



Public Schools of the City of Ann Arbor

Financial Audit
Year ended June 30, 2021



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:

- \$20.3 million in current year capital investments from the outstanding bond issues, including \$16.7 million from the 2019 Bond Program
- Sinking Fund millage continues to be a critical element to the overall capital repair needs of the District, with \$19.6 million in current year investments from this fund
- Emergency COVID-19 response federal grant funding of \$10.56 million in FY 21 and additional funding to be received over the next 2-3 years



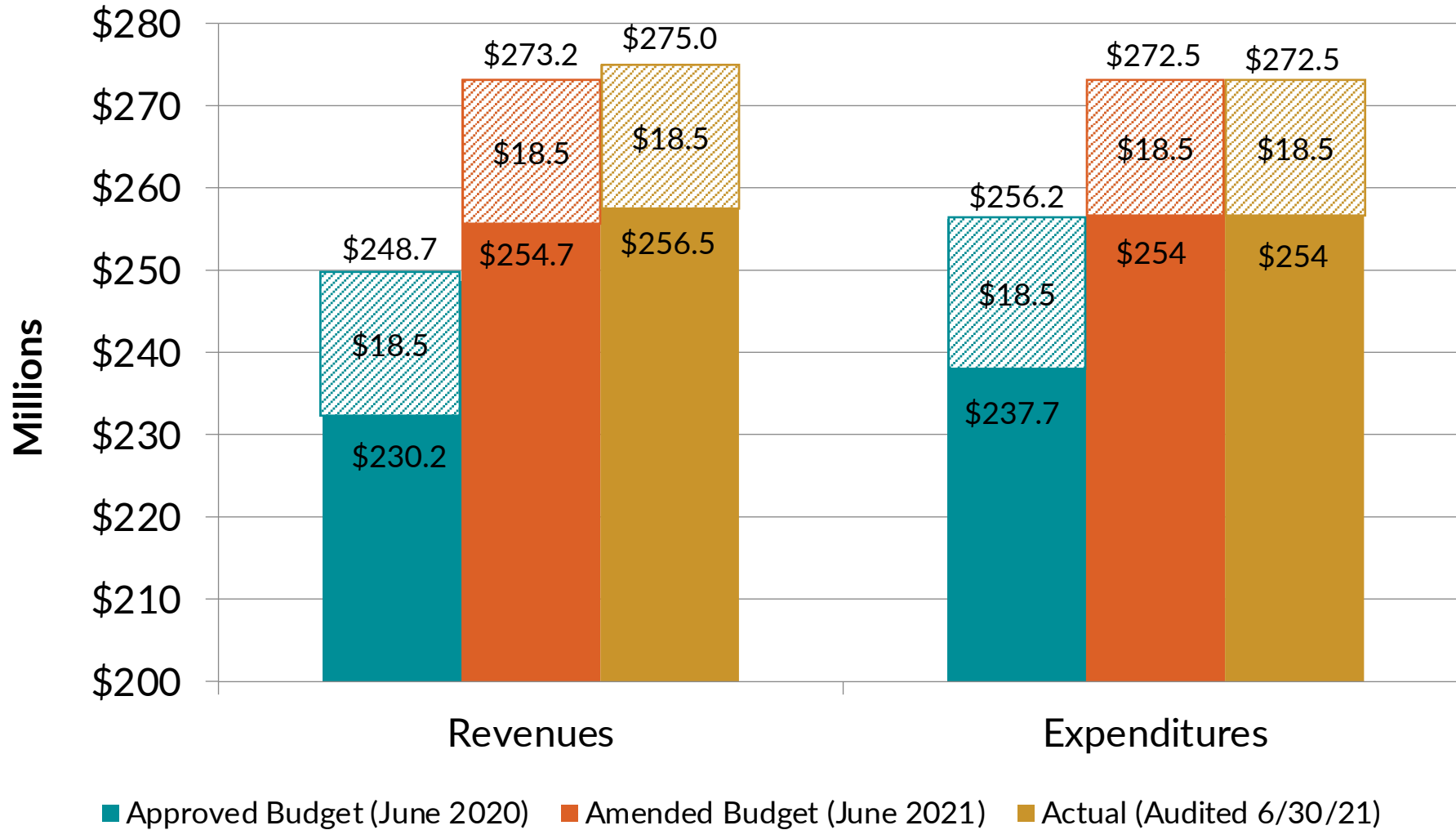
Highlights and Challenges

Challenges:

