,793,275</u>

June 30, 2020

Note 6 - Capital Assets (Continued)

Contractual commitments will be paid using bond proceeds from the 2013 School Building and Site Series D and 2018 School Building and Site Series A.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due To	Fund Due from - General Fund
Nonmajor governmental funds		\$ 1,284,417

Interfund balances represent routine deposits received by the General Fund that will be transferred to other funds and temporary cash flow assistance between funds.

Transfers into the General Fund from the Food Service Fund totaled \$470,000 for the year ended June 30, 2020 and represent overhead cost reimbursement.

Note 8 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligation	\$ 207,595,000	\$ 16,915,000	\$ (33,360,000)	\$ 191,150,000	\$ 17,100,000
Unamortized bond premiums	8,580,369	1,681,432	(1,053,303)	9,208,498	931,727
Total bonds payable	216,175,369	18,596,432	(34,413,303)	200,358,498	18,031,727
Compensated absences	770,808	977,951	(631,381)	1,117,378	657,019
Self-insured claims	494,247	272,121	(383,763)	382,605	37,131
Total governmental activities long-term debt	<u>\$ 217,440,424</u>	<u>\$ 19,846,504</u>	<u>\$ (35,428,447)</u>	<u>\$ 201,858,481</u>	<u>\$ 18,725,877</u>

The School District had deferred outflows of \$712,918 related to deferred charges on bond refundings and deferred inflows of \$195,365 related to deferred benefit on bond refunding at June 30, 2020.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

The School District's general obligation bond rating is Aa3 (Moody's). 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 of \$200.4 million is significantly below this \$465.5 million statutorily imposed limit.

June 30, 2020

Note 8 - Long-term Debt (Continued)

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

Purpose	Remaining Annual Installments	Interest Rates (Percent)	Maturing on May 1	Outstanding
\$7,100,000 2010 serial bonds	Interest only until maturity	6.20*	2027	\$ 7,100,000
\$24,695,000 2013 serial bonds	\$550,000 - \$2,525,000	3.00 - 4.50	2033	21,475,000
\$29,350,000 2014 serial bonds	\$400,000 - \$3,075,000	3.00 - 4.00	2034	27,825,000
\$42,515,000 2015 serial bonds	\$3,775,000 - \$5,335,000	4.00 - 5.00	2026	27,410,000
\$9,995,000 2016 serial bonds	\$240,000 - \$950,000	2.00 - 3.00	2035	9,095,000
\$27,535,000 2016 serial bonds	\$275,000 - \$2,725,000	3.00	2036	25,640,000
\$16,630,000 2017 refunding bonds	\$4,040,000	1.50	2021	4,040,000
\$47,990,000 2018 serial bonds	\$950,000 - \$3,865,000	4.00	2038	41,755,000
\$10,830,000 2019 refunding bonds	\$995,000 - \$1,180,000	2.00 - 4.00	2029	9,895,000
\$16,915,000 2020 refunding bonds	\$1,205,000 - \$5,275,000	2.00 - 4.00	2030	16,915,000
Total governmental activities				<u>\$ 191,150,000</u>

*Net of interest subsidy from federal treasury up to 5.37 percent

Other Long-term Liabilities

Compensated absences attributable to the governmental activities and the claims and judgments liability will be liquidated primarily by the General Fund.

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 - Other Debt			
	Principal	Interest	Maximum Interest Subsidy	Total
2021	\$ 17,100,000	\$ 7,167,584	\$ (381,270)	\$ 23,886,314
2022	11,375,000	6,553,269	(381,270)	17,546,999
2023	11,455,000	6,123,569	(381,270)	17,197,299
2024	11,855,000	5,732,069	(381,270)	17,205,799
2025	12,270,000	5,302,419	(381,270)	17,191,149
2026-2030	64,880,000	18,526,494	(762,540)	82,643,954
2031-2035	48,105,000	7,732,050	-	55,837,050
2036-2038	14,110,000	998,200	-	15,108,200
Total	<u>\$ 191,150,000</u>	<u>\$ 58,135,654</u>	<u>\$ (2,668,890)</u>	<u>\$ 246,616,764</u>

Current Bond Refunding

During the year, the School District issued \$16,915,000 in general obligation (revenue) bonds with an interest rate of 2.0 - 4.0 percent. The proceeds of these bonds were used to refund \$18,800,000 of outstanding 2010 School Building and Site bonds with an interest rate of 3.3 - 4.0 percent. The net proceeds of \$19,092,331 net of transfers of \$624,000 (after payment of \$122,756 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the call date of the refunded bonds has occurred, which is not to exceed 90 days from the refunding. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 10 years by approximately \$3,112,810, which represents an economic gain of approximately \$2,557,440.

June 30, 2020

Note 8 - Long-term Debt (Continued)

In previous years, the School District defeased certain bonds by the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2020, \$33,875,000 of bonds outstanding (relating to advance refunds in prior years) is considered defeased.

Note 9 - Restricted Assets

At June 30, 2020, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds and related interest	\$ 38,162,905
Restricted for debt service	5,251,313
Total	<u>\$ 43,414,218</u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for errors, omissions, law enforcement liability, and medical benefits provided to employees for claims and participates in the Middle Cities Management Pool (risk pool) for claims relating to property loss and torts. The School District is self-insured for workers' compensation claims up to \$550,000 individually and \$5,000,000 in the aggregate. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2020	2019
Estimated liability for claims - Beginning of year	\$ 494,247	\$ 814,902
Estimated claims incurred - Including changes in estimates	272,121	(86,297)
Claim payments	<u>(383,763)</u>	<u>(234,358)</u>
Unpaid claims - End of year	<u>\$ 382,605</u>	<u>\$ 494,247</u>

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.

June 30, 2020**Note 11 - Michigan Public School Employees' Retirement System (Continued)**

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

Benefits Provided

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

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

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

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

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

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

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

Contributions

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

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

June 30, 2020

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

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

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

The ranges of rates are as follows:

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

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$25,264,896, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$9,720,187 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$6,753,542, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$291,073,635 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.879 and 0.881 percent, respectively, representing a change of (0.274) percent.

June 30, 2020

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

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$63,255,898 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.881 and 0.882 percent, respectively, representing a change of (0.117) percent.

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

For 2020, the School District recognized pension expense of \$47,325,877, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,304,684	\$ (1,213,749)
Changes in assumptions	56,992,422	-
Net difference between projected and actual earnings on pension plan investments	-	(9,328,415)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	2,638,975	(726,905)
The School District's contributions to the plan subsequent to the measurement date	21,111,526	-
Total	<u>\$ 82,047,607</u>	<u>\$ (11,269,069)</u>

The \$9,720,187 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 20,522,457
2022	15,633,086
2023	9,668,115
2024	3,843,354
Total	<u>\$ 49,667,012</u>

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

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$1,660,463.

June 30, 2020

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

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (23,210,378)
Changes in assumptions	13,706,273	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,100,050)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	274,871	(156,144)
Employer contributions to the plan subsequent to the measurement date	4,783,209	-
Total	<u>\$ 18,764,353</u>	<u>\$ (24,466,572)</u>

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

Years Ending	Amount
2021	\$ (2,902,340)
2022	(2,902,340)
2023	(2,353,193)
2024	(1,529,478)
2025	(798,077)
Total	<u>\$ (10,485,428)</u>

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses 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	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant
		Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 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	\$ 378,414,346	\$ 291,073,635	\$ 218,665,176

June 30, 2020

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

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

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

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 77,592,864	\$ 63,255,898	\$ 51,216,828

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

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

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 50,706,424	\$ 63,255,898	\$ 77,591,163

Pension Plan and OPEB Plan Fiduciary Net Position

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

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the School District reported a payable of \$5,063,663 and \$1,013,202 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 12 - State Aid Anticipation Note

State Aid Anticipation Note

The School District has direct borrowings from the Michigan Finance Authority (the "Lender") to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund.

