



Exceptional! 
ANN ARBOR PUBLIC SCHOOLS



Public Schools of the City of Ann Arbor

Financial Audit
Year ended June 30, 2019



Audit Summary

- All school districts in Michigan are required by state law to have an annual 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:

- Congratulations on successfully passing a \$1 billion bond issue to meet the District's infrastructure and school building needs
- \$10.1 million in current year capital investments from the outstanding bond issues
- Sinking Fund millage continues to be a critical element to the overall capital repair needs of the District, with \$19.8 million in current year investments from this fund



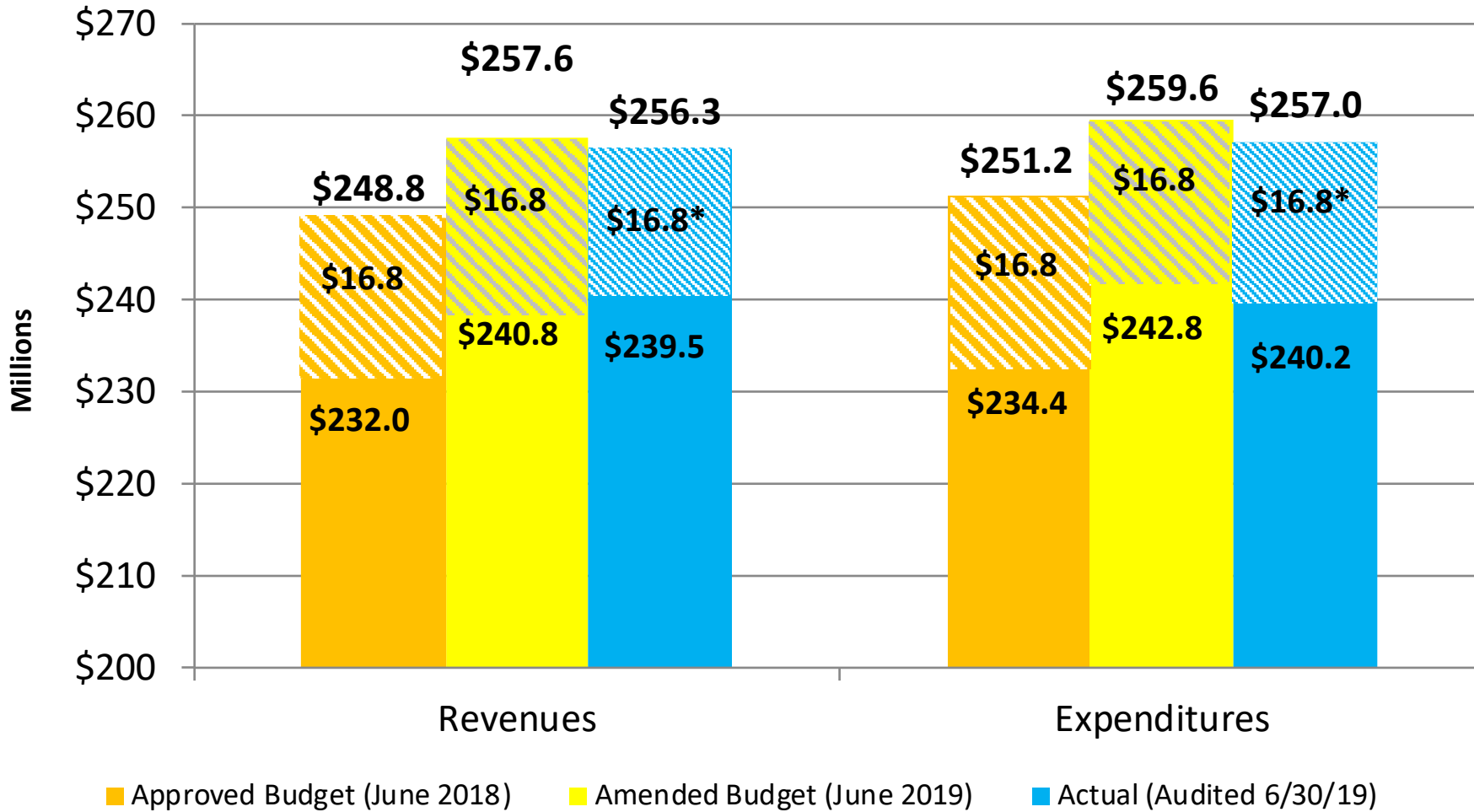
Highlights and Challenges

Challenges:

- Balancing investments in staff compensation with overall fiscal responsibility, working with current funding structure
- Continued expansion to meet needs of housing development and growing enrollment in the Ann Arbor community
- Educating on state funding model for Michigan public schools



General Fund – Budget to Actual



*Both revenue and expenditures include \$16.8 million in Michigan Public Schools Employee Retirement System (MPSERS) retirement contributions passed-through from State of Michigan