- Impact of pandemic on all facets of the District, from remote learning challenges to additional costs incurred to equip buildings for safe return to in-classroom learning
- Balancing investments in staff and services with overall fiscal responsibility, working with current funding structure
- Influx of short-term grant funding that is not part of permanent funding structure
- Impact and care of one-time funding resources



General Fund – Budget to Actual



Both revenue and expenditures include \$18.5 million in MPERS retirement contributions passed-through from the State of Michigan



General Fund

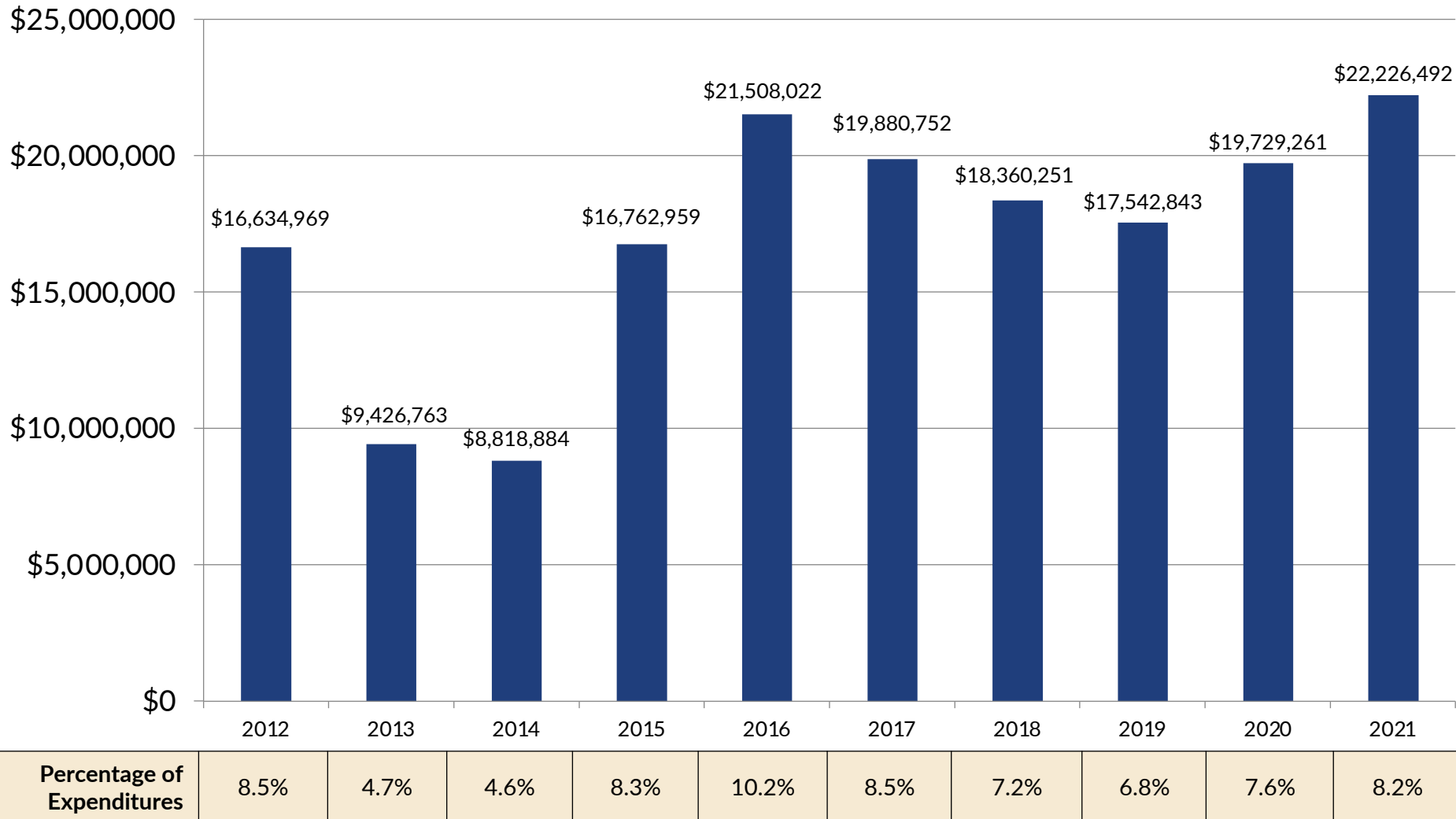
Budget to Actual

Year Ended June 30, 2021

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% variance</u>
Fund Balance - June 30, 2020	\$ 19,729,261	\$ 19,729,261	\$ -	
Revenue	273,232,678	274,989,670	1,756,992	0.64%
Expenditures	<u>272,537,715</u>	<u>272,487,876</u>	<u>(49,839)</u>	-0.02%
Excess of Expenditures Over Revenue	694,963	2,501,794	1,806,831	
Plus: Other Financing Sources/(Uses)	<u>(245,240)</u>	<u>(4,563)</u>	<u>240,677</u>	
Change in Fund Balance	<u>449,723</u>	<u>2,497,231</u>	<u>2,047,508</u>	
Fund Balance - June 30, 2021	<u><u>\$ 20,178,984</u></u>	<u><u>\$ 22,226,492</u></u>		
Fund Balance as % of Expenditures		8.2%		
Fund Balance as % of Revenue		8.1%		
Days of operation (365 day year)		30		



