



Public Schools of the City of Ann Arbor

FY17 Financial Audit
Presented by Laura Claeys
November 15, 2017



Audit Summary

- All school districts in Michigan are required by state law to have an audit
- As a result of our audit, we rendered an unmodified or 'clean' opinion
- Our audit of your federal programs had no findings or questioned costs



Highlights and Challenges

Highlights:

- Enrollment continues to grow significantly year-over-year
- The District continued its investment in the classroom and achieved the goal of reducing class sizes and reducing the number of combined grade classes
- \$4.6 million in current year capital investments from the Technology Bond and 2015 Bond funds
- Sinking Fund millage renewal supported by taxpayers, with \$8.2 million in current year capital investments from this fund



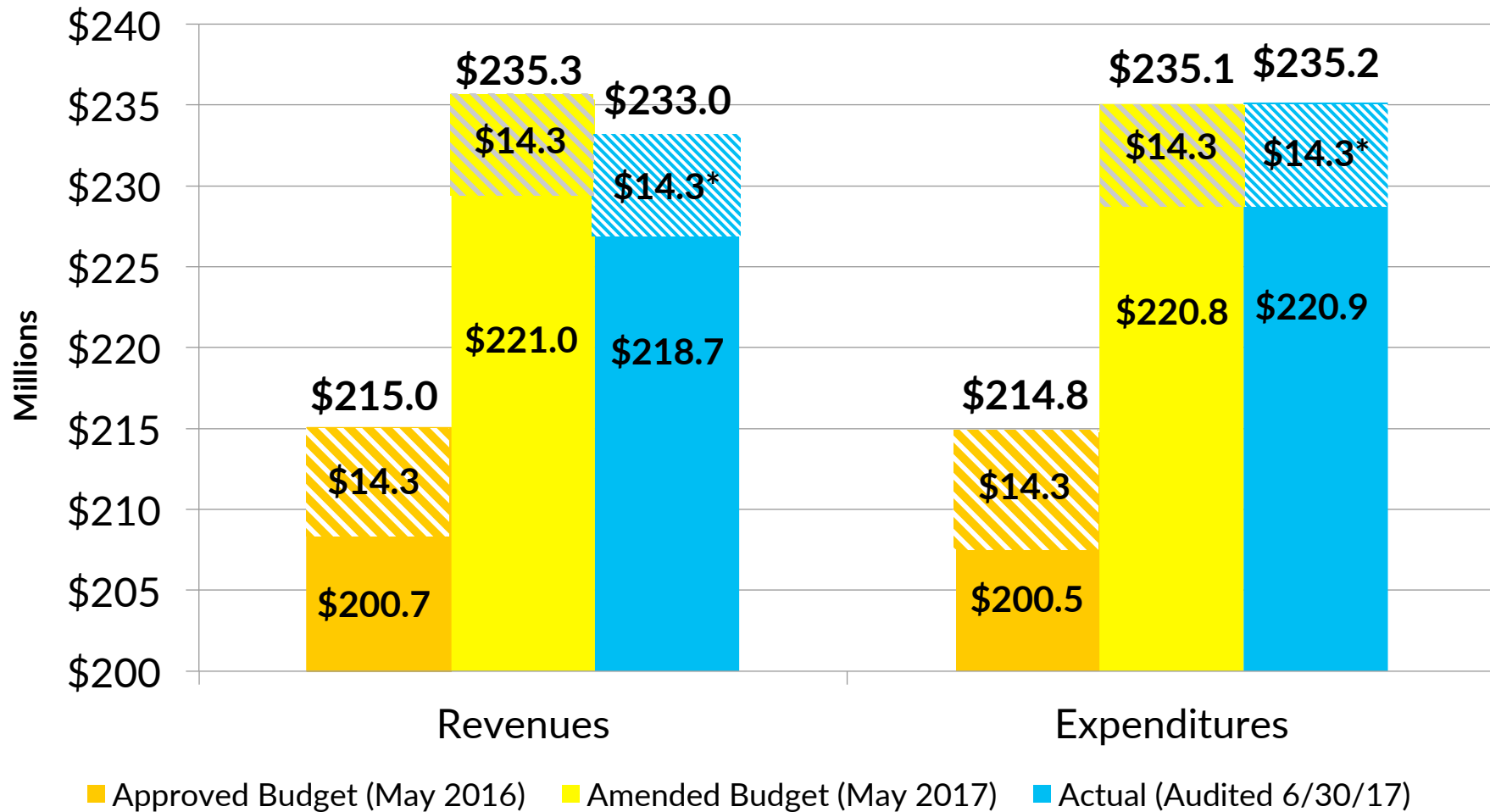
Highlights and Challenges

Challenges:

- Continual balancing between offering additional programming and gauging the demand for new programs
- Consideration of investments in additional staff and services with ongoing funding challenges
- Despite sizeable capital investment this year, infrastructure investment needs continue – which creates decisions to be made between those that can be provided currently utilizing available bond funds and those that need to be deferred



General Fund – Budget to Actual



*Both revenue and expenditures include \$14.3 million in Michigan Public Schools Employee Retirement System (MPERS) retirement contributions passed-through from State of Michigan



General Fund Budget to Actual Year Ended June 30, 2017

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
Fund Balance - June 30, 2016	\$ 21,508,022	\$ 21,508,022	\$ -	
Revenue	235,343,070	233,001,238	(2,341,832)	-1.00%
Expenditures	<u>235,062,128</u>	<u>235,158,896</u>	<u>96,768</u>	0.04%
Excess of Revenue Over Expenditures	280,942	(2,157,658)	(2,438,600)	
Plus: Other Financing Sources/(Uses)	<u>-</u>	<u>530,388</u>	<u>530,388</u>	
Change in Fund Balance	<u>280,942</u>	<u>(1,627,270)</u>	<u>(1,908,212)</u>	
Fund Balance - June 30, 2017	<u><u>\$ 21,788,964</u></u>	<u><u>\$ 19,880,752</u></u>		
Fund Balance as % of Expenditures		8.5%		
Fund Balance as % of Revenue		8.5%		
Days of operation (365 day year)		31		