During the year, the School District borrowed \$13,150,000 of these state aid anticipation notes (the "notes") and, through set aside payments, repaid \$7,887,159 and \$109,753 of principal and interest, respectively, resulting in an outstanding balance of \$5,262,841 at June 30, 2020. The remaining payment amount is \$5,324,039, which includes \$5,262,841 of principal and \$61,198 of interest. The current notes bear interest at 1.30 percent and are due on July 20, 2020 and August 20, 2020.

In the event of default, the notes are fully collateralized by the School District's future state aid funding, and the Lender has the authority to intercept state aid payments at its discretion.

In August 2020, the School District borrowed \$18,000,000 in state aid anticipation notes with an interest rate of 0.70 and 0.25 percent. The notes totaling \$12,600,000 mature in July 2021 and totaling \$5,400,000 mature in August 2021 and have similar terms and provisions as the notes outstanding at June 30, 2020.

June 30, 2020

Note 13 - Subsequent Events

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$4,648,419 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can be used only for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Kalamazoo Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 24,935,765	\$ 26,138,691	\$ 25,991,753	\$ (146,938)
State sources	109,796,182	101,853,470	108,782,992	6,929,522
Federal sources	9,955,420	13,895,063	9,594,386	(4,300,677)
Interdistrict sources	16,084,279	17,147,484	17,192,318	44,834
Total revenue	160,771,646	159,034,708	161,561,449	2,526,741
Expenditures				
Current:				
Instruction:				
Basic programs	71,132,262	70,352,595	69,018,132	(1,334,463)
Added needs	21,033,325	22,473,897	22,402,393	(71,504)
Adult/Continuing education	363,555	423,009	435,053	12,044
Total instruction	92,529,142	93,249,501	91,855,578	(1,393,923)
Support services:				
Pupil	13,030,449	13,350,377	13,495,085	144,708
Instructional staff	11,670,492	11,605,137	10,763,044	(842,093)
General administration	1,206,002	1,124,870	954,876	(169,994)
School administration	10,702,700	10,424,058	10,431,617	7,559
Business	1,765,345	1,517,711	1,500,842	(16,869)
Operations and maintenance	14,486,497	14,296,398	13,810,658	(485,740)
Pupil transportation services	8,912,091	9,219,251	9,036,846	(182,405)
Central	3,672,001	3,954,138	3,686,451	(267,687)
Total support services	65,445,577	65,491,940	63,679,419	(1,812,521)
Athletics	1,393,977	1,393,651	1,349,542	(44,109)
Community services	1,576,511	1,560,230	1,293,794	(266,436)
Debt service	50,000	50,000	-	(50,000)
Capital outlay	238,796	1,213,934	1,054,362	(159,572)
Total expenditures	161,234,003	162,959,256	159,232,695	(3,726,561)
Excess of Revenue (Under) Over Expenditures	(462,357)	(3,924,548)	2,328,754	6,253,302
Other Financing Sources - Transfers in	470,000	470,000	470,000	-
Net Change in Fund Balance	7,643	(3,454,548)	2,798,754	6,253,302
Fund Balance - Beginning of year	14,042,290	14,664,225	14,664,225	-
Fund Balance - End of year	<u>\$ 14,049,933</u>	<u>\$ 11,209,677</u>	<u>\$ 17,462,979</u>	<u>\$ 6,253,302</u>

Kalamazoo Public Schools

Required Supplemental Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

Michigan Public School Employees' Retirement System

	Last Six Plan Years					
	Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.87893 %	0.88135 %	0.87874 %	0.85503 %	0.84318 %	0.82368 %
School District's proportionate share of the net pension liability	\$ 291,073,635	\$ 264,950,102	\$ 227,719,652	\$ 213,322,702	\$ 205,948,054	\$ 181,426,991
School District's covered payroll	\$ 77,127,957	\$ 75,170,753	\$ 74,360,529	\$ 72,789,152	\$ 70,521,825	\$ 72,254,105
School District's proportionate share of the net pension liability as a percentage of its covered payroll	377.39 %	352.46 %	306.24 %	293.07 %	292.03 %	251.10 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Note: The amounts presented for each fiscal year were determined as of September 30 of the preceding year. GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Kalamazoo Public Schools

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

	Last Six Fiscal Years Years Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 24,686,453	\$ 23,623,613	\$ 22,606,857	\$ 20,677,810	\$ 19,792,111	\$ 12,807,262
Contributions in relation to the statutorily required contribution	24,686,453	23,623,613	22,606,857	20,677,810	19,792,111	12,807,262
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 78,985,580	\$ 76,971,069	\$ 74,575,661	\$ 74,317,120	\$ 72,132,624	\$ 72,892,782
Contributions as a Percentage of Covered Payroll	31.25 %	30.69 %	30.31 %	27.82 %	27.44 %	17.57 %

Note: GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Kalamazoo Public Schools

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

	Last Three Plan Years Years Ended September 30		
	2019	2018	2017
School District's proportion of the net OPEB liability	0.88128 %	0.88231 %	0.87767 %
School District's proportionate share of the net OPEB liability	\$ 63,255,898	\$ 70,134,756	\$ 77,721,855
School District's covered payroll	\$ 77,127,957	\$ 75,170,753	\$ 74,360,529
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.01 %	93.30 %	104.52 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

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

Kalamazoo Public Schools

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

	Last Three Fiscal Years Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 6,346,965	\$ 6,046,097	\$ 5,386,395
Contributions in relation to the statutorily required contribution	6,346,965	6,046,097	5,386,395
Contribution Deficiency	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 78,985,580	\$ 76,971,069	\$ 74,575,661
Contributions as a Percentage of Covered Payroll	8.04 %	7.86 %	7.22 %

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

June 30, 2020

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds except that operating transfers and debt proceeds have been included in the revenue and expenditures categories rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the function level (i.e., the level at which expenditures may not legally exceed appropriations). 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 revised budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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 of benefit terms for each of the reported plan years ended September 30.