General Fund

Budget to Actual

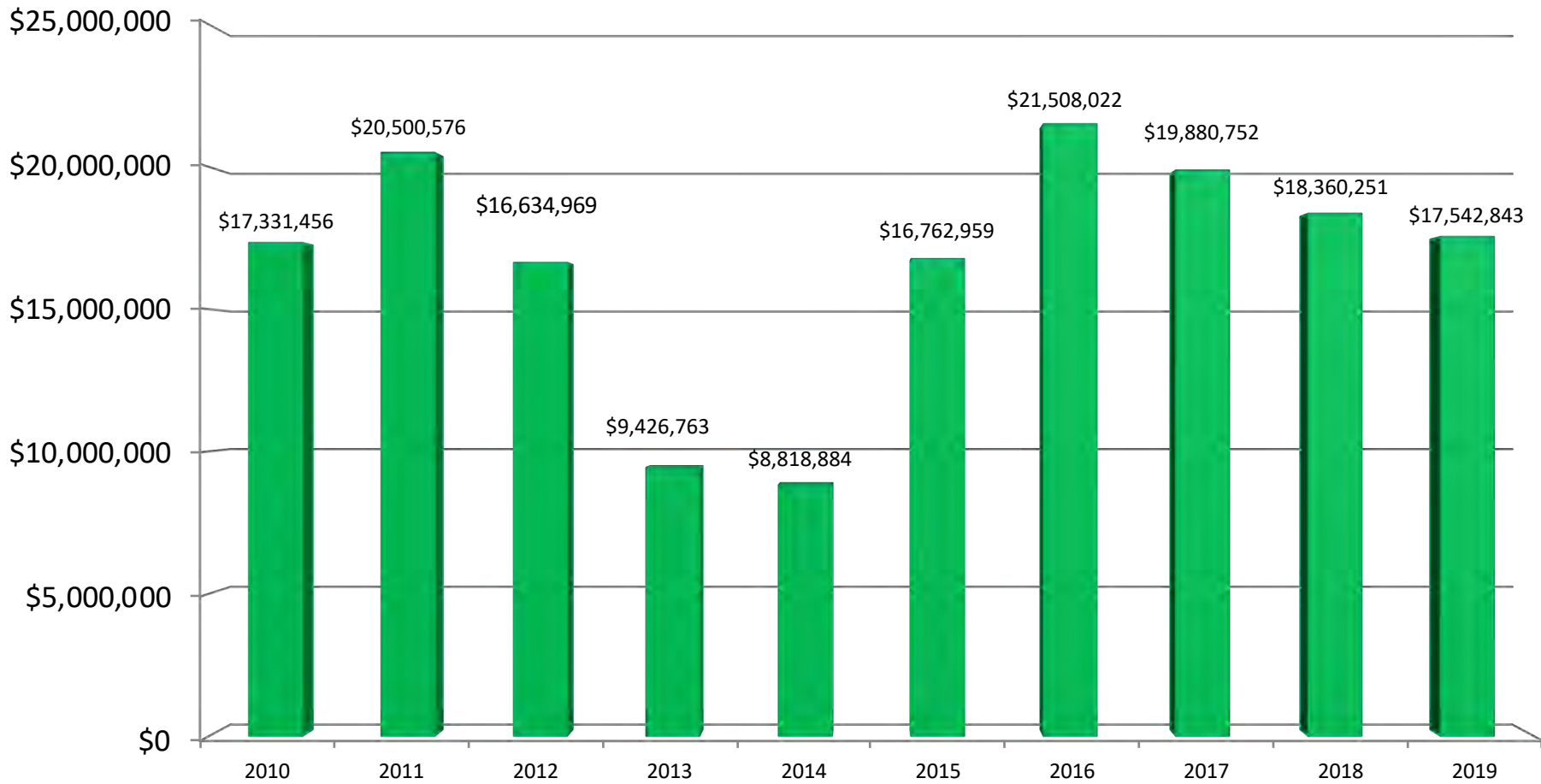
Year Ended June 30, 2019

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% variance</u>
Fund Balance - June 30, 2018	\$ 18,360,251	\$ 18,360,251	\$ -	
Revenue	257,606,514	256,282,621	(1,323,893)	-0.51%
Expenditures	<u>259,572,951</u>	<u>257,028,253</u>	<u>(2,544,698)</u>	-0.98%
Excess of Expenditures Over Revenue	(1,966,437)	(745,632)	1,220,805	
Plus: Other Financing Sources/(Uses)	<u>(45,240)</u>	<u>(71,776)</u>	<u>(26,536)</u>	
Change in Fund Balance	<u>(2,011,677)</u>	<u>(817,408)</u>	<u>1,194,269</u>	
Fund Balance - June 30, 2019	<u>\$ 16,348,574</u>	<u>\$ 17,542,843</u>		
Fund Balance as % of Expenditures		6.8%		
Fund Balance as % of Revenue		6.8%		
Days of operation (365 day year)		25		



Comparative General Fund

Fund Balance History
Year Ended June 30



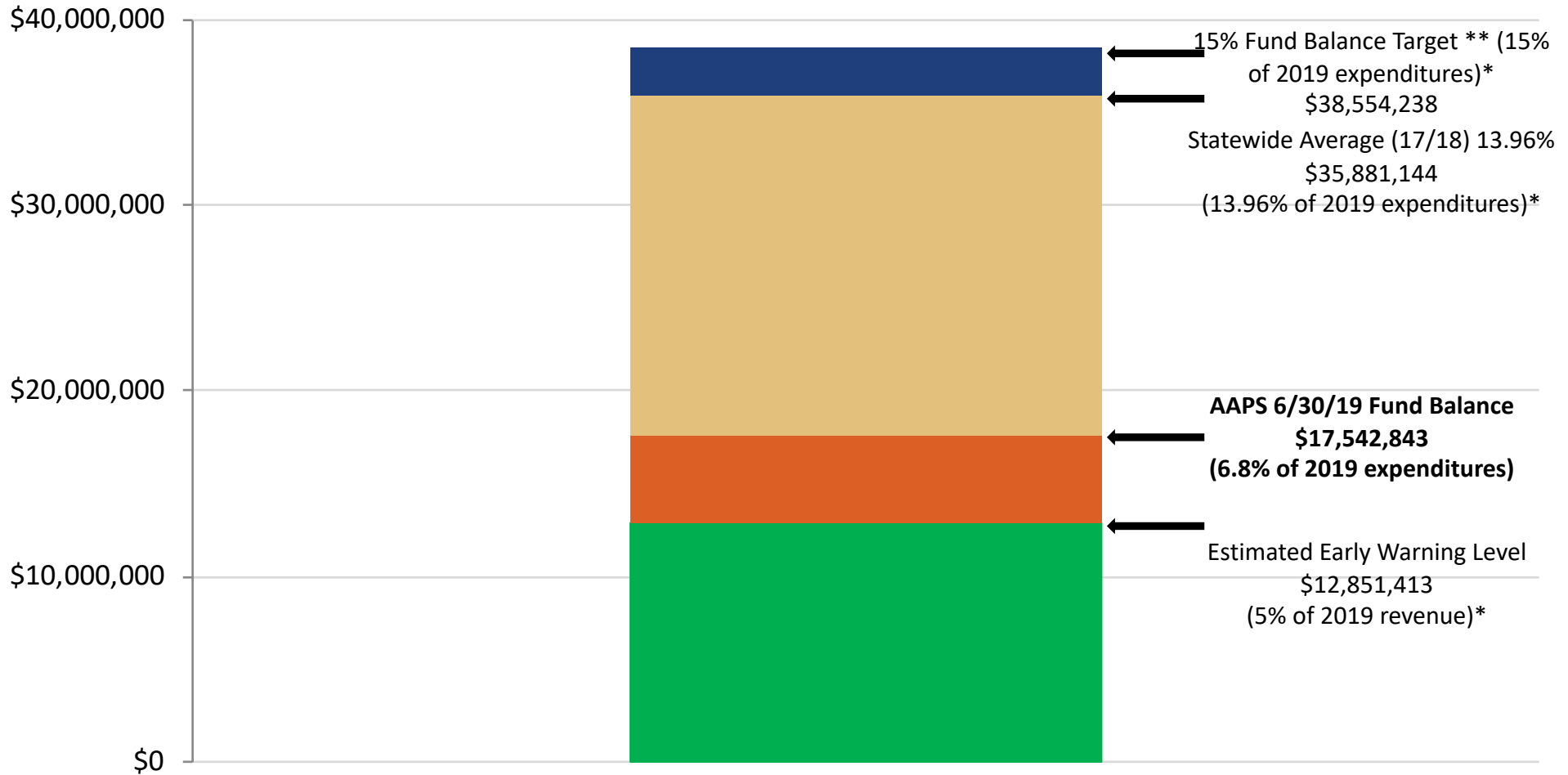
Percentage of Expenditures	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	8.2%	10.5%	8.5%	4.7%	4.6%	8.3%	10.2%	8.5%	7.2%	6.8%