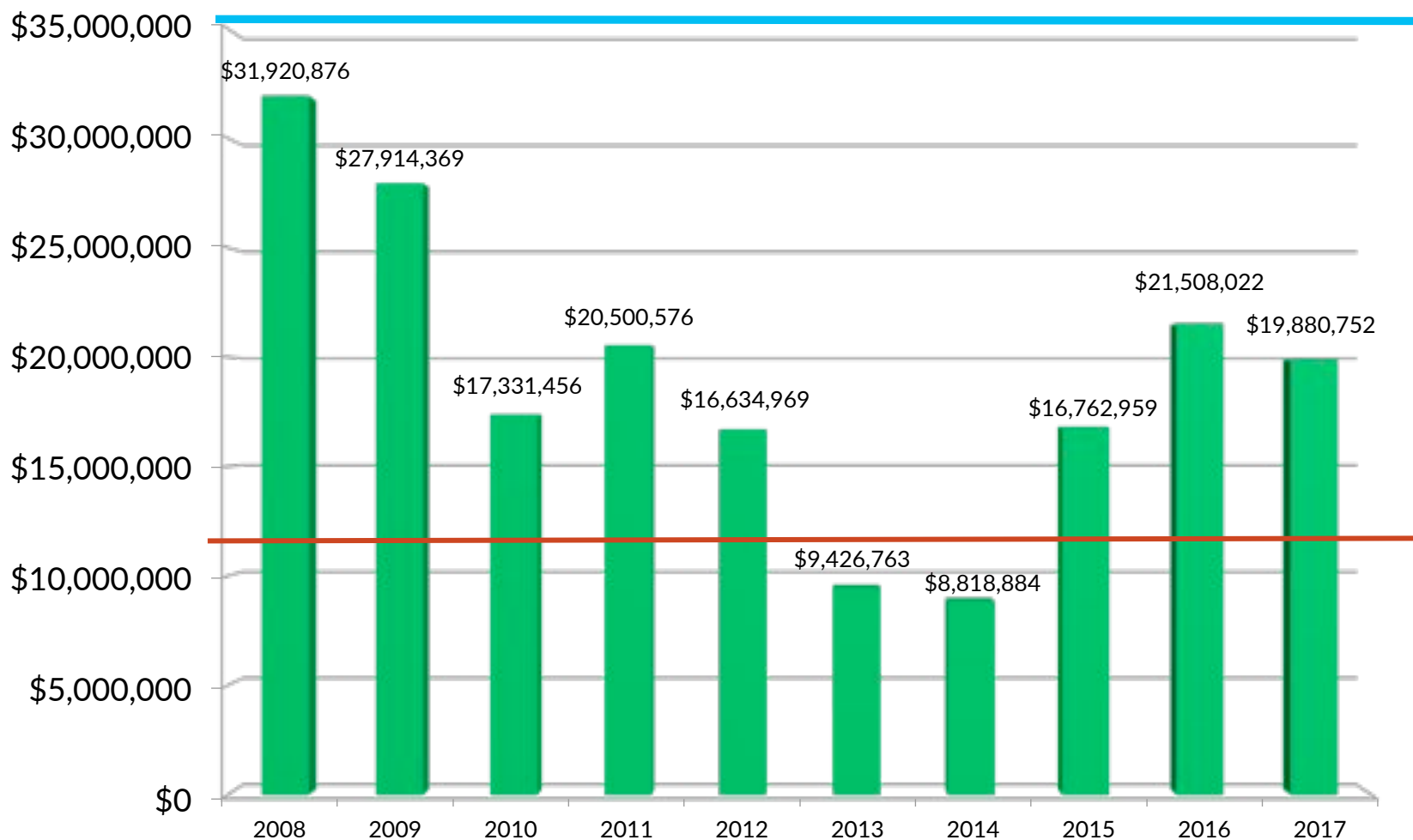


Comparative General Fund Fund Balance History

Year Ended June 30

15% Fund Balance Target
 ** (15% of 2017 expenditures)*

Estimated Early Warning Line
 (5% of 2017 revenue)*



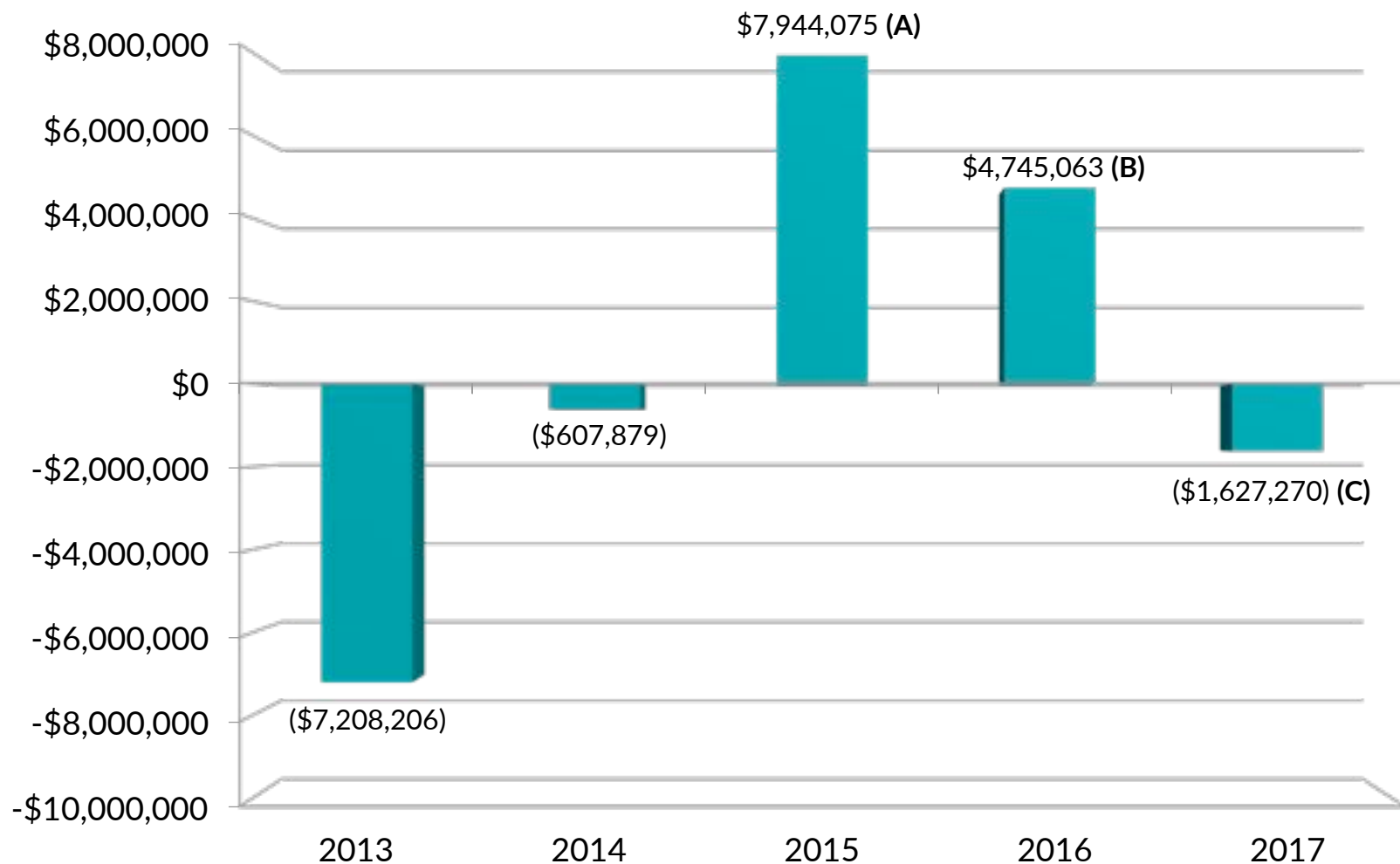
Percentage of Expenditures	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	16.3%	13.9%	8.2%	10.5%	8.5%	4.7%	4.6%	8.3%	10.2%	8.5%