June 30, 2020

Changes in Assumptions

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

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

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

Other Supplemental Information

Kalamazoo Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Fund	Capital Projects Funds	
	Food Service Fund	2013 Capital Projects Series D Fund	Total
Assets			
Receivables:			
Accounts receivable	\$ 10,653	\$ -	\$ 10,653
Due from other governments	1,517,290	-	1,517,290
Due from other funds	1,284,417	-	1,284,417
Inventories	247,641	-	247,641
Restricted assets	-	3,196,846	3,196,846
Total assets	\$ 3,060,001	\$ 3,196,846	\$ 6,256,847
Liabilities			
Accounts payable	\$ 210,889	\$ 1,085,537	\$ 1,296,426
Accrued payroll and other liabilities	169,840	-	169,840
Total liabilities	380,729	1,085,537	1,466,266
Fund Balances			
Nonspendable - Inventory	247,641	-	247,641
Restricted:			
Capital projects	-	2,111,309	2,111,309
Food service	2,431,631	-	2,431,631
Total fund balances	2,679,272	2,111,309	4,790,581
Total liabilities and fund balances	\$ 3,060,001	\$ 3,196,846	\$ 6,256,847

Kalamazoo Public Schools

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

Year Ended June 30, 2020

	Special Revenue Fund	Capital Projects Funds	
	Food Service Fund	2013 Capital Projects Series D Fund	Total
Revenue			
Local sources	\$ 317,752	\$ 107,385	\$ 425,137
State sources	281,147	-	281,147
Federal sources	9,444,484	-	9,444,484
Total revenue	10,043,383	107,385	10,150,768
Expenditures			
Current:			
Support services	149,342	8,157	157,499
Food services	8,656,303	-	8,656,303
Capital outlay	20,501	5,190,748	5,211,249
Total expenditures	8,826,146	5,198,905	14,025,051
Excess of Revenue Over (Under) Expenditures	1,217,237	(5,091,520)	(3,874,283)
Other Financing Uses - Transfers out	(470,000)	-	(470,000)
Net Change in Fund Balances	747,237	(5,091,520)	(4,344,283)
Fund Balances - Beginning of year	1,932,035	7,202,829	9,134,864
Fund Balances - End of year	<u>\$ 2,679,272</u>	<u>\$ 2,111,309</u>	<u>\$ 4,790,581</u>

Kalamazoo Public Schools

Other Supplemental Information Budgetary Comparison Schedule - Major Governmental Fund - Debt Service

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 21,795,771	\$ 21,734,628	\$ 21,785,033	\$ 50,405
State sources	663,176	662,997	662,997	-
Federal sources	359,082	357,768	360,739	2,971
Total revenue	22,818,029	22,755,393	22,808,769	53,376
Expenditures				
Debt service:				
Principal	14,560,000	14,560,000	14,560,000	-
Interest	7,782,302	7,421,190	7,421,191	1
Other debt costs	5,000	133,101	127,256	(5,845)
Total expenditures	22,347,302	22,114,291	22,108,447	(5,844)
Excess of Revenue Over Expenditures	470,727	641,102	700,322	59,220
Other Financing Sources (Uses)				
Face value of debt issued	-	16,915,000	16,915,000	-
Premium on debt issued	-	1,681,432	1,681,432	-
Payment to bond refunding escrow agent	-	(19,092,331)	(19,092,331)	-
Total other financing uses	-	(495,899)	(495,899)	-
Net Change in Fund Balance	470,727	145,203	204,423	59,220
Fund Balance - Beginning of year	5,203,276	5,228,745	5,228,745	-
Fund Balance - End of year	<u>\$ 5,674,003</u>	<u>\$ 5,373,948</u>	<u>\$ 5,433,168</u>	<u>\$ 59,220</u>

Kalamazoo Public Schools

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Fund -
Food Service

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 639,985	\$ 292,509	\$ 317,752	\$ 25,243
State sources	284,878	283,121	281,147	(1,974)
Federal sources	<u>8,330,512</u>	<u>9,367,611</u>	<u>9,444,484</u>	<u>76,873</u>
Total revenue	9,255,375	9,943,241	10,043,383	100,142
Expenditures - Food service	<u>8,425,817</u>	<u>8,998,241</u>	<u>8,826,146</u>	<u>(172,095)</u>
Excess of Revenue Over Expenditures	829,558	945,000	1,217,237	272,237
Other Financing Uses - Transfers out	<u>(470,000)</u>	<u>(470,000)</u>	<u>(470,000)</u>	<u>-</u>
Net Change in Fund Balance	359,558	475,000	747,237	272,237
Fund Balance - Beginning of year	<u>1,813,534</u>	<u>1,932,035</u>	<u>1,932,035</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2,173,092</u></u>	<u><u>\$ 2,407,035</u></u>	<u><u>\$ 2,679,272</u></u>	<u><u>\$ 272,237</u></u>

Kalamazoo Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2010 Debt Principal	2013 Debt Principal	2014 Debt Principal	2015 Debt Principal	2016 Debt Principal	2016 Debt Principal	2017 Debt Principal	2018 Debt Principal	2019 Debt Principal	2020 Debt Principal	Total
2021	\$ -	\$ 550,000	\$ 400,000	\$ 3,775,000	\$ 240,000	\$ 275,000	\$ 4,040,000	\$ 1,550,000	\$ 995,000	\$ 5,275,000	\$ 17,100,000
2022	-	2,400,000	1,050,000	3,935,000	250,000	300,000	-	1,225,000	1,010,000	1,205,000	11,375,000
2023	-	2,525,000	1,075,000	4,090,000	255,000	300,000	-	950,000	1,030,000	1,230,000	11,455,000
2024	-	1,600,000	1,200,000	5,075,000	280,000	375,000	-	1,005,000	1,070,000	1,250,000	11,855,000
2025	-	1,600,000	1,375,000	5,200,000	295,000	400,000	-	1,035,000	1,105,000	1,260,000	12,270,000
2026	-	1,600,000	1,475,000	5,335,000	325,000	500,000	-	1,065,000	1,150,000	1,305,000	12,755,000
2027	7,100,000	1,600,000	2,275,000	-	700,000	1,700,000	-	2,485,000	1,175,000	1,325,000	18,360,000
2028	-	1,600,000	2,375,000	-	750,000	2,025,000	-	1,895,000	1,180,000	1,345,000	11,170,000
2029	-	1,600,000	2,475,000	-	775,000	2,215,000	-	1,950,000	1,180,000	1,365,000	11,560,000
2030	-	1,600,000	2,575,000	-	800,000	2,225,000	-	2,480,000	-	1,355,000	11,035,000
2031	-	1,600,000	2,700,000	-	825,000	2,325,000	-	2,570,000	-	-	10,020,000
2032	-	1,600,000	2,825,000	-	850,000	2,425,000	-	2,670,000	-	-	10,370,000
2033	-	1,600,000	2,950,000	-	875,000	2,525,000	-	2,780,000	-	-	10,730,000
2034	-	-	3,075,000	-	925,000	2,625,000	-	3,205,000	-	-	9,830,000
2035	-	-	-	-	950,000	2,725,000	-	3,480,000	-	-	7,155,000
2036	-	-	-	-	-	2,700,000	-	3,755,000	-	-	6,455,000
2037	-	-	-	-	-	-	-	3,790,000	-	-	3,790,000
2038	-	-	-	-	-	-	-	3,865,000	-	-	3,865,000
Total remaining payments	<u>\$ 7,100,000</u>	<u>\$ 21,475,000</u>	<u>\$ 27,825,000</u>	<u>\$ 27,410,000</u>	<u>\$ 9,095,000</u>	<u>\$ 25,640,000</u>	<u>\$ 4,040,000</u>	<u>\$ 41,755,000</u>	<u>\$ 9,895,000</u>	<u>\$ 16,915,000</u>	<u>\$ 191,150,000</u>
Principal payments due	May 1	May 1	May 1	May 1	May 1	May 1	May 1	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	6.20%	3.00% to 4.50%	3.00% to 4.00%	4.00% to 5.00%	2.00% to 3.00%	3.00%	1.50%	4.00%	2.00% to 4.00%	2.00% to 4.00%	
Original issue	<u>\$ 7,100,000</u>	<u>\$ 24,695,000</u>	<u>\$ 29,350,000</u>	<u>\$ 42,515,000</u>	<u>\$ 9,995,000</u>	<u>\$ 27,535,000</u>	<u>\$ 16,630,000</u>	<u>\$ 47,990,000</u>	<u>\$ 10,830,000</u>	<u>\$ 16,915,000</u>	

Kalamazoo Public Schools

Other Supplemental Information Schedule of Changes in Assets and Liabilities Student Activities Agency Fund

Year Ended June 30, 2020

	Student Activities Agency Fund			
	July 1, 2019	Additions	Deductions	June 30, 2020
Assets - Cash and investments	\$ 1,638,628	\$ 786,198	\$ (729,948)	\$ 1,694,878
Liabilities				
Accounts payable	\$ 18,356	\$ 580,308	\$ (589,009)	\$ 9,655
Due to student activities	1,620,272	205,890	(140,939)	1,685,223
Total liabilities	\$ 1,638,628	\$ 786,198	\$ (729,948)	\$ 1,694,878

Statistical Section and Other Information (Unaudited)

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health

The statistical section is organized into the following main categories:

Financial trends

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.

