

Exceptional⁺

ANN ARBOR PUBLIC SCHOOLS

Lead. Care. Inspire.



2018-19 Proposed Budget

Prepared by:

Amanda M. Matheson, Chief Financial Officer

Marios Demetriou, Assistant Superintendent of Schools

Jeanice K. Swift, Ph.D., Superintendent of Schools

First Briefing to the Board of Education on May 23, 2018

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2018-19**

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Secretary to the Ann Arbor Board of Education
2555 S. State Street
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www.a2schools.org

ANN ARBOR PUBLIC SCHOOLS
Finance Division

MEMORANDUM

TO: Dr. Jeanice Swift, Superintendent

FROM: Amanda Matheson, Chief Financial Officer

DATE: May 23, 2018

SUBJECT: *FY 2018-19 Budget*

The following budget is submitted in accordance with the requirements under the State of Michigan Uniform Budgeting and Accounting Act (PA 2 of 1968 as amended). The presentation schedule follows the requirements of Act 43 and Article 10 for public involvement in the budget approval process. This is a balanced budget; in accordance with legislative and board policy, following good management practices.

Included in the budget document are the required budget resolutions for the General Fund, Food Service Fund, Recreation & Education Fund, and Child Care Fund. Once again, the information is presented in more specific categories – similar to the format used in the annual financial report. For the benefit of the reader, the school district’s annual audited financial statements includes a comprehensive financial accounting, detailing the appropriations and actual expenditures. These reports are available in the fall, for the preceding fiscal year ending June 30th.

The budget, in its simplest form, is an annual operating plan which contains an estimate of the proposed expenditures balanced against anticipated revenue. Adjustments to revenue and expenditures—after the adoption of the budget—are typically presented to the Board of Education for approval as part of the general appropriations act.

I thank the Superintendent’s Cabinet for providing the input or information on revenue and enrollment projections.

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**Budget Development Timeline
FY 2018-19**

- January Consensus Revenue Estimating Conference (CREC)		January 11
- Governor's <i>State of the State</i> Address		January 23
- Release of the Governor's Proposed Budget		Mid-February
- FY2017-18 Mid-Year Budget Amendment	Regular Meeting	March 21
- Preview Preliminary Budget	Regular Meeting	March 21
- Review Budget Projections w/Trustees	Trustee 1:1 Meetings	April 25
- Preliminary Preview of Michigan State School Funding	Regular Meeting	April 25
- 2018-19 Budget Review & Discussion	Regular Meeting	April 25
- Budget Community Input/ Operating Millage Information Tour Dates		April-May
o Slauson		
o Tappan		
o Clague		
o Scarlett		
o Forsythe		
- Approve Budget Public Hearing Notice & Budget Update	Board Regular Meeting	May 9
- Second Revenue Estimating Conference		May 16
- Publish notice for a Public Hearing <i>at least 6 days prior to the date of hearing</i>		May 17
- First Briefing on proposed FY 2018-19 Budget Public Hearing on the FY 2018-19 Budget <i>First Briefing of Millage Resolution (Compliance w/Truth in Budgeting Act)</i>	Board Regular Meeting	May 23
- FY 2017-18 Final Budget Amendment	Board Regular Meeting	June 13
- Second Briefing & Public Hearing on the FY 2018-19 Budget <i>Adoption of the Millage Resolution & General Appropriations Act</i>	Board Regular Meeting	June 13
- 2018-19 Budget Adoption by June 30th Required by Law	Board Regular Meeting	June 27

General Fund Resolution
Resolution for Adoption by the Board of Education
Public Schools of the City of Ann Arbor
General Fund Resolution, Adopted June 27, 2018

RESOLVED, that this resolution shall be the General Appropriations of the General Fund for the Public Schools of the City of Ann Arbor for the fiscal year 2018-19.

A RESOLUTION to make appropriations; to provide for the expenditure of the appropriations; and to provide for the disposition of all income received by the Public Schools of the City of Ann Arbor.

BE IT FURTHER RESOLVED, that the total revenues and unappropriated fund balance estimated to be available for appropriations in the **GENERAL FUND** of the Public Schools of the City of Ann Arbor for the fiscal year 2018-19 is as follows:

REVENUE	
Local Revenue	\$87,531,229
State Revenue	\$122,861,777
Federal Revenue	\$8,906,275
Incoming Transfers & Other Transactions	\$29,488,779
TOTAL REVENUE AND INCOMING TRANSFERS	\$248,788,060
FUND BALANCE AS OF JULY 1, 2018 (Projected)	\$18,047,253
TOTAL AMOUNT AVAILABLE TO APPROPRIATE	\$266,835,313

BE IT FURTHER RESOLVED, that \$266,835,313 of the total available to appropriate in the **GENERAL FUND** is hereby appropriated in the amounts and for the purposes set forth below:

EXPENDITURES and TRANSFERS	
Basic Programs, Instruction	\$116,915,769
Added Needs, Instruction	\$34,862,185
Adult & Continuing Education	\$400,529
Pupil Support	\$30,633,047
Instructional Staff Services Support	\$13,105,194
General Administration	\$2,720,720
School Administration	\$15,987,582
Business Services	\$2,039,425
Operations/Maintenance	\$16,015,850
Transportation	\$8,345,122
Central Support Services	\$5,168,455
Athletics and Activities	\$3,640,595
Community Activities	\$1,381,667
TOTAL EXPENDITURES and TRANSFERS	\$251,216,140
FUND BALANCE	
FUND BALANCE AT JUNE 30, 2019 (Projected)	\$15,619,173
TOTAL APPROPRIATED	\$266,835,313

Note: The total taxable base generated for operational purposes by an ad valorem property tax is \$9,044,322,661. The tax is comprised of Primary Residential tax and Non Residence tax. The Primary Residential tax will pay 4.1442 hold harmless mills and is expected to generate \$21,857,018. The Non-Homestead Property and Commercial Personal Property taxed at 10.1442 mills will generate \$2,827,163. The remaining Non Primary Real and Personal Property taxed at 18 mills for No-Homestead Property for the Public Schools of the City of Ann Arbor will generate \$62,847,048. The estimated revenues earned from the combined property tax revenue will be \$87,531,229.

BE IT FURTHER RESOLVED, that no Board of Education member or employee of the school district shall expend any funds or obligate the expenditure of any funds except pursuant to appropriations made by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board. Changes in the amount appropriated by the Board shall require approval by the Board.