*Estimated Early Warning Line and Fund Balance target percentages based on 2017 general fund revenues and expenditures. Board policy is range of 6-15% of expenditures

** Michigan School Business Officials (MSBO) recommended target



Net Change in Fund Balance – General Fund Year Ended June 30

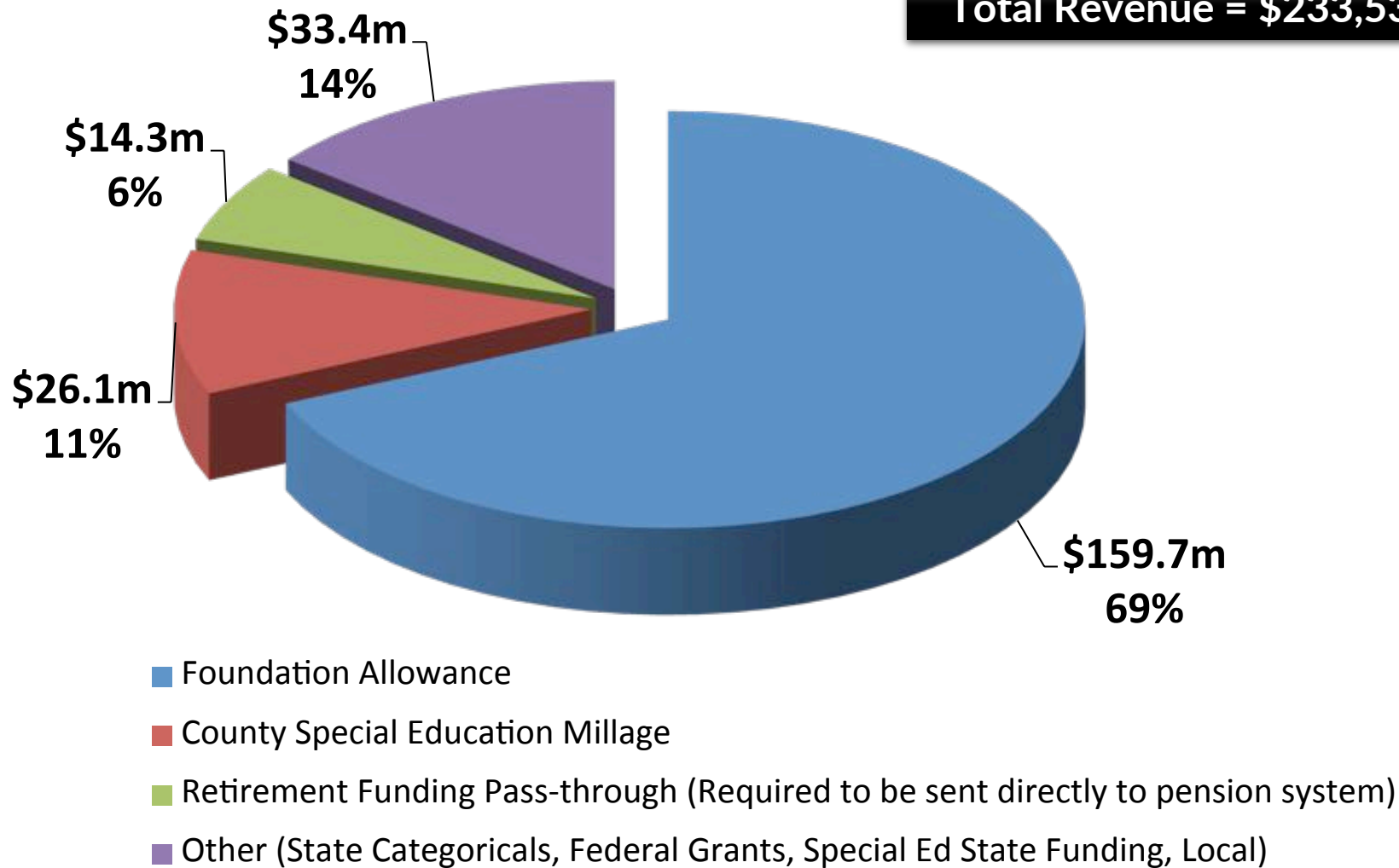


- (A) Includes one-time funds for Special Education from WISD (\$4.6 million) and Medicaid funds (\$400,000)
- (B) Includes one-time funds related to sale of Roberto Clemente (\$1 million) and Ann Arbor District Library interest (\$3 million)
- (C) Includes certain one-time direct expenses related to the Allen Elementary flood during the 2016/2017 school year (\$1.3 million)



