

# **Annual Comprehensive Financial Report**

**Kalamazoo Public Schools**

**For the  
Fiscal Year Ended  
June 30, 2022**

Kalamazoo Public Schools  
Kalamazoo, MI 49008

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

of

Kalamazoo Public Schools

1220 Howard Street

Kalamazoo, MI 49008

**For the Fiscal Year Ended**

**June 30, 2022**

Dr. Rita Raichoudhuri

Superintendent

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*Prepared by:*

Laura Kayser, Director of Finance

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October 4, 2022

Dear Citizens and Board Members:

The Annual Comprehensive Financial Report of Kalamazoo Public Schools (the “school district”) for the fiscal year ended June 30, 2022 is hereby submitted. This report was prepared by the Finance 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 Annual Comprehensive 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 2021-2022 budgets for the General, Food Service, and Student Activity 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 2022 population was 263,938.

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, 63% of 2020 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 consisting of 12,326 K-12 students, 318 pre-K students and 193 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, four middle schools, four high schools, a virtual K-12 school, 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 1,390 regular staff and a number of part-time staff that work as tutors, activity helpers, and seasonal staff. The district returned to in-person learning for the 2021-22 school year.

The school district offers a curriculum to provide challenge, rigor, richness, and to promote high academic achievement. The curriculum is based on performance standards aligned to the Michigan Department of Education grade-level and subject expectations, as well as best teaching practices.

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 students from infancy up to age 26.

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), Career and Technical Education (CTE), 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 all of our elementary buildings.

Other programs offered include early intervention preschool programs, an intensive summer school program, on-line learning, and adult education.

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.

### **Mission Statement, Goals and Accomplishments**

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

The Board of Education has adopted long-term 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. KPS 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.

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 \$5 million for Kalamazoo Public Schools.

In May 2021, a majority of voters in the county renewed the 1.5 county wide special education millage for six more years, beginning with the 2021-22 school year. The millage generates approximately \$5 million of additional revenue for Kalamazoo Public Schools and mitigates the use of general fund dollars for special education students.



### **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 three charter schools located within the school district boundaries, which serve approximately 600 students.

### **Economic Outlook**

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. Now the school district is dependent upon the state legislature not only for the majority of its funds, but also its funding level.

The revenues of the State of Michigan significantly increased for the 2021-2022 school year, primarily due to an increase in sales tax revenue, state income tax withholding and federal revenues. The base foundation allowance for each district's state aid was increased to \$8,700 per student (this amounted to a \$418 per student increase for Kalamazoo Public Schools). In addition, the school district has been awarded over \$67 million in grants through the ARP and CARES acts, most of which are required to be spent over three years. The school district has prepared a plan to spend these monies, mostly on one-time or short term items, so that it can avoid a budgetary structural imbalance at the end of the grant award period.

Fund balance continues to be approximately 19% of expenditures as of June 30, 2022. Historically, the school district has maintained a fund balance within the 8% to 19% range since 2006-2007.

Only with financial stability can the school district 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 administrators through 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 1-3 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 accounting controls.

### **Budgetary Controls**

The school district maintains budgetary controls to ensure that budgets comply 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 adopts 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, Food Service fund, and Student Activity fund. 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 at least 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. Funds not immediately needed for its operations or other obligations are invested or held in interest-bearing accounts. 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, 2022**

Please refer to the management's discussion and analysis section for a summary of the financial condition of the school district at June 30, 2022.

### **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 local 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 2021-2022 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 24<sup>th</sup> largest school district in the state to the 13<sup>th</sup> 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. As the district returned to in-person learning in 2021-2022, enrollment was higher than the prior year by 170 students. Enrollment for the 2022-2023 school year is expected to decline by 0.8% or 103 students, primarily due to a decline in the birth rate. Other factors influencing future enrollment projections include district marketing efforts and any employment changes in the Kalamazoo area.

### **Facilities**

In May 2018, the voters approved a 1.25 debt millage rate 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 Academy, additions to Phoenix high school, construction of a central kitchen for our Food Service program, and the purchase of buses.

In May 2022, the voters approved a renewal of our debt millage rate to support the issuance of \$197,135,000 of School Building and Site bonds to provide for various capital projects, including the replacement of El Sol elementary, additions to several elementary schools, technology, turf athletic fields

and the purchase of buses. The first series of these bonds is expected to be issued in the first half of calendar year 2023.

As a result of voters passing bond proposals in 2006, 2010, 2013 and 2018, several new schools have been built over the past 16 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, Washington Writers Academy (2015) and a new transportation facility (2020). Several buildings have been either partially replaced, renovated extensively or additions were made (Milwood Elementary, Hillside Middle, Milwood Magnet Middle, Loy Norrix High school, Phoenix High school and the district’s Administration building). Technology systems have been improved at all sites. Current projects include replacing Edison Academy 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. Chenery hosts a variety of programs, including the Gilmore Piano Festival and the Kalamazoo Symphony Orchestra.

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

<b>Facility Name</b>	<b>Year of Construction</b>	<b>Age of Facility (Years)</b>	<b>Last Remodeling (Year)</b>
<i>Elementary:</i>			
Arcadia	1964	58	2020
El Sol	1924	98	2019
South Westnedge (Edison)	1954*	68	2013
Greenwood	1954	68	2020
Indian Prairie	1959	63	2015
King Westwood	1952	70	2020
Lincoln	1922	100	2019
Milwood	1949/2016	73	2022
Northeastern	1953	69	2020
Northglade	1959	63	2022
Parkwood-Upjohn	1922	100	2022
Prairie Ridge	2008	14	2019
Spring Valley	1956	66	2019
Washington	2015	7	-
Winchell	1959	63	2020
Woods Lake	1952	70	2019
Woodward	1921	101	2020
<i>Middle School:</i>			
Hillside	1958	64	2022
Linden Grove	2009	13	-
Milwood	1959	63	2022
Maple Street	1951	71	2022
<i>High School:</i>			
Kalamazoo Central	1972	50	2020
Loy Norrix	1960	62	2020
Phoenix Alternative	1965	57	2020

Oakwood**	1963	59	2020
Community Education Center	1913	109	2019
Administration Building	1960	62	2021
Stockroom Building	1997	25	2003
Transportation Building	2020	2	
Lakewood Building ***	1939	83	2005
Lake Street Barns	1985	37	-
West Main Prof. Dev. Ctr.	1926	96	2013
Chime***	1953	69	1996

\*Building purchased in 2012 from a parochial school. Temporary home of Edison Academy for the 2021-2022 and 2022-2023 school years as the original building was torn down in 2021 and a new building is currently under construction.

\*\*Used as the district's virtual program and social-emotional learning center for the 2021-2022 school year.

\*\*\*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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This is the eighth 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 Annual Comprehensive 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 Annual Comprehensive 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the eighth 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 annual comprehensive 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 Annual Comprehensive 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.

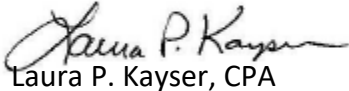
### **Acknowledgments**

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 Finance Office. We would like to express our appreciation to other department staff who assisted in the preparation of this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. English'.

James English  
Assistant Superintendent of Operations

A handwritten signature in black ink, appearing to read 'Laura P. Kayser'.

Laura P. Kayser, CPA  
Director of Finance

**Kalamazoo Public Schools**  
**District Officials as of June 30, 2022**

**Administration**

**Dr. Rita Raichoudhuri**

Superintendent

**Mr. James English**

Assistant Superintendent of Operations

**Dr. Amy Vondra**

Assistant Superintendent of Instruction  
and Student Services

**Ms. Sheila 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**

Treasurer

**Mr. Jermaine Jackson**

Trustee

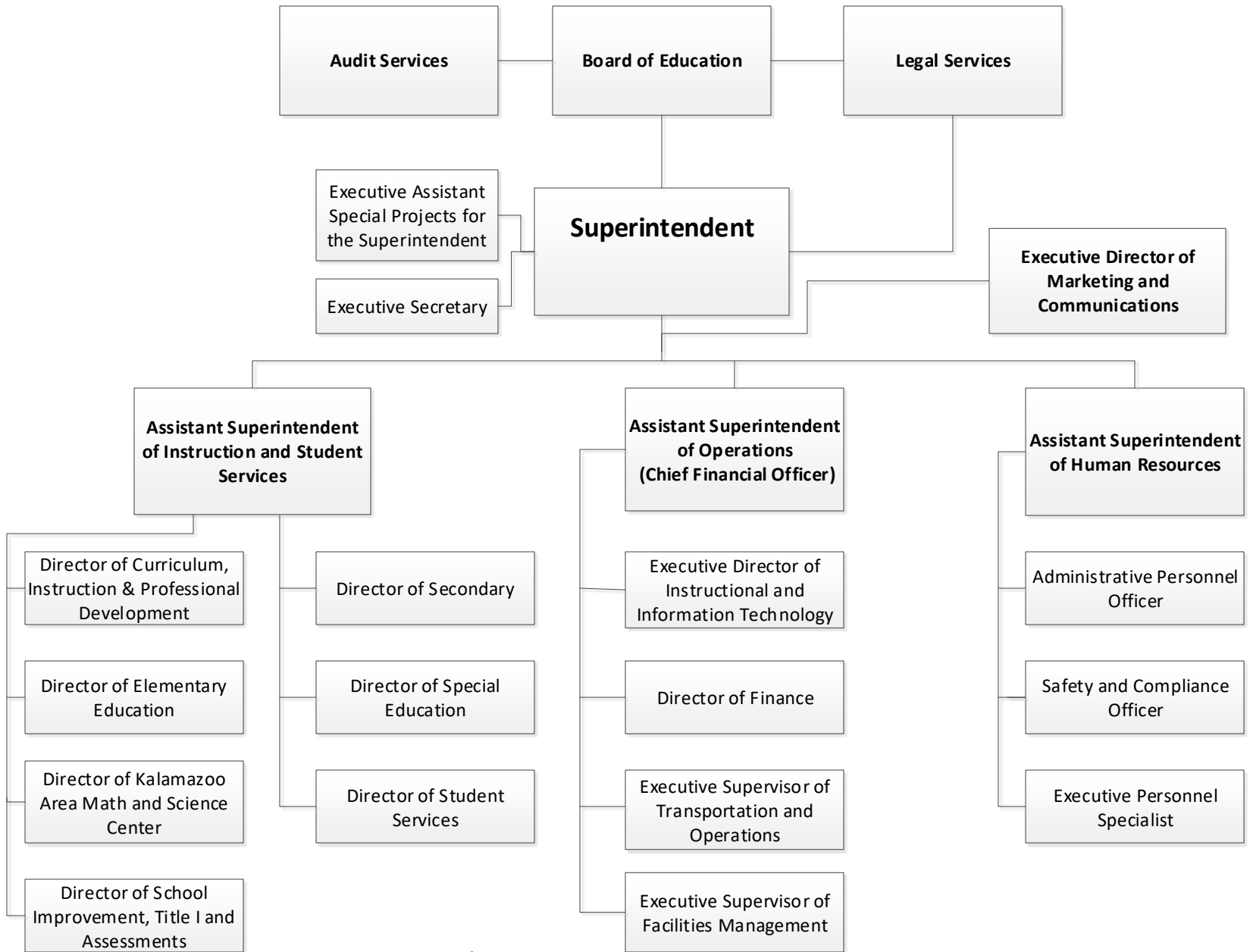
**Ms. Megan Maddock**

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 Annual Comprehensive Financial Report  
for the Fiscal Year Ended June 30, 2021.**

The district report meets the criteria established for  
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'William A. Sutter'.