Debt capacity

These schedules present information to help the reader assess the affordability of the School District's current level of outstanding debt and the School District's ability to issue additional debt in the future.

Demographic and economic information

These schedules help the reader understand the environment within which the government's financial activities take place.

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.

Kalamazoo Public Schools

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:				
Net investment in capital assets	\$ 42,217,730	\$ 41,288,943	\$39,584,394	\$ 38,644,006
Restricted	6,321,161	4,617,630	4,497,106	4,637,679
Unrestricted	<u>11,327,367</u>	<u>12,292,700</u>	<u>12,446,064</u>	<u>(171,703,771)</u>
Total net position	<u>\$ 59,866,258</u>	<u>\$ 58,199,273</u>	<u>\$56,527,564</u>	<u>\$ (128,422,086)</u>

Note: Prior to fiscal year ending June 30, 2013, net position was referred to as net assets.

Note 2: June 30, 2015 and June 30, 2018 was the first year of implementation of GASB 68 and GASB 75 Accounting and Financial Reporting for Pensions and OPEB.

Source: Kalamazoo Public School District audited financial reports

Financial Trend Information

Net Position by Component

Last Ten Fiscal Years

June 30, 2020

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 37,165,099	\$ 36,250,153	\$ 33,763,537	\$ 30,495,673	\$ 28,135,395	\$ 29,276,975
4,580,961	3,137,421	4,442,892	4,915,387	7,865,272	9,896,147
<u>(173,262,920)</u>	<u>(173,739,528)</u>	<u>(177,435,140)</u>	<u>(258,975,630)</u>	<u>(266,936,382)</u>	<u>(282,980,052)</u>
<u>\$ (131,516,860)</u>	<u>\$ (134,351,954)</u>	<u>\$ (139,228,711)</u>	<u>\$ (223,564,570)</u>	<u>\$ (230,935,715)</u>	<u>\$ (243,806,930)</u>

Kalamazoo Public Schools

	For the Year Ended June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses				
Governmental activities:				
Instruction	\$ 78,795,149	\$ 79,234,047	\$ 78,859,675	\$ 76,694,027
Support services	49,135,093	49,983,747	51,048,289	54,293,844
Food services	6,649,367	6,804,123	6,991,198	6,989,092
Athletics	-	-	-	1,191,839
Community services	1,177,140	1,552,930	1,739,203	1,841,142
Interest on long-term debt	5,795,272	7,336,449	6,633,259	7,098,142
Other	-	-	1,238,555	386,095
Depreciation (unallocated)	<u>9,032,513</u>	<u>10,456,361</u>	<u>10,122,985</u>	<u>10,602,907</u>
Total governmental activities	150,584,534	155,367,657	156,633,164	159,097,088
Program revenue				
Charges for services:				
Instruction	263,561	244,789	235,500	78,245
Food services	1,096,431	816,967	676,044	717,803
Athletics	-	-	-	98,958
Community services	<u>619,060</u>	<u>671,507</u>	<u>633,537</u>	<u>722,382</u>
Total charges for services	1,979,052	1,733,263	1,545,081	1,617,388
Operating grants and contributions	<u>49,113,177</u>	<u>45,566,682</u>	<u>48,146,183</u>	<u>45,498,953</u>
Total program revenue	<u>51,092,229</u>	<u>47,299,945</u>	<u>49,691,264</u>	<u>47,116,341</u>
Net (expense) revenue	(99,492,305)	(108,067,712)	(106,941,900)	(111,980,747)
General Revenue				
Property taxes	33,514,518	32,476,807	33,049,924	34,445,642
State aid not restricted to specific purposes	66,020,024	72,077,870	71,705,890	76,005,527
Federal sources - unrestricted	2,372,068	1,302,401	189,630	24,774
Investment earnings	138,874	47,592	28,311	48,422
Other	<u>73,593</u>	<u>496,057</u>	<u>296,436</u>	<u>208,707</u>
Total general revenue	102,119,077	106,400,727	105,270,191	110,733,072
Special Item - Loss on impairment	-	-	-	(380,336)
Change in Net Position	<u>\$ 2,626,772</u>	<u>\$ (1,666,985)</u>	<u>\$ (1,671,709)</u>	<u>\$ (1,628,011)</u>

Source: Kalamazoo Public School District audited financial reports

Note: Prior to fiscal year ending June 30, 2013, net position was referred to as net assets.

Note 2: Depreciation expense allocated by function beginning the year ending June 30, 2015.

Financial Trend Information

Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2020

For the Year Ended June 30,

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 84,321,564	\$ 85,537,467	\$ 91,801,877	\$ 94,717,147	\$ 100,367,854	\$ 108,855,391
57,808,743	59,105,112	64,012,157	67,986,671	70,039,560	74,599,351
7,531,896	7,153,938	7,901,898	8,081,520	8,067,174	9,246,316
1,325,786	1,351,625	1,441,138	1,547,287	1,604,139	1,539,659
2,267,783	2,174,085	2,065,907	2,271,085	2,016,386	2,023,018
7,495,120	6,444,716	6,995,891	6,605,818	7,325,873	6,994,824
561,648	403,406	481,945	5,000	751,562	127,256
<u>2,965,242</u>	<u>4,050,602</u>	<u>4,697,360</u>	<u>5,199,411</u>	<u>5,354,931</u>	<u>5,218,240</u>
164,277,782	166,220,951	179,398,173	186,413,939	195,527,479	208,604,055
97,638	116,202	155,813	140,021	117,796	84,610
739,902	815,312	823,112	829,319	683,133	310,599
108,058	138,891	166,010	169,881	145,646	132,985
<u>773,164</u>	<u>732,815</u>	<u>634,402</u>	<u>727,008</u>	<u>574,257</u>	<u>528,076</u>
1,718,762	1,803,220	1,779,337	1,866,229	1,520,832	1,056,270
<u>44,349,575</u>	<u>50,283,618</u>	<u>58,121,362</u>	<u>62,910,488</u>	<u>62,361,147</u>	<u>69,753,460</u>
<u>46,068,337</u>	<u>52,086,838</u>	<u>59,900,699</u>	<u>64,776,717</u>	<u>63,881,979</u>	<u>70,809,730</u>
(118,209,445)	(114,134,113)	(119,497,474)	(121,637,222)	(131,645,500)	(137,794,325)
34,673,056	35,557,399	35,938,153	36,570,711	41,620,947	43,439,665
80,123,629	75,769,742	77,377,307	78,955,421	80,752,332	79,864,683
20,001	11,854	21,776	11,474	21,383	25,136
55,447	29,773	174,967	222,613	1,705,869	1,106,199
<u>242,538</u>	<u>655,752</u>	<u>1,108,514</u>	<u>230,055</u>	<u>173,824</u>	<u>487,427</u>
115,114,671	112,024,520	114,620,717	115,990,274	124,274,355	124,923,110
-	(725,501)	-	-	-	-
<u>\$ (3,094,774)</u>	<u>\$ (2,835,094)</u>	<u>\$ (4,876,757)</u>	<u>\$ (5,646,948)</u>	<u>\$ (7,371,145)</u>	<u>\$ (12,871,215)</u>