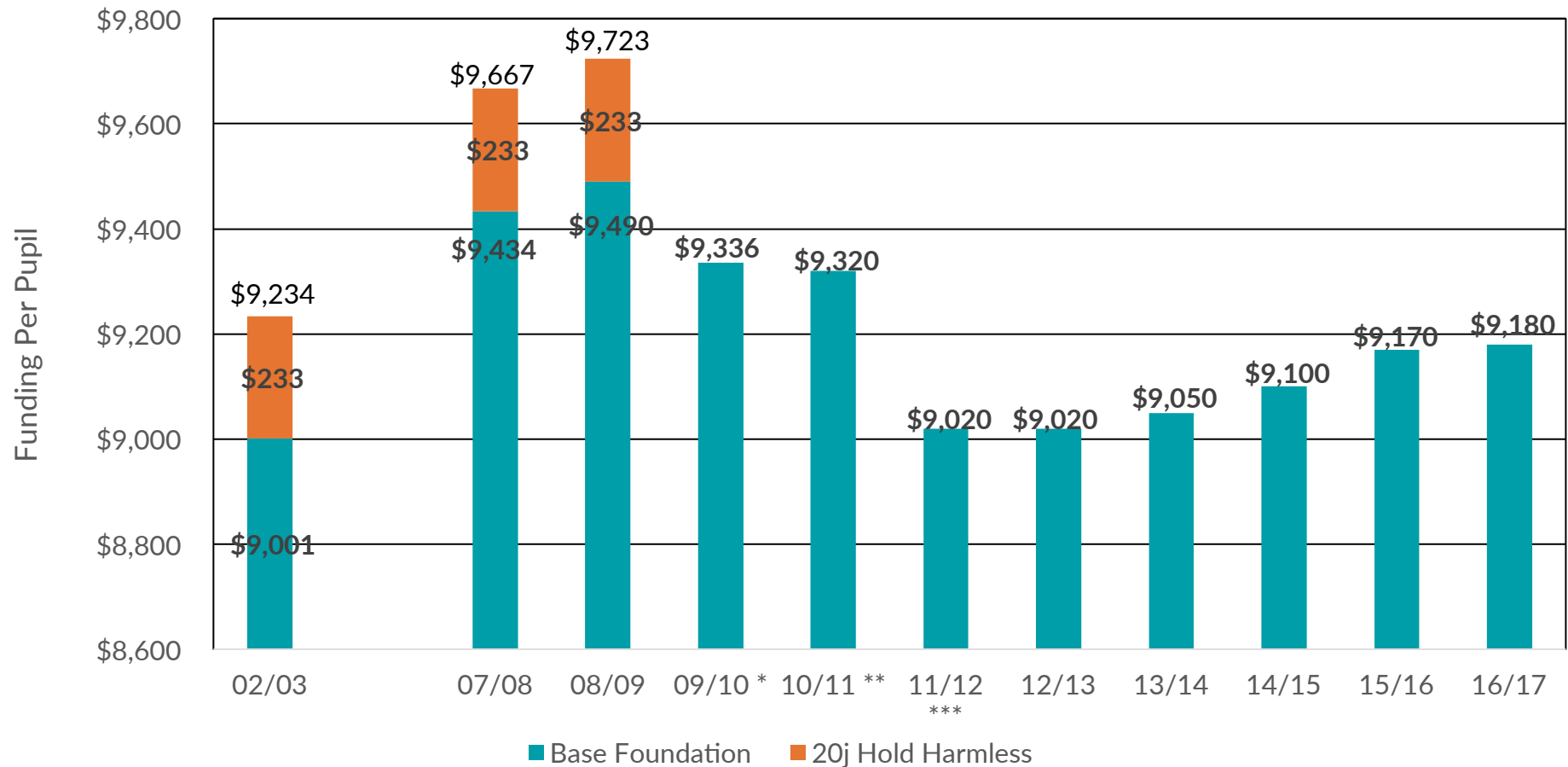
General Fund Revenue Year Ended June 30, 2017

Total Revenue = \$233,531,626





Foundation Allowance historical lookback at funding



* 09/10 reflects Section 11d funding reduction of \$154 per pupil

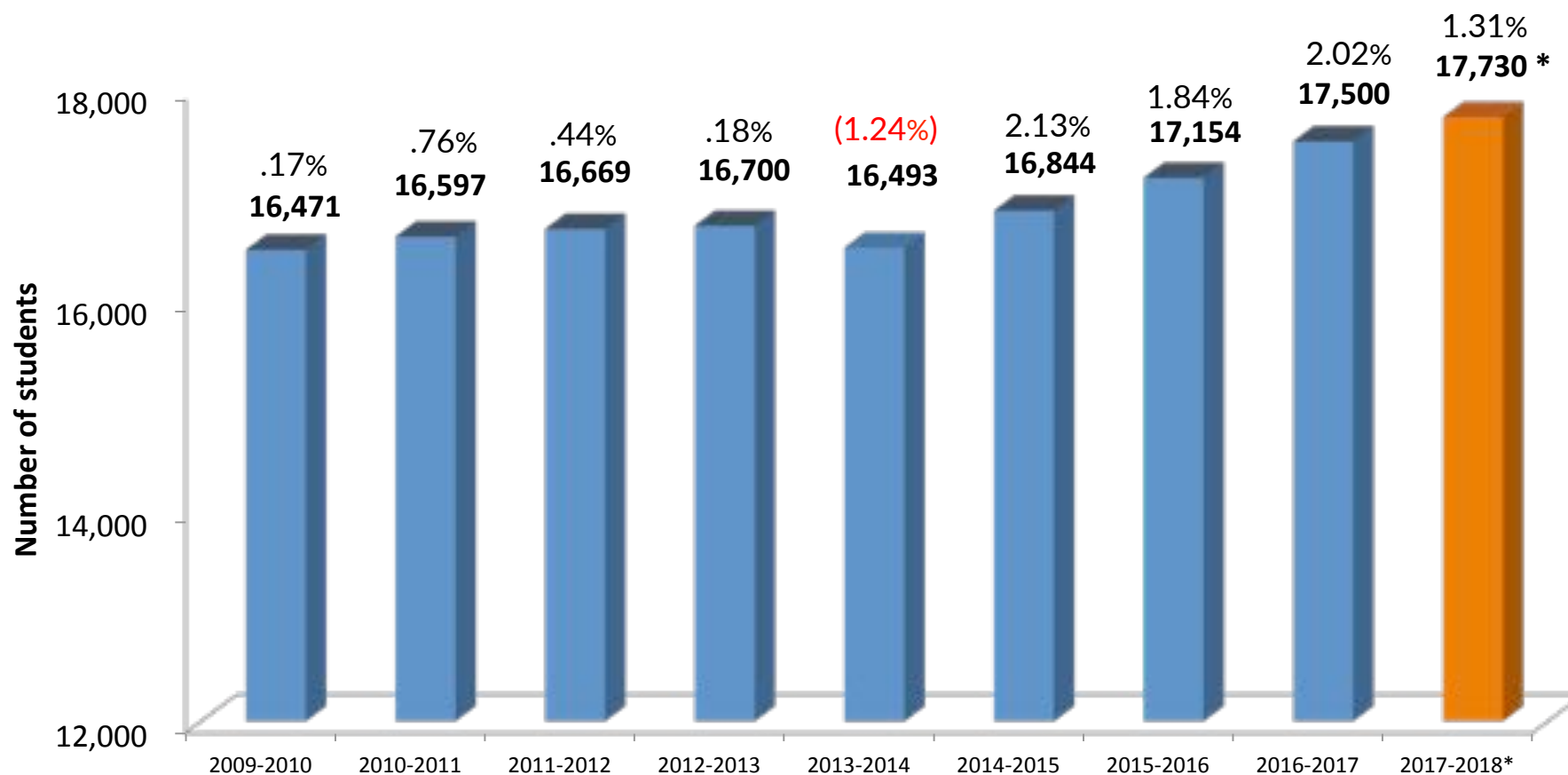
** 10/11 reflects Section 11d funding reduction of \$170 per pupil

*** 11/12 \$170 reduction noted for 10/11 was statutory enacted in 11/12, along with an additional \$300 per pupil rollback of foundation allowance