Comparative General Fund Fund Balance History Year Ended June 30

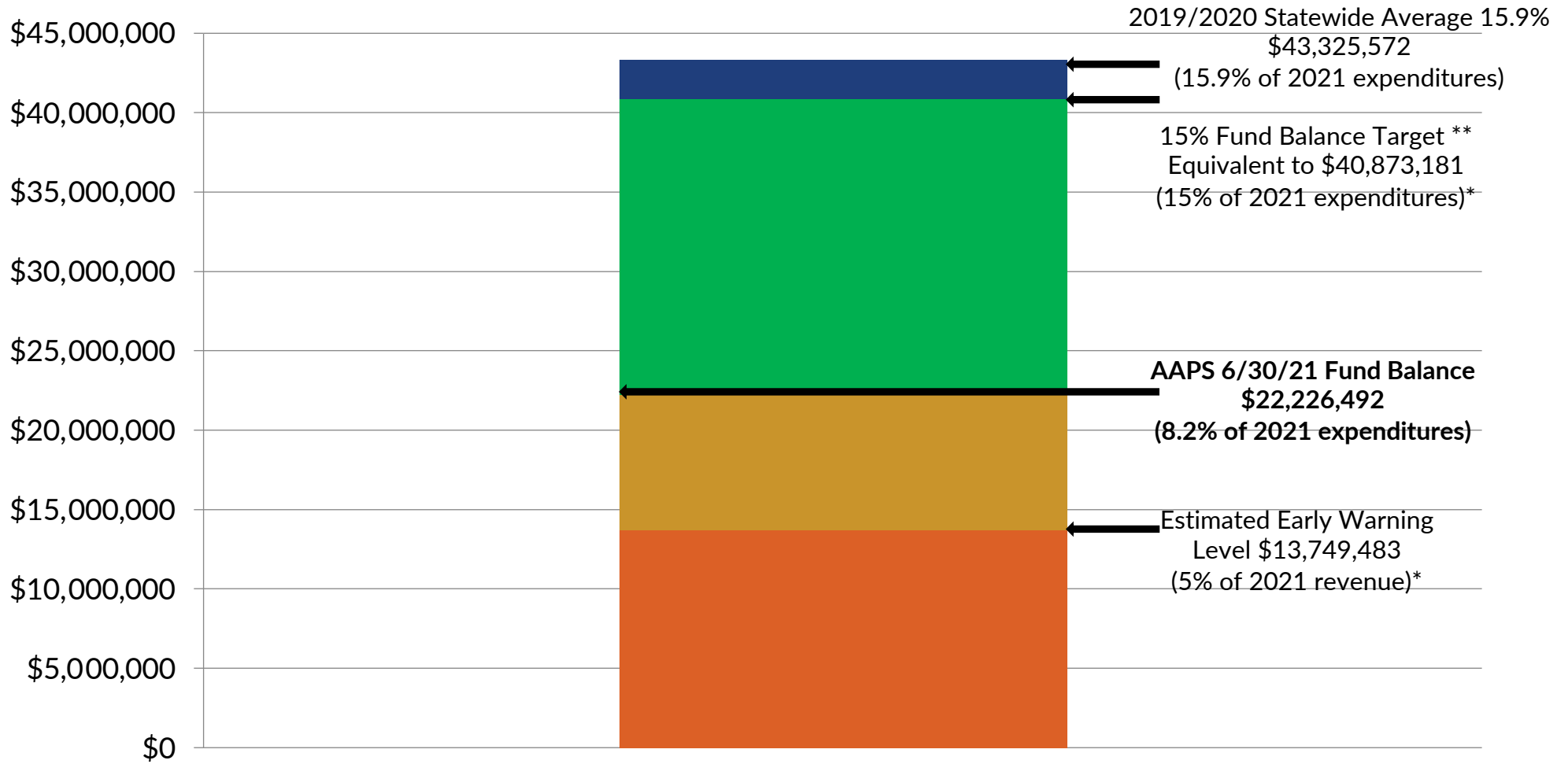




General Fund

Fund Balance Indicators

June 30, 2021



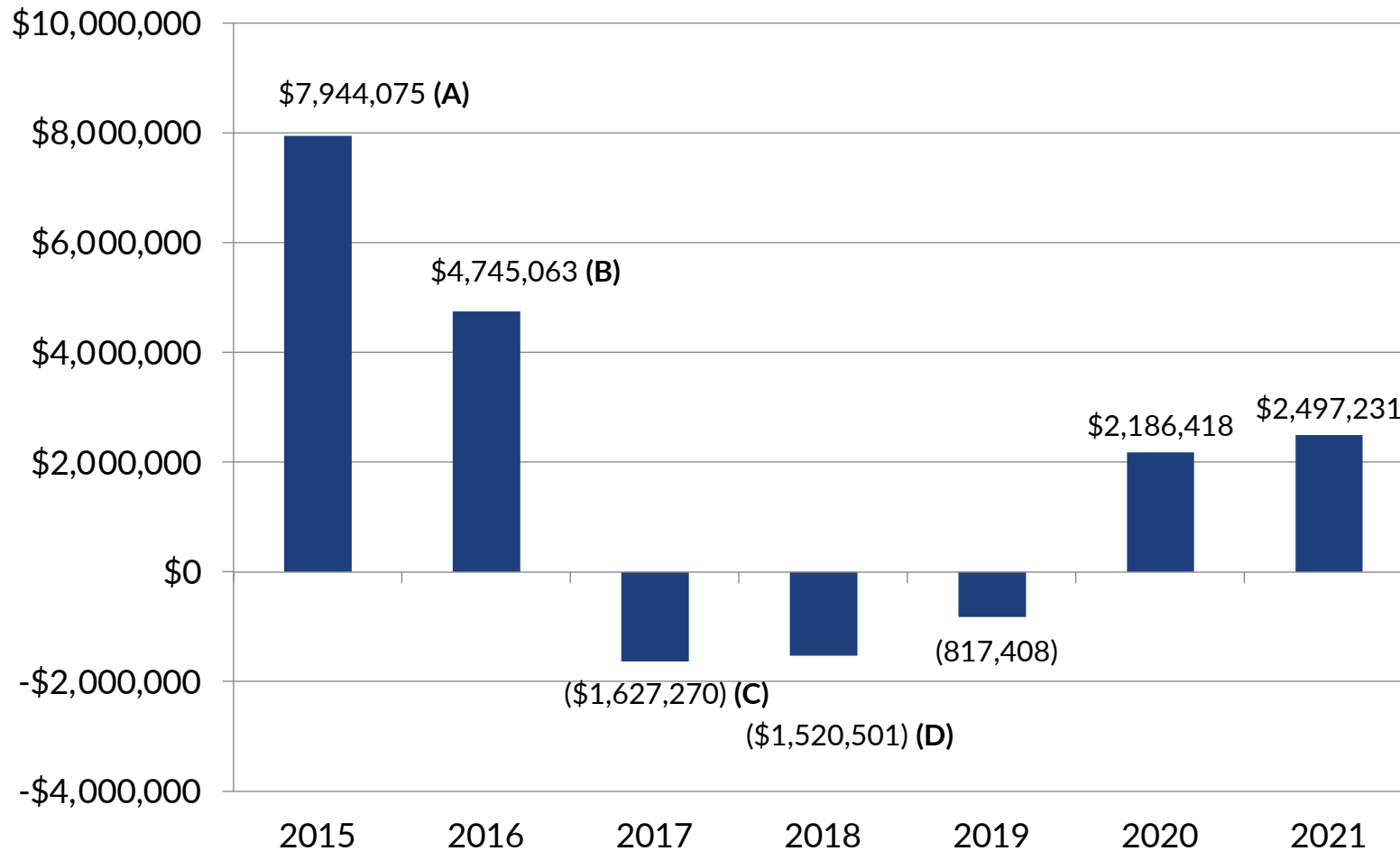
**Estimated Early Warning Line and Fund Balance target percentages based on 2021 general fund revenues and expenditures. Board policy is range of 6-15% of expenditures*