**William A. Sutter**  
**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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

## **Independent Auditor's Report**

To the Board of Education  
Kalamazoo Public Schools

### **Report on the Audit of the Basic Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Kalamazoo Public Schools (the "School District") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the School District as of June 30, 2022 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

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

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

To the Board of Education  
Kalamazoo Public Schools

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

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

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

#### ***Required Supplemental Information***

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

#### ***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### ***Other Information***

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Education  
Kalamazoo Public Schools

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Plante & Moreau, PLLC*

October 4, 2022

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, 2022. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand 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 B Fund - with all other funds presented in one column as nonmajor funds. 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 Pension Contributions

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

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.

## Kalamazoo Public Schools

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

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, 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.

#### ***The School District as a Whole***

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 111.0	\$ 82.3
Capital assets	215.1	210.7
Total assets	326.1	293.0
<b>Deferred Outflows of Resources</b>	57.7	83.8
<b>Liabilities</b>		
Current liabilities	31.9	36.9
Noncurrent liabilities	429.5	531.7
Total liabilities	461.4	568.6
<b>Deferred Inflows of Resources</b>	136.2	48.8
<b>Net Position (Deficit)</b>		
Net investment in capital assets	35.8	34.1
Restricted	9.4	9.3
Unrestricted	(259.0)	(284.0)
Total net position (deficit)	<u>\$ (213.8)</u>	<u>\$ (240.6)</u>

## Kalamazoo Public Schools

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

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 \$(213.8) million at June 30, 2022. Net investment in capital assets totaling \$35.8 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 (\$(259.0) million) was unrestricted.

The \$(259.0) 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.

As required by the Governmental Accounting Standards Board (GASB), the School District adopted GASB Statement No. 87, *Leases*, as of July 1, 2021. This standard resulted in a single lease accounting model (except for short-term leases) where the net present value of the future lease payments is reported as both a lease asset and liability on the statement of net position. There was no effect on net position at July 1, 2021 as a result of adoption, as the lease assets were equal to the lease liabilities for lease agreements in place as of the adoption date. Further information regarding the lease asset and liability balances at June 30, 2022 is included in additional detail in the sections that follow. All school districts with a June 30, 2022 year end were required to adopt this new accounting standard.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.8	\$ 0.5
Operating grants	86.6	70.4
General revenue:		
Taxes	46.2	45.1
State aid not restricted to specific purposes	82.0	81.2
Other	0.7	0.5
Total revenue	216.3	197.7
<b>Expenses</b>		
Instruction	93.0	104.5
Support services	69.9	70.6
Athletics	1.5	1.1
Food services	8.1	6.7
Community services	1.7	1.6
Loss on sale of capital assets	2.0	-
Debt service	8.1	6.4
Depreciation and amortization expense (unallocated excluding direct depreciation allocated to programs)	5.2	5.0
Total expenses	189.5	195.9
<b>Change in Net Position</b>	26.8	1.8
<b>Net Position (Deficit) - Beginning of year</b>	(240.6)	(242.4)
<b>Net Position (Deficit) - End of year</b>	<u><u>\$ (213.8)</u></u>	<u><u>\$ (240.6)</u></u>



As reported in the statement of activities, the cost of all of our governmental activities this year was \$189.5 million. Certain activities were partially funded by those who benefited from the programs (\$0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$86.6 million). We paid for the remaining public benefit portion of our governmental activities with \$46.2 million in taxes, \$82.0 million in state foundation allowance, and other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$26.8 million. Key reasons for the change in net position are the GASB 68 and 75 related pension and OPEB adjustments, the investment in capital assets (offset with the current year depreciation), and the significant increase in the fund balance of the General Fund in the current year.

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 \$80.1 million, which is a increase of \$33.6 million from last year. The primary reasons for the increase are as follows:

- In the General Fund, our principal operating fund, the fund balance increased by \$5,323,277 to \$34,567,256. The increase in fund balance is attributed to many favorable variances in the areas of staff development, supplies and materials, and staff positions. Labor shortages, supply chain issues, and the gradual restart to post-pandemic activities contributed to these variances. In addition, revenue was slightly more than projected due to higher enhancement millage collections and other local revenue.
- The Special Revenue - Food Service Fund balance increased from the prior year by \$1,493,668, with a favorable budget variance of \$1,321,668. This variance is primarily due to higher federal revenue than expected, along with lower expenditures for wages and capital outlay due to labor shortages and supply chain issues, respectively.
- The Special Revenue - Student Activity Fund balance increased by \$195,147, with a favorable budget variance of \$195,147. This variance is primarily due to higher student activity revenue than expected with the return to in-person learning for the 2021-2022 school year.
- The Debt Service Fund fund balance increased by \$1,165,404 to a fund balance of \$6,096,354. 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 fund balance is reserved since it can only be used to pay debt service obligations.
- Combined, the fund balance of our capital projects funds increased, net, by \$25,453,527, primarily due to new bond proceeds. The 2018 capital projects series B bonds of \$45,620,000 were issued in 2021-2022 and ended the year with a fund balance of \$33,429,352. Remaining fund balances of the 2013D and 2018A bond issues were spent out during the year. 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.

## Kalamazoo Public Schools

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

#### **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 2021-2022 close estimate budget was adopted in June 2022. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information section of these financial statements.

Significant revenue changes between the preliminary and close estimate budgets for 2021-2022 include a large increase in state revenue sources, primarily due to categorical revenue for new summer programs and retirement, as well as projected spending for several grant programs, such as At-Risk and Great Start Readiness, due to the return to in-person learning. This increase in state revenue is offset by a decrease in foundation revenue due to a lower student count than projected. Federal revenue budgets were also increased due to the influx of various ESSER moneys and an increase in spending of the Title grants. Local and interdistrict revenue budgets were adjusted to reflect projected revenue for programs such as special education, the Kalamazoo Area Math and Science Center, and local grants.

The overall increase in budgeted expenditures from preliminary to the close estimate budget was the result of the return to in-person learning, causing increases in spending in various grant programs, such as Title I, At-Risk, and ESSER. In addition, budgets were added for a large summer program; several construction projects, including HVAC work at two high schools; additional technology; vehicles and furniture purchases; and rising fuel costs. These additions were offset by reductions in budgeted staff due to labor shortages and a reduction of classroom teachers due to a decrease in enrollment. The close estimate budget also includes increases for salary and benefits, contracted services, and security.

The unfavorable revenue budget variance of \$1,383,608 in total revenue is primarily due to less spending than anticipated of the federal ESSER II and III grants, as well as the state-funded Section 31n6 grant (that primarily funds social workers). This unfavorable variance is offset by higher local and interdistrict sources as a result of more transportation and enhancement millage revenue than projected.

The favorable budget variance of \$3,964,585 in total expenditures is primarily due to lower expenditures than budgeted in most functions. Labor shortages and supply chain issues continued through 2021-2022, causing many vacant positions to not be filled and lower costs in the areas of staff development, curriculum development, and supplies and materials. Both operations and maintenance and transportation experienced unfavorable variances as a result of higher energy costs, whereas operations and maintenance also experienced higher contracted services costs due to being unable to fill vacant positions.

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

As of June 30, 2022, the School District had \$215.1 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, leases, and equipment. This represents a net increase (including additions, disposals, and depreciation) of approximately \$4.4 million, or 2.1 percent, from last year:

	2022	2021
Land	\$ 7,266,440	\$ 7,266,440
Construction in progress	14,720,882	10,588,508
Buildings and improvements	174,329,824	175,478,224
Furniture and equipment	12,991,390	11,489,570
Buses and other vehicles	5,742,029	5,881,730
Lease assets	64,409	-
Total capital assets - Net of accumulated depreciation and amortization	<b>\$ 215,114,974</b>	<b>\$ 210,704,472</b>

This year's additions of \$23.2 million included various projects, such as 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 2022-2023 fiscal year that will be funded with remaining bond proceeds and the proceeds of the second series of the 2018 authorization (issued in July 2021). 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 \$204.6 million in bonds outstanding versus \$174.1 million in the previous year.

The School District's general obligation bond rating is AA- (S&P). 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 (including the unamortized premiums) of \$212.6 million is significantly below this \$531.2 million statutorily imposed limit.

Other obligations include debt premium, self-insurance for workers' compensation, accrued vacation pay and sick leave, and lease obligations. 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 2022-2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The foundation allowance for the 2022-2023 school year is scheduled to increase by \$450 per pupil. The blended count is calculated based on 90 percent of the fall count and 10 percent of the supplemental count. Overall, enrollment has grown over the past 16 years since the introduction of the Kalamazoo Promise. Enrollment for the 2021-2022 school year increased by 170 students. The 2022-2023 preliminary budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022 (the School District projects a slight decrease in enrollment of 103 students as a result of falling birth rates). Based on early enrollment data at the start of the 2022-2023 school year, we anticipate the fall count will be approximately 1 percent higher than projected. Any changes in the final student count will be considered when we amend the budget through adoption of the 2022-2023 close estimate budget.

On average, approximately 59 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.

#### ***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 finance office.

**June 30, 2022**

	Primary Government
	Governmental
	Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 39,007,770
Receivables:	
Taxes receivable	31,256
Leases receivable	20,745
Accounts receivable	502,400
Due from other governments	24,866,815
Inventories	420,277
Prepaid costs and other assets	1,551,055
Restricted assets (Notes 4 and 10)	44,637,296
Capital assets: (Note 6)	
Assets not subject to depreciation	21,987,322
Assets subject to depreciation - Net	193,127,652
Total assets	326,152,588
<b>Deferred Outflows of Resources</b>	
Deferred charges on bond refunding (Note 8)	386,577
Deferred pension costs (Note 12)	41,447,066
Deferred OPEB costs (Note 12)	15,879,859
Total deferred outflows of resources	57,713,502
<b>Liabilities</b>	
Accounts payable	6,569,204
Accrued payroll and other liabilities	19,735,289
Unearned revenue (Note 5)	5,621,849
Noncurrent liabilities:	
Due within one year (Note 8)	20,062,538
Due in more than one year:	
Compensated absences (Note 8)	220,219
Provision for claims (Notes 8 and 11)	270,875
Bonds payable - Net of current portion (Note 8)	193,393,463
Net pension liability (Note 12)	202,640,055
Net OPEB liability (Note 12)	12,843,633
Leases (Note 8)	43,779
Total liabilities	461,400,904
<b>Deferred Inflows of Resources</b>	
Deferred benefit on bond refunding (Note 8)	420,224
Revenue in support of pension contributions made subsequent to the measurement date (Note 12)	13,287,585
Deferred pension cost reductions (Note 12)	71,944,654
Deferred OPEB cost reductions (Note 12)	50,531,830
Leases (Note 9)	20,577
Total deferred inflows of resources	136,204,870
<b>Net Position (Deficit)</b>	
Net investment in capital assets	35,805,242
Restricted:	
Debt service	5,032,970
Food service	4,388,345
Unrestricted	(258,966,241)
Total net position (deficit)	\$ (213,739,684)