Student Enrollment Comparison

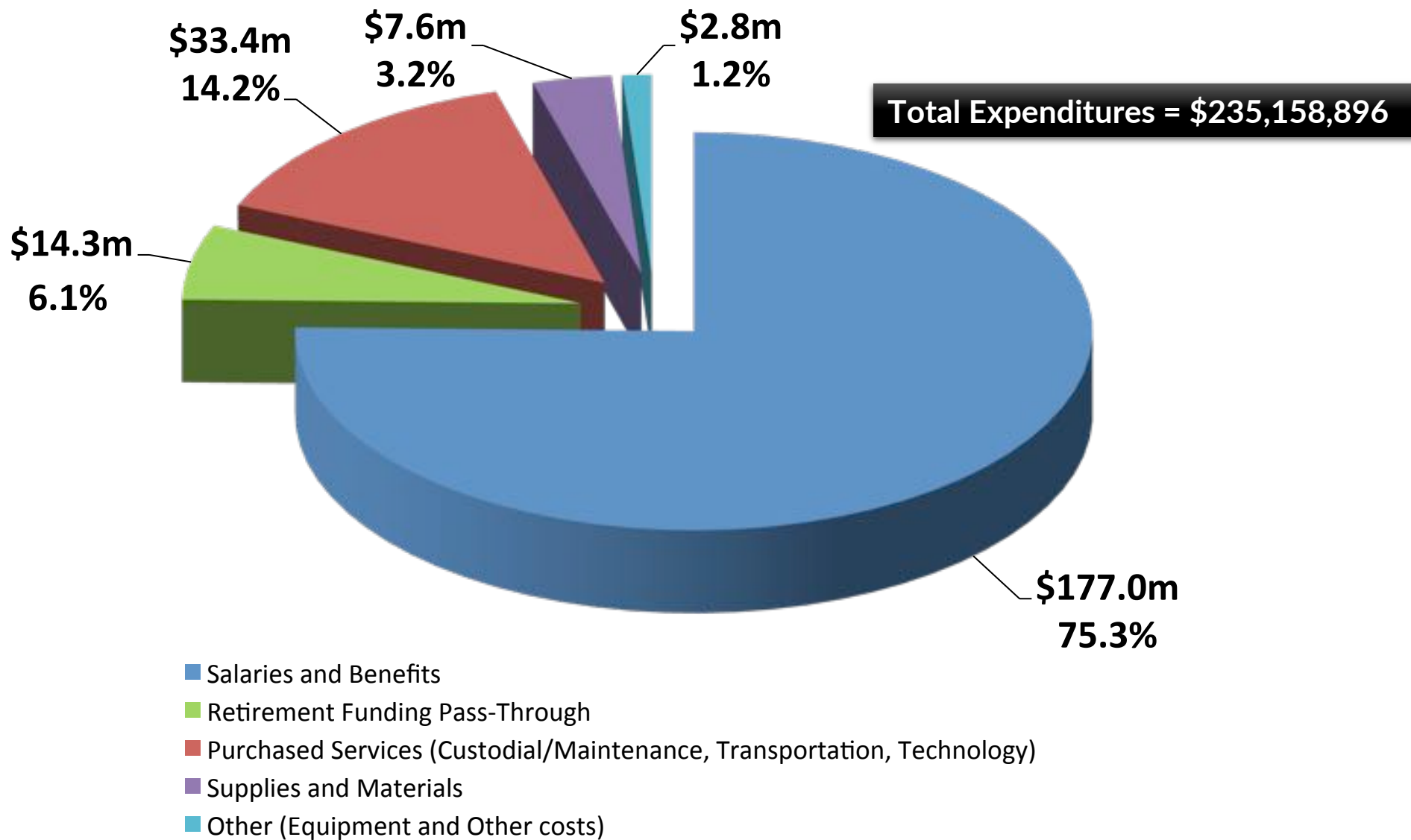
Fall Count and Percentage Change from the Previous Years Ended June 30



*Estimated Fall 2017 count (FTE)