Kalamazoo Public Schools

	As of June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund:				
Nonspendable				
Inventories	\$ 313,020	\$ 301,400	\$ 193,305	\$ 182,457
Prepaid Costs	1,611,317	1,514,088	176,165	-
Restricted	-	-		
Committed	-	-		
Assigned	2,990,822	-		
Unassigned	<u>7,054,426</u>	<u>11,036,442</u>	<u>12,677,905</u>	<u>12,148,504</u>
Total general fund	<u>11,969,585</u>	<u>12,851,930</u>	<u>13,047,375</u>	<u>12,330,961</u>
All other governmental funds:				
Nonspendable- Inventories	93,259	75,840	74,016	89,403
Restricted				
Capital projects	30,328,465	19,179,822	10,061,754	14,636,464
Debt service	4,928,190	3,960,832	4,176,844	4,277,044
Special revenue foods- Food service	1,077,738	1,200,965	1,119,795	1,258,489
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>36,427,652</u>	<u>24,417,459</u>	<u>15,432,409</u>	<u>20,261,400</u>
Total of all governmental funds	<u>\$ 48,397,237</u>	<u>\$ 37,269,389</u>	<u>\$ 28,479,784</u>	<u>\$ 32,592,361</u>

Source: Kalamazoo Public Schools audited financial statements

Financial Trend Information

Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2020

As of June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 174,998	\$ 163,019	\$ 172,784	\$ 185,736	\$ 158,510	\$ 160,055
1,456,952	1,758,652	1,646,717	1,558,615	1,726,674	1,538,693
<u>10,020,842</u>	<u>10,708,803</u>	<u>10,848,616</u>	<u>12,138,417</u>	<u>12,779,041</u>	<u>15,764,231</u>
<u>11,652,792</u>	<u>12,630,474</u>	<u>12,668,117</u>	<u>13,882,768</u>	<u>14,664,225</u>	<u>17,462,979</u>
137,055	198,017	175,786	215,862	226,781	247,641
18,793,298	4,192,516	22,277,711	11,845,039	52,706,460	31,926,245
4,491,375	4,217,084	4,139,640	4,098,156	5,228,745	5,433,168
1,125,505	1,237,023	1,055,013	1,238,302	1,705,254	2,431,631
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>24,547,233</u>	<u>9,844,640</u>	<u>27,648,150</u>	<u>17,397,359</u>	<u>59,867,240</u>	<u>40,038,685</u>
<u>\$ 36,200,025</u>	<u>\$ 22,475,114</u>	<u>\$ 40,316,267</u>	<u>\$ 31,280,127</u>	<u>\$ 74,531,465</u>	<u>\$ 57,501,664</u>

Kalamazoo Public Schools

	For the Year Ended June 30,			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenue				
Local revenue	\$ 38,048,994	\$ 37,119,108	\$ 37,561,252	\$ 39,149,947
State revenue	82,607,962	86,525,475	88,692,060	90,967,865
Federal revenue	22,184,112	20,164,752	19,200,057	18,874,263
Interdistrict revenue	10,446,279	9,821,128	9,706,791	8,834,122
Total revenue	153,287,347	153,630,463	155,160,160	157,826,197
Expenditures				
Current:				
Instruction	78,914,312	79,235,503	78,901,088	76,599,529
Support services	49,499,067	49,984,371	51,066,038	54,253,344
Community services	1,177,140	1,552,930	1,739,203	1,841,142
Food Services	6,649,367	6,804,123	6,991,198	6,989,092
Athletics	-	-	-	1,191,839
Debt service:				
Principal	8,329,360	8,127,824	8,649,860	9,715,000
Interest	7,890,405	7,235,129	6,987,315	7,242,258
Other debt costs	532,788	256,623	200,787	386,095
Capital Outlay	14,814,486	11,561,808	9,414,276	20,673,936
Total expenditures	167,806,925	164,758,311	163,949,765	178,892,235
Excess of Revenue (Under) Over Expenditures	(14,519,578)	(11,127,848)	(8,789,605)	(21,066,038)
Other Financing Sources (Uses)				
Debt issuance	31,100,000	-	-	24,695,000
Debt premium or discount	373,902	-	-	483,615
Transfers in	234,000	-	-	-
Transfers out	(234,000)	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	31,473,902	-	-	25,178,615
Net change in fund balances	16,954,324	(11,127,848)	(8,789,605)	4,112,577
Fund Balances - Beginning of year	31,442,913	48,397,237	37,269,389	28,479,784
Fund Balances - End of year	\$ 48,397,237	\$ 37,269,389	\$ 28,479,784	\$ 32,592,361
Debt service as a percentage of noncapital expenditures	10.60%	10.03%	10.12%	10.72%

Source: Kalamazoo Public School's audited financial statements

Financial Trend Information

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

June 30, 2020

For the Year Ended June 30,					
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 39,051,707	\$ 39,870,770	\$ 40,976,944	\$ 40,640,787	\$ 47,172,343	\$ 49,457,153
95,278,554	98,832,695	101,736,064	106,700,776	108,114,871	109,727,136
17,896,913	17,360,969	18,263,628	18,388,257	17,943,958	19,399,609
8,974,874	13,685,620	14,577,313	15,141,133	15,638,897	17,192,318
<u>161,202,048</u>	<u>169,750,054</u>	<u>175,553,949</u>	<u>180,870,953</u>	<u>188,870,069</u>	<u>195,776,216</u>
79,319,952	82,588,915	85,949,002	86,937,822	89,973,869	91,855,578
54,341,697	56,478,695	59,749,201	62,582,365	63,028,485	63,947,955
1,764,750	1,698,729	1,350,780	1,630,742	1,350,814	1,293,794
7,487,622	7,178,039	7,827,512	7,942,371	7,823,441	8,656,303
1,267,158	1,299,975	1,551,841	1,439,083	1,468,362	1,349,542
9,305,000	10,475,000	9,995,000	11,135,000	13,080,000	14,560,000
7,673,875	6,961,824	7,333,027	7,018,581	7,638,604	7,421,191
561,648	403,406	1,026,945	5,000	480,005	127,256
<u>26,163,719</u>	<u>26,026,661</u>	<u>11,618,389</u>	<u>11,216,129</u>	<u>11,662,592</u>	<u>23,098,499</u>
<u>187,885,421</u>	<u>193,111,244</u>	<u>186,401,697</u>	<u>189,907,093</u>	<u>196,506,172</u>	<u>212,310,118</u>
(26,683,373)	(23,361,190)	(10,847,748)	(9,036,140)	(7,636,103)	(16,533,902)
29,350,000	52,510,000	44,165,000	-	58,820,000	16,915,000
941,037	4,747,766	1,058,307	-	3,588,998	1,681,432
-	547,000	571,653	445,000	470,000	470,000
-	(547,000)	(571,653)	(445,000)	(470,000)	(470,000)
-	(47,621,487)	(16,534,406)	-	(11,521,557)	(19,092,331)
<u>30,291,037</u>	<u>9,636,279</u>	<u>28,688,901</u>	<u>-</u>	<u>50,887,441</u>	<u>(495,899)</u>
3,607,664	(13,724,911)	17,841,153	(9,036,140)	43,251,338	(17,029,801)
<u>32,592,361</u>	<u>36,200,025</u>	<u>22,475,114</u>	<u>40,316,267</u>	<u>31,280,127</u>	<u>74,531,465</u>
<u>\$ 36,200,025</u>	<u>\$ 22,475,114</u>	<u>\$ 40,316,267</u>	<u>\$ 31,280,127</u>	<u>\$ 74,531,465</u>	<u>\$ 57,501,664</u>