# Kalamazoo Public Schools

## Statement of Activities

Year Ended June 30, 2022

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 92,996,481	\$ 92,350	\$ 50,185,757	\$ (42,718,374)
Support services	69,887,913	-	25,853,938	(44,033,975)
Athletics	1,496,990	143,195	-	(1,353,795)
Food services	8,075,560	123,454	10,589,863	2,637,757
Community services	1,699,646	495,565	-	(1,204,081)
Loss on sale of capital assets	2,021,434	-	-	(2,021,434)
Interest	7,009,922	-	-	(7,009,922)
Other debt costs	1,094,913	-	-	(1,094,913)
Depreciation and amortization expense (unallocated excluding direct depreciation allocated to programs)	5,216,813	-	-	(5,216,813)
Total primary government	<b>\$ 189,499,672</b>	<b>\$ 854,564</b>	<b>\$ 86,629,558</b>	(102,015,550)
General revenue:				
Taxes:				
Property taxes levied for general purposes				22,981,384
Property taxes levied for debt service				23,200,019
State aid not restricted to specific purposes				82,005,913
Federal grants and contributions not restricted to specific purposes				341,795
Interest and investment loss				(614,194)
Penalties, interest, and other taxes				115,756
Other				818,282
Total general revenue				128,848,955
<b>Change in Net Position</b>				26,833,405
<b>Net Position (Deficit) - Beginning of year</b>				(240,573,089)
<b>Net Position (Deficit) - End of year</b>				<b>\$ (213,739,684)</b>

# Kalamazoo Public Schools

## Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Debt Service Fund	2018 Capital Projects Series B Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 4)	\$ 37,044,444	\$ -	\$ -	\$ 1,963,326	\$ 39,007,770
Receivables:					
Taxes receivable	31,256	-	-	-	31,256
Leases receivable	20,745	-	-	-	20,745
Accounts receivable	501,585	-	-	815	502,400
Due from other governments	24,537,821	-	-	328,994	24,866,815
Due from other funds (Note 7)	1,561,416	-	-	4,067,444	5,628,860
Inventories	144,940	-	-	275,337	420,277
Prepaid costs and other assets	1,551,055	-	-	-	1,551,055
Restricted assets (Notes 4 and 10)	-	6,096,855	38,540,441	-	44,637,296
<b>Total assets</b>	<b>\$ 65,393,262</b>	<b>\$ 6,096,855</b>	<b>\$ 38,540,441</b>	<b>\$ 6,635,916</b>	<b>\$ 116,666,474</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,533,076	\$ 501	\$ 3,847,496	\$ 188,131	\$ 6,569,204
Due to other funds (Note 7)	4,067,444	-	1,263,593	297,823	5,628,860
Accrued payroll and other liabilities	18,551,804	-	-	120,101	18,671,905
Unearned revenue (Note 5)	5,621,849	-	-	-	5,621,849
<b>Total liabilities</b>	<b>30,774,173</b>	<b>501</b>	<b>5,111,089</b>	<b>606,055</b>	<b>36,491,818</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue (Note 5)	31,256	-	-	-	31,256
Leases	20,577	-	-	-	20,577
<b>Total deferred inflows of resources</b>	<b>51,833</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,833</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>30,826,006</b>	<b>501</b>	<b>5,111,089</b>	<b>606,055</b>	<b>36,543,651</b>
<b>Fund Balances</b>					
Nonspendable - Inventories and prepaid assets	1,695,995	-	-	275,337	1,971,332
Restricted:					
Debt service	-	6,096,354	-	-	6,096,354
Capital projects	-	-	33,429,352	-	33,429,352
Food service	-	-	-	4,113,008	4,113,008
Committed - Student activities	-	-	-	1,641,516	1,641,516
Unassigned	32,871,261	-	-	-	32,871,261
<b>Total fund balances</b>	<b>34,567,256</b>	<b>6,096,354</b>	<b>33,429,352</b>	<b>6,029,861</b>	<b>80,122,823</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 65,393,262</b>	<b>\$ 6,096,855</b>	<b>\$ 38,540,441</b>	<b>\$ 6,635,916</b>	<b>\$ 116,666,474</b>

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**Governmental Funds**

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

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**June 30, 2022**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 80,122,823</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of assets	441,020,451
Accumulated depreciation and amortization	<u>(225,905,477)</u>
Net capital assets and lease assets used in governmental activities	215,114,974
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	31,256
Net deferred inflows and outflows related to bond refundings are not reported in the funds	(33,647)
Bonds payable and lease liabilities and related premiums are not due and payable in the current period and are not reported in the funds	(212,682,263)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,063,384)
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	(826,183)
Provision for workers' compensation claims	(482,428)
Net pension liability and related deferred inflows and outflows	(233,137,643)
Net OPEB liability and related deferred inflows and outflows	(47,495,604)
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>(13,287,585)</u>
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u><u>\$ (213,739,684)</u></u></b>

# Kalamazoo Public Schools

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

Year Ended June 30, 2022

	General Fund	Debt Service Fund	2018 Capital Projects Series B Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 27,808,895	\$ 23,289,761	\$ (568,006)	\$ 904,061	\$ 51,434,711
State sources	116,284,774	735,912	-	454,177	117,474,863
Federal sources	22,119,600	359,538	-	10,135,686	32,614,824
Interdistrict sources	16,634,123	-	-	-	16,634,123
Total revenue	182,847,392	24,385,211	(568,006)	11,493,924	218,158,521
<b>Expenditures</b>					
Current:					
Instruction	100,144,520	-	-	-	100,144,520
Support services	71,738,533	-	-	806,921	72,545,454
Athletics	1,442,191	-	-	-	1,442,191
Food services	-	-	-	8,601,954	8,601,954
Community services	1,120,652	-	-	-	1,120,652
Debt service:					
Principal	20,843	16,225,000	-	-	16,245,843
Interest	1,496	6,989,823	-	-	6,991,319
Other debt costs	-	194,431	900,482	-	1,094,913
Capital outlay	3,527,180	-	11,762,065	7,916,124	23,205,369
Total expenditures	177,995,415	23,409,254	12,662,547	17,324,999	231,392,215
<b>Excess of Revenue Over (Under) Expenditures</b>	4,851,977	975,957	(13,230,553)	(5,831,075)	(13,233,694)
<b>Other Financing Sources (Uses)</b>					
Face value of debt issued (Note 8)	-	17,120,000	45,620,000	-	62,740,000
Proceeds from sale of capital assets	1,300	-	15,512	14,065	30,877
Premium on debt issued (Note 8)	-	-	1,024,393	-	1,024,393
Transfers in (Note 7)	470,000	-	-	-	470,000
Payment to bond refunding escrow agent (Note 8)	-	(16,930,553)	-	-	(16,930,553)
Transfers out (Note 7)	-	-	-	(470,000)	(470,000)
Total other financing sources (uses)	471,300	189,447	46,659,905	(455,935)	46,864,717
<b>Net Change in Fund Balances</b>	5,323,277	1,165,404	33,429,352	(6,287,010)	33,631,023
<b>Fund Balances - Beginning of year</b>	29,243,979	4,930,950	-	12,316,871	46,491,800
<b>Fund Balances - End of year</b>	<b>\$ 34,567,256</b>	<b>\$ 6,096,354</b>	<b>\$ 33,429,352</b>	<b>\$ 6,029,861</b>	<b>\$ 80,122,823</b>



**Governmental Funds**

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

**Year Ended June 30, 2022**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 33,631,023</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation and amortization:	
Capitalized capital outlay	23,205,365
Depreciation and amortization expense	(16,828,429)
Net book value of assets disposed of	(2,052,311)
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	7,505
Revenue in support of pension contributions made subsequent to the measurement date	(1,832,949)
Issuing debt and entering into leases provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position	(63,764,393)
Repayment of bond principal and lease liabilities is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt and lease liabilities); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	33,152,709
Interest expense is recognized in the government-wide statements as it accrues	5,084
Some employee costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	102,928
Workers' compensation claims	(79,450)
Net pension liability	98,339,903
Net OPEB liability	34,240,743
Deferred pension cost reductions	(70,156,825)
Deferred OPEB cost reductions	(15,160,616)
Deferred pension costs	(20,984,315)
Deferred OPEB costs	(4,992,567)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 26,833,405</b>

June 30, 2022

### 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.

#### ***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.

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

- 2018 Capital Projects Series B 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 or committed to expenditures for specified purposes. The School District's special revenue funds are the Food Service Fund and the Student Activity Fund. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal sources. Revenue sources for the Student Activity Fund include fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General 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.
- 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.

**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.

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.

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

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

***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, which include land, buildings, equipment, vehicles, and leased assets (further defined in the lease section below) 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.

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

	Depreciable/ Amortizable Life - Years
Buildings and building additions	20-50
Furniture and equipment	5-10
Buses and other vehicles	5-10
Lease assets - Telephone system	2-5

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond 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.

**Note 2 - Significant Accounting Policies (Continued)****Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets 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 assets 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.

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The 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 exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

**Property Tax Revenue**

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.

**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.

**Note 2 - Significant Accounting Policies (Continued)****Use of Estimates**

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

**Leases**

The School District is a lessee for noncancelable leases of telephones. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the applicable governmental activities column in the government-wide financial statements. The School District recognizes lease assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets, and lease liabilities are reported with long-term debt on the statement of net position.

The School District is a lessor for noncancelable lease of a radio tower. The School District recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the School District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the School District determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The School District uses the actual rate charged to lessees as the discount rate for leases.



**June 30, 2022****Note 2 - Significant Accounting Policies (Continued)**

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Tax Abatements***

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

***Upcoming Accounting Pronouncements***

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2023.

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

***Adoption of New Accounting Pronouncement***

During the current year, the School District adopted GASB Statement No. 87, *Leases*. As a result for lessee activity, the statement of net position now includes a liability for the present value of payments expected to be made and right-to-use assets. In addition, for lessor activity, the statement of net position and governmental funds balance sheet now include an asset for the present value of payments expected to be paid (lease receivable) and deferred inflows of resources. Lease activity is further described in Note 9.

**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.



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

#### ***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, the 2018 Capital Projects Series A, and the 2018 Capital Projects Series B 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.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2013 Capital Projects Series D Fund. The projects for which the 2013 Capital Projects Series D bonds were issued were considered complete on August 25, 2021, and the cumulative expenditures recognized for the construction period were \$30,339,665.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2018 Capital Projects Series A Fund. The projects for which the 2018 Capital Projects Series A bonds were issued were considered complete on August 25, 2021, and the cumulative expenditures recognized for the construction period were \$53,599,376.

### Note 4 - Deposits and Investments

A reconciliation of cash and investments, as shown on the statement of net position as of June 30, 2022, is as follows:

#### **Statement of Net Position**

Cash and cash investments	\$ 39,007,770
Restricted assets	<u>44,637,296</u>
Total	<u><u>\$ 83,645,066</u></u>

#### **Deposits and Investments**

Bank deposits (book balance)	\$ 13,071,165
Money market	47,671,282
U.S. Treasury notes, U.S. agency securities, and commercial paper (including accrued interest)	<u>22,902,619</u>
Total	<u><u>\$ 83,645,066</u></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.