BE IT FURTHER RESOLVED, that, for purposes of meeting the needs of the school district, the Superintendent or his/her designee is permitted to implement adjustments and/or transfers within line items of the budget adopted by the Board subject to later authorization of the Board of Education. When the Superintendent and Chief Financial Officer make a transfer of appropriations as permitted by this resolution, all such adjustments and/or transfers which alter the budget at the function level shall be reported on a regular basis to the Board at a scheduled meeting. Authorization for such adjustments and/or transfers shall be included in the Budget Amendments of the General Appropriations Act, as needed.

BE IT FURTHER RESOLVED, that the Superintendent and Chief Financial Officer are hereby charged with general supervision of the execution of the Budget adopted by the Board and shall hold the department heads responsible for performance of their responsibilities within the amounts appropriated by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board.

This appropriation resolution is to take effect July 1, 2018.

On the motion of Trustee _____ and seconded by Trustee _____ the above

Resolution was presented to the Board of Education.

AYES: _____ **NAYS:** _____ **ABSENT:** _____

RESOLUTION DECLARED: _____

I, the undersigned, Secretary of the Board of Education of the Public Schools of the City of Ann Arbor, do certify that the foregoing is a conforming copy of the Resolution adopted by the said Board of Education at a regular meeting on June 27, 2018 Forsythe Middle School, Ann Arbor, Michigan.

Board of Education Secretary

DATE: _____
CITY OF ANN ARBOR
COUNTY OF WASHTENAW
STATE OF MICHIGAN

NOTARY

Ann Arbor Public Schools
2018-19 Proposed Original General Fund Budget



	2016-17 Audited June 30, 2017	2017-2018 Amended Budget March 7, 2018	2018-19 Proposed Original Budget May 23, 2018
Revenues			
Local Revenues	87,135,592	88,832,147	87,531,229
State Revenues	113,392,098	124,849,658	122,861,777
Federal Revenues	6,257,458	8,906,275	8,906,275
Incoming Transfers and Other Transactions	26,746,478	28,346,600	29,488,779
Total Revenues	\$ 233,531,626	\$ 250,934,680	\$ 248,788,060
Expenditures			
Instruction Services			
Basic Programs	109,471,481	118,144,834	116,915,769
Added Needs	31,532,530	35,113,938	34,862,185
Adult & Continuing Education	411,082	403,167	400,529
Total Instruction Services	\$ 141,415,093	\$ 153,661,939	\$ 152,178,483
Pupil, Instructional & School Support Services			
Pupil Support Services	26,392,264	30,835,973	30,633,047
Instructional Staff Support Services	11,553,591	13,192,068	13,105,194
School Administration	14,004,482	15,871,253	15,987,582
Athletics	3,671,073	3,664,663	3,640,595
Total Pupil, Instructional & School Support Services	\$ 55,621,410	\$ 63,563,957	\$ 63,366,418
Other Support Services			
General Administration	2,560,933	2,738,688	2,720,720
Business Services	1,904,891	2,052,942	2,039,425
Operations and Maintenance	18,682,859	15,971,022	16,015,850
Transportation	8,170,637	8,200,346	8,345,122
Central	5,113,841	5,188,387	5,168,455
Total Other Support Services	\$ 36,433,161	\$ 34,151,385	\$ 34,289,572
Facilities, construction, improvements	\$ 940,654	\$ -	\$ -
Community Activities	\$ 748,578	\$ 1,390,898	\$ 1,381,667
Total Expenditures and Transfers	\$ 235,158,896	\$ 252,768,179	\$ 251,216,140
Net Change in Fund Balance	\$ (1,627,270)	\$ (1,833,499)	\$ (2,428,080)
Beginning Fund Balance, Actual	\$ 21,508,022	\$ 19,880,752	
Beginning Fund Balance, Projected			\$ 18,047,253
Ending Fund Balance, Projected	\$ 19,880,752	\$ 18,047,253	\$ 15,619,173

Budget Resolutions (Other Funds)

The Board of Education, in accordance with Public Act 2 of 1968 as amended, an act to make appropriations, shall approve the expenditure of the appropriations and provide for the disposition of all income received by the department/financial institution. In accordance with this act, you will find 2018-19 budget resolutions and budget details in this section for various funds other than General Fund.

FUND	BUDGET	BUDGET MANAGER
Food Service Fund	\$4,070,354	Marios Demetriou
Recreation and Community Services Fund	\$7,115,253	Jenna Bacolor
Child Care Fund	\$3,127,978	Jenna Bacolor
TOTAL OTHER FUNDS	\$14,313,585	

Food Service Fund Resolution
Resolution for Adoption by the Board of Education
Public Schools of the City of Ann Arbor
Food Service Resolution, Adopted June 27, 2018

RESOLVED, that this resolution shall be the General Appropriations of the Food Service Fund for the Public Schools of the City of Ann Arbor for the fiscal year 2018-19.

A RESOLUTION to make appropriations; to provide for the expenditure of the appropriations; and to provide for the disposition of all income received by the Public Schools of the City of Ann Arbor.

BE IT FURTHER RESOLVED, that the total revenues and unappropriated fund balance estimated to be available for appropriations in the **FOOD SERVICE FUND** of the Public Schools of the City of Ann Arbor for the fiscal year 2018-19 is as follows:

REVENUE

Local Revenue	\$1,732,987
State Revenue	\$187,940
Federal Revenue	\$2,149,427
Incoming Transfers & Other Transactions	
TOTAL REVENUE AND INCOMING TRANSFERS	\$4,070,354
FUND BALANCE AS OF JULY 1, 2018 (Projected)	-
TOTAL AMOUNT AVAILABLE TO APPROPRIATE	\$4,070,354

BE IT FURTHER RESOLVED, that **\$4,070,354** of the total available to appropriate in the **FOOD SERVICE FUND** is hereby appropriated in the amounts and for the purposes set forth below:

EXPENDITURES and TRANSFERS

Basic Programs, Instruction	
Added Needs, Instruction	
Adult & Continuing Education	
Pupil Support	
Instructional Staff Services Support	
General Administration	
School Administration	
Business Services	
Operations/Maintenance	\$600,000
Transportation	
Central Support Services	
Athletics and Activities	\$3,470,354
Community Activities	
Operating Transfers	
TOTAL EXPENDITURES and TRANSFERS	\$4,070,354

FUND BALANCE

FUND BALANCE AT JUNE 30, 2019 (Projected)	-
TOTAL APPROPRIATED	\$4,070,354

BE IT FURTHER RESOLVED, that no Board of Education member or employee of the school district shall expend any funds or obligate the expenditure of any funds except pursuant to appropriations made by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board. Changes in the amount appropriated by the Board shall require approval by the Board.