General Fund

Fund Balance Indicators

June 30, 2019



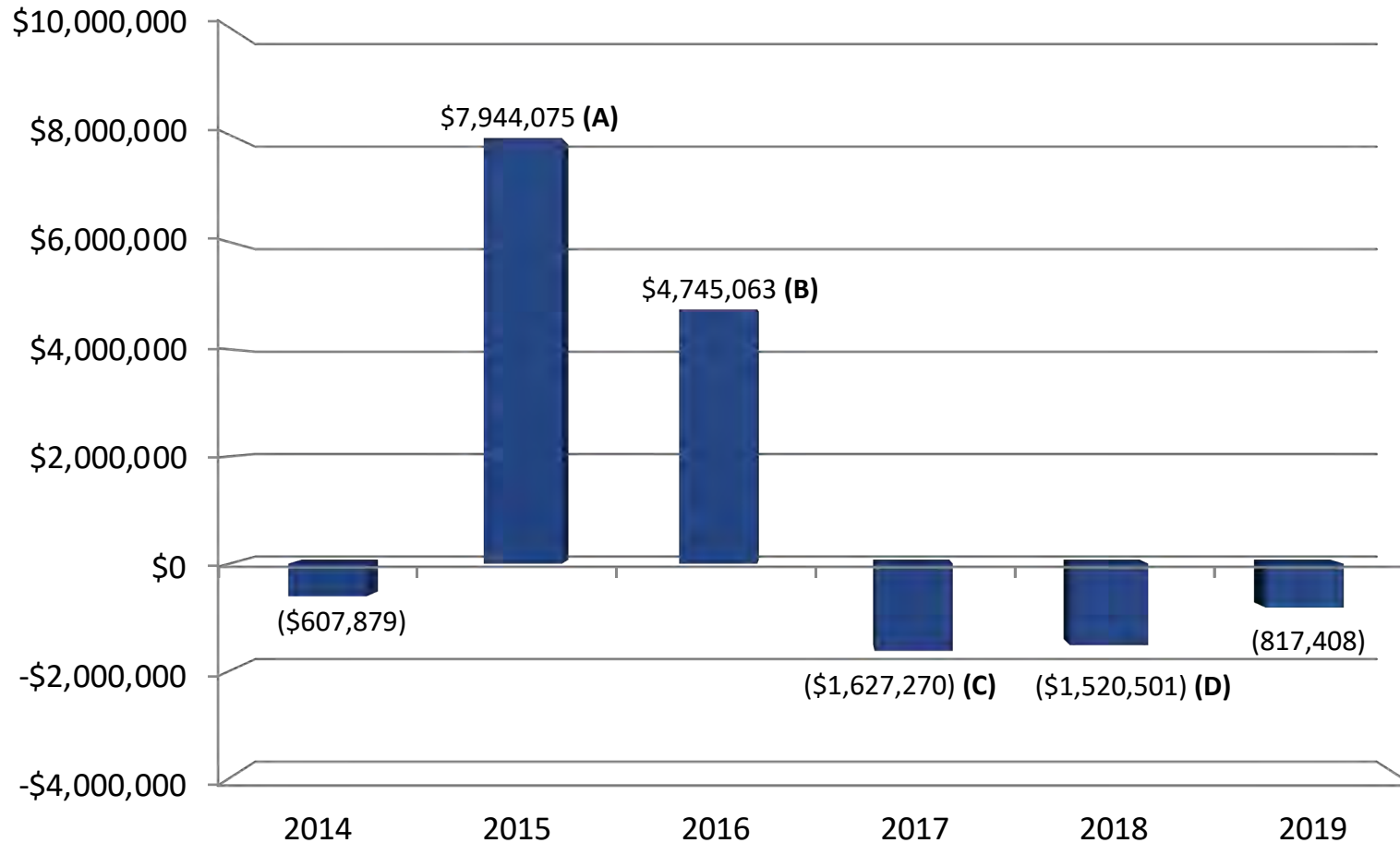
**Estimated Early Warning Line and Fund Balance target percentages based on 2019 general fund revenues and expenditures. Board policy is range of 6-15% of expenditures*

*** 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)

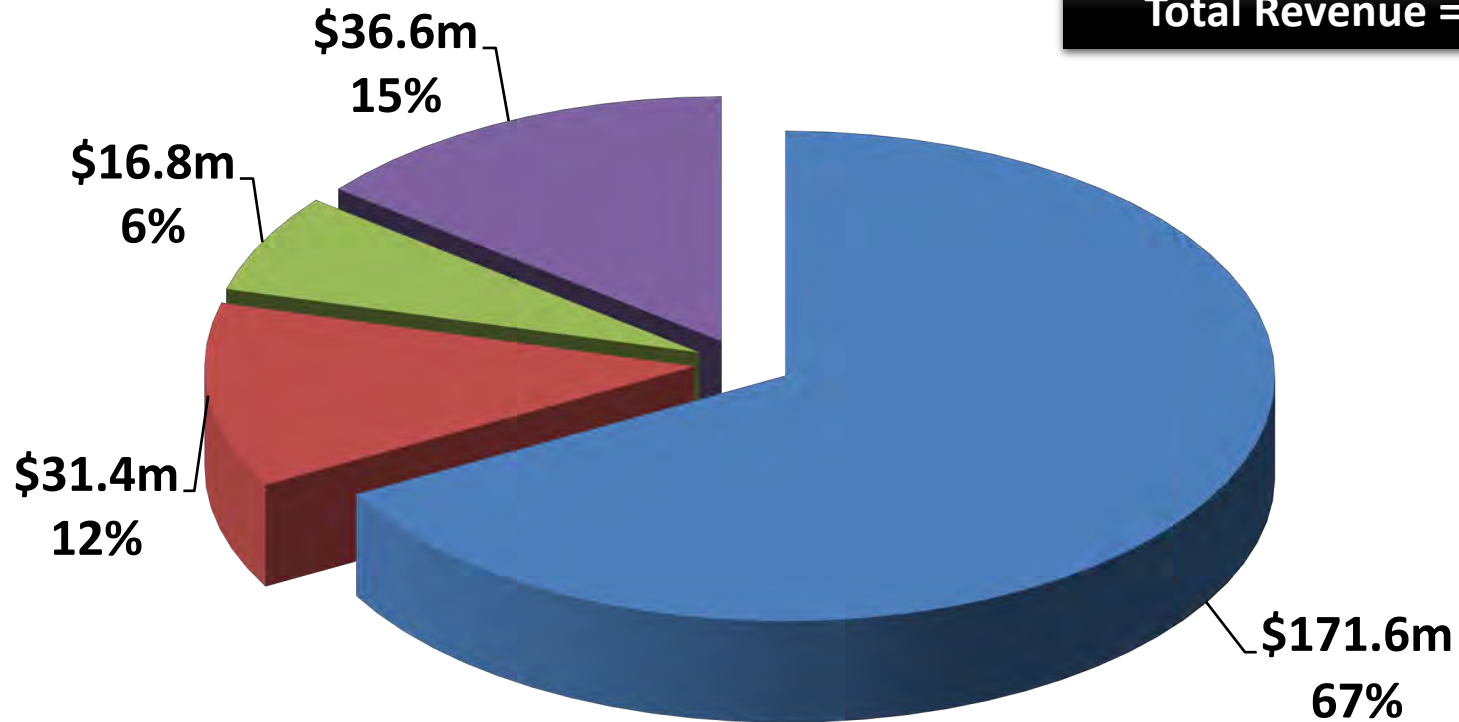
(D) Includes one-time funding related to Cell Tower leases (\$2.4 million), easement to ITC (\$1.1 million), and Tax Base Prior Year Adjustments from the State of Michigan (\$3.1 million)