The School District has designated six 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 1-day minimum investment period on MILAF cash management funds and a 14-day redemption limitation on MILAF MAX Class funds.

## Note 4 - Deposits and Investments (Continued)

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$15,573,056 included bank deposits of \$15,073,056 (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 was 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:

Investment	Carrying Value	Weighted-average Maturity (Years)	Less Than One Year
U.S. agency securities	\$ 22,902,619	1.05	\$ 10,957,416

### ***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 investments (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
<b>Primary Government</b>			
MILAF	\$ 26,044,702	AAAm	S&P
Money market	14,610,769	A-1/P-1	Moody's/S&P
Certificates of deposit	7,012,208	N/A	N/A
Total	<u>\$ 47,667,679</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 certificates of deposit; these investments are 10 percent of the School District's total investments.

June 30, 2022

## Note 4 - Deposits and Investments (Continued)

### Foreign Currency Risk

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

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

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
<b>Assets - Debt securities - U.S. agency securities</b>	\$ -	\$ 22,902,619	\$ -
			\$ 22,902,619

The fair value of U.S. agency securities at June 30, 2022 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, 2022, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Delinquent property taxes	\$ 31,256	\$ -
Leases	20,577	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	5,621,849
Total	\$ 51,833	\$ 5,621,849

**June 30, 2022**
**Note 6 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated or amortized:					
Land	\$ 7,266,440	\$ -	\$ -	\$ -	\$ 7,266,440
Construction in progress	10,588,508	(9,956,354)	14,088,728	-	14,720,882
Subtotal	17,854,948	(9,956,354)	14,088,728	-	21,987,322
Capital assets being depreciated or amortized:					
Buildings and improvements	318,554,511	9,956,354	2,339,425	(4,866,722)	325,983,568
Furniture and equipment	72,898,927	-	5,581,751	(134,406)	78,346,272
Buses and other vehicles	14,631,722	-	1,195,461	(1,209,771)	14,617,412
Lease assets - Telephone system	85,877	-	-	-	85,877
Subtotal	406,171,037	9,956,354	9,116,637	(6,210,899)	419,033,129
Accumulated depreciation and amortization:					
Buildings and improvements	143,076,287	-	11,427,851	(2,850,394)	151,653,744
Furniture and equipment	61,409,357	-	4,043,948	(98,423)	65,354,882
Buses and other vehicles	8,749,992	-	1,335,162	(1,209,771)	8,875,383
Lease assets - Telephone system	-	-	21,468	-	21,468
Subtotal	213,235,636	-	16,828,429	(4,158,588)	225,905,477
Net capital assets being depreciated and amortized	192,935,401	9,956,354	(7,711,792)	(2,052,311)	193,127,652
Net governmental activities capital assets	<u>\$ 210,790,349</u>	<u>\$ -</u>	<u>\$ 6,376,936</u>	<u>\$ (2,052,311)</u>	<u>\$ 215,114,974</u>

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

Governmental activities:	
Instruction	\$ 6,058,235
Support services	4,711,960
Community services	673,137
Athletics	168,284
Unallocated	<u>5,216,813</u>
Total governmental activities	<u>\$ 16,828,429</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
2018 Capital Projects Series B Fund	\$ 9,828,638	\$ 6,959,188
General Fund	<u>109,759</u>	<u>1,194,303</u>
Total	<u>\$ 9,938,397</u>	<u>\$ 8,153,491</u>

June 30, 2022

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			
	General Fund	2018 Capital Projects Series B Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,263,593	\$ 297,823	\$ 1,561,416
Nonmajor governmental funds	4,067,444	-	-	4,067,444
Total	\$ 4,067,444	\$ 1,263,593	\$ 297,823	\$ 5,628,860

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, 2022 and represent indirect cost recovery.

## Note 8 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligation	\$ 174,050,000	\$ 62,740,000	\$ (32,225,000)	\$ 204,565,000	\$ 18,265,000
Unamortized bond premiums	8,276,771	1,024,393	(1,248,935)	8,052,229	958,766
Total bonds payable - other debt	182,326,771	63,764,393	(33,473,935)	212,617,229	19,223,766
Leases (Note 9)	85,877	-	(20,843)	65,034	21,255
Compensated absences	929,111	703,092	(806,020)	826,183	605,964
Workers' compensation claims (Note 11)	402,978	315,992	(236,542)	482,428	211,553
Total governmental activities long-term debt	\$ 183,744,737	\$ 64,783,477	\$ (34,537,340)	\$ 213,990,874	\$ 20,062,538

The School District had deferred outflows of \$386,577 related to deferred charges on bond refundings and deferred inflows of \$420,224 related to deferred benefits on bond refundings at June 30, 2022.

### General Obligation Bonds and Contracts

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

The School District's general obligation bond rating is AA- (S&P). 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 \$212.6 million is significantly below this \$531.2 million statutorily imposed limit.

June 30, 2022

# Note 8 - Long-term Debt (Continued)

General obligations outstanding at June 30, 2022 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	\$2,525,000	3.00	2023	2,525,000
\$29,350,000 2014 serial bonds	\$1,075,000 - \$3,075,000	3.00 - 4.00	2034	26,375,000
\$42,515,000 2015 refunding bonds	\$4,090,000 - \$5,335,000	4.00 - 5.00	2026	19,700,000
\$9,995,000 2016 serial bonds	\$255,000 - \$950,000	2.00 - 3.00	2035	8,605,000
\$27,535,000 2016 serial bonds	\$300,000 - \$2,725,000	3.00	2036	25,065,000
\$47,990,000 2018 serial bonds	\$950,000 - \$3,865,000	4.00	2038	38,980,000
\$10,830,000 2019 refunding bonds	\$1,030,000 - \$1,180,000	3.00 - 4.00	2029	7,890,000
\$16,915,000 2020 refunding bonds	\$1,230,000 - \$1,365,000	3.00 - 4.00	2030	10,435,000
\$45,620,000 2021 serial bonds	\$1,375,000 - \$3,370,000	2.00	2041	41,320,000
\$17,120,000 2021 refunding bonds	\$1,060,000 - \$3,885,000	0.63 - 2.38	2033	16,570,000
Total governmental activities				<u>\$ 204,565,000</u>

\*Net of interest subsidy from federal Treasury up to 5.37 percent

## Other Long-term Liabilities

Compensated absences attributable to the governmental activities, workers' compensation claims, and lease liability will be liquidated primarily by the General Fund. The net pension liability and the net OPEB liability will be liquidated from the fund from which the individual employees' salaries are paid, generally 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
2023	\$ 18,265,000	\$ 7,194,086	\$ (381,270)	\$ 25,077,816
2024	11,755,000	6,719,611	(381,270)	18,093,341
2025	12,085,000	6,276,011	(381,270)	17,979,741
2026	12,525,000	5,814,399	(381,270)	17,958,129
2027	19,465,000	5,269,145	(381,270)	24,352,875
2028-2032	61,840,000	17,426,298	-	79,266,298
2033-2037	51,620,000	6,549,478	-	58,169,478
2038-2041	17,010,000	818,200	-	17,828,200
Total	<u>\$ 204,565,000</u>	<u>\$ 56,067,228</u>	<u>\$ (1,906,350)</u>	<u>\$ 258,725,878</u>

In previous years, the School District defeased certain bonds by the proceeds of new bonds in an irrevocable trust or provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2022, \$36,425,000 of bonds outstanding (relating to advance refunds in prior years) is considered defeased.

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

### *Advance Bond Refunding*

During the year, the School District issued \$17,120,000 in general obligation (revenue) bonds with an average interest rate of 0.65-2.38 percent. The proceeds of these bonds were used to advance refund \$16,000,000 of outstanding 2013 School Building and Site bonds with an average interest rate of 3.0-4.5 percent. The net proceeds of \$16,930,553 (after payment of \$189,447 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 to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments over the next 11 years by approximately \$2,046,893, which represents an economic gain of approximately \$1,463,613.

## Note 9 - Leases

The School District leases a telephone system from a third party. Payments are generally fixed monthly.

Lease asset activity of the School District is included in Note 6.

Future principal and interest payment requirements related to the School District's lease liability at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 21,255	\$ 1,084	\$ 22,339
2024	21,675	664	22,339
2025	22,104	235	22,339
Total	<u>\$ 65,034</u>	<u>\$ 1,983</u>	<u>\$ 67,017</u>

### *Lease Receivable*

The School District leases a radio tower to a third party. The lease is for two years, and the School District will receive monthly payments of \$1,500. The School District recognized \$14,698 in lease revenue and \$470 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, Kalamazoo Public Schools' receivable for lease payments was \$20,745. The School District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$20,577.

## Note 10 - Restricted Assets

At June 30, 2022, restricted assets are composed of the following:

Description	Governmental Activities
Unspent bond proceeds and related interest	\$ 38,540,441
Restricted for debt service	<u>6,096,855</u>
Total	<u>\$ 44,637,296</u>



## Note 11 - 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:

	2022	2021
Estimated liability for claims - Beginning of year	\$ 402,978	\$ 382,605
Estimated claims incurred - Including changes in estimates	315,992	131,872
Claim payments	(236,542)	(111,499)
Unpaid claims - End of year	<u>\$ 482,428</u>	<u>\$ 402,978</u>

## Note 12 - Michigan Public School Employees' Retirement System

### Plan Description

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

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

### Benefits Provided

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

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



**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

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

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

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

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

**Contributions**

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

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

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

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

The ranges of rates are as follows:

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

**June 30, 2022****Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

The School District's required and actual pension contributions to the plan for the year ended June 30, 2022 were \$30,191,312, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$13,287,585 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, 2022.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2022 were \$7,138,196, which includes the School District's contributions required for those members with a defined contribution benefit.

***Net Pension Liability***

At June 30, 2022, the School District reported a liability of \$202,640,055 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was 0.856 and 0.876 percent, respectively, representing a change of (2.315) percent.

***Net OPEB Liability***

At June 30, 2022, the School District reported a liability of \$12,843,633 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021 and 2020, the School District's proportion was 0.841 and 0.879 percent, respectively, representing a change of (4.260) percent.

June 30, 2022

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

For 2022, the School District recognized pension expense of \$21,589,133, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,138,981	\$ (1,193,309)
Changes in assumptions	12,773,705	-
Net difference between projected and actual earnings on pension plan investments	-	(65,148,126)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	73,948	(5,603,219)
The School District's contributions to the plan subsequent to the measurement date	25,460,432	-
Total	<u>\$ 41,447,066</u>	<u>\$ (71,944,654)</u>

The \$13,287,585 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2023	\$ (7,394,840)
2024	(13,066,197)
2025	(17,282,734)
2026	(18,214,249)
Total	<u>\$ (55,958,020)</u>

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

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

For the year ended June 30, 2022, the School District recognized OPEB recovery of \$7,605,023.

June 30, 2022

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (36,661,235)
Changes in assumptions	10,736,640	(1,606,602)
Net difference between projected and actual earnings on OPEB plan investments	-	(9,680,477)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	222,136	(2,583,516)
Employer contributions to the plan subsequent to the measurement date	4,921,083	-
Total	<u>\$ 15,879,859</u>	<u>\$ (50,531,830)</u>

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

Years Ending	Amount
2023	\$ (10,105,464)
2024	(9,320,292)
2025	(8,623,514)
2026	(8,046,404)
2027	(3,074,064)
Thereafter	(403,316)
Total	<u>\$ (39,573,054)</u>

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2021 are based on the results of an actuarial valuation as of September 30, 2020 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	5.25% - 7.75%	Year 1, graded to 3.5% in year 15, 3.0% in year 120
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation.