BE IT FURTHER RESOLVED, that, for purposes of meeting the needs of the school district, the Superintendent or his/her designee is permitted to implement adjustments and/or transfers within line items of the budget adopted by the Board subject to later authorization of the Board of Education. When the Superintendent and the Chief Financial Officer make a transfer of appropriations as permitted by this resolution, all such adjustments and/or transfers which alter the budget at the function level shall be reported on a regular basis to the Board at a scheduled meeting. Authorization for such adjustments and/or transfers shall be included in the Budget Amendments of the General Appropriations Act, as needed.

BE IT FURTHER RESOLVED, that the Superintendent and the Chief Financial Officer are hereby charged with general supervision of the execution of the Budget adopted by the Board and shall hold the department heads responsible for performance of their responsibilities within the amounts appropriated by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board.

This appropriation resolution is to take effect July 1, 2018.

On the motion of Trustee _____ and seconded by Trustee _____ the above

Resolution was presented to the Board of Education.

AYES: _____ **NAYS:** _____ **ABSENT:** _____

RESOLUTION DECLARED: _____

I, the undersigned, Secretary of the Board of Education of the Public Schools of the City of Ann Arbor, do certify that the foregoing is a conforming copy of the Resolution adopted by the said Board of Education at a regular meeting on June 27, 2018, at Forsythe Middle School, Ann Arbor, Michigan.

Board of Education Secretary

DATE: _____
CITY OF ANN ARBOR
COUNTY OF WASHTENAW
STATE OF MICHIGAN

NOTARY

Recreation & Community Education Service Fund Resolution
Resolution for Adoption by the Board of Education
Public Schools of the City of Ann Arbor
Recreation & Community Education Resolution, Adopted June 27, 2018

RESOLVED, that this resolution shall be the General Appropriations of the Recreation & Community Education Service Fund for the Public Schools of the City of Ann Arbor for the fiscal year 2018-19.

A RESOLUTION to make appropriations; to provide for the expenditure of the appropriations; and to provide for the disposition of all income received by the Public Schools of the City of Ann Arbor.

BE IT FURTHER RESOLVED, that the total revenues and unappropriated fund balance estimated to be available for appropriations in the **RECREATION & COMMUNITY EDUCATION SERVICE FUND** of the Public Schools of the City of Ann Arbor for the fiscal year 2018-19 is as follows:

REVENUE	
Local Revenue	\$4,598,145
State Revenue	
Federal Revenue	
Incoming Transfers & Other Transactions	
TOTAL REVENUE AND INCOMING TRANSFERS	\$4,598,145
 FUND BALANCE AS OF JULY 1, 2017 (Projected)	 \$2,517,108
TOTAL AMOUNT AVAILABLE TO APPROPRIATE	\$7,115,253

BE IT FURTHER RESOLVED, that **\$7,115,253** of the total available to appropriate in the **RECREATION & COMMUNITY EDUCATION SERVICE FUND** is hereby appropriated in the amounts and for the purposes set forth below:

EXPENDITURES and TRANSFERS

Basic Programs, Instruction	
Added Needs, Instruction	
Adult & Continuing Education	
Pupil Support	
Instructional Staff Services Support	
General Administration	
School Administration	
Business Services	
Operations/Maintenance	
Transportation	\$2,000
Central Support Services	
Athletics and Activities	
Community Activities	\$4,596,145
Operating Transfers	
TOTAL EXPENDITURES and TRANSFERS	\$4,598,145

FUND BALANCE

FUND BALANCE AT JUNE 30, 2018 (Projected)	\$2,517,108
TOTAL APPROPRIATED	\$7,115,253

BE IT FURTHER RESOLVED, that no Board of Education member or employee of the school district shall expend any funds or obligate the expenditure of any funds except pursuant to appropriations made by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board. Changes in the amount appropriated by the Board shall require approval by the Board.

BE IT FURTHER RESOLVED, that, for purposes of meeting the needs of the school district, the Superintendent or his/her designee is permitted to implement adjustments and/or transfers within line items of the budget adopted by the Board subject to later authorization of the Board of Education. When the Superintendent and the Chief Financial Officer make a transfer of appropriations as permitted by this resolution, all such adjustments and/or transfers which alter the budget at the function level shall be reported on a regular basis to the Board at a scheduled meeting. Authorization for such adjustments and/or transfers shall be included in the Budget Amendments of the General Appropriations Act, as needed.

BE IT FURTHER RESOLVED, that the Superintendent and the Chief Financial Officer are hereby charged with general supervision of the execution of the Budget adopted by the Board and shall hold the department heads responsible for performance of their responsibilities within the amounts appropriated by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board.

This appropriation resolution is to take effect July 1, 2018.

On the motion of Trustee _____ and seconded by Trustee _____ the above
Resolution was presented to the Board of Education.

AYES: _____ **NAYS:** _____ **ABSENT:** _____

RESOLUTION DECLARED: _____

I, the undersigned, Secretary of the Board of Education of the Public Schools of the City of Ann Arbor, do certify that the foregoing is a conforming copy of the Resolution adopted by the said Board of Education at a regular meeting on June 27, 2018, at Forsythe Middle School, Ann Arbor, Michigan.

Board of Education Secretary

DATE: _____
CITY OF ANN ARBOR
COUNTY OF WASHTENAW
STATE OF MICHIGAN

NOTARY

Child Care Service Fund Resolution
Resolution for Adoption by the Board of Education
Public Schools of the City of Ann Arbor
Child Care Resolution, Adopted June 27, 2018

RESOLVED, that this resolution shall be the General Appropriations of the Child Care Service Fund for the Public Schools of the City of Ann Arbor for the fiscal year 2018-19.

A RESOLUTION to make appropriations; to provide for the expenditure of the appropriations; and to provide for the disposition of all income received by the Public Schools of the City of Ann Arbor.