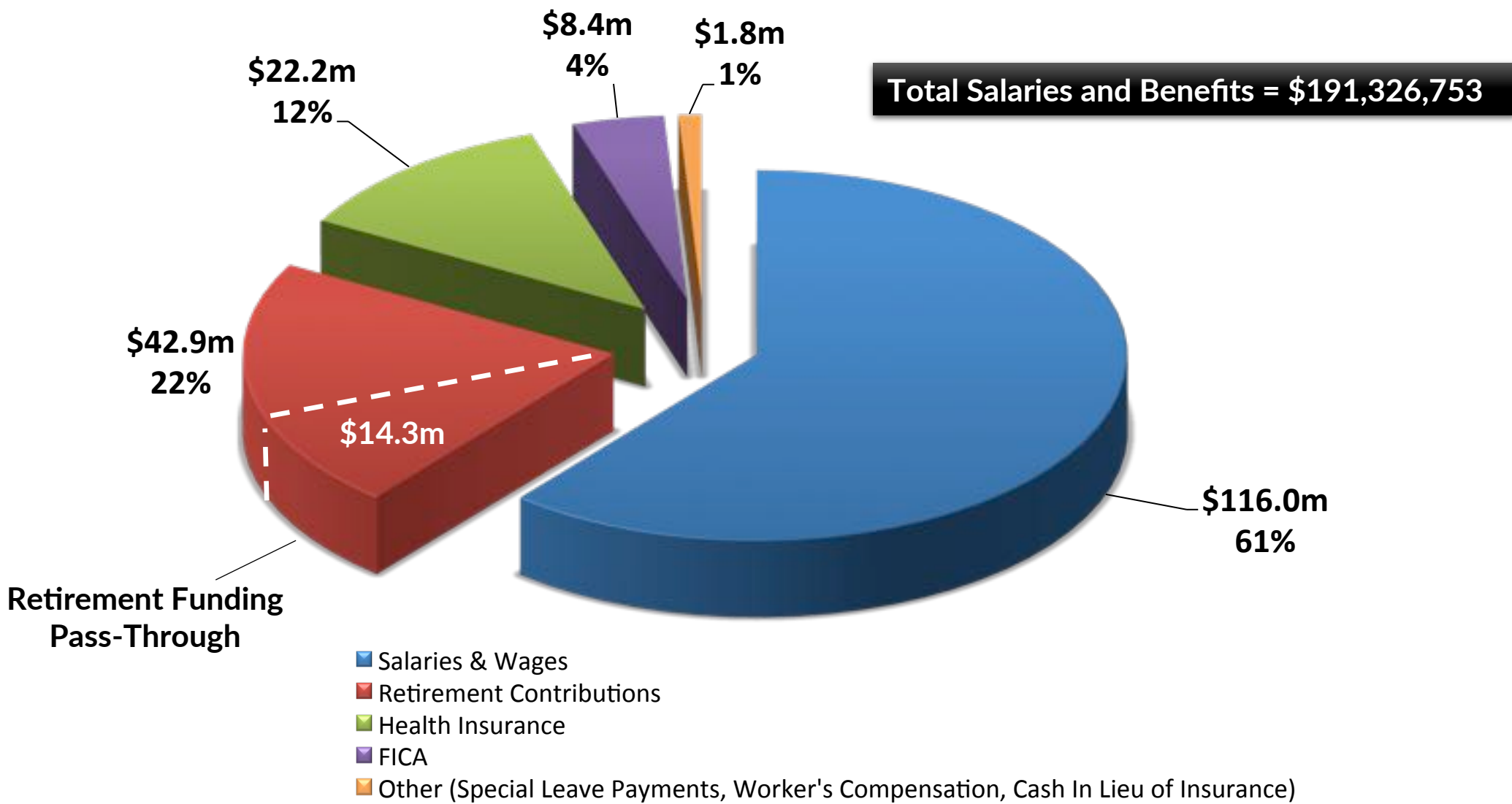


General Fund Expenditures Year Ended June 30, 2017



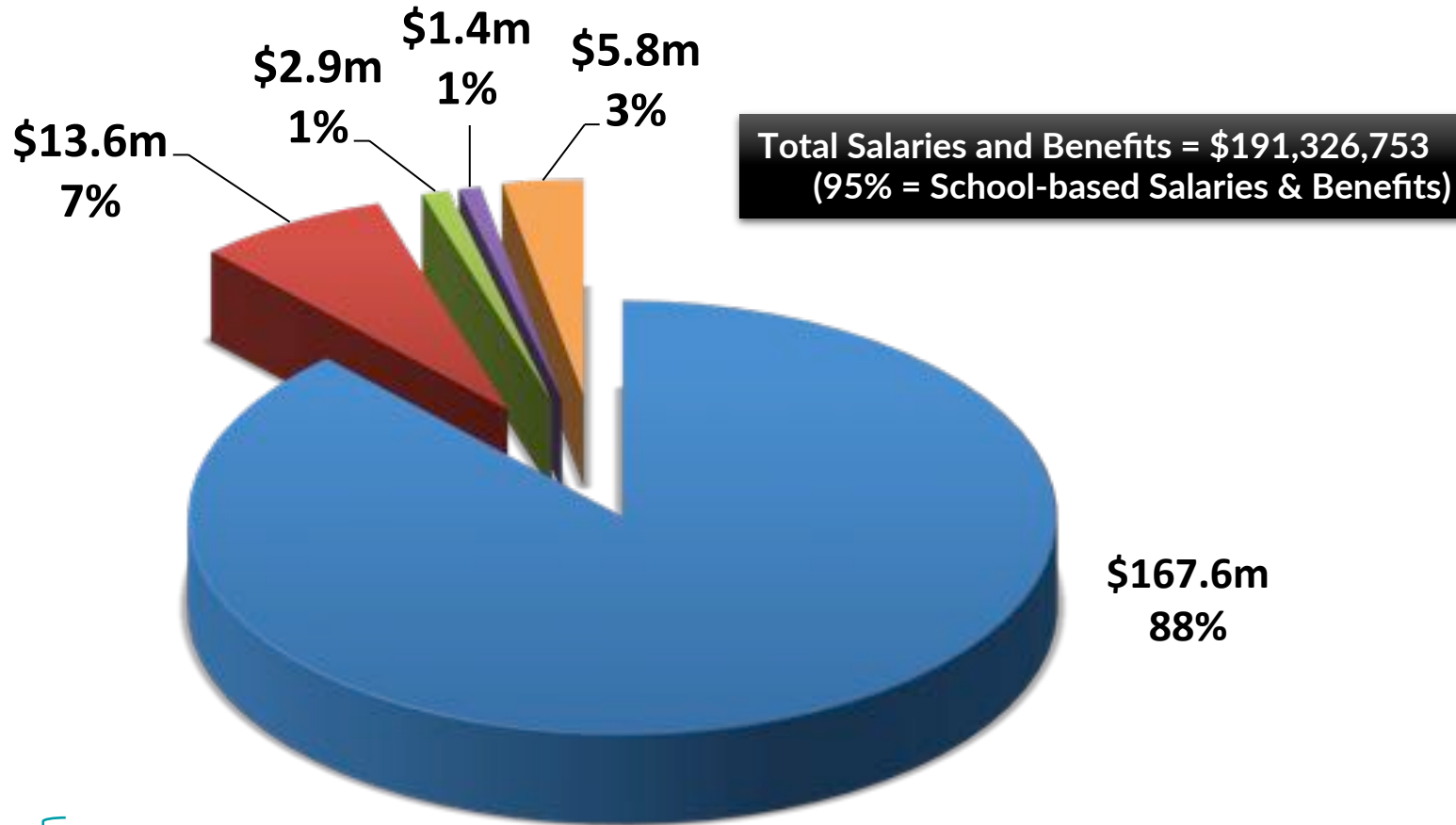


General Fund Salaries and Benefits Year Ended June 30, 2017





General Fund Breakdown of Salaries and Benefits Year Ended June 30, 2017

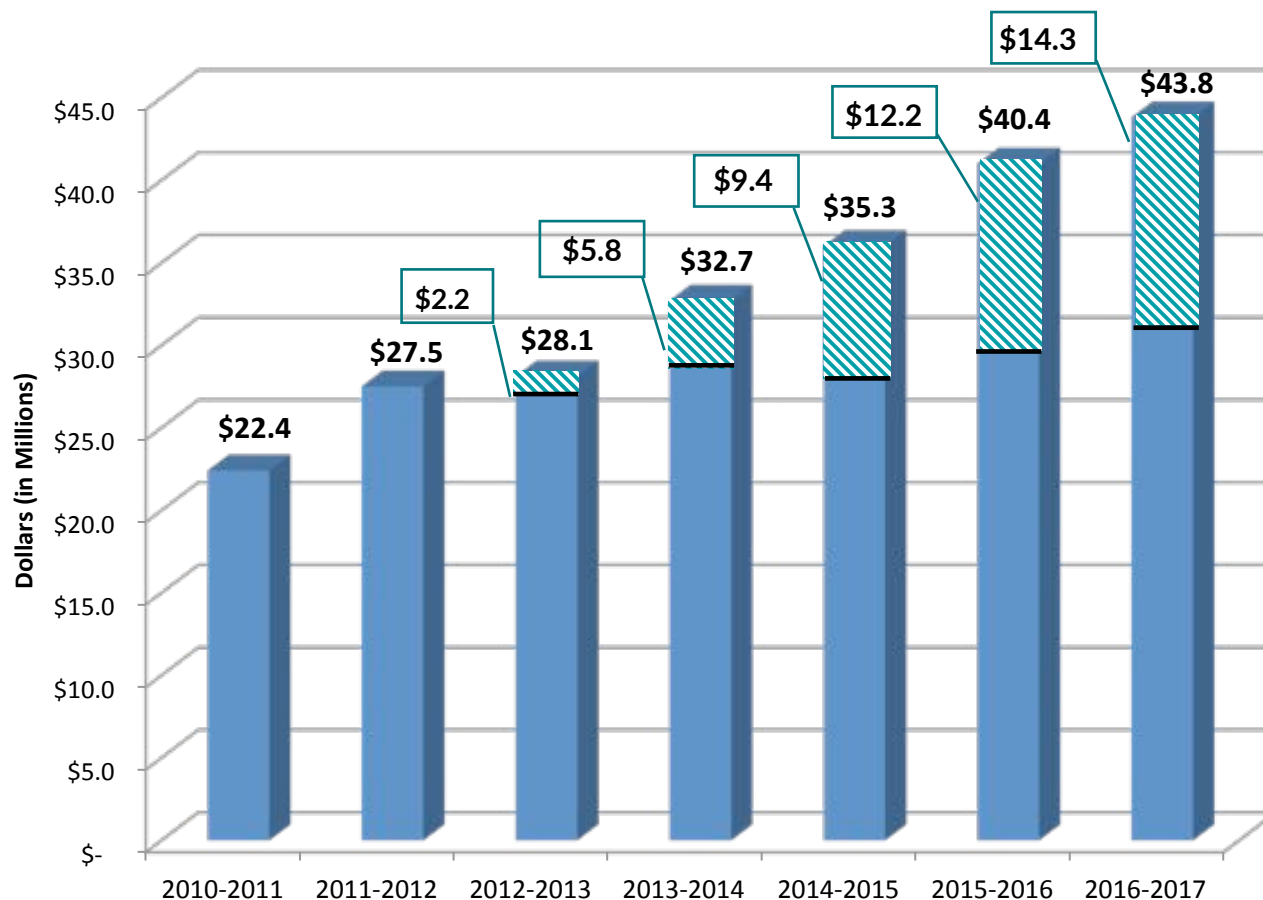


Categories according to State reporting requirements

- Instruction and Instructional Support