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %
Private equity pools	16.00	9.10
International equity pools	15.00	7.50
Fixed-income pools	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.40
Absolute return pools	9.00	2.60
Short-term investment pools	2.00	(1.30)
Real return/opportunistic pools	12.50	6.10
Total	100.00 %	

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

June 30, 2022

**Note 12 - Michigan Public School Employees' Retirement System (Continued)**

***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	\$ 289,720,322	\$ 202,640,055	\$ 130,444,801

***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	\$ 23,865,788	\$ 12,843,633	\$ 3,489,760

***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 (6.00%)	Current Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the School District	\$ 3,126,038	\$ 12,843,633	\$ 23,777,097

***Pension Plan and OPEB Plan Fiduciary Net Position***

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

***Payable to the Pension Plan and OPEB Plan***

At June 30, 2022, the School District reported a payable of \$6,265,311 and \$1,067,988 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

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## Required Supplemental Information

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# Kalamazoo Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 27,754,998	\$ 27,562,000	\$ 27,808,895	\$ 246,895
State sources	114,281,138	116,457,000	116,284,774	(172,226)
Federal sources	16,701,169	23,806,000	22,119,600	(1,686,400)
Interdistrict sources	17,025,241	16,406,000	16,634,123	228,123
Total revenue	175,762,546	184,231,000	182,847,392	(1,383,608)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	79,548,830	76,921,000	76,489,423	(431,577)
Added needs	21,507,965	23,453,000	23,196,785	(256,215)
Adult/Continuing education	399,086	487,000	458,312	(28,688)
Total instruction	101,455,881	100,861,000	100,144,520	(716,480)
Support services:				
Pupil	14,621,944	14,945,000	14,260,887	(684,113)
Instructional staff	11,346,051	11,928,000	10,271,232	(1,656,768)
General administration	1,156,351	1,171,000	1,102,832	(68,168)
School administration	9,892,842	10,880,000	10,769,940	(110,060)
Business	1,944,450	1,908,000	1,790,448	(117,552)
Operations and maintenance	15,985,309	16,990,000	17,291,794	301,794
Pupil transportation services	10,220,905	10,877,000	11,207,575	330,575
Central	5,339,355	5,438,000	5,043,825	(394,175)
Total support services	70,507,207	74,137,000	71,738,533	(2,398,467)
Athletics	1,593,801	1,428,000	1,442,191	14,191
Community services	1,217,318	1,232,000	1,120,652	(111,348)
Debt service	161,000	50,000	22,339	(27,661)
Capital outlay	822,683	4,252,000	3,527,180	(724,820)
Total expenditures	175,757,890	181,960,000	177,995,415	(3,964,585)
<b>Excess of Revenue Over Expenditures</b>	4,656	2,271,000	4,851,977	2,580,977
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	-	1,300	1,300
Transfers in	-	470,000	470,000	-
Total other financing sources	-	470,000	471,300	1,300
<b>Net Change in Fund Balance</b>	4,656	2,741,000	5,323,277	2,582,277
<b>Fund Balance - Beginning of year</b>	29,243,979	29,243,979	29,243,979	-
<b>Fund Balance - End of year</b>	<u>\$ 29,248,635</u>	<u>\$ 31,984,979</u>	<u>\$ 34,567,256</u>	<u>\$ 2,582,277</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

	<b>Last Eight Plan Years</b>							
	<b>Years Ended September 30</b>							
	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.85591 %	0.87619 %	0.87893 %	0.88135 %	0.87874 %	0.85503 %	0.84318 %	0.82368 %
School District's proportionate share of the net pension liability	\$202,640,055	\$300,979,958	\$291,073,635	\$264,950,102	\$227,719,652	\$213,322,702	\$205,948,054	\$181,426,991
School District's covered payroll	\$ 76,178,001	\$ 78,062,392	\$ 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	266.01 %	385.56 %	377.39 %	352.46 %	306.24 %	293.07 %	292.03 %	251.10 %
Plan fiduciary net position as a percentage of total pension liability	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

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

	<b>Last Eight Fiscal Years</b>							
	<b>Years Ended June 30</b>							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 29,444,942	\$ 25,918,857	\$ 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	29,444,942	25,918,857	24,686,453	23,623,613	22,606,857	20,677,810	19,792,111	12,807,262
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	\$ 81,365,088	\$ 74,180,914	\$ 78,985,580	\$ 76,971,069	\$ 74,575,661	\$ 74,317,120	\$ 72,132,624	\$ 72,892,782
<b>Contributions as a Percentage of Covered Payroll</b>	36.19 %	34.94 %	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 Five Plan Years Years Ended September 30				
	2021	2020	2019	2018	2017
School District's proportion of the net OPEB liability	0.84145 %	0.87889 %	0.88128 %	0.88231 %	0.87767 %
School District's proportionate share of the net OPEB liability	\$ 12,843,633	\$ 47,084,376	\$ 63,255,898	\$ 70,134,756	\$ 77,721,855
School District's covered payroll	\$ 76,178,001	\$ 78,062,392	\$ 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	16.86 %	60.32 %	82.01 %	93.30 %	104.52 %
Plan fiduciary net position as a percentage of total OPEB liability	88.87 %	59.76 %	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 Five Fiscal Years Years Ended June 30				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 6,630,604	\$ 6,173,150	\$ 6,346,965	\$ 6,046,097	\$ 5,386,395
Contributions in relation to the statutorily required contribution	6,630,604	6,173,150	6,346,965	6,046,097	5,386,395
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ 81,365,088</b>	<b>\$ 74,180,914</b>	<b>\$ 78,985,580</b>	<b>\$ 76,971,069</b>	<b>\$ 74,575,661</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>8.15 %</b>	<b>8.32 %</b>	<b>8.04 %</b>	<b>7.86 %</b>	<b>7.22 %</b>

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, 2022

### ***Budgetary Information***

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

**Changes in Assumptions**

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

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

- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points. This, in addition to actual per person health benefit costs being lower than projected, reduced the plan's total OPEB liability by an additional \$1.8 billion in 2020.

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

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## Other Supplemental Information

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# Kalamazoo Public Schools

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds		Capital Projects Funds		
	Food Service Fund	Student Activity Fund	2018 Capital Projects Series A	2013 Capital Projects Series D	Total
<b>Assets</b>					
Cash and investments	\$ -	\$ 1,963,326	\$ -	\$ -	\$ 1,963,326
Receivables:					
Accounts receivable	815	-	-	-	815
Due from other governments	328,994	-	-	-	328,994
Due from other funds	4,067,444	-	-	-	4,067,444
Inventories	275,337	-	-	-	275,337
Total assets	<u><u>\$ 4,672,590</u></u>	<u><u>\$ 1,963,326</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,635,916</u></u>
<b>Liabilities</b>					
Accounts payable	\$ 164,144	\$ 23,987	\$ -	\$ -	\$ 188,131
Due to other funds	-	297,823	-	-	297,823
Accrued payroll and other liabilities	120,101	-	-	-	120,101
Total liabilities	284,245	321,810	-	-	606,055
<b>Fund Balances</b>					
Nonspendable - Inventories	275,337	-	-	-	275,337
Restricted - Food service	4,113,008	-	-	-	4,113,008
Committed - Student activities	-	1,641,516	-	-	1,641,516
Total fund balances	<u>4,388,345</u>	<u>1,641,516</u>	<u>-</u>	<u>-</u>	<u>6,029,861</u>
Total liabilities and fund balances	<u><u>\$ 4,672,590</u></u>	<u><u>\$ 1,963,326</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,635,916</u></u>



# Kalamazoo Public Schools

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

**Year Ended June 30, 2022**

	Special Revenue Funds		Capital Project Funds		
	Food Service Fund	Student Activity Fund	2018 Capital Projects Series A	2013 Capital Projects Series D	Total
<b>Revenue</b>					
Local sources	\$ 123,454	\$ 779,922	\$ 655	\$ 30	\$ 904,061
State sources	454,177	-	-	-	454,177
Federal sources	10,135,686	-	-	-	10,135,686
Total revenue	10,713,317	779,922	655	30	11,493,924
<b>Expenditures</b>					
Current:					
Support services	147,695	584,775	71,486	2,965	806,921
Food services	8,601,954	-	-	-	8,601,954
Capital outlay	-	-	7,679,362	236,762	7,916,124
Total expenditures	8,749,649	584,775	7,750,848	239,727	17,324,999
<b>Excess of Revenue Over (Under) Expenditures</b>	1,963,668	195,147	(7,750,193)	(239,697)	(5,831,075)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	-	14,065	-	14,065
Transfers out	(470,000)	-	-	-	(470,000)
Total other financing (uses) sources	(470,000)	-	14,065	-	(455,935)
<b>Net Change in Fund Balances</b>	1,493,668	195,147	(7,736,128)	(239,697)	(6,287,010)
<b>Fund Balances - Beginning of year</b>	2,894,677	1,446,369	7,736,128	239,697	12,316,871
<b>Fund Balances - End of year</b>	<b>\$ 4,388,345</b>	<b>\$ 1,641,516</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,029,861</b>

## Kalamazoo Public Schools

### Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Fund - Student Activity Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over Final Budget
<b>Revenue</b> - Local sources	\$ 900,000	\$ 550,000	\$ 779,922	\$ 229,922
<b>Expenditures</b> - Student activities	900,000	550,000	584,775	34,775
<b>Excess of Revenue Over Expenditures</b>	-	-	195,147	195,147
<b>Fund Balance</b> - Beginning of year	1,446,369	1,446,369	1,446,369	-
<b>Fund Balance</b> - End of year	<u><u>\$ 1,446,369</u></u>	<u><u>\$ 1,446,369</u></u>	<u><u>\$ 1,641,516</u></u>	<u><u>\$ 195,147</u></u>

**Kalamazoo Public Schools**

Other Supplemental Information

Budgetary Comparison Schedule - Nonmajor Governmental Fund -  
Food Service Fund

**Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 183,952	\$ 111,000	\$ 123,454	\$ 12,454
State sources	302,090	655,000	454,177	(200,823)
Federal sources	<u>8,893,119</u>	<u>9,483,000</u>	<u>10,135,686</u>	<u>652,686</u>
Total revenue	9,379,161	10,249,000	10,713,317	464,317
<b>Expenditures</b>				
Current:				
Support services	470,000	150,000	147,695	(2,305)
Food services	<u>8,889,061</u>	<u>9,457,000</u>	<u>8,601,954</u>	<u>(855,046)</u>
Total expenditures	<u>9,359,061</u>	<u>9,607,000</u>	<u>8,749,649</u>	<u>(857,351)</u>
<b>Excess of Revenue Over Expenditures</b>	20,100	642,000	1,963,668	1,321,668
<b>Other Financing Uses</b> - Transfers out	<u>-</u>	<u>(470,000)</u>	<u>(470,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	20,100	172,000	1,493,668	1,321,668
<b>Fund Balance</b> - Beginning of year	<u>2,894,677</u>	<u>2,894,677</u>	<u>2,894,677</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 2,914,777</u></u>	<u><u>\$ 3,066,677</u></u>	<u><u>\$ 4,388,345</u></u>	<u><u>\$ 1,321,668</u></u>