BE IT FURTHER RESOLVED, that the total revenues and unappropriated fund balance estimated to be available for appropriations in the **CHILD CARE SERVICE FUND** of the Public Schools of the City of Ann Arbor for the fiscal year 2018-19 is as follows:

REVENUE

Local Revenue	\$2,243,815
State Revenue	
Federal Revenue	
Incoming Transfers & Other Transactions	
TOTAL REVENUE AND INCOMING TRANSFERS	\$2,243,815
 FUND BALANCE AS OF JULY 1, 2017 (Projected)	 \$884,163
TOTAL AMOUNT AVAILABLE TO APPROPRIATE	\$3,127,978

BE IT FURTHER RESOLVED, that **\$3,127,978** of the total available to appropriate in the **CHILD CARE SERVICE FUND** is hereby appropriated in the amounts and for the purposes set forth below:

Basic Programs, Instruction	
Added Needs, Instruction	
Adult & Continuing Education	
Pupil Support	
Instructional Staff Services Support	
General Administration	
School Administration	
Business Services	
Operations/Maintenance	
Transportation	\$3,500
Central Support Services	
Athletics and Activities	
Community Activities	\$2,240,315
Operating Transfers	
TOTAL EXPENDITURES and TRANSFERS	\$2,243,815

FUND BALANCE

FUND BALANCE AT JUNE 30, 2018 (Projected)	\$884,163
TOTAL APPROPRIATED	\$3,127,978
EXPENDITURES and TRANSFERS	

BE IT FURTHER RESOLVED, that no Board of Education member or employee of the school district shall expend any funds or obligate the expenditure of any funds except pursuant to appropriations made by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board. Changes in the amount appropriated by the Board shall require approval by the Board.

BE IT FURTHER RESOLVED, that, for purposes of meeting the needs of the school district, the Superintendent or his/her designee is permitted to implement adjustments and/or transfers within line items of the budget adopted by the Board subject to later authorization of the Board of Education. When the Superintendent and the Chief Financial Officer make a transfer of appropriations as permitted by this resolution, all such adjustments and/or transfers which alter the budget at the function level shall be reported on a regular basis to the Board at a scheduled meeting. Authorization for such adjustments and/or transfers shall be included in the Budget Amendments of the General Appropriations Act, as needed.

BE IT FURTHER RESOLVED, that the Superintendent and the Chief Financial Officer are hereby charged with general supervision of the execution of the Budget adopted by the Board and shall hold the department heads responsible for performance of their responsibilities within the amounts appropriated by the Board of Education and in keeping with the budgetary policy statement hitherto adopted by the Board.

This appropriation resolution is to take effect July 1, 2018.

On the motion of Trustee _____ and seconded by Trustee _____ the above Resolution was presented to the Board of Education.

AYES: _____ **NAYS:** _____ **ABSENT:** _____

RESOLUTION DECLARED: _____

I, the undersigned, Secretary of the Board of Education of the Public Schools of the City of Ann Arbor, do certify that the foregoing is a conforming copy of the Resolution adopted by the said Board of Education at a regular meeting on June 27, 2018, at Forsythe Middle School, Ann Arbor, Michigan.