10.50%

10.44%

9.91%

10.16%

11.21%

11.62%

Kalamazoo Public Schools

Taxable Value by Property Type					
Real Property					
Tax Year	Residential	Commercial	Industrial	Agricultural & other	Personal property
2010	1,396,064,430	786,482,401	127,459,298	1,014,751	280,757,160
2011	1,375,598,681	752,274,737	119,365,191	1,150,996	282,178,247
2012	1,294,626,188	716,244,599	105,101,313	1,175,450	272,760,504
2013	1,289,037,661	694,126,878	103,582,732	1,199,892	270,871,186
2014	1,297,994,954	695,535,600	108,327,916	1,218,370	257,624,376
2015	1,324,821,293	717,347,787	103,950,809	1,236,545	260,531,038
2016	1,344,972,951	717,386,917	106,593,156	1,225,497	207,923,000
2017	1,382,049,914	736,597,654	107,593,381	1,236,519	225,113,779
2018	1,431,840,853	774,034,205	92,093,586	1,323,650	219,931,600
2019	1,493,832,247	816,500,223	92,091,513	1,390,667	231,055,800

Note: Under Michigan law, the revenue base is taxable value. The property tax base in the School District is contingent upon the taxable property value. Taxable value increases are limited by variable caps and other restrictions which generally cause the taxable value to be at or below the state equalized value, which are primarily market-driven. Taxes levied in a particular "tax-year" become revenue of the subsequent fiscal year.

Revenue Capacity Information

Taxable Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
June 30, 2020

Total Value	Tax rate (mills)	Tax Rate (Mills)		Estimated Actual Value	Taxable Value as a % of Actual
		Nonhomestead			
2,591,778,040	5.3500	23.3500		5,183,556,080	50.00%
2,530,567,852	5.3500	23.3500		5,061,135,704	50.00%
2,389,908,054	6.2500	24.2500		4,779,816,108	50.00%
2,358,818,349	6.9500	24.9500		4,717,636,698	50.00%
2,360,701,216	6.9500	24.9500		4,721,402,432	50.00%
2,407,887,472	6.9500	24.9500		4,815,774,944	50.00%
2,378,101,521	6.9500	24.9500		4,756,203,042	50.00%
2,452,591,247	6.9500	24.8204		4,905,182,494	50.00%
2,519,223,894	8.2000	26.0704		5,038,447,788	50.00%
2,634,870,450	8.2000	26.0489		5,269,740,900	50.00%

Kalamazoo Public Schools

Millage rates - Direct Kalamazoo Public School District Taxes							Overlapping Taxes		
		Operating			Total Direct Taxes				
Tax Year	Year Ended June	Homestead	Non-Homestead*	Debt**	Homestead	Non-Homestead	County	Metro Transit	City of Kalamazoo
2010	2011	-	18.00000	5.35000	5.35000	23.35000	6.34120	0.40000	19.27050
2011	2012	-	18.00000	5.35000	5.35000	23.35000	6.35500	0.40000	19.27050
2012	2013	-	18.00000	6.25000	6.25000	24.25000	6.35960	0.40000	19.27050
2013	2014	-	18.00000	6.95000	6.95000	24.95000	6.36950	0.40000	19.27050
2014	2015	-	18.00000	6.95000	6.95000	24.95000	6.36010	0.60000	19.27050
2015	2016	-	18.00000	6.95000	6.95000	24.95000	6.48900	0.60000	19.27050
2016	2017	-	18.00000	6.95000	6.95000	24.95000	6.46630	1.15000	19.27050
2017	2018	-	17.87040	6.95000	6.95000	24.82040	6.44200	1.06450	12.00000
2018	2019	-	17.87040	8.20000	8.20000	26.07040	6.76530	1.06450	12.00000
2019	2020	-	17.84890	8.20000	8.20000	26.04890	6.76310	1.06450	12.00000

* Non-Homestead millage rate is limited to 18.0 mills

** Debt millages apply to homestead and non-homestead property

Source: 2010-2019 Kalamazoo County Apportionment Reports

Revenue Capacity Information

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Overlapping Taxes

Kalamazoo City Solid Waste	Kalamazoo City DDA	Community College	Public Library	Kalamazoo RESA	State Education	Kalamazoo Township	Oshtemo Township	Texas Township
1.55000	1.96380	2.81350	3.95830	4.85660	6.00000	8.96910	0.97650	1.35830
1.55000	1.96380	2.81350	3.95830	4.86160	6.00000	8.96910	0.97650	1.35830
1.55000	1.96380	2.81350	3.95830	4.86600	6.00000	8.96910	0.97650	1.38530
1.55000	1.96380	2.81350	3.95830	4.89160	6.00000	8.96910	0.97650	1.38530
1.55000	1.96380	2.81350	3.95830	4.89160	6.00000	8.96910	0.97650	1.30520
1.55000	1.96380	2.81350	3.95830	6.40600	6.00000	9.79199	0.97650	1.35620
1.80000	1.96380	2.81350	3.95830	6.40600	6.00000	9.47850	0.97650	1.34950
1.80000	1.96380	2.80890	3.94870	6.40280	6.00000	11.48910	0.97030	1.34110
1.80000	1.96380	2.80890	3.94870	6.40280	6.00000	11.59120	0.97030	1.34080
1.80000	1.96380	2.80890	3.94870	6.40280	6.00000	11.59120	0.97030	1.34030

Kalamazoo Public Schools

Revenue Capacity Information Principal Property Taxpayers

**Current and Nine Years Ago
June 30, 2020**

	2020 Taxable Value	2020 Rank	% of total Ad Valorem	2011 Taxable Value	% of total Ad Valorem	2011 Rank
Consumers Energy	\$ 91,301,070	1	3.47%	\$ 46,102,933	1.82%	2
Zoetis	30,502,042	2	1.16%			
Meadows of Perrysburg, LLC	17,848,500	3	0.68%			
Michigan Electric Transmission	16,058,800	4	0.61%			
Lifecare, Inc.	15,944,599	5	0.61%			
Knollwood Loft	14,558,298	6	0.55%			
MiMg LXVI Drakes Pond LLC	12,534,052	7	0.48%			
PNC Bank	12,206,270	8	0.46%			
Fountains Bronson Place/Owner NT-H	12,199,251	9	0.46%	10,703,661	0.42%	9
Kalamazoo Owners 1-7 LLC	12,034,600	10	0.46%			
Catalyst Development Co.				17,017,700	0.67%	5
Pfizer	-			87,967,165	3.48%	1
Copper Beech LLC	-			13,183,700	0.52%	6
Graphic Packaging International	-			30,284,600	1.20%	3
MPI Research, Inc	-			20,227,800	0.80%	4
National City Bank	-			12,730,200	0.50%	7
James Smith Apartments	-			10,448,000	0.41%	10
Westmain 2000 LLC	-			13,159,416	0.52%	8
Total	<u>\$ 235,187,482</u>		8.93%	<u>\$ 261,825,175</u>	10.35%	
Total School District						
Taxable Value	<u>\$ 2,634,870,450</u>			<u>\$ 2,530,567,852</u>		

Source: Kalamazoo County Equalization Department and 2011 Continuing Disclosure.