*** 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)

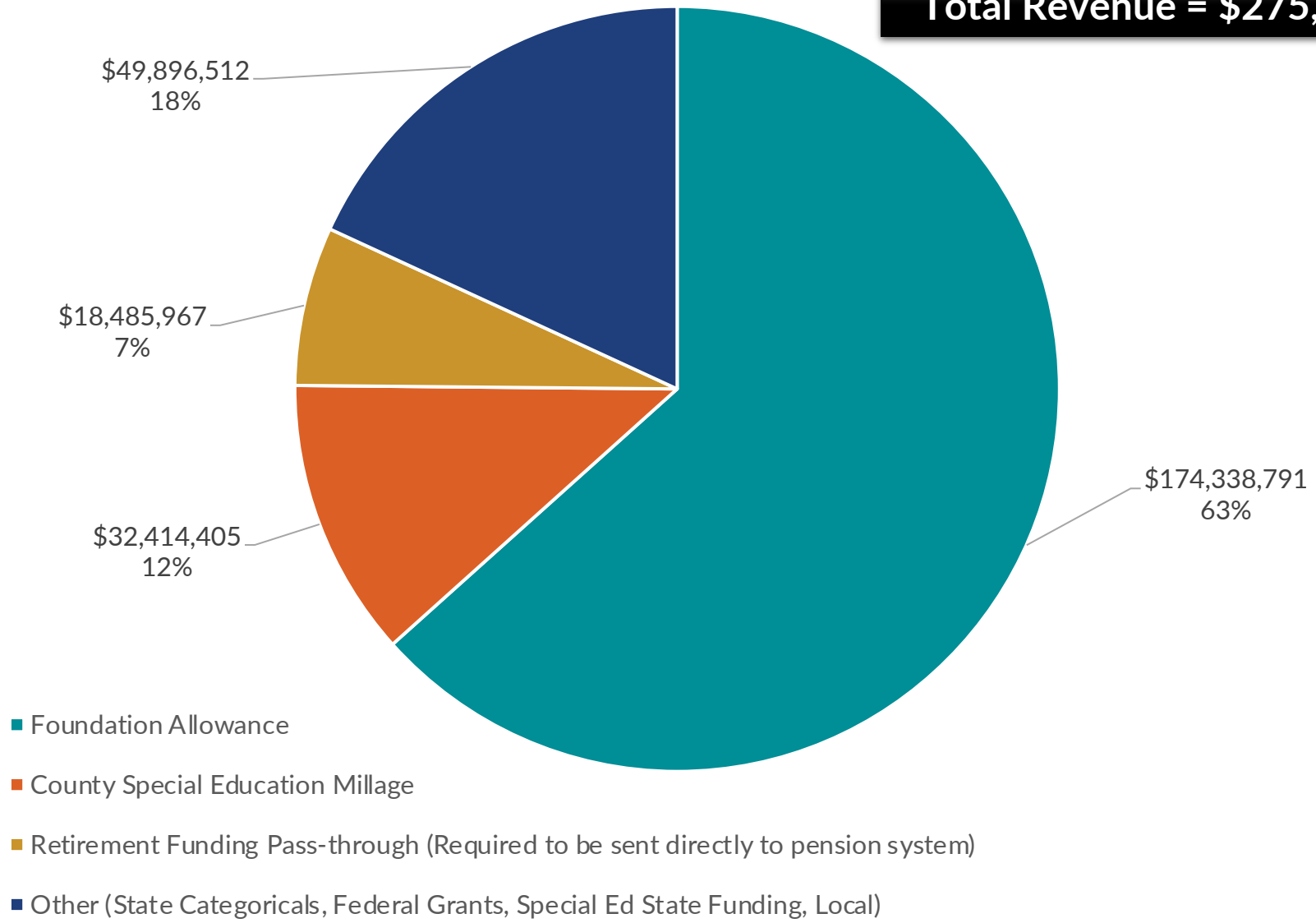
(D) Includes one-time funding related to Cell Tower leases (\$2.4 million), easement to ITC (\$1.1 million), and Tax Base Prior Year Adjustments from the State of Michigan (\$3.1 million)