# Kalamazoo Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2022

Years Ending June 30	2010 Debt Principal	2013 Debt Principal	2014 Debt Principal	2015 Refunding Debt Principal	2016 Debt Principal	2016 Debt Principal	2018 Debt Principal	2019 Refunding Debt Principal	2020 Refunding Debt Principal	2021 Debt Principal	2021 Refunding Debt Principal	Total
2023	\$ -	\$ 2,525,000	\$ 1,075,000	\$ 4,090,000	\$ 255,000	\$ 300,000	\$ 950,000	\$ 1,030,000	\$ 1,230,000	\$ 2,925,000	\$ 3,885,000	\$ 18,265,000
2024	-	-	1,200,000	5,075,000	280,000	375,000	1,005,000	1,070,000	1,250,000	-	1,500,000	11,755,000
2025	-	-	1,375,000	5,200,000	295,000	400,000	1,035,000	1,105,000	1,260,000	-	1,415,000	12,085,000
2026	-	-	1,475,000	5,335,000	325,000	500,000	1,065,000	1,150,000	1,305,000	-	1,370,000	12,525,000
2027	7,100,000	-	2,275,000	-	700,000	1,700,000	2,485,000	1,175,000	1,325,000	1,375,000	1,330,000	19,465,000
2028	-	-	2,375,000	-	750,000	2,025,000	1,895,000	1,180,000	1,345,000	1,675,000	1,290,000	12,535,000
2029	-	-	2,475,000	-	775,000	2,215,000	1,950,000	1,180,000	1,365,000	1,700,000	1,250,000	12,910,000
2030	-	-	2,575,000	-	800,000	2,225,000	2,480,000	-	1,355,000	1,875,000	1,205,000	12,515,000
2031	-	-	2,700,000	-	825,000	2,325,000	2,570,000	-	-	2,175,000	1,155,000	11,750,000
2032	-	-	2,825,000	-	850,000	2,425,000	2,670,000	-	-	2,250,000	1,110,000	12,130,000
2033	-	-	2,950,000	-	875,000	2,525,000	2,780,000	-	-	2,325,000	1,060,000	12,515,000
2034	-	-	3,075,000	-	925,000	2,625,000	3,205,000	-	-	2,825,000	-	12,655,000
2035	-	-	-	-	950,000	2,725,000	3,480,000	-	-	2,925,000	-	10,080,000
2036	-	-	-	-	-	2,700,000	3,755,000	-	-	3,025,000	-	9,480,000
2037	-	-	-	-	-	-	3,790,000	-	-	3,100,000	-	6,890,000
2038	-	-	-	-	-	-	3,865,000	-	-	3,175,000	-	7,040,000
2039	-	-	-	-	-	-	-	-	-	3,275,000	-	3,275,000
2040	-	-	-	-	-	-	-	-	-	3,325,000	-	3,325,000
2041	-	-	-	-	-	-	-	-	-	3,370,000	-	3,370,000
Total remaining payments	<u>\$ 7,100,000</u>	<u>\$ 2,525,000</u>	<u>\$ 26,375,000</u>	<u>\$ 19,700,000</u>	<u>\$ 8,605,000</u>	<u>\$ 25,065,000</u>	<u>\$ 38,980,000</u>	<u>\$ 7,890,000</u>	<u>\$ 10,435,000</u>	<u>\$ 41,320,000</u>	<u>\$ 16,570,000</u>	<u>\$204,565,000</u>
Principal payments due	May 1	May 1	May 1	May 1	May 1	May 1	May 1	May 1	May 1	May 1	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	May 1 and November 1	
Interest rate	6.20%	3.00%	3.00% - 4.00%	4.00% - 5.00%	2.00% - 3.00%	3.00%	4.00%	3.00% - 4.00%	3.00% - 4.00%	2.00%	0.63% - 2.38%	
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>\$ 47,990,000</u>	<u>\$ 10,830,000</u>	<u>\$ 16,915,000</u>	<u>\$ 45,620,000</u>	<u>\$ 17,120,000</u>	

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## Statistical Section and Other Information (Unaudited)

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This part of the annual comprehensive 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

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	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental Activities:</b>				
Net investment in capital assets	\$ 39,584,394	\$ 38,644,006	\$ 37,165,099	\$ 36,250,153
Restricted	4,497,106	4,637,679	4,580,961	3,137,421
Unrestricted	<u>12,446,064</u>	<u>(171,703,771)</u>	<u>(173,262,920)</u>	<u>(173,739,528)</u>
Total net position	<b><u>\$ 56,527,564</u></b>	<b><u>\$(128,422,086)</u></b>	<b><u>\$(131,516,860)</u></b>	<b><u>\$(134,351,954)</u></b>

Note: 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, 2022

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 33,763,537	\$ 30,495,673	\$ 28,135,395	\$ 29,276,975	\$ 34,144,535	\$ 35,805,242
4,442,892	4,915,387	7,865,272	9,896,147	9,274,571	9,421,315
<u>(177,435,140)</u>	<u>(258,975,630)</u>	<u>(266,936,382)</u>	<u>(282,980,052)</u>	<u>(283,992,196)</u>	<u>(258,966,241)</u>
<b><u>\$ (139,228,711)</u></b>	<b><u>\$ (223,564,570)</u></b>	<b><u>\$ (230,935,715)</u></b>	<b><u>\$ (243,806,930)</u></b>	<b><u>\$ (240,573,090)</u></b>	<b><u>\$ (213,739,684)</u></b>



## Kalamazoo Public Schools

	For the Year Ended June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>				
Governmental activities:				
Instruction	\$ 78,859,675	\$ 76,694,027	\$ 84,321,564	\$ 85,537,467
Support services	51,048,289	54,293,844	57,808,743	59,105,112
Food services	6,991,198	6,989,092	7,531,896	7,153,938
Athletics	-	1,191,839	1,325,786	1,351,625
Community services	1,739,203	1,841,142	2,267,783	2,174,085
Interest on long-term debt	6,633,259	7,098,142	7,495,120	6,444,716
Other	1,238,555	386,095	561,648	403,406
Depreciation and amortization(unallocated)	10,122,985	10,602,907	2,965,242	4,050,602
Total governmental activities	156,633,164	159,097,088	164,277,782	166,220,951
<b>Program revenue</b>				
Charges for services:				
Instruction	235,500	78,245	97,638	116,202
Food services	676,044	717,803	739,902	815,312
Athletics	-	98,958	108,058	138,891
Community services	633,537	722,382	773,164	732,815
Total charges for services	1,545,081	1,617,388	1,718,762	1,803,220
Operating grants and contributions	48,146,183	45,498,953	44,349,575	50,283,618
Total program revenue	49,691,264	47,116,341	46,068,337	52,086,838
Net (expense) revenue	(106,941,900)	(111,980,747)	(118,209,445)	(114,134,113)
<b>General Revenue</b>				
Property taxes	33,049,924	34,445,642	34,673,056	35,557,399
State aid not restricted to specific purposes	71,705,890	76,005,527	80,123,629	75,769,742
Federal sources - unrestricted	189,630	24,774	20,001	11,854
Investment earnings	28,311	48,422	55,447	29,773
Other	296,436	208,707	242,538	655,752
Total general revenue	105,270,191	110,733,072	115,114,671	112,024,520
Special Item - Loss on impairment	-	(380,336)	-	(725,501)
<b>Change in Net Position</b>	<b>\$ (1,671,709)</b>	<b>\$ (1,628,011)</b>	<b>\$ (3,094,774)</b>	<b>\$ (2,835,094)</b>

Source: Kalamazoo Public School District audited financial reports

Note 1: Depreciation expense allocated by function beginning the year ending June 30, 2015.

Note 2: June 30, 2021 was the first year of implementation of GASB 84, Fiduciary Activities

Note 3: At June 30, 2022, other expenses includes a loss on the sale of capital assets of \$2.03M.

## Financial Trend Information

### Changes in Governmental Net Position

Last Ten Fiscal Years

June 30, 2022

For the Year Ended June 30,

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 91,801,877	\$ 94,717,147	\$ 100,367,854	\$ 108,855,391	\$ 104,512,945	\$ 92,874,231
64,012,157	67,986,671	70,039,560	74,599,351	70,564,512	70,010,163
7,901,898	8,081,520	8,067,174	9,246,316	6,692,421	8,075,560
1,441,138	1,547,287	1,604,139	1,539,659	1,126,000	1,496,990
2,065,907	2,271,085	2,016,386	2,023,018	1,561,314	1,699,646
6,995,891	6,605,818	7,325,873	6,994,824	6,437,741	7,009,922
481,945	5,000	751,562	127,256	4,500	3,116,347
4,697,360	5,199,411	5,354,931	5,218,240	5,004,244	5,216,813
<u>179,398,173</u>	<u>186,413,939</u>	<u>195,527,479</u>	<u>208,604,055</u>	<u>195,903,677</u>	<u>189,499,672</u>
155,813	140,021	117,796	84,610	68,617	92,350
823,112	829,319	683,133	310,599	50,349	123,454
166,010	169,881	145,646	132,985	46,954	143,195
<u>634,402</u>	<u>727,008</u>	<u>574,257</u>	<u>528,076</u>	<u>366,710</u>	<u>495,565</u>
1,779,337	1,866,229	1,520,832	1,056,270	532,630	854,564
<u>58,121,362</u>	<u>62,910,488</u>	<u>62,361,147</u>	<u>69,753,460</u>	<u>70,389,406</u>	<u>86,629,558</u>
<u>59,900,699</u>	<u>64,776,717</u>	<u>63,881,979</u>	<u>70,809,730</u>	<u>70,922,036</u>	<u>87,484,122</u>
(119,497,474)	(121,637,222)	(131,645,500)	(137,794,325)	(124,981,641)	(102,015,550)
35,938,153	36,570,711	41,620,947	43,439,665	45,146,035	46,181,403
77,377,307	78,955,421	80,752,332	79,864,683	81,192,018	82,005,913
21,776	11,474	21,383	25,136	24,575	341,795
174,967	222,613	1,705,869	1,106,199	21,778	(614,194)
<u>1,108,514</u>	<u>230,055</u>	<u>173,824</u>	<u>487,427</u>	<u>409,281</u>	<u>934,038</u>
114,620,717	115,990,274	124,274,355	124,923,110	126,793,687	128,848,955
-	-	-	-	-	-
<u>\$ (4,876,757)</u>	<u>\$ (5,646,948)</u>	<u>\$ (7,371,145)</u>	<u>\$ (12,871,215)</u>	<u>\$ 1,812,046</u>	<u>\$ 26,833,405</u>