Board of Education Secretary

DATE: _____
CITY OF ANN ARBOR
COUNTY OF WASHTENAW
STATE OF MICHIGAN

NOTARY

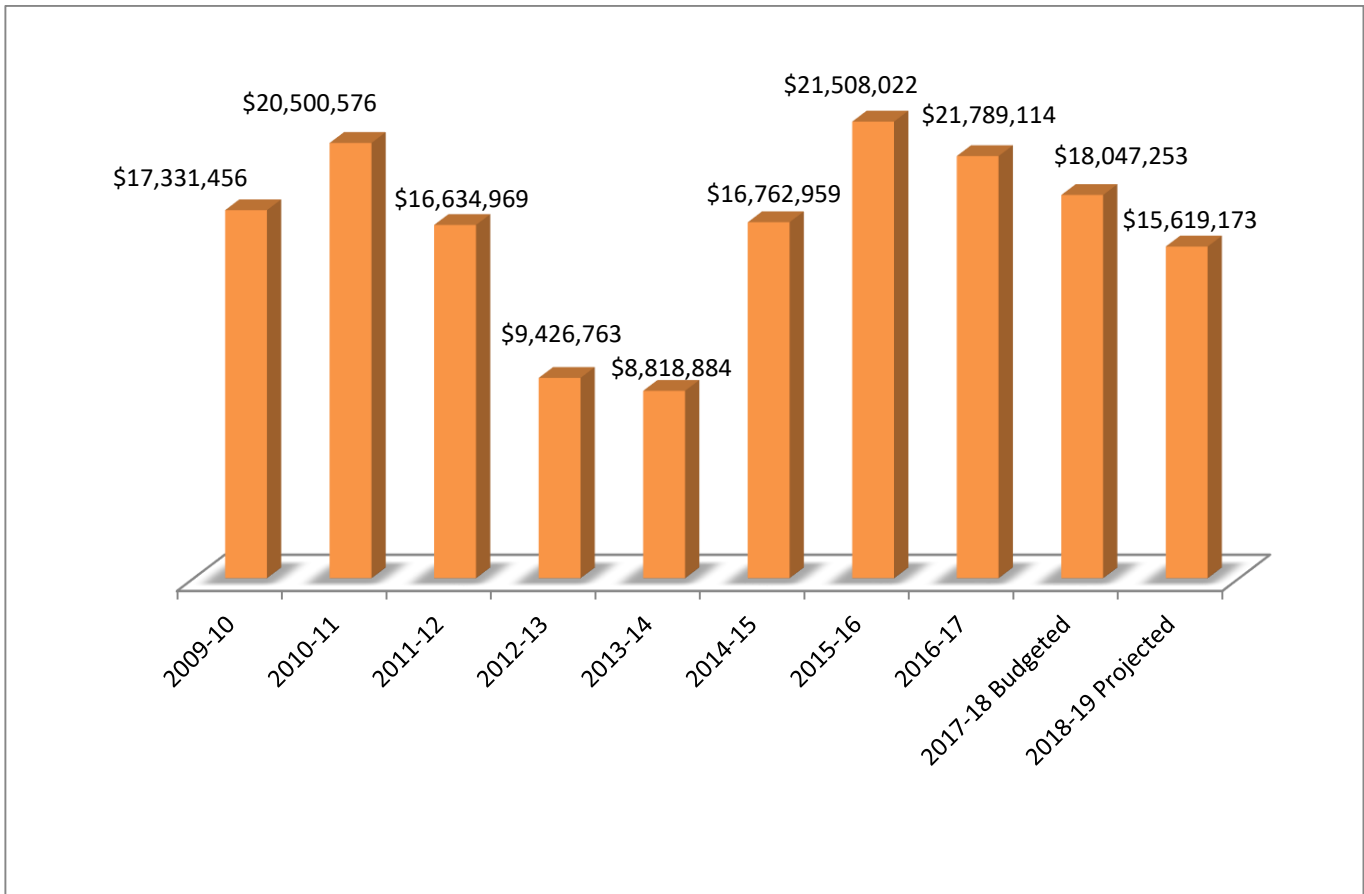


Supplemental Information

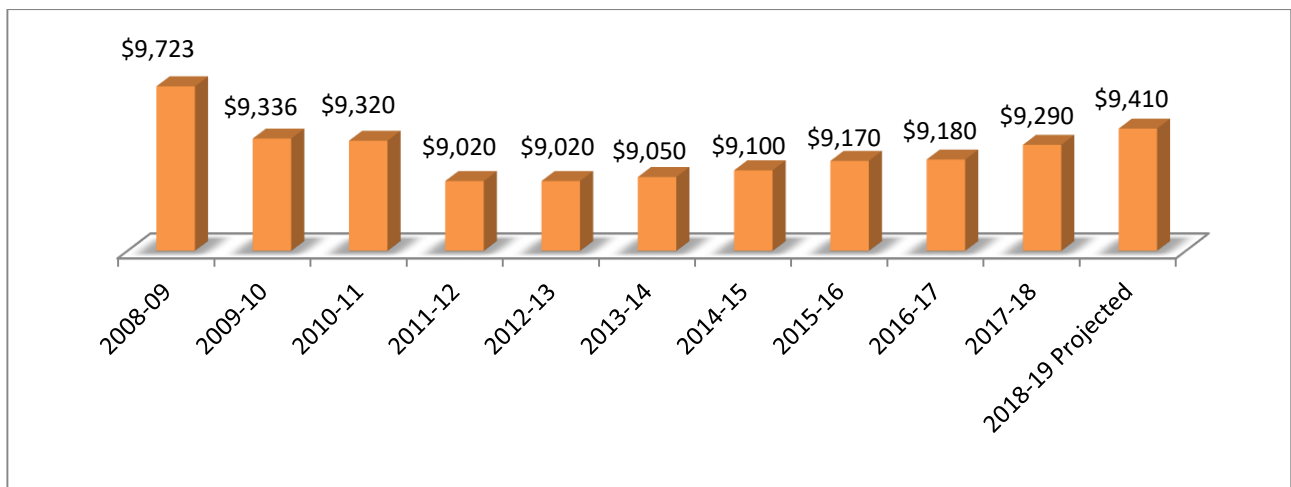
- Fund Balance Trend
- Foundation Grant Trend
- Description of District Funds
- Fund Balance Description
- State of Michigan Legislation Concerning Budgeting
- Account Code Function Definitions
- Glossary

Supplemental Information

AAPS Fund Balance Trend



AAPS Foundation Grant Trend



Description of District Funds

Does the district have special funds for special purposes other than those to operate the schools?

In addition to the **General Fund**, which is the general operating fund of the school district, there are a number of other funds which are required by law. These funds are called Special Revenue Funds, Debt Funds, Sinking Funds, Capital Projects Funds and Fiduciary Funds which are described below. They are restricted to expenditures for specified purposes.

- **Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources other than fiduciary funds, capital projects funds debt service funds or sinking funds including the following:

School Food Service Fund – This fund is used to account for the operation of a school district's food service program. Receipts come from school lunch food sales, adult lunches and catering service.

Community Recreation and Education Services Fund – The Community Services Fund is used to account for the operations of the Recreation and Community Education programs.

Child Care Fund – The Child Care Fund is used to account for the operations of the School Age Child Care program.

- **Debt Service Funds** - These funds are for bonds issued by the school district. The funds are set up to keep track of all debt millage revenue and to record the payment of bond principal, interest and payment of agent fees.
- **Sinking Fund** - This fund accounts for a special millage approved by the voters to address district-wide infrastructure needs. The fund is established to provide for the expenditure of appropriations and for the disposition of all income received (following State guidelines and Board approval of projects.)
- **Capital Projects Funds** - These funds are used to account for the district's land acquisition and construction of buildings and major equipment purchases.
- **Fiduciary Funds** - These funds are established for a variety of activities for which the district is custodian of the monies.
 - Student Activities** - The district acts as the custodian of funds for monies raised by student groups (such as German club, ski club, history club, band camp, forensics, etc.) from bake sales, car washes, magazine sales, and other forms of fund raising activities.
 - Scholarships** - The Scholarship Trust Fund is used to account for donated funds which will be awarded to students or awarded to support student learning.

Fund Balance Description

The following information is the Ann Arbor Public Schools' recommendation on the establishment and use of what is commonly referred to as a "fund balance" or fund equity.

A typical fund balance in a school district is composed of three components:

- 1) Cash on hand and Investments – these funds may be in short term, highly liquid investments or in a checking or savings account. These funds are available for district use.
- 2) Accounts receivable – because of a timing difference between a school district's fiscal year (which ends June 30) and the state's fiscal year (which ends September 30) there are two payments out of the eleven state aid payments that are actually received after the district's fiscal year has ended. Using accrual accounting the payments are "booked" at the end of the school district's fiscal year and included in calculating fund balance. These funds are not available to the school district until they are actually received in July and August.
- 3) Inventory and pre-paid assets – includes teaching, custodial and office supplies and fuel in storage tanks. These are typically modest amounts and are obviously not available to expend.