General Fund Revenue

Year Ended June 30, 2021

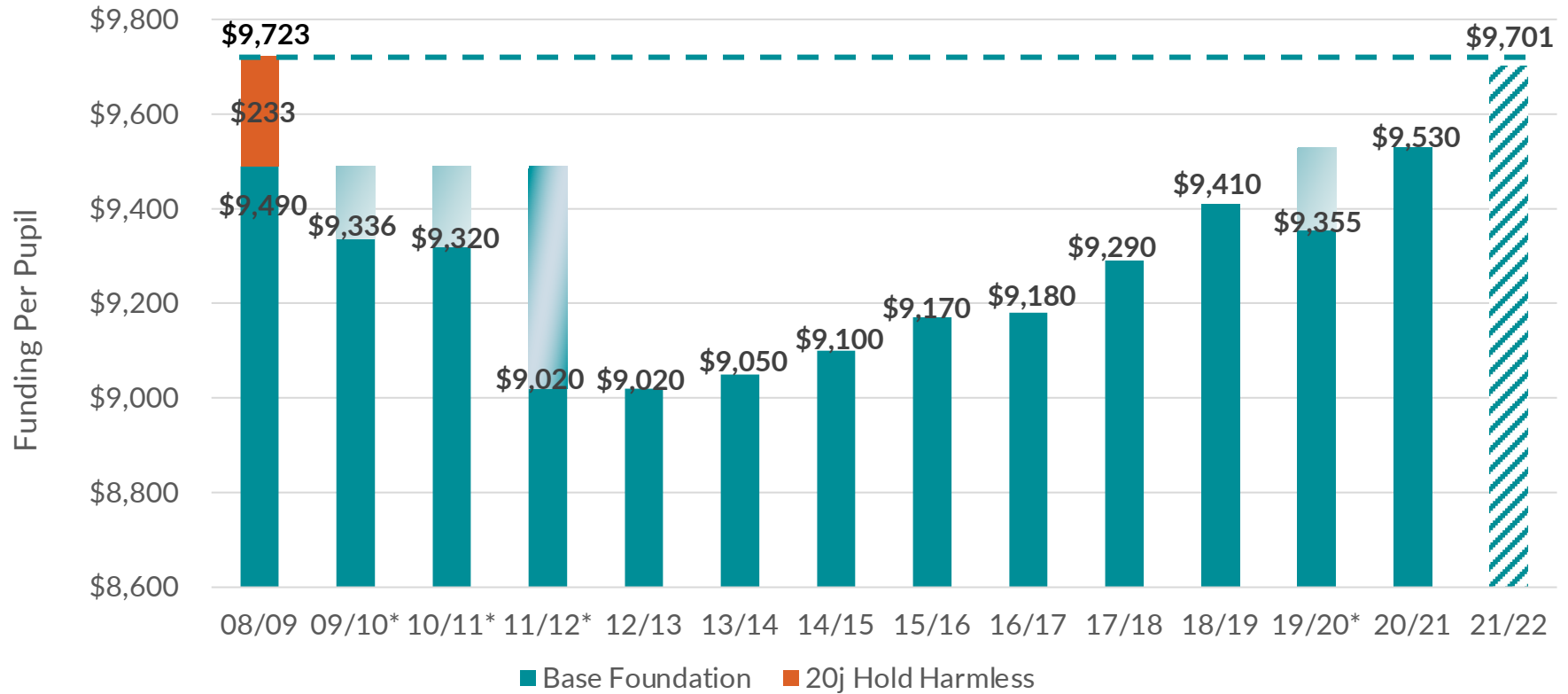
Total Revenue = \$275,135,675





Foundation Allowance

Historical lookback at funding



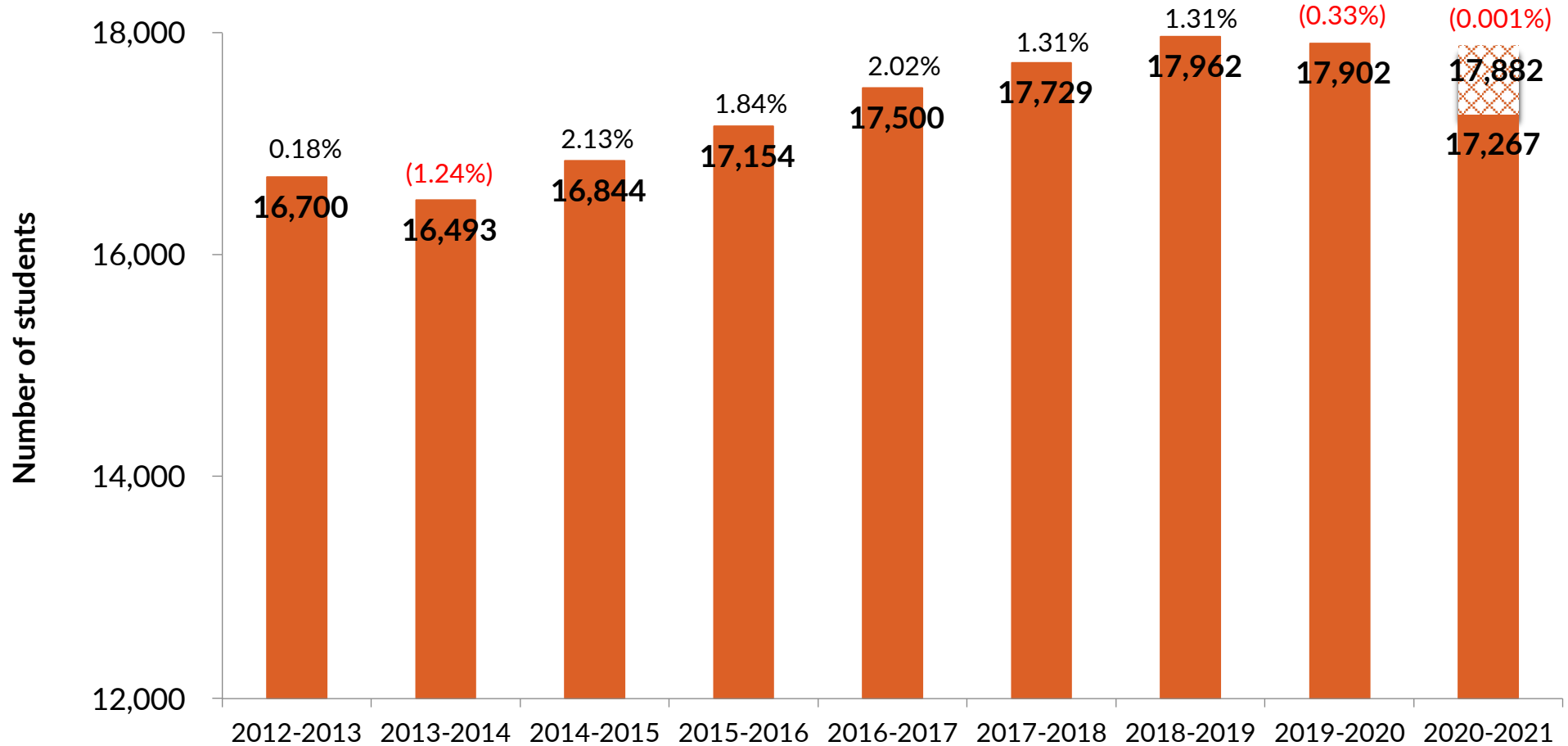
* Historical Impact on Foundation Allowance proration (11d adjustments)

Fiscal Year Impacted	Funding reduction per pupil
09/10	(\$154)
10/11	(\$170)
11/12	(\$470) [statutorily enacted/permanent reduction]
19/20	(\$175) [per pupil proration due to impact of COVID on state budget]