General Fund Revenue

Year Ended June 30, 2019

Total Revenue = \$256,379,021

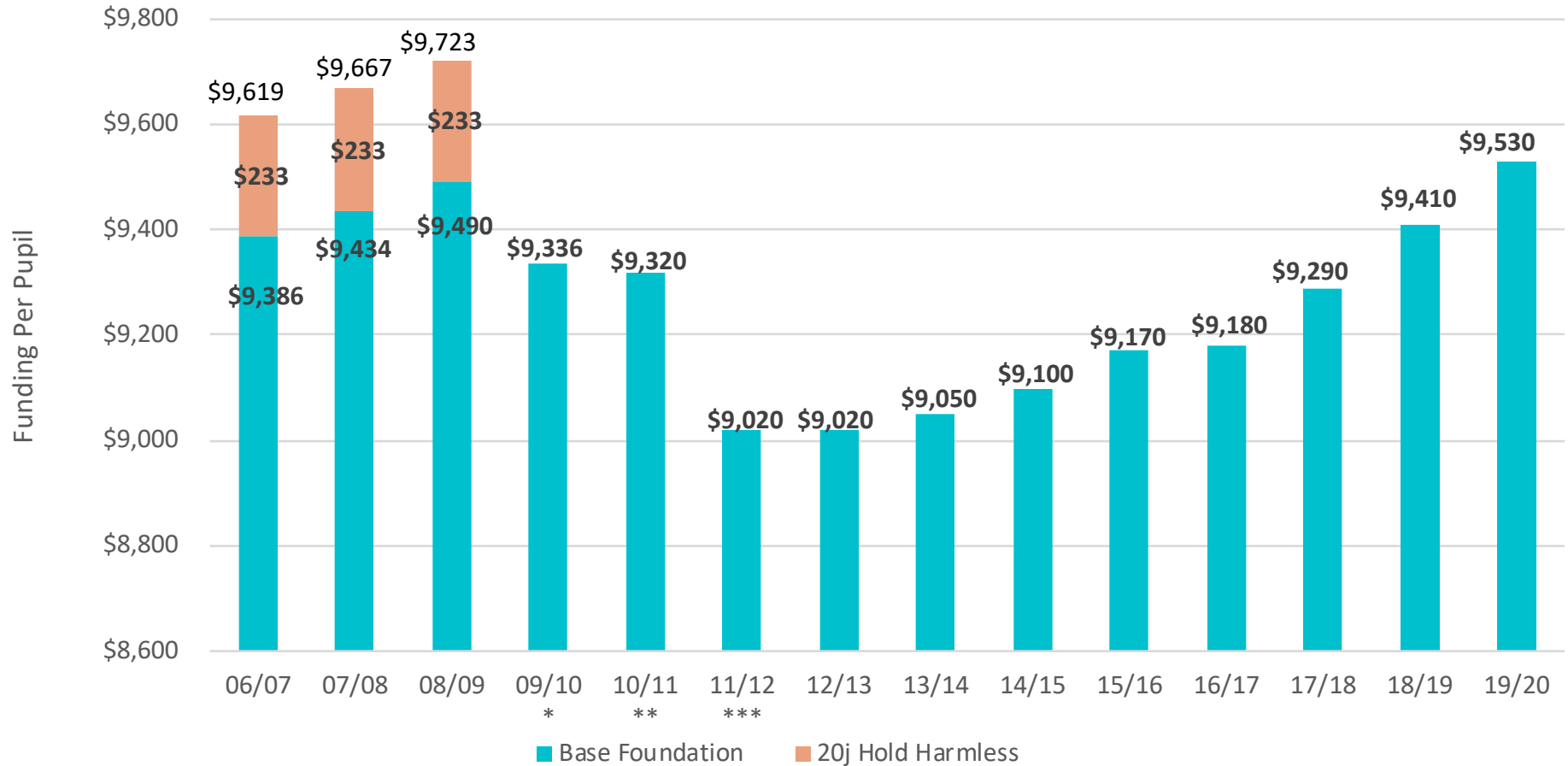


- Foundation Allowance
- County Special Education Millage
- Retirement Funding Pass-through (Required to be sent directly to pension system)
- Other (State Categoryals, Federal Grants, Special Ed State Funding, Local)