Other considerations regarding fund balance include:

- A. The level of non-homestead tax base in the district. The 18 mill levy is only on non-homestead property. Since the main sources of funding for a district come from local property taxes and state aid the level of non-homestead property in the district determines the amount retrieved locally. If the district has a low non-homestead tax base it will result in greater funds received from the state which means the district will probably have to borrow funds to operate if their fund balance isn't sufficient.
- B. The tax collection practice of the school district. A 100% summer collection allows a district to receive the local share of its funding up front with the July tax levy. If a 50/50 collection exists they will receive half in the summer and half in the winter collection. A 100% winter collection means the local taxes are collected during the winter only. The Ann Arbor Public Schools collects its taxes on a 50/50 basis.
- C. The trend of the fund balance level. Districts spending more than they receive can create a structural deficit, which eventually has to be addressed. The reason for the deficit will determine the level of concern necessary. For example, if fund balance is used to purchase a capital asset (buses, technology) that is preferable to spending the fund balance on recurring costs (employee costs).
- D. Future obligations that will require a greater level of spending such as opening a new building, districts can build up fund balance in order to meet the increase obligations of a larger operation.
- E. Declining enrollment presents a myriad of problems for a school district. The presence of a fund balance allows the district to better manage the decline.

Fund Balance Description

- F. The absence of sufficient fund balance will likely result in borrowing to meet cash flow needs. If a district borrows money it will pay a related interest cost, which is charged to the general operating budget.

- G. The presence of a reasonable fund balance along with a stable trend in the level of fund balance is viewed favorably by the bond rating agencies. This benefits local taxpayers with lower interest costs on bonds that are issued.

- H. Fund balance provides flexibility in dealing with unanticipated emergencies such as mid-year reductions in state funding.

The current AAPS Board Policy requires the budgeted year-end fund balance of the General Fund to be targeted to fall within the range of 6-15% of the preceding year's expenditures from the general fund. In simple terms this level of fund balance is necessary to avoid borrowing during the two-month period between the August and October State Aid payments. Additionally, it is important to have a sufficient fund balance to allow a school district to absorb cuts in state funding such as those that have occurred in the past two years, and may occur again in the next year. Having a financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year. Michigan School Business Officials recommends a 15% Fund Balance.

State Of Michigan Legislation Concerning Budgeting

REQUIREMENTS UNDER THE UNIFORM BUDGETING AND ACCOUNTING ACT *(PA2 of 1968 as amended)*

The purpose of the Act is to provide the structure necessary for a close relationship between the administration and the local school district school board with regard to the establishment of budgets and appropriations. The Act also provides that the Superintendent of Public Instruction shall publish suggested manuals, forms, and operating procedures for use by local and Intermediate School Districts (ISD's).

In addition, the Act provides for penalties for violations that occur under the Act when brought to the attention of the Attorney General, State of Michigan.

The following paragraphs list the major revenue and expenditure appropriation categories for the various funds:

The following major revenue categories and expenditure functions constitute the minimal levels of appropriation for the general fund and special revenue funds for a local school district:

REVENUES

- Local
- Intermediate
- State
- Federal
- Incoming Transfers & Other Transactions

EXPENDITURES

Instruction:

- Basic Program
- Added Needs
- Adult and Continuing Education

Support Services:

- Pupil
- Instructional Staff
- General Administration
- School Administration
- Business
- Operations and Maintenance
- Pupil Transportation
- Central
- Support Services – Other
- Athletics
- Community Services
- Outgoing Transfers and Other Transactions

The budgets projected are subject to the provisions of Act 94 of the Public Acts of 1979, as amended, or by any other law. It shall be consistent with the uniform chart of accounts prescribed for local and intermediate school districts by the State Board of Education.

RESPONSIBILITY

The Superintendent, as chief administrative officer of a local or intermediate school district, is responsible for budget preparation and presentation to the school board of the district and for the control of expenditures as presented in the budget and general appropriations act. In the case of local school districts which do not employ a superintendent, the person who has general administrative control of the school district shall act as the district chief administrative officer.

BUDGETS REQUIRED

Local school districts must prepare a budget for the general fund and special revenue funds such as the Food Service Fund, Recreation and Education Fund and Child Care Fund.

INFORMATION TO SCHOOL BOARD

The Superintendent shall furnish the school district board of education such information as the board requires for proper consideration of the recommended budget. The budget must include revenue and expenditure information for the most recently completed fiscal year, the current fiscal year, and the ensuing fiscal year. The information should include the amount of surplus or deficit accumulated from prior fiscal years and an estimate of the surplus or deficit expected as a result of the budget being considered.

DEFICITS PROHIBITED

When it is determined that the actual and probable revenue from taxes and other sources in a fund are less than the estimated revenues, including available fund balances, upon which appropriations from the fund were based, the Superintendent shall recommend to the board of education a plan to prevent expenditures from exceeding available revenues for the current fiscal year.

BUDGETARY CONTROL

The Superintendent of the school district shall not incur an expenditure against any specific appropriation in excess of the amount authorized by the board of education unless specified in the appropriation.

An expenditure shall not be incurred except pursuant to the authority and appropriations of the school board.

REQUIREMENTS UNDER GENERAL SCHOOL LAWS FOR PUBLIC HEARING ON THE BUDGET

Each school district must hold public hearing on its budget before it is adopted as provided for in the School Laws.

The General School Laws also require that prior notice of the hearing must be given to the public:

....notice of such hearing to be given by publication in a newspaper of general circulation within such unit at least six days prior to such hearing. Such notice shall include the time, date and place of such hearing and shall state the place where a copy of such budget is available for public inspection.

The hearing must be held before the final adoption and after the tax rate allocation has been fixed by the board:

....each local unit shall hold such public hearings prior to final adoption of its budget. Units which submit budgets to a county tax allocation board shall hold such hearing after its tax rate has been fixed by such a board.

REQUIREMENTS OF THE STATE SCHOOL AID ACT

Section 102 the School Aid Act prohibits deficit (negative equity) in budgeting:

....a district receiving money under this act shall not adopt or operate under a deficit budget and a district shall not incur an operating deficit in a fund during a school fiscal year....

....a district having an existing deficit, or that incurs a deficit, or that adopts a current year budget that projects a deficit fund balance, shall not be allotted or paid a further sum under this act until the district submits to the department for approval a budget for the current school fiscal year and a plan to eliminate district's deficit not later than the end of the second school fiscal year after the deficit was incurred or the budget projecting a deficit was adopted.

GENERAL OPERATING FUND BALANCE POLICY

The District shall manage its financial matters so that the budgeted year-end fund balance of the general fund is targeted to fall within a range of 6 to 15 percent of the preceding year's expenditures from the general fund.