Revenue Capacity Information

Property Tax Levies and Collections

Last Ten Fiscal Years
June 30, 2020

Tax Year	Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2010	2011	34,270,271	30,724,424	89.65%	3,446,400	34,170,824	99.71%
2011	2012	33,190,301	30,302,032	91.30%	2,758,035	33,060,067	99.61%
2012	2013	33,897,337	31,609,861	93.25%	2,202,009	33,811,870	99.75%
2013	2014	35,504,713	33,182,229	93.46%	2,235,199	35,417,428	99.75%
2014	2015	34,998,473	32,850,465	93.86%	2,084,522	34,934,987	99.82%
2015	2016	35,676,588	33,763,278	94.64%	1,867,431	35,630,709	99.87%
2016	2017	36,169,676	34,012,548	94.04%	2,068,601	36,081,149	99.76%
2017	2018	37,050,297	35,096,119	94.73%	1,918,405	37,014,524	99.90%
2018	2019	41,641,178	39,740,562	95.44%	1,862,965	41,603,527	99.91%
2019	2020	43,611,351	41,514,652	95.19%	2,090,045	43,604,697	99.98%

Source: School District Continuing Disclosure reports.

Kalamazoo Public Schools

Fiscal Year	General Obligation Bonds	Other General Obligation Debt*	Total General Obligation Debt	Taxable Value	Net General Bonded Debt as a Percentage of Taxable Value
2011	155,208,823	-	155,208,823	2,591,778,040	5.99%
2012	146,724,380	-	146,724,380	2,530,567,852	5.80%
2013	137,717,901	-	137,717,901	2,389,908,054	5.76%
2014	152,800,716	-	152,800,716	2,358,818,349	6.48%
2015	173,358,901	-	173,358,901	2,360,701,216	7.34%
2016	172,586,568	-	172,586,568	2,407,887,472	7.17%
2017	190,559,737	-	190,559,737	2,378,101,521	8.01%
2018	178,850,280	-	178,850,280	2,452,591,247	7.29%
2019	216,175,369	-	216,175,369	2,519,223,894	8.58%
2020	200,358,498	-	200,358,498	2,634,870,450	7.60%

* Other general obligation debt includes bus notes.

Note: Net Position restricted for Debt Service at June 30 is for November Bond interest payments (not principal payments).

Source: School District Audit reports and accounting records, official statements and continuing disclosure reports, the U.S. Census, and the Michigan Regional Economic Analysis Project (MI-REAP).

Debt Capacity Information Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2020

Total Debt as a Percentage of Taxable Value	Population	Net General Bonded Debt per Capita	Total Debt per Capita	Per Capita Personal Income	Total Debt as a Percentage of Total Personal Income
5.99%	108,572	1,438	1,438	35,459	1.74%
5.80%	109,650	1,360	1,360	37,132	1.57%
5.76%	110,584	1,276	1,276	38,225	1.42%
6.48%	111,485	1,415	1,415	39,169	1.52%
7.34%	111,913	1,606	1,606	41,182	1.71%
7.17%	112,513	1,599	1,599	43,062	1.61%
8.01%	113,084	1,703	1,703	44,733	1.69%
7.29%	113,891	1,582	1,582	48,723	1.57%
8.58%	113,891	1,898	1,898	48,723	1.76%
7.60%	113,891	1,759	1,759	48,723	1.55%

Kalamazoo Public Schools

Debt Capacity Information

Direct and Overlapping Governmental Activities Debt

June 30, 2020

Governmental unit	Debt outstanding	Estimated percent applicable	Estimated share of overlapping debt
City of Kalamazoo	\$ 141,245,000		\$ 131,767,461
Total	141,245,000		131,767,461
Kalamazoo County	27,065,000		8,070,783
Kalamazoo Township	8,000,000		5,997,600
Kalamazoo Valley Community College	7,620,000		2,249,424
Kalamazoo Valley ISD	4,725,000		1,548,855
Total	47,410,000		17,866,662
Total overlapping debt	<u>\$ 188,655,000</u>		149,634,123
Direct district debt			<u>200,358,498</u>
Total direct and overlapping debt			<u><u>\$ 349,992,621</u></u>

Source: Municipal Advisory Council of Michigan

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the School District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses within the School District. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is not within other districts.

Kalamazoo Public Schools

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Calculation of Debt Limit				
State equalized valuation (SEV)	\$ 2,800,401,349	\$ 2,701,200,016	\$ 2,495,106,889	\$ 2,458,108,080
15% of SEV*	420,060,202	405,180,002	374,266,033	368,716,212
Calculation of Debt Subject to Limit				
Total debt	155,208,823	146,724,380	137,717,901	152,800,716
Less debt not subject to limit:				
State qualified debt issuance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Debt Subject to Limit	<u>155,208,823</u>	<u>146,724,380</u>	<u>137,717,901</u>	<u>152,800,716</u>
Legal debt margin	<u>\$ 264,851,379</u>	<u>\$ 258,455,622</u>	<u>\$ 236,548,132</u>	<u>\$ 215,915,496</u>
Net Debt Subject to Limit as a Percentage of Debt Limit	36.95%	36.21%	36.80%	41.44%

*Public Act No. 451 of Michigan 1976, Sec. 1351A provides debt limits as follows: The bonded indebtedness of a school district shall not exceed 15% of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin are:

1. Defeased bonds
2. Any bond qualified under Article IX, Section 16 of the 1963 Michigan Constitution
3. Deficit Budget bonds as authorized by Sec. 1356

Source: Kalamazoo Public School District continuing disclosure reports.

Debt Capacity Information

Legal Debt Margin

Last Ten Fiscal Years
June 30, 2020

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 2,493,086,600	\$ 2,580,041,202	\$ 2,624,031,720	\$ 2,802,421,136	\$ 2,876,726,906	\$ 3,103,343,517
373,962,990	387,006,180	393,604,758	420,363,170	431,509,036	465,501,528
173,358,901	172,586,568	190,559,737	178,850,280	216,175,369	200,358,498
-	-	-	-	-	-
<u>173,358,901</u>	<u>172,586,568</u>	<u>190,559,737</u>	<u>178,850,280</u>	<u>216,175,369</u>	<u>200,358,498</u>
\$ 200,604,089	\$ 214,419,612	\$ 203,045,021	\$ 241,512,890	\$ 215,333,667	\$ 265,143,030
46.36%	44.60%	48.41%	42.55%	50.10%	43.04%

Kalamazoo Public Schools

Demographic and Economic Information

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal year	Population	Median Household Income	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2010	250,729	43,957	8,913,212	35,549	10.10%
2011	252,328	45,798	9,369,461	37,132	8.30%
2012	254,580	44,306	9,731,382	38,225	7.10%
2013	256,725	45,854	10,055,662	39,169	7.10%
2014	258,818	48,411	10,137,642	39,169	5.60%
2015	260,263	46,356	10,718,151	41,182	4.30%
2016	261,654	47,476	11,267,345	43,062	3.90%
2017	262,985	49,693	11,411,971	43,394	4.40%
2018	264,870	51,945	12,287,054	46,389	3.40%
2019	265,066	54,431	12,914,811	48,723	3.30%

Note: The statistics shown above are for the County of Kalamazoo, which encompasses the entire School District and surrounding communities.