Foundation Allowance

Historical lookback at funding



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

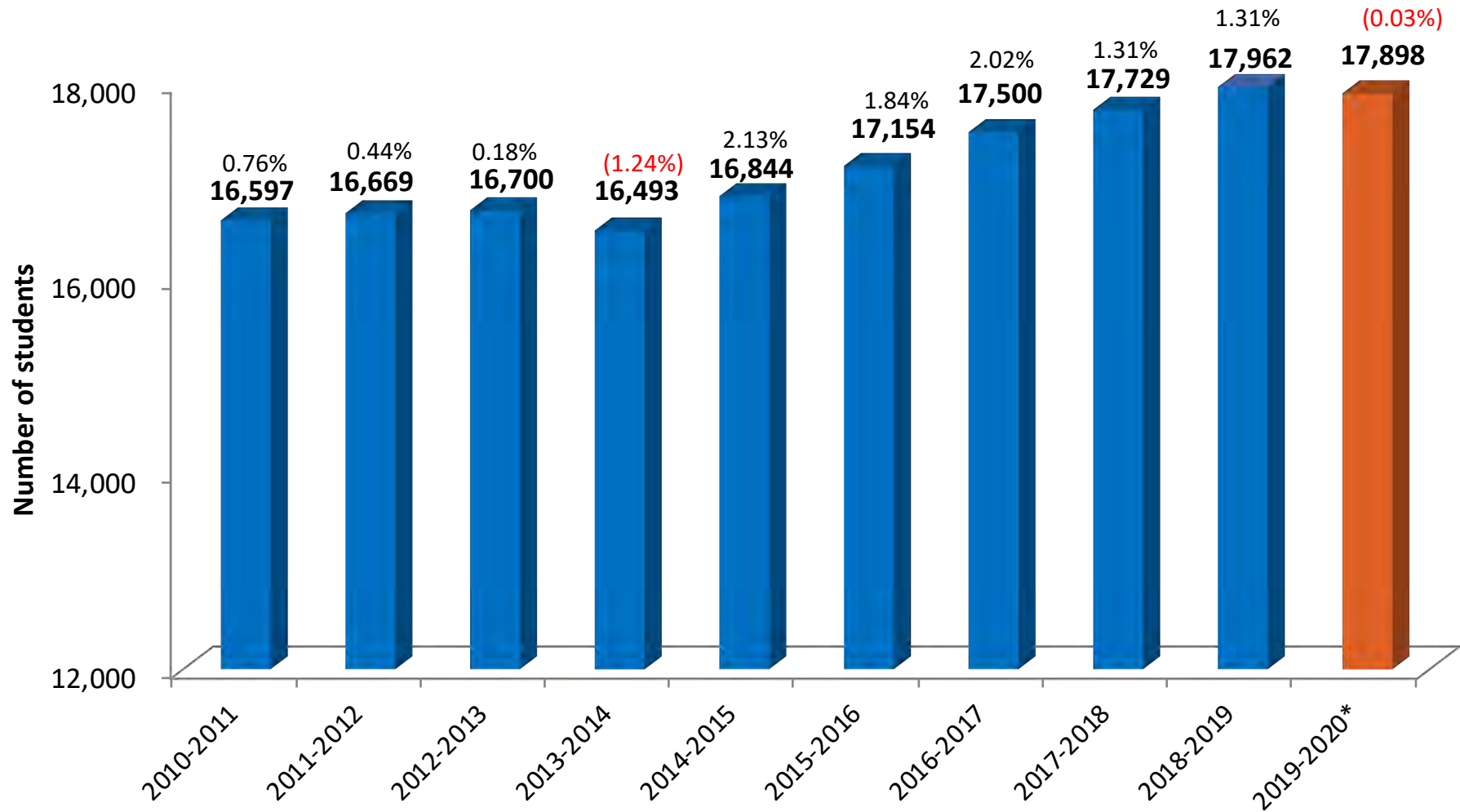
** 10/11 reflects Section 11d funding reduction of \$170 per pupil

*** 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

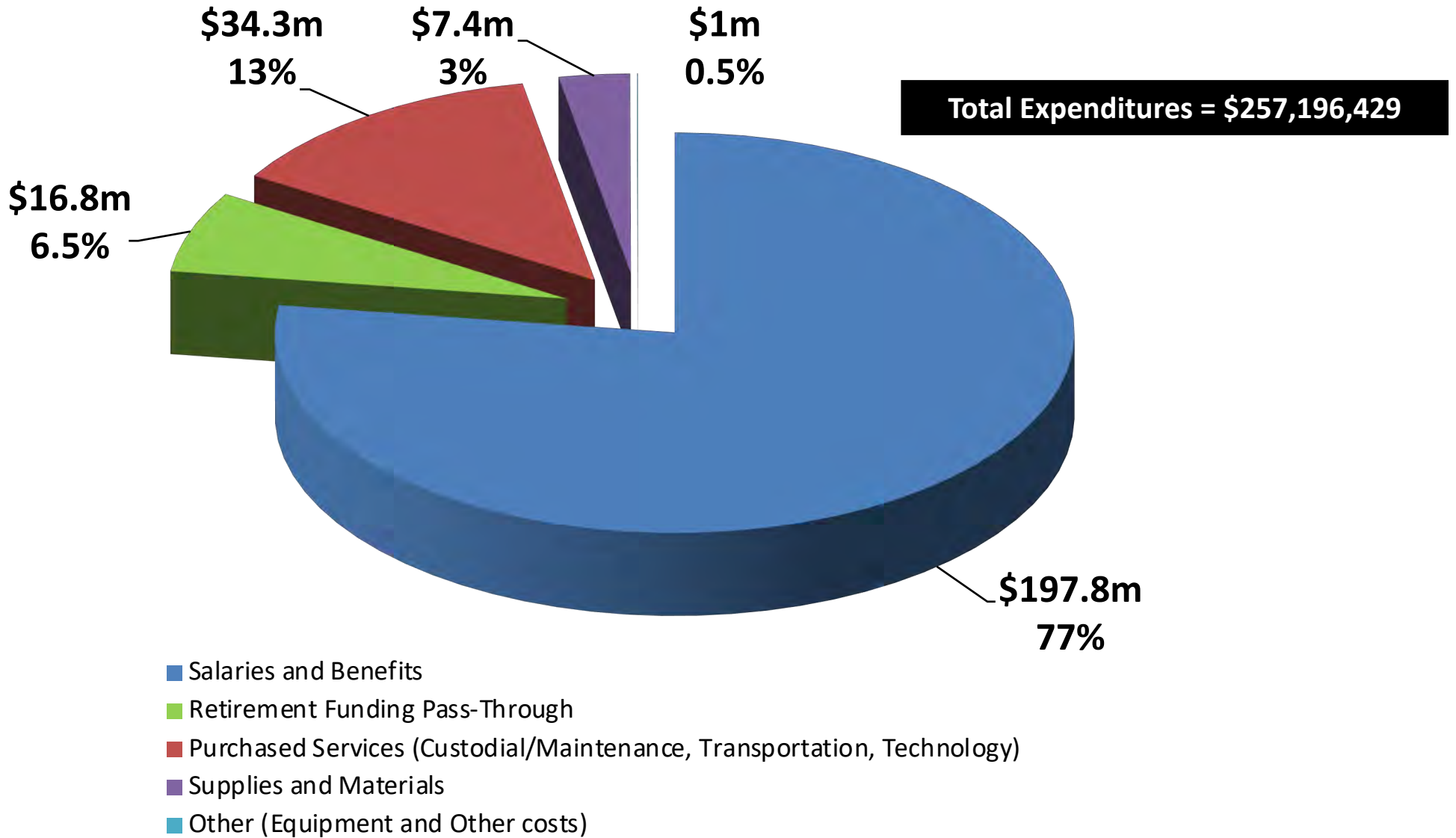


* Estimated Fall 2019 count (FTE)