Policy 3210.R.01

Adopted: March 26, 2014

Revised: November 11, 2015

ACCOUNT CODE FUNCTION DEFINITIONS

INSTRUCTION SERVICES:

These are instructional activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom, in another location such as in a home or hospital and other learning situations such as those involving co-curricular activities. It may also be provided through some other approved medium such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, supplies and machines which assist directly in the instructional process.

Basic Program: Instructional activities including enrichment designed primarily to prepare pupils for activities as citizens, family members, and workers, as contrasted with programs designed to improve or overcome physical, mental, social and/or emotional handicaps. Included are Pre-School, Elementary, Middle School, and High School and other basic programs such as summer school and enrichment programs.

Costs that can be attributed to direct classroom/student expenses are charged under the categories noted above. Examples include:

- classroom teacher salaries and benefits
- classroom teacher assistant salaries and benefits
- substitute teachers
- teacher hourly salaries
- field trips
- instructional supplies and materials, textbooks, repair of classroom equipment, new and replaced equipment, printing, periodicals, subscriptions, and other
- contracted services, workshops & conferences/travel

Added Needs: Instructional activities for pupils' added needs such as special education, vocational education and compensatory education. Expenditures during the regular school year and the summer program should be included under this function number.

Compensatory education costs are related to programs such as Title I.

Costs that can be attributed to direct special education, vocational education, compensatory education and other added needs' classroom/student expenses are charged here. Examples include:

- classroom teacher salaries and benefits
- classroom teacher assistant salaries and benefits
- substitute teachers
- teacher hourly salaries
- field trips

ACCOUNT CODE FUNCTION DEFINITIONS

- instructional supplies and materials, textbooks, repair of classroom equipment, new and replaced equipment, printing, periodicals, subscriptions, and other AV materials, library books, etc.
- contracted services, workshops & conferences/travel

Adult/Continuing Education: Learning experiences designed to develop knowledge and skills to meet educational objectives of adults.

The Adult Education Program in the Ann Arbor Public Schools has three important components; they are: the High School Completion Program, Adult Basic Education and Project Education. Both High School Completion and Adult Basic Education programs serve students 20 years old and over and are free to those eligible. Funding comes from the State of Michigan. The High School Completion Program is for adults who are working on completion of their high school diploma or G.E.D., while the Adult Education program provides English as a Second Language classes for foreign-born adults. Pathways to Success is an alternative high school for students aged between 14-19 years old working to complete their high school diploma. Since they are considered part of our district's K-12 students, we receive foundation allowance to fund this program.

SUPPORT SERVICES:

These are services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. Supporting Services supplements the fulfillment of the objectives of instruction.

Pupil Support: Services which are designed to assess and improve the well-being of pupils and to supplement the teaching process. Services under this category are: Attendance Services, Guidance Services, Health Services, Psychological Services, Speech and Audiology Services, Social Work Services, Visual Aid Services, Teacher Consultant and Other Pupil Services, including noon supervision.

Examples of costs that can be attributed under these categories include:

- salaries and benefits for auxiliary services staff such as: psychologist, social worker, speech therapist, teacher consultant, guidance counselor, occupational therapist
- hourly salaries for noon supervisors and monitors
- supplies and materials, repair of equipment, new and replaced equipment, printing, periodical and subscriptions, psychological testing supplies.
- contracted services, workshops & conferences/travel

ACCOUNT CODE FUNCTION DEFINITIONS

Instructional Staff Support: Consists of activities associated with assisting the instructional staff with the content and process of providing learning experiences for pupils.

Examples of costs that can be attributed under these categories include:

- salaries and benefits for curriculum coordinators and staff development personnel, directors and supervisors of programs, and librarians
- salaries and benefits for secretaries in staff development, curriculum office, directors' offices
- hourly salaries for teacher clerks and library clerks
- supplies and materials, repair of equipment, new and replaced equipment, printing, periodical and subscriptions, psychological testing supplies
- contracted services, workshops & conferences/travel

General Administration: Consists of those activities concerned with establishing policy, operating schools and the school system, and providing the essential facilities and services for the staff and pupils.

Examples of costs that can be attributed under this category include:

- salaries and benefits for administrative staff such as: Superintendent, Deputy Superintendent, Assistant Superintendent for Instructional Services, certain Executive Directors, and their office staff
- Board secretary's salary and benefits
- Election costs, audit fees, and legal expenses
- Board stipends, meeting expenses
- workshops/conferences and membership costs
- office supplies and materials, repair and maintenance of equipment, new and replacement of equipment

School Administration: Consists of those activities concerned with overall administrative responsibility for a single school.

Examples of costs that can be attributed under this category include:

- Principals, assistant principals, class principals, and secretaries' salaries and benefits
- Principals' office supplies and materials, equipment and repair
- Summer school principals' hourly cost and their hourly help
- Postage, office supplies and materials
- Office equipment, printing
- Workshops, conferences, travel, membership fees

ACCOUNT CODE FUNCTION DEFINITIONS

Business Services: Consists of those activities concerned with the fiscal and business operations of the school system.

Included are the fiscal acquisition of facilities, and internal services for operating all schools.

Examples of costs attributed under this category may include:

- Salaries and benefits of finance staff such as: Assistant Superintendent for Finance and Operations, Executive Finance Director, payroll and accounts payable staff, purchasing and secretaries
- Supplies and materials, maintenance and repair of equipment
- New and replacement equipment
- Printing, postage, membership dues, subscriptions
- Contracted services
- Banking interest and fees

Operations and Maintenance: Consists of those activities concerned with keeping the physical plant open, clean and safe for use, and keeping the grounds, buildings, and equipment in an effective working condition and state of repair. This includes activities of maintaining safety in buildings, on the grounds and in the vicinity of schools.

Examples of costs attributed under this category may include:

- Contracted custodial and maintenance services
- Facilities Director, security monitor, master maintenance positions, and secretaries salaries and benefits
- Maintenance of heavy equipment, repair, replacement of equipment and new equipment
- Electricity, telephone, sewer, natural gas, water and trash removal
- Custodial, grounds and maintenance supplies and materials
- Security guards and alarm systems
- Property and liability insurance

Pupil Transportation: Consists of those activities concerned with the transporting of pupils to and from school, as provided by state law. It includes trips between home and school or trips to school activities. All direct costs related to pupil transportation should be included under this function

Examples of costs attributed under this category may include:

- Contracted costs for transportation services
- Repair and maintenance of busses, printing
- Fleet insurance
- Fuel, tires, batteries, vehicle parts
- Student ridership passes for public transportation

ACCOUNT CODE FUNCTION DEFINITIONS

Support Services:

Central: Activities other than general administration which support each of the other instructional and supporting service programs.