## Kalamazoo Public Schools

	As of June 30,			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:				
Nonspendable				
Inventories	\$ 193,305	\$ 182,457	\$ 174,998	\$ 163,019
Prepaid Costs	176,165	-	1,456,952	1,758,652
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>12,677,905</u>	<u>12,148,504</u>	<u>10,020,842</u>	<u>10,708,803</u>
Total general fund	<u>13,047,375</u>	<u>12,330,961</u>	<u>11,652,792</u>	<u>12,630,474</u>
All other governmental funds:				
Nonspendable- Inventories	74,016	89,403	137,055	198,017
Restricted				
Capital projects	10,061,754	14,636,464	18,793,298	4,192,516
Debt service	4,176,844	4,277,044	4,491,375	4,217,084
Special revenue foods- Food service	1,119,795	1,258,489	1,125,505	1,237,023
Committed - Student activities	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>15,432,409</u>	<u>20,261,400</u>	<u>24,547,233</u>	<u>9,844,640</u>
Total of all governmental funds	<b><u>\$ 28,479,784</u></b>	<b><u>\$ 32,592,361</u></b>	<b><u>\$ 36,200,025</u></b>	<b><u>\$ 22,475,114</u></b>

Source: Kalamazoo Public Schools audited financial statements

Note: June 30, 2021 was the first year of implementation of GASB 84, Fiduciary Activities

## Financial Trend Information

### Fund Balances, Governmental Funds

**Last Ten Fiscal Years**

**June 30, 2022**

As of June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 172,784	\$ 185,736	\$ 158,510	\$ 160,055	\$ 164,148	\$ 144,940
1,646,717	1,558,615	1,726,674	1,538,693	1,488,608	1,551,055
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,848,616	12,138,417	12,779,041	15,764,231	27,591,223	32,871,261
12,668,117	13,882,768	14,664,225	17,462,979	29,243,979	34,567,256
175,786	215,862	226,781	247,641	144,089	275,337
22,277,711	11,845,039	52,706,460	31,926,245	7,975,825	33,429,352
4,139,640	4,098,156	5,228,745	5,433,168	4,930,950	6,096,354
1,055,013	1,238,302	1,705,254	2,431,631	2,750,588	4,113,008
-	-	-	-	1,446,369	1,641,516
-	-	-	-	-	-
-	-	-	-	-	-
27,648,150	17,397,359	59,867,240	40,038,685	17,247,821	45,555,567
<b>\$ 40,316,267</b>	<b>\$ 31,280,127</b>	<b>\$ 74,531,465</b>	<b>\$ 57,501,664</b>	<b>\$ 46,491,800</b>	<b>\$ 80,122,823</b>

## Kalamazoo Public Schools

	For the Year Ended June 30,			
	2013	2014	2015	2016
<b>Revenue</b>				
Local revenue	\$ 37,561,252	\$ 39,149,947	\$ 39,051,707	\$ 39,870,770
State revenue	88,692,060	90,967,865	95,278,554	98,832,695
Federal revenue	19,200,057	18,874,263	17,896,913	17,360,969
Interdistrict revenue	9,706,791	8,834,122	8,974,874	13,685,620
Total revenue	155,160,160	157,826,197	161,202,048	169,750,054
<b>Expenditures</b>				
Current:				
Instruction	78,901,088	76,599,529	79,319,952	82,588,915
Support services	51,066,038	54,253,344	54,341,697	56,478,695
Community services	1,739,203	1,841,142	1,764,750	1,698,729
Food Services	6,991,198	6,989,092	7,487,622	7,178,039
Athletics	-	1,191,839	1,267,158	1,299,975
Debt service:				
Principal	8,649,860	9,715,000	9,305,000	10,475,000
Interest	6,987,315	7,242,258	7,673,875	6,961,824
Other debt costs	200,787	386,095	561,648	403,406
Capital Outlay	9,414,276	20,673,936	26,163,719	26,026,661
Total expenditures	163,949,765	178,892,235	187,885,421	193,111,244
<b>Excess of Revenue (Under) Over Expenditures</b>	(8,789,605)	(21,066,038)	(26,683,373)	(23,361,190)
<b>Other Financing Sources (Uses)</b>				
Debt issuance	-	24,695,000	29,350,000	52,510,000
Debt premium or discount	-	483,615	941,037	4,747,766
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	547,000
Transfers out	-	-	-	(547,000)
Payment to refunded bond escrow agent	-	-	-	(47,621,487)
Total other financing sources (uses)	-	25,178,615	30,291,037	9,636,279
<b>Net change in fund balances</b>	(8,789,605)	4,112,577	3,607,664	(13,724,911)
<b>Fund Balances - Beginning of year</b>	37,269,389	28,479,784	32,592,361	36,200,025
<b>Fund Balances - End of year</b>	<b>\$ 28,479,784</b>	<b>\$ 32,592,361</b>	<b>\$ 36,200,025</b>	<b>\$ 22,475,114</b>
<b>Debt service as a percentage of noncapital expenditures</b>	10.12%	10.72%	10.50%	10.44%

Source: Kalamazoo Public School's audited financial statements

Note: June 30, 2021 was the first year of implementation of GASB 84, Fiduciary Activities, which restated the beginning of year fund balance

## Financial Trend Information

### Changes in Fund Balances, Governmental Funds

**Last Ten Fiscal Years**

**June 30, 2022**

For the Year Ended June 30,					
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 40,976,944	\$ 40,640,787	\$ 47,172,343	\$ 49,457,153	\$ 48,676,520	\$ 51,434,711
101,736,064	106,700,776	108,114,871	109,727,136	113,334,052	117,474,863
18,263,628	18,388,257	17,943,958	19,399,609	21,116,800	32,614,824
14,577,313	15,141,133	15,638,897	17,192,318	16,329,402	16,634,123
<u>175,553,949</u>	<u>180,870,953</u>	<u>188,870,069</u>	<u>195,776,216</u>	<u>199,456,774</u>	<u>218,158,521</u>
85,949,002	86,937,822	89,973,869	91,855,578	91,172,371	100,022,270
59,749,201	62,582,365	63,028,485	63,947,955	61,958,551	72,667,704
1,350,780	1,630,742	1,350,814	1,293,794	841,932	1,120,652
7,827,512	7,942,371	7,823,441	8,656,303	6,383,104	8,601,954
1,551,841	1,439,083	1,468,362	1,349,542	990,226	1,442,191
9,995,000	11,135,000	13,080,000	14,560,000	17,100,000	16,245,843
7,333,027	7,018,581	7,638,604	7,421,191	7,281,051	6,991,319
1,026,945	5,000	480,005	127,256	4,500	1,094,913
11,618,389	11,216,129	11,662,592	23,098,499	26,156,698	23,205,369
<u>186,401,697</u>	<u>189,907,093</u>	<u>196,506,172</u>	<u>212,310,118</u>	<u>211,888,433</u>	<u>231,392,215</u>
(10,847,748)	(9,036,140)	(7,636,103)	(16,533,902)	(12,431,659)	(13,233,694)
44,165,000	-	58,820,000	16,915,000	-	62,740,000
1,058,307	-	3,588,998	1,681,432	-	1,024,393
-	-	-	-	-	30,877
571,653	445,000	470,000	470,000	470,000	470,000
(571,653)	(445,000)	(470,000)	(470,000)	(470,000)	(470,000)
(16,534,406)	-	(11,521,557)	(19,092,331)	-	(16,930,553)
<u>28,688,901</u>	<u>-</u>	<u>50,887,441</u>	<u>(495,899)</u>	<u>-</u>	<u>46,864,717</u>
17,841,153	(9,036,140)	43,251,338	(17,029,801)	(12,431,659)	33,631,023
22,475,114	40,316,267	31,280,127	74,531,465	58,923,459	46,491,800
<b><u>\$ 40,316,267</u></b>	<b><u>\$ 31,280,127</u></b>	<b><u>\$ 74,531,465</u></b>	<b><u>\$ 57,501,664</u></b>	<b><u>\$ 46,491,800</u></b>	<b><u>\$ 80,122,823</u></b>

9.91%

10.16%

11.21%

11.62%

13.13%

11.16%

## Kalamazoo Public Schools

Taxable Value by Property Type				
Real Property				
Tax Year	Residential	Commercial	Industrial	Agricultural & other
2012	1,294,626,188	716,244,599	105,101,313	1,175,450
2013	1,289,037,661	694,126,878	103,582,732	1,199,892
2014	1,297,994,954	695,535,600	108,327,916	1,218,370
2015	1,324,821,293	717,347,787	103,950,809	1,236,545
2016	1,344,972,951	717,386,917	106,593,156	1,225,497
2017	1,382,049,914	736,597,654	107,593,381	1,236,519
2018	1,431,840,853	774,034,205	92,093,586	1,323,650
2019	1,493,832,247	816,500,223	92,091,513	1,390,667
2020	1,558,062,517	871,113,252	98,447,866	1,423,375
2021	1,617,338,544	888,599,428	101,695,764	1,524,511

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.

Source: Kalamazoo County Equalization Department

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## Revenue Capacity Information

### Taxable Value and Estimated Actual Value of Taxable Property

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**Last Ten Fiscal Years**  
**June 30, 2022**

#### Taxable Value by Property Type

Personal property	Total Value	Tax rate (mills)	Tax Rate (Mills) Nonhomestead	Estimated Actual Value	Taxable Value as a % of Actual
272,760,504	2,389,908,054	6.2500	24.2500	4,779,816,108	50.00%
270,871,186	2,358,818,349	6.9500	24.9500	4,717,636,698	50.00%
257,624,376	2,360,701,216	6.9500	24.9500	4,721,402,432	50.00%
260,531,038	2,407,887,472	6.9500	24.9500	4,815,774,944	50.00%
207,923,000	2,378,101,521	6.9500	24.9500	4,756,203,042	50.00%
225,113,779	2,452,591,247	6.9500	24.8204	4,905,182,494	50.00%
219,931,600	2,519,223,894	8.2000	26.0704	5,038,447,788	50.00%
231,055,800	2,634,870,450	8.2000	26.0489	5,269,740,900	50.00%
235,315,700	2,764,362,710	8.2000	25.8757	5,528,725,420	50.00%
237,159,800	2,846,318,047	8.2000	25.8757	5,692,636,094	50.00%



## Kalamazoo Public Schools

		Millage rates - Direct Kalamazoo Public School District Taxes					Overlapping Taxes		
		Operating			Total Direct Taxes				
Tax Year	Year Ended	Homestead	Non-Homestead*	Debt**	Homestead	Non-Homestead	County	Metro Transit	City of Kalamazoo
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
2020	2021	-	17.67570	8.20000	8.20000	25.87570	7.36140	1.06010	12.00000
2021	2022		17.67570	8.20000	8.20000	25.87570	8.00280	1.06240	12.00000

\* Non-Homestead millage rate is limited to 18.0 mills

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

Source: 2012-2021 Kalamazoo County Apportionment Reports

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## Revenue Capacity Information

### Direct and Overlapping Property Tax Rates

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**Last Ten Fiscal Years**

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#### Overlapping Taxes

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Kalamazoo								
City Solid	Kalamazoo	Community		Kalamazoo	State	Kalamazoo	Oshtemo	Texas
Waste	City DDA	College	Public Library	RESA	Education	Township	Township	Township
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
1.80000	1.96380	2.79700	3.92130	7.28930	6.00000	11.49120	0.96000	1.83620
1.80000	1.96380	2.79180	3.91170	7.01290	6.00000	11.29280	2.04000	1.82880

## Kalamazoo Public Schools

### Revenue Capacity Information Principal Property Taxpayers

	Current and Nine Years Ago June 30, 2022					
	2022 Taxable Value	2022 Rank	% of total Ad Valorem	2013 Taxable Value	% of total Ad Valorem	2013 Rank
Consumers Energy	\$ 103,784,200	1	3.46%	\$ 50,723,736	2.15%	1
Zoetis	27,635,464	2	0.92%	19,430,900	0.82%	4
Michigan Electric Transmission	20,720,000	3	0.69%	-		
Lifecare, Inc.	17,074,769	4	0.57%	10,233,945	0.43%	10
Catalyst Development Co.	16,175,788	5	0.54%	12,990,245	0.55%	6
Knollwood Loft	15,249,263	6	0.51%	-	0.00%	
MiMg LXVI Drakes Pond LLC	12,975,069	7	0.43%	-	0.00%	
PNC Bank	12,785,603	8	0.43%	10,967,400	0.46%	9
Parkway Flats Owner LLC	12,456,455	9	0.42%	-		
Kalamazoo Owners 1-7 LLC	11,605,100	10	0.39%	-		
Sunrise IV Bronson Place LLC	-		0.00%	11,122,879	0.47%	7
Pfizer	-			44,612,765	1.89%	2
Copper Beech LLC	-			13,635,400	0.58%	5
Graphic Packaging International	-			39,154,200	1.66%	3
Westmain 2000 LLC	-			11,082,956	0.47%	8
Total	<u>\$ 250,461,711</u>		8.35%	<u>\$ 223,954,426</u>	9.49%	
Total School District Taxable Value	<u>\$ 2,999,667,221</u>			<u>\$ 2,358,818,349</u>		

Source: Kalamazoo County Equalization Department and 2013 Continuing Disclosure.