General Fund Expenditures

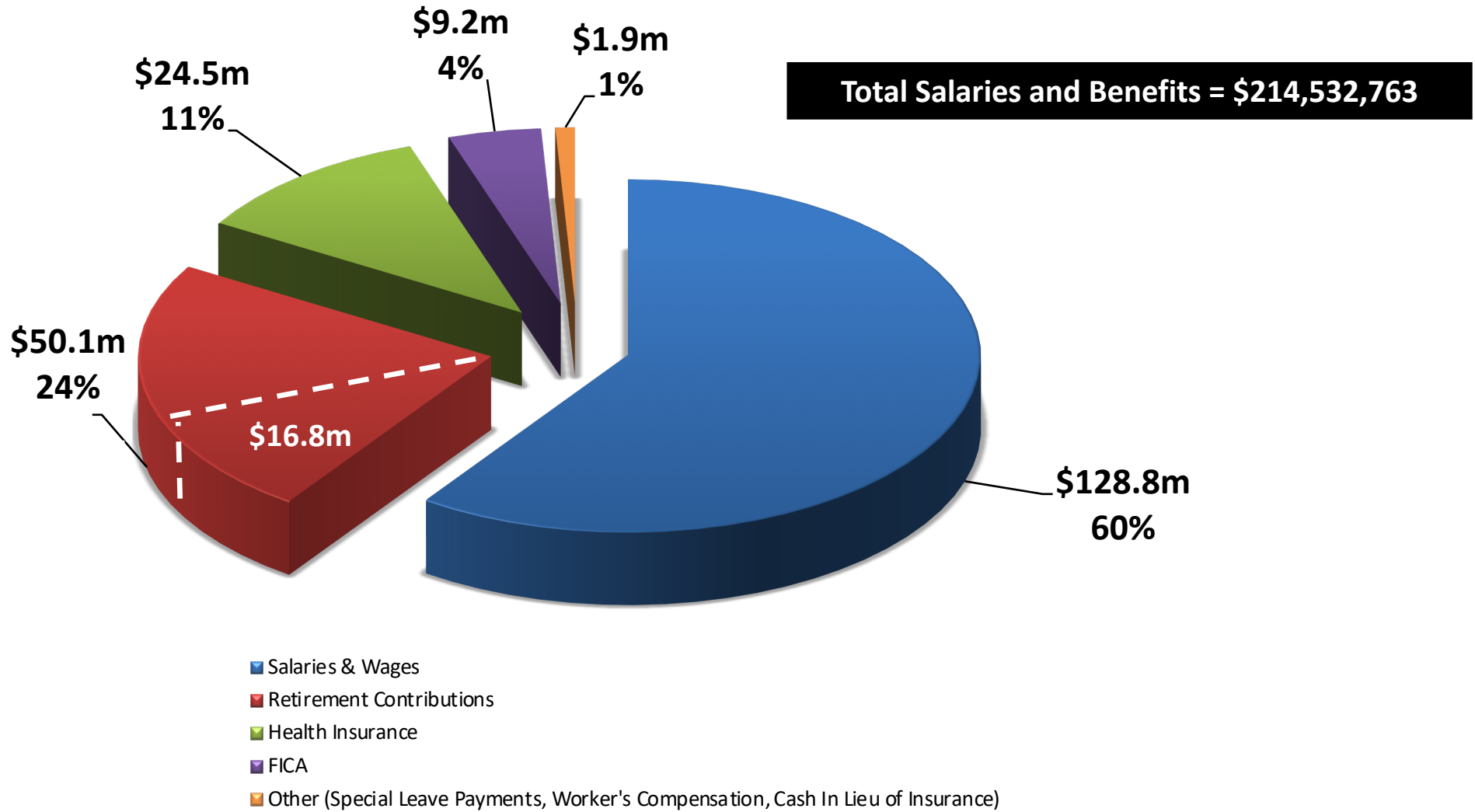
Year Ended June 30, 2019





General Fund Salaries and Benefits

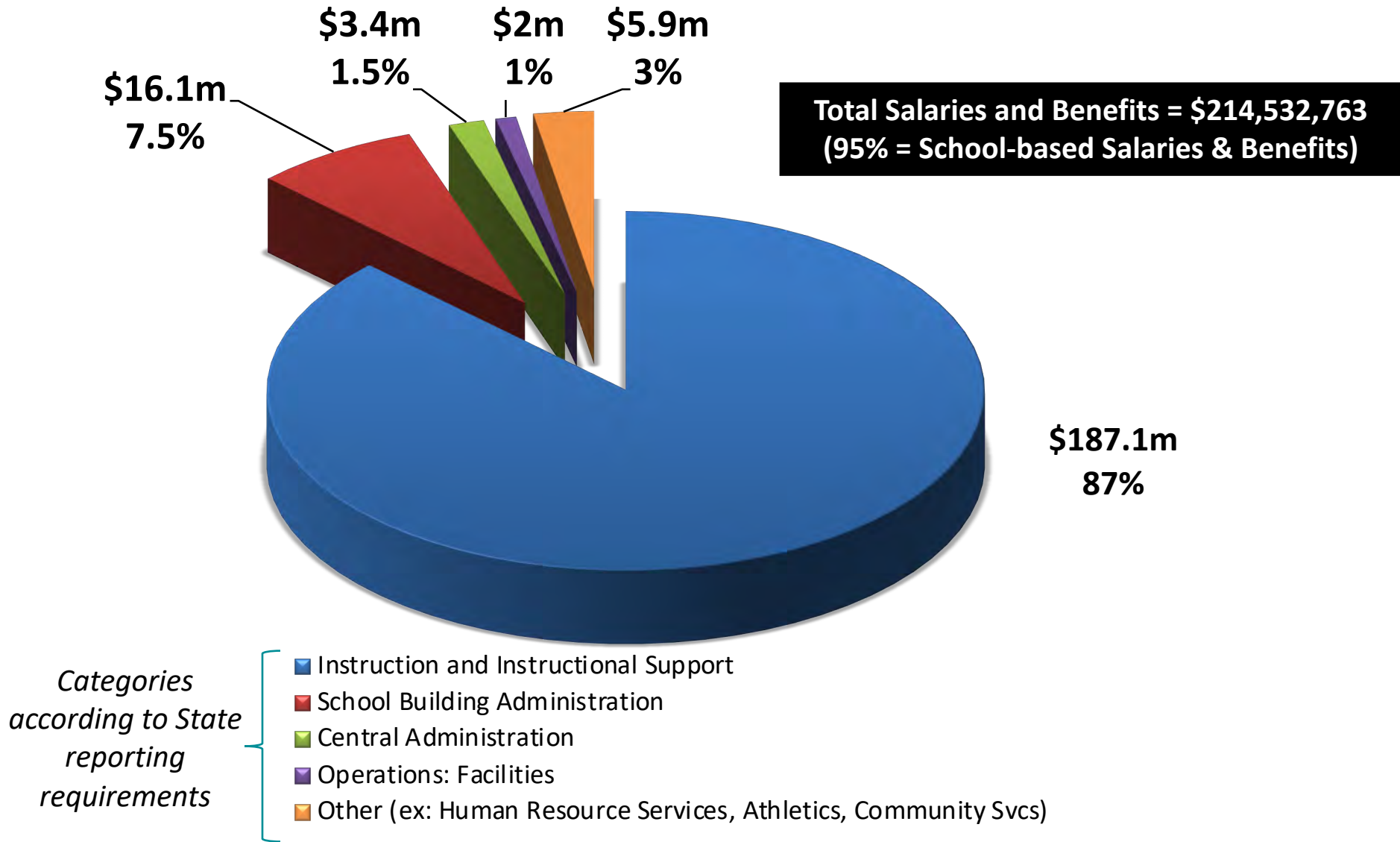
Year Ended June 30, 2019





General Fund Breakdown of Salaries and Benefits

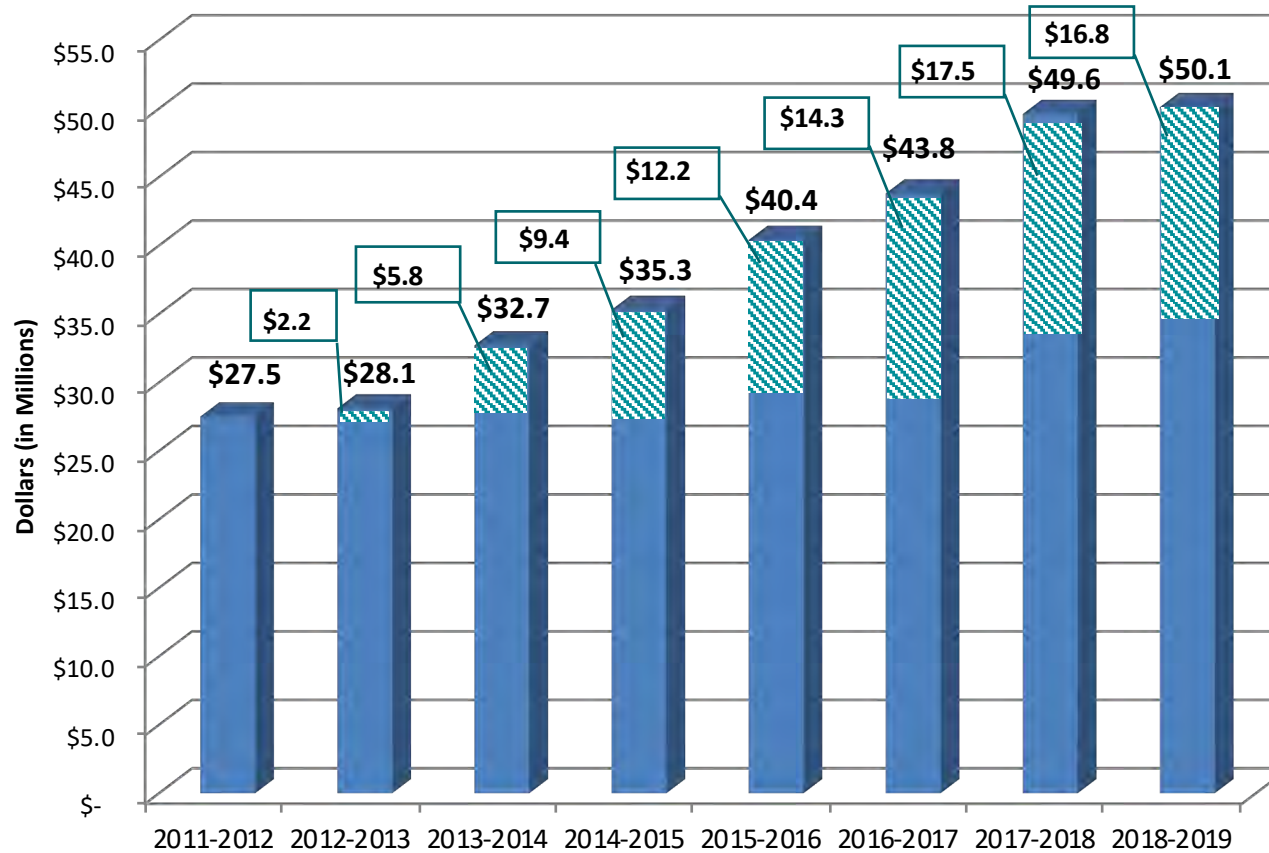
Year Ended June 30, 2019





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:

- 2014 includes \$5.8 million - 2017 includes \$14.3 million
- 2015 includes \$9.4 million - 2018 includes \$17.5 million
- 2016 includes \$12.2 million - 2019 includes \$16.8 million