Costs attributed under this category:

- Salaries and benefits for Information Technology, Research and Evaluation, Pupil Accounting, Communications, Human Resources Directors and respective department Directors and staff
- Supplies and materials, postage, printing, local travel, workshop and conferences
- Repair and maintenance of computers, copiers and audio visual equipment, new and replacement of equipment
- Consultant services

Athletics and Activities: Activities of any supporting service or classification of services, general in nature, which cannot be classified in the preceding service areas. These consist of those activities concerned with financing the interscholastic athletic programs and pupil organizations under the supervision of the school.

Costs attributed under this category:

- Salaries, and benefits for sponsors/heads of student groups and activities
- Salaries and benefits for athletic directors, coaches
- Referee and game worker services, athletic supplies and materials, athletic transportation

Community Services: Consists of those activities that are not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, programs of custody and care of children, and non-public school pupils. Services to pupils attending a school established by an agency other than the state, subdivision of the state, or the federal government, which usually is supported primarily by other than public funds, may consist of such activities as providing instructional services, attendance and social work services, health services, professional development and are primarily grant-funded costs.

Examples of costs attributed under this category include:

- Salaries and benefits for Recreation and Community Service supervisors and secretaries, recreation specialists, and school age childcare workers
- Rec and Ed and School Age Child Care supplies and materials, postage, printing, workshop/conference, local travel
- Professional development, curriculum materials for non-public schools as provided in conjunction with grant awards

GLOSSARY

Benefits:

Includes mandatory and contractual additions (benefits) to salary. Mandatory benefits include FICA and retirement. Non-mandatory benefits include health, life, dental, vision insurance, compensated absences (vacation/sick), etc.

Blended Membership Count:

The number of pupils counted in the schools in February (previous fiscal year) and September (current fiscal year). A blend of these counts determine the number of pupils eligible for foundation guarantee funding.

Categorical Funding:

Revenues specifically identified in the state aid act or other state law which must be used for a specific purpose. Often, if this money is not completely used it is required to be refunded to the state. Many categoricals are paid based on estimates and must be adjusted or carried over once actual costs are known.

Foundation Allowance:

A funding formula providing for a per pupil distribution of State Aid based on the district's previous combined state and local revenue and the growth in the state's State Aid Fund.

FTE:

Full time equivalent. Refers to employees (personnel on the school payroll) or pupils of the district. [Two part-time employees working 50% of the normal hours for a particular position represent on (1) FTE.]

Hold Harmless Millage:

Also known as Supplemental millage. Additional local operating millage approved by the voters of the district, for districts which require additional millage to fund the foundation allowance. This millage is levied on principal residence (homestead) property.

Homestead Property:

Any dwelling, or unit in a multiple-unit dwelling, that is owned and occupied as a principal residence of the owner and includes other contiguous, unoccupied parcels owned by the owner of the homestead. Leasing less than 50% of a homestead to another person as a residence does not disqualify the property as a homestead. The owner must be an individual.

Local Assessed Valuation:

The value placed upon each piece of property by the local assessor within his/her jurisdiction.

GLOSSARY

Millage:

The rate of taxation applied to the taxable value representing 1/1000 of a dollar.

Non-Homestead Property:

Any dwelling, that is not owned and occupied as a principal residence by the owner, i.e., commercial, industrial or rental of second homes.

Non-Homestead Millage:

A local operating millage approved by the voters of the district on property where a homestead exemption has not been granted. For most districts, 18 non-homestead mills are levied.

Other Support Staff:

Any FTE employee who, in general, does not supervise another employee and who provides logistical support to facilitate and enhance instruction. Responsibilities include, but are not limited to, preparing, transferring, transcribing, systematizing, or preserving written communications and records.

Proposal A:

An amendment to the State Constitution of 1963 voted by Michigan voters on March 15, 1994, which became effective April 30, 1994.

- A. Limits increase in the "taxable value" of property in 1995 and each year thereafter to increases in the "general price levy" or five percent (5%), whichever is less, until ownership is transferred.
- B. Requires that any law that increases the statutory limits, in effect on February 1, 1994, on the maximum amount of property taxes that may be levied for school district operating purposes, obtain the approval of 3/4 of both the House and Senate.
- C. Mandated a two percent (2%) increase in the state sales tax with the proceeds dedicated to the state school aid fund (from 4% to 6%).
- D. Guarantees each local school district that the total state and local per pupil revenues for operating purposes in 1995-96 and each year thereafter will not be less than 1994-95 so long as the local school district's millage rate levy is not less than the 1994 levy.

Reserves (Fund Equity):

Funds set aside in a school district budget to provide for future expenditures or to offset future losses, for working capital (cash flow) or for other purposes.

Salaries:

The total amount regularly paid or stipulated to be paid to an individual, before deductions for personal services rendered while on the payroll of the school district. Payments for sabbatical leave are also considered salary.

GLOSSARY

State Equalized Value:

The value attached to the property listings of an assessing unit by the State Tax Commission in order to equalize assessments at 50 percent of true cash value on a statewide basis.

State Education Tax:

6 mills levied by the State on all property with the proceeds dedicated to the State's State Aid Fund.

Step Increase:

The automatic increase in salary based on number of years of service and/or educational degrees obtained. The step increase is in addition to any negotiated contractual salary increase. A step increase continues for 5-13 years, depending on the bargaining unit.

Supervisors and Coordinators:

Any FTE who supervises or coordinates another employee. Staff provides supervisory, technical or logistical support to facilitate and enhance instruction.

Taxable Value:

Property value used for determining the amount of property tax levied on each parcel. Different from the State Equalized Value due to per parcel limits on property value increases (per Proposal A).

Teachers:

Any FTE employee who provides direct permanent instruction to pupils. (Does not include substitute teachers.)

No person shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination in any educational program or activity available in any school on the basis of race, color, sex, religion, creed, political belief, age, national origin, linguistic and language differences, sexual orientation, gender, gender identity, gender expression, socio-economic status, height, weight, marital or familial status, or disability or veteran status. Adopted December 2013.