Sources: Michigan Regional Economic Analysis Project (MI-REAP) with data provided by the U.S. Department of Commerce and Bureau of Economic Analysis, Michigan Department of Technology, Management and Budget, and Census Bureau

Kalamazoo Public Schools

Demographic and Economic Information

Principal Employers

Employer	2020 Employees	2020 Rank	Percentage of Total Employment	2011 Employees	Percentage of Total Employment	2011 Rank
Western Michigan University	4,186	1	3.24%	4,162	3.60%	3
Bronson Methodist Hospital	4,000	2	3.09%	4,811	4.16%	1
Borgess Medical Center	3,000	3	2.32%	4,311	3.73%	2
Stryker Corporation	2,600	4	2.01%	2,250	1.95%	5
Pfizer	2,200	5	1.70%	3,000	2.60%	4
Kalamazoo Public Schools	2,020	6	1.56%	1,762	1.52%	7
PNC Bank (formerly National City Bank)	1,800	7	1.39%	2,000	1.73%	6
Zoetis	1,100	8	0.85%			
Portage Public Schools	1,025	9	0.79%	1,047	0.91%	10
Greenleaf Hospitality	1,000	10	0.77%			
Kalamazoo Valley Community College				1,150	1.00%	9
Meijer, Inc				1,200	1.04%	8
Total principal employers	<u>22,931</u>			<u>25,693</u>		
Total employment	<u>129,316</u>			<u>115,549</u>		

Note: Includes the major employers within the School District and Kalamazoo County.

Source: Michigan Manufacturer's Directory, Crain's Book of Lists, Manta Company Intelligence Website, the Michigan Economic Development Council (MEDC), and individual employers.

Kalamazoo Public Schools

Operating Information Full-Time Equivalent School District

Last Ten Fiscal Years

Function/Program:	As of June 30,									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government										
Instruction	1,008	990	973	961	933	941	947	943	949	957
Support services	401	382	385	396	435	435	425	465	502	511
Community service	2	6	6	1	5	8	9	7	11	7
Food service	<u>74</u>	<u>73</u>	<u>73</u>	<u>75</u>	<u>67</u>	<u>60</u>	<u>62</u>	<u>43</u>	<u>40</u>	<u>35</u>
Total	<u>1,485</u>	<u>1,451</u>	<u>1,437</u>	<u>1,433</u>	<u>1,440</u>	<u>1,444</u>	<u>1,443</u>	<u>1,458</u>	<u>1,502</u>	<u>1,510</u>

Source: State of Michigan Registry of Personnel reports.

Note: With the exception of food service and transportation, counts do not include hourly staff such as activity helpers, tutors, summer school employees, athletics, etc.

Operating Information

Operating Indicators

Last Ten Fiscal Years

Year	Enrollment*	Operating Expenditures**	Cost per Pupil	Operating Revenue***	Revenue per Pupil	Percentage of Students		
						Total Teaching Staff	Qualifying for Free/Reduced Meals	Average Teacher Salary
2011	12,345	129,590,519	10,497	131,455,171	10,648	838	69.66%	51,544
2012	12,670	130,772,804	10,321	132,274,166	10,440	824	69.74%	54,639
2013	12,710	131,706,329	10,362	132,470,259	10,423	810	72.31%	54,571
2014	12,564	133,644,446	10,637	133,678,918	10,640	799	71.26%	56,396
2015	12,562	136,315,444	10,851	136,639,247	10,877	790	69.51%	56,419
2016	12,694	141,752,079	11,167	143,834,652	11,331	786	62.25%	56,745
2017	12,763	148,327,699	11,622	148,568,250	11,641	780	68.26%	56,769
2018	12,832	152,511,044	11,885	153,947,305	11,997	783	70.37%	58,588
2019	12,815	155,797,246	12,157	156,338,524	12,200	790	71.13%	62,950
2020	12,848	158,178,333	12,312	161,561,449	12,575	793	69.77%	62,530

* Student F.T.E. as of the fall count day.

** Operating expenditures exclude capital outlay debt service and other transactions.

*** Operating revenues exclude transfers and other transactions.

Additional Sources: School District audit reports, continuing disclosures reports, MDE Bulletin 1014. and Michigan Department of Education School lunch program.

Kalamazoo Public Schools

Function/Program	2011	2012	2013	2014
Instructional buildings:				
Elementary:				
Number of buildings	17	17	17	17
Square footage	1,035,266	1,035,266	1,032,050	1,032,050
Capacity	7,504	7,504	7,384	7,384
Enrollment	6,352	6,383	6,438	6,403
Middle:				
Number of buildings	4	4	4	5
Square footage	522,521	552,986	552,986	580,370
Capacity	3,025	3,350	3,350	3,679
Enrollment	2,740	2,870	2,822	2,791
High:				
Number of buildings	3	3	3	3
Square footage	691,753	691,753	691,753	691,753
Capacity	4,225	4,225	4,225	4,225
Enrollment	3,115	3,226	3,226	3,236
Other:				
Number of buildings	4	4	4	3
Square footage	306,637	306,637	306,637	273,527
Enrollment	138	191	184	134
Total enrollment	12,345	12,670	12,670	12,564
Administrative:				
Number of buildings	6	6	6	6
Square footage	86,020	86,020	86,020	86,020
Transportation/Maintenance:				
Number of garages	1	1	1	1
Square footage	17,182	17,182	17,182	17,182
Buses	113	113	115	120
Athletics:				
Football fields	2	2	2	2
Soccer fields	2	2	2	2
Running tracks	2	2	2	2
Baseball/softball	2	2	2	2
Swimming pools	3	3	3	3
Playgrounds	21	21	21	21

Source: Deyo/Stone Asset Appraisal reports, district internal records.

Operating Information

Capital Asset Information

Last Ten Fiscal Years

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
17	17	17	17	17	17
1,112,567	1,037,002	1,067,666	1,055,585	1,055,585	1,055,585
7,384	7,599	7,677	7,677	7,677	7,677
6,343	6,332	6,231	6,232	6,174	6,226
5	5	5	5	5	5
579,949	579,949	579,949	581,081	581,081	581,081
3,679	3,679	3,679	3,679	3,679	3,679
2,751	2,839	2,920	2,917	3,005	2,922
3	3	4	4	4	4
711,049	711,049	746,433	750,923	750,923	750,923
4,225	4,225	4,719	4,719	4,719	4,719
3,342	3,415	3,512	3,577	3,537	3,694
3	4	3	3	3	3
273,527	349,796	274,231	272,075	272,075	272,075
126	108	100	106	99	6
12,562	12,694	12,763	12,832	12,815	12,848
6	6	6	6	5	5
86,020	86,020	86,322	89,660	83,410	83,220
1	1	1	1	1	1
17,182	17,182	15,991	15,991	15,991	15,991
120	121	121	123	123	124
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	2
2	2	2	4	4	4
3	3	3	3	3	3
21	20	20	21	21	21