Total Health Related Insurance Costs

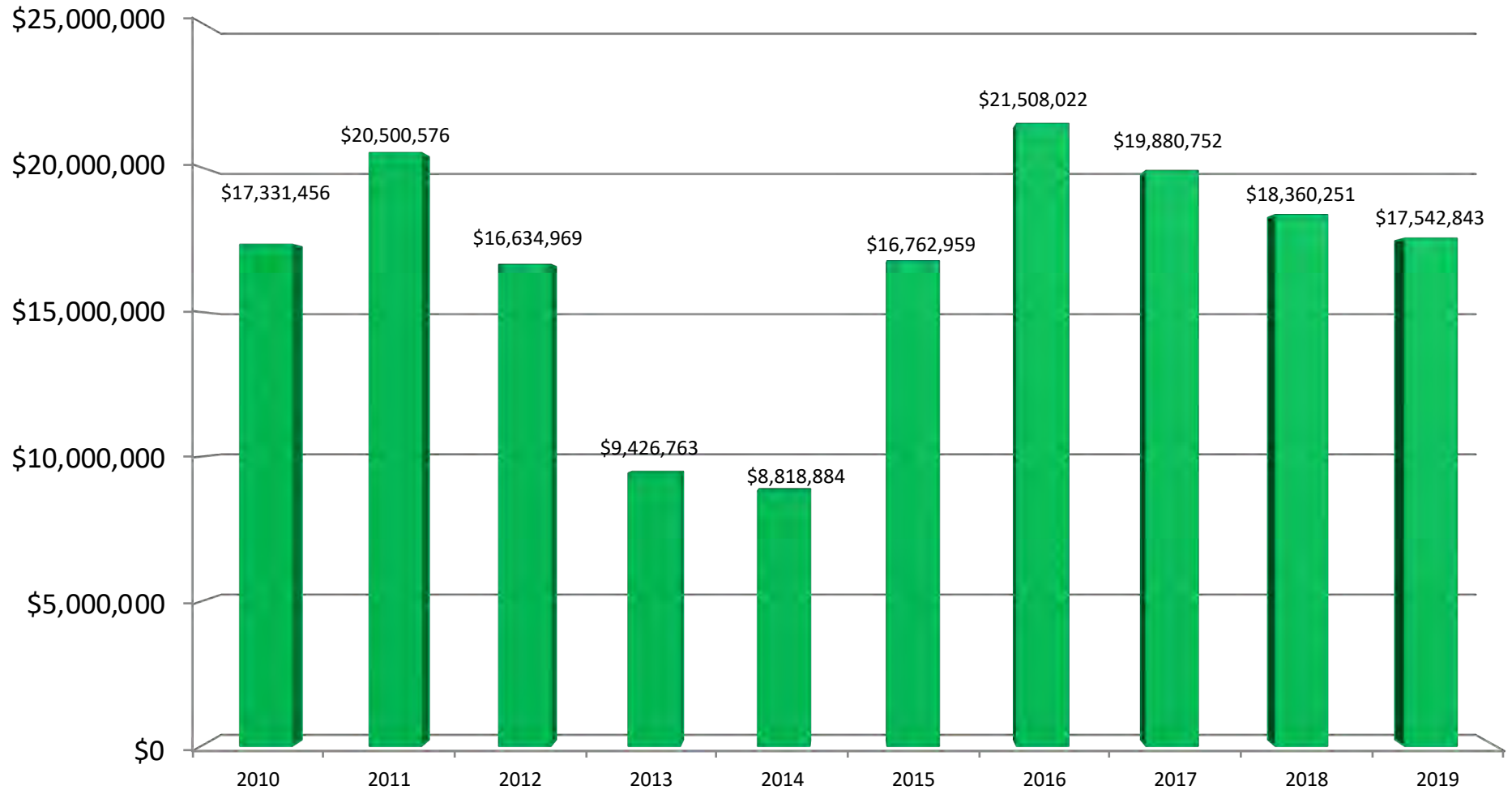
Year Ended June 30



*Increase in FY2018 and FY2019 was primarily the result of increasing the hard cap. The District currently pays a maximum of \$13,219 per teacher (the largest covered group) for insurance (no increase from FY2018)



Comparative General Fund Fund Balance History Year Ended June 30

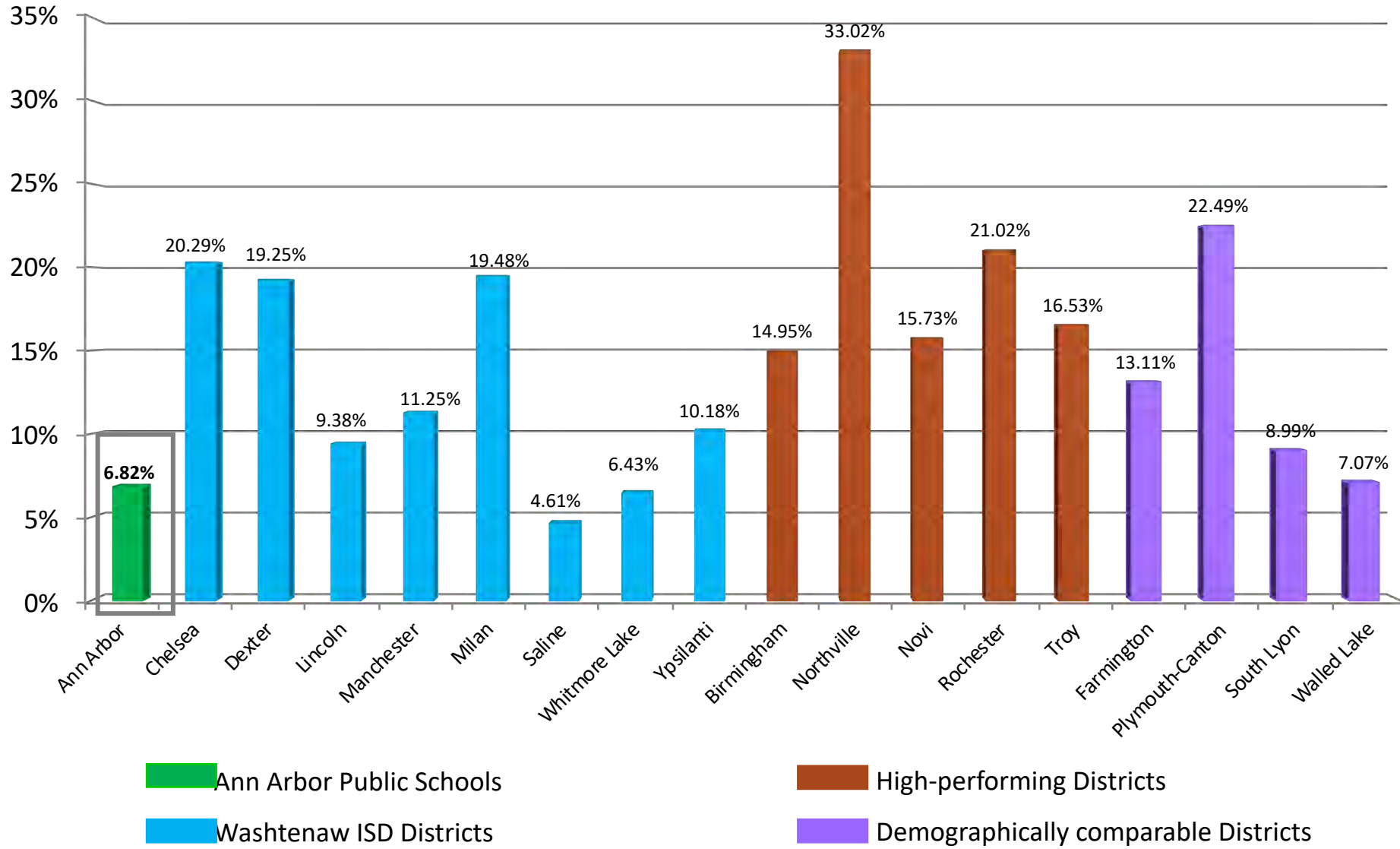


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Percentage of Expenditures	8.2%	10.5%	8.5%	4.7%	4.6%	8.3%	10.2%	8.5%	7.2%	6.8%



Fund Balance as a Percent of Expenditures

Comparison of Districts
Year Ended June 30, 2019





Ann Arbor Public Schools

Year Ended June 30, 2019

Key Takeaways

- Your continued success is a community and district collaboration
- Cost containment and improved efficiencies will need to continue to be a focal point for the organization in order to yield positive financial results
- District continues to operate fiscally responsibly – as evidenced by:
 - “clean” opinion (highest opinion you can receive)
 - budget variances less than 1%
 - continual monitoring of monthly activity

The Board and administration have continued their commitment to oversee the District for long-term viability.



Future Developments in the School Environment

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

- Monthly Budget Reports
- **Fund Balance Levels**
- Delayed State Aid Payments
- Health Care Costs
- **State economy and politics**
- Discussion on new funding formulas
- Employee Group Negotiations
- Federal Funding Changes
- **Future Retirement Contribution Rates**
- Future changes in foundation allowance funding

Continue to evaluate 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 for a new funding model
- Preserve fund equity to ensure sustainability of the organization
- Continue innovation to develop revenue streams in addition to traditional funding
- Evaluate recurring expenditures and their impact on long-term sustainability



Thank you!

We are all in this together, and we appreciate:

AAPS employees

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

Board of Education

- support, advocacy, & courageous decision-making for the short, medium and longterm needs – sustainability & strength for the district

Community

- ongoing support of the Ann Arbor Public Schools



Thank you.

Exceptional⁺
ANN ARBOR PUBLIC SCHOOLS