- School Building Administration
- Central Administration
- Operations: Facilities
- Other (ex: Human Resource Services, Athletics, Community Svcs)



Retirement Funding – Total Michigan Public Schools Employee Retirement System (MPERS) Expense Year Ended June 30

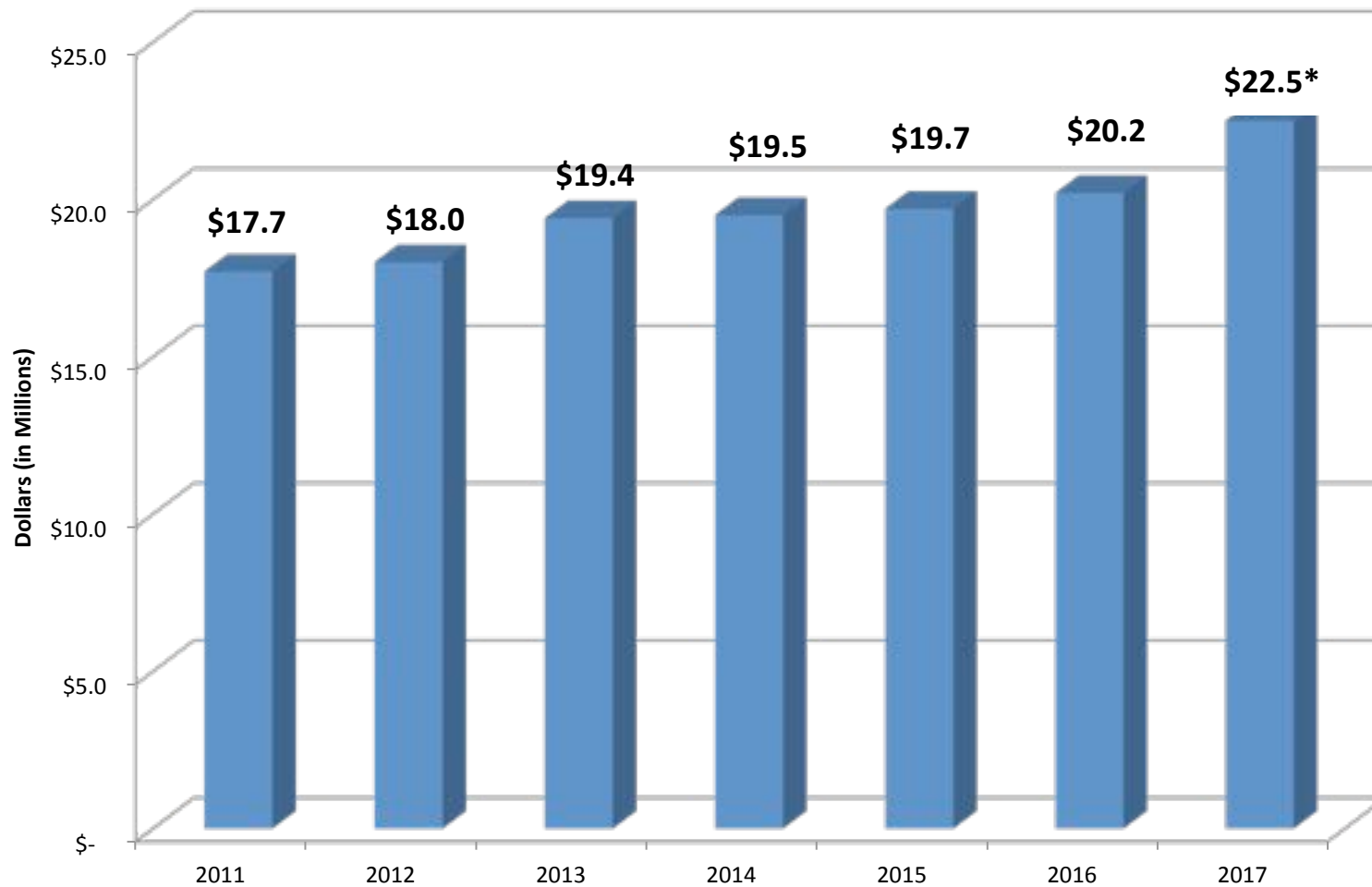


MPERS Unfunded Actuarial Accrued Liability (UAAL) expense from State Aid. This is a direct pass-through from State:

- 2013 includes \$2.2 million
- 2014 includes \$5.8 million
- 2015 includes \$9.4 million
- 2016 includes \$12.2 million
- 2017 includes \$14.3 million



Total Health Related Insurance Costs Year Ended June 30

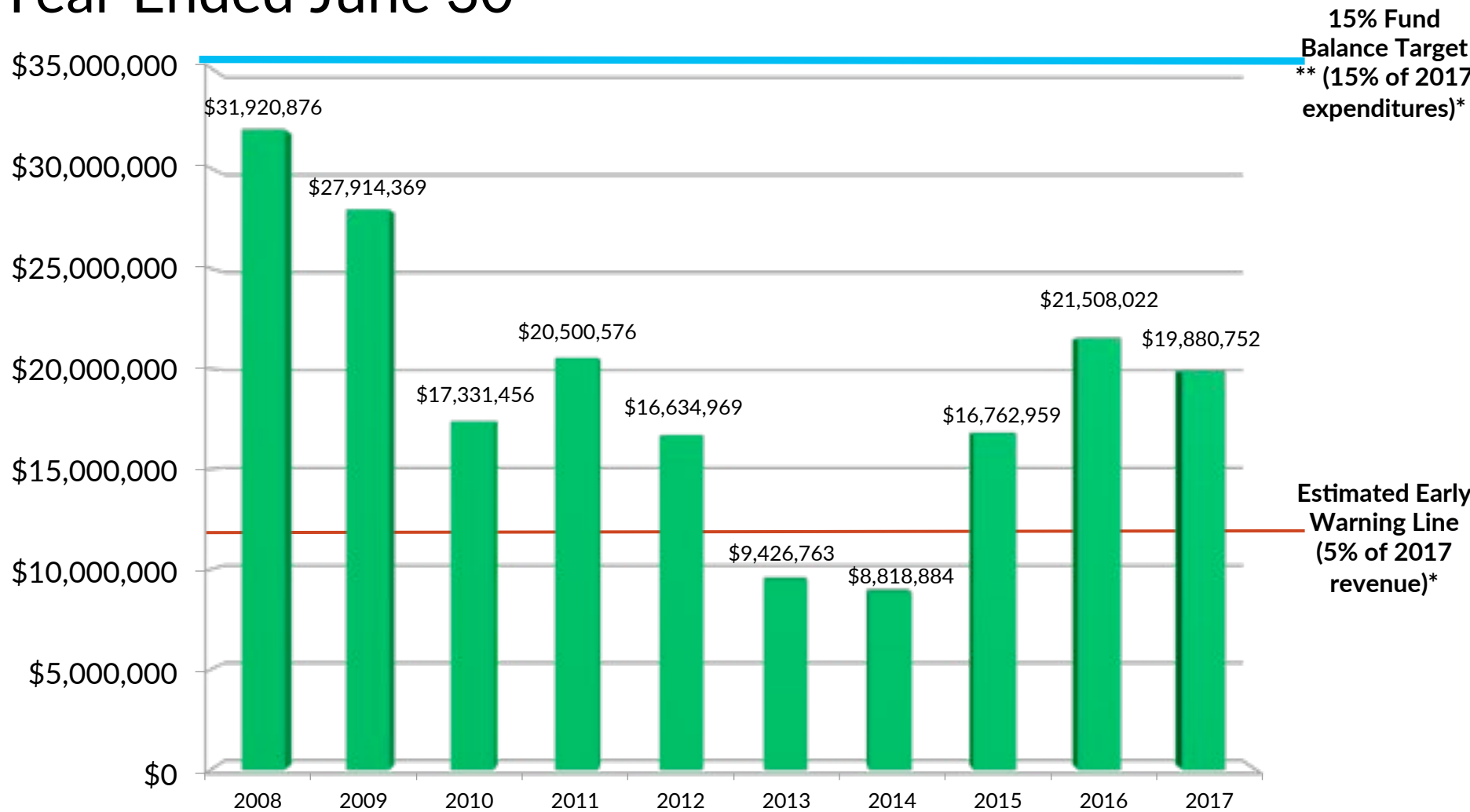


*Increase in FY2017 was primarily the result of increasing the hard cap. The District currently pays a maximum of \$12,960 per employee for insurance (an increase of \$378 per person from FY 2016)



Comparative General Fund Fund Balance History

Year Ended June 30



Percentage of Expenditures	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	16.3%	13.9%	8.2%	10.5%	8.5%	4.7%	4.6%	8.3%	10.2%	8.5%

*Estimated Early Warning Line and Fund Balance target percentages based on 2017 general fund revenues and expenditures. Board policy is range of 6-15% of expenditures

** Michigan School Business Officials (MSBO) recommended target



Ann Arbor Public Schools

Year Ended June 30, 2017

Key Takeaways

- Your continued success is a community and district collaboration
- For the 4th year in a row, enrollment has increased by the largest percentage in the last decade, resulting in a current year increase to revenue of approximately \$3.2 million
- Students are entering and returning to the district from the Ann Arbor footprint due to your robust program offerings (STEAM, world languages, Young Fives, Project Lead the Way, International Baccalaureate)
- Cost containment and improved efficiencies will need to continue to be a focal point for the organization in order to yield positive financial results



Future Developments in the School Environment

Areas to **monitor** as it relates to school operations:

- Cash Flow Needs
- Fund Balance Levels
- Delayed State Aid Payments
- Health Care Costs
- Capital Repairs
- Cost of Utilities
- State economy and politics
- Charter and Private School options
- Employee Group Negotiations
- Federal Funding Changes
- Future Retirement Contribution Rates
- Future changes in foundation allowance funding

Keep an eye on local options that are within your control to provide funding for the student population (examples include: Special education millage; countywide enhancement millage; sinking fund millage; and bond issues)



Next Steps in our AAPS School Environment

Continue to:

- Advocate at the state level
- Build fund equity to ensure sustainability of the organization
- Monitor monthly budget reports
- Control expenditures and understand market rates for compensation across the district
- Balance long-term investments with funding volatility
- Recognize a large portion of the current fund balance was created by one-time transactions – use caution when spending it



Thank you!

We appreciate:

AAPS employees

- the hard work to extend our district quality and ensure we continue to deliver the 'Ann Arbor Public Schools' difference

Board of Education

- support, advocacy, & courageous decision-making

Community

- ongoing support of the Ann Arbor Public Schools



plante moran | Audit. Tax. Consulting.
Wealth Management.

Thank you.

Exceptional^{a+}
ANN ARBOR PUBLIC SCHOOLS



plante moran | Audit. Tax. Consulting.
Wealth Management.

Public Schools of the City of Ann Arbor

FY17 Financial Audit
Presented by Laura Claeys

Exceptional^{a+}
ANN ARBOR PUBLIC SCHOOLS