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## Revenue Capacity Information Property Tax Levies and Collections

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**Last Ten Fiscal Years  
June 30, 2022**

Tax Year	Year	Total Levy	Current Collections	Percent Collected	Delinquent Collections*	Total Tax Collections	Percent of
	Ended June 30						Levy Collected
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%
2020	2021	45,239,598	42,918,855	94.87%	2,292,214	45,211,069	99.94%
2021	2022	46,698,501	44,435,965	95.16%	2,022,600	46,458,565	99.49%

Source: School District Continuing Disclosure reports.

\*Delinquent tax collections are actually current year real property taxes that are considered delinquent if not paid by March 1st, and are therefore paid to the district from Kalamazoo County's tax payment fund.

## Kalamazoo Public Schools

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Fiscal Year	General Obligation Bonds	Other General		Total General Obligation Debt	Taxable Value	Net General Bonded Debt as a Percentage of Taxable Value
		Obligation	Debt			
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%
2021	182,326,771	-	-	182,326,771	2,764,362,710	6.60%
2022	212,617,229	-	-	212,617,229	2,846,318,047	7.47%

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, 2022**

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
5.76%	110,584	1,276	1,245	39,169	1.42%
6.48%	111,485	1,415	1,371	39,169	1.52%
7.34%	111,913	1,606	1,549	41,182	1.71%
7.17%	112,513	1,599	1,534	43,062	1.61%
8.01%	113,084	1,703	1,685	43,394	1.69%
7.29%	113,891	1,582	1,570	46,389	1.57%
8.58%	113,972	1,898	1,897	48,723	1.76%
7.60%	113,972	1,898	1,758	49,493	1.55%
6.60%	113,972	1,600	1,600	52,403	1.39%
7.47%	114,368	1,859	1,859	52,403	1.62%

## Kalamazoo Public Schools

# Debt Capacity Information Direct and Overlapping Governmental Activities Debt

**June 30, 2022**

Governmental unit	Debt outstanding	Estimated percent applicable	Estimated share of overlapping debt
City of Kalamazoo	\$ 146,325,000		\$ 136,389,533
Total	146,325,000		136,389,533
Kalamazoo County	94,845,000		28,462,985
Kalamazoo Township	6,050,000		4,564,120
Kalamazoo Valley Community College	6,410,000		1,900,565
Total	<u>107,305,000</u>		34,927,670
Total overlapping debt	<u><b>\$ 253,630,000</b></u>		171,317,203
Direct district debt			<u>212,617,229</u>
Total direct and overlapping debt			<u><b>\$ 383,934,432</b></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

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	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Calculation of Debt Limit</b>				
State equalized valuation (SEV) 15% of SEV*	\$ 2,495,106,889 374,266,033	\$ 2,458,108,080 368,716,212	\$ 2,493,086,600 373,962,990	\$ 2,580,041,202 387,006,180
<b>Calculation of Debt Subject to Limit</b>				
Total debt	137,717,901	152,800,716	173,358,901	172,586,568
Less debt not subject to limit:	-	-	-	-
State qualified debt issuance	-	-	-	-
<b>Net Debt Subject to Limit Legal</b>	<u>137,717,901</u>	<u>152,800,716</u>	<u>173,358,901</u>	<u>172,586,568</u>
<b>debt margin</b>	<b><u>\$ 236,548,132</u></b>	<b><u>\$ 215,915,496</u></b>	<b><u>\$ 200,604,089</u></b>	<b><u>\$ 214,419,612</u></b>
<b>Net Debt Subject to Limit as a Percentage of Debt Limit</b>	36.80%	41.44%	46.36%	44.60%

\*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, 2022**

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 2,624,031,720	\$ 2,802,421,136	\$ 2,876,726,906	\$ 3,103,343,517	\$ 3,388,626,329	\$ 3,541,626,400
393,604,758	420,363,170	431,509,036	465,501,528	508,293,949	531,243,960
190,559,737	178,850,280	216,175,369	200,358,498	182,326,771	212,617,229
-	-	-	-	-	-
-	-	-	-	-	-
<u>190,559,737</u>	<u>178,850,280</u>	<u>216,175,369</u>	<u>200,358,498</u>	<u>182,326,771</u>	<u>212,617,229</u>
<b>\$ 203,045,021</b>	<b>\$ 241,512,890</b>	<b>\$ 215,333,667</b>	<b>\$ 265,143,030</b>	<b>\$ 325,967,178</b>	<b>\$ 318,626,731</b>
48.41%	42.55%	50.10%	43.04%	35.87%	40.02%

## 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
2012	254,580	44,306	9,731,382	37,132	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%
2020	261,670	56,511	12,950,833	49,493	7.20%
2021	261,670	58,836	13,712,293	52,403	5.00%

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

## Demographic and Economic Information

### Principal Employers

Employer	2022 Employees	2022 Rank	Percentage of Total Employment	2013 Employees	Percentage of Total Employment	2013 Rank
Western Michigan University	4,186	1	3.25%	1,200	0.96%	7
Bronson Methodist Hospital	4,000	2	3.11%	4,000	3.19%	2
Borgess Medical Center	3,000	3	2.33%	2,000	1.59%	4
Stryker Corporation	2,600	4	2.02%	2,745	2.19%	3
Pfizer	2,200	5	1.71%	5,000	3.99%	1
PNC Bank (formerly National City Bank)	1,800	6	1.40%	1,800	1.44%	6
Kalamazoo Public Schools	1,396	7	1.09%	1,873	1.49%	5
Greenleaf Hospitality	1,000	8	0.78%	1,000	0.80%	8
Portage Public Schools	920	9	0.72%	860	0.69%	9
Summit Polymers, Inc	900	10	0.70%	-	0.00%	
Kalamazoo Valley Community College	-	-	0.00%	800	0.64%	10

Total principal employers:	<u>22,002</u>		<u>21,278</u>
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Total employment	<u>128,630</u>		<u>125,414</u>
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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.

**Operating Information**  
**Full-Time Equivalent School District**  
**Last Ten Fiscal Years**

Function/Program:	As of June 30,									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General government										
Instruction	973	961	933	941	947	943	949	957	917	917
Support services	385	396	435	435	425	465	502	511	394	437
Community service	6	1	5	8	9	7	11	7	4	3
Food service	<u>73</u>	<u>75</u>	<u>67</u>	<u>60</u>	<u>62</u>	<u>43</u>	<u>40</u>	<u>35</u>	<u>55</u>	<u>33</u>
Total	<b><u>1,437</u></b>	<b><u>1,433</u></b>	<b><u>1,440</u></b>	<b><u>1,444</u></b>	<b><u>1,443</u></b>	<b><u>1,458</u></b>	<b><u>1,502</u></b>	<b><u>1,510</u></b>	<b><u>1,370</u></b>	<b><u>1,390</u></b>

Source: State of Michigan Registry of Personnel reports.

Note: Employee counts do not include activity helpers, tutors, summer school employees, athletics, and other seasonal staff.

**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
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
2021	12,156	156,953,752	12,912	168,264,752	13,842	763	68.12%	66,280
2022	12,326	177,995,415	14,441	182,847,392	14,834	770	67.74%	65,319

\* 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.

Operating Information  
Capital Asset Information

Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Instructional buildings:										
Elementary:										
Number of buildings	17	17	17	17	17	17	17	17	17	17
Square footage	1,032,050	1,032,050	1,112,567	1,037,002	1,067,666	1,055,585	1,055,585	1,055,585	1,055,585	1,031,839
Capacity	7,384	7,384	7,384	7,599	7,677	7,677	7,677	7,677	7,677	7,677
Enrollment	6,438	6,403	6,343	6,332	6,231	6,232	6,174	6,226	5,799	5,733
Middle:										
Number of buildings	4	5	5	5	5	5	5	5	4	4
Square footage	552,986	580,370	579,949	579,949	579,949	581,081	581,081	581,081	554,541	554,541
Capacity	3,350	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,350	3,350
Enrollment	2,822	2,791	2,751	2,839	2,920	2,917	3,005	2,922	2,787	2,764
High:										
Number of buildings	3	3	3	3	4	4	4	4	3	3
Square footage	691,753	691,753	711,049	711,049	746,433	750,923	750,923	750,923	727,669	727,669
Capacity	4,225	4,225	4,225	4,225	4,719	4,719	4,719	4,719	4,719	4,719
Enrollment	3,226	3,236	3,342	3,415	3,512	3,577	3,537	3,694	3,562	3,819
Other:										
Number of buildings	4	3	3	4	3	3	3	3	3	3
Square footage	306,637	273,527	273,527	349,796	274,231	272,075	272,075	272,075	272,075	272,075
Enrollment	184	134	126	108	100	106	99	6	8	10
Total enrollment	12,670	12,564	12,562	12,694	12,763	12,832	12,815	12,848	12,156	12,326
Administrative:										
Number of buildings	6	6	6	6	6	6	5	5	7	6
Square footage	86,020	86,020	86,020	86,020	86,322	89,660	83,410	83,220	141,801	109,760
Transportation/Maintenance:										
Number of garages	1	1	1	1	1	1	1	1	1	1
Square footage	17,182	17,182	17,182	17,182	15,991	15,991	15,991	15,991	18,315	18,315
Buses	115	120	120	121	121	123	123	124	124	124
Athletics:										
Football fields	2	2	2	2	2	2	2	2	2	2
Soccer fields	2	2	2	2	2	2	2	2	2	2
Running tracks	2	2	2	2	2	2	2	2	2	2
Baseball/softball	2	2	2	2	2	4	4	4	4	4
Swimming pools	3	3	3	3	3	3	3	3	3	2
Playgrounds	21	21	21	20	20	21	21	21	21	21

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