Student Enrollment Comparison

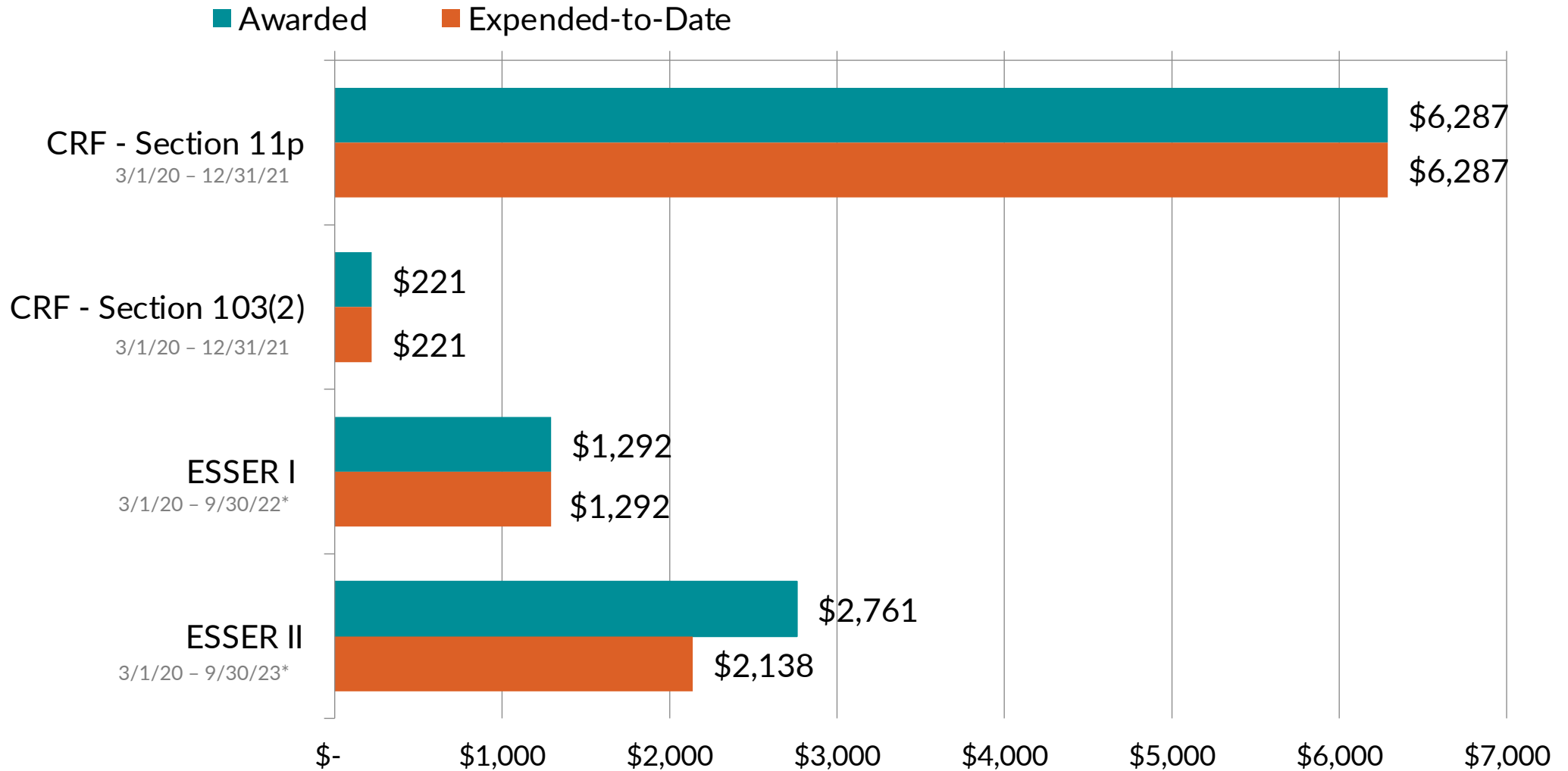
Fall FTE Count and Percentage Change from the Previous Years Ended June 30



FY 21 only: FTE per State of Michigan super-blend funding formula



Ann Arbor Public Schools Non-recurring COVID-19 Relief Funding Awards & Expenditures as of June 30, 2021 (in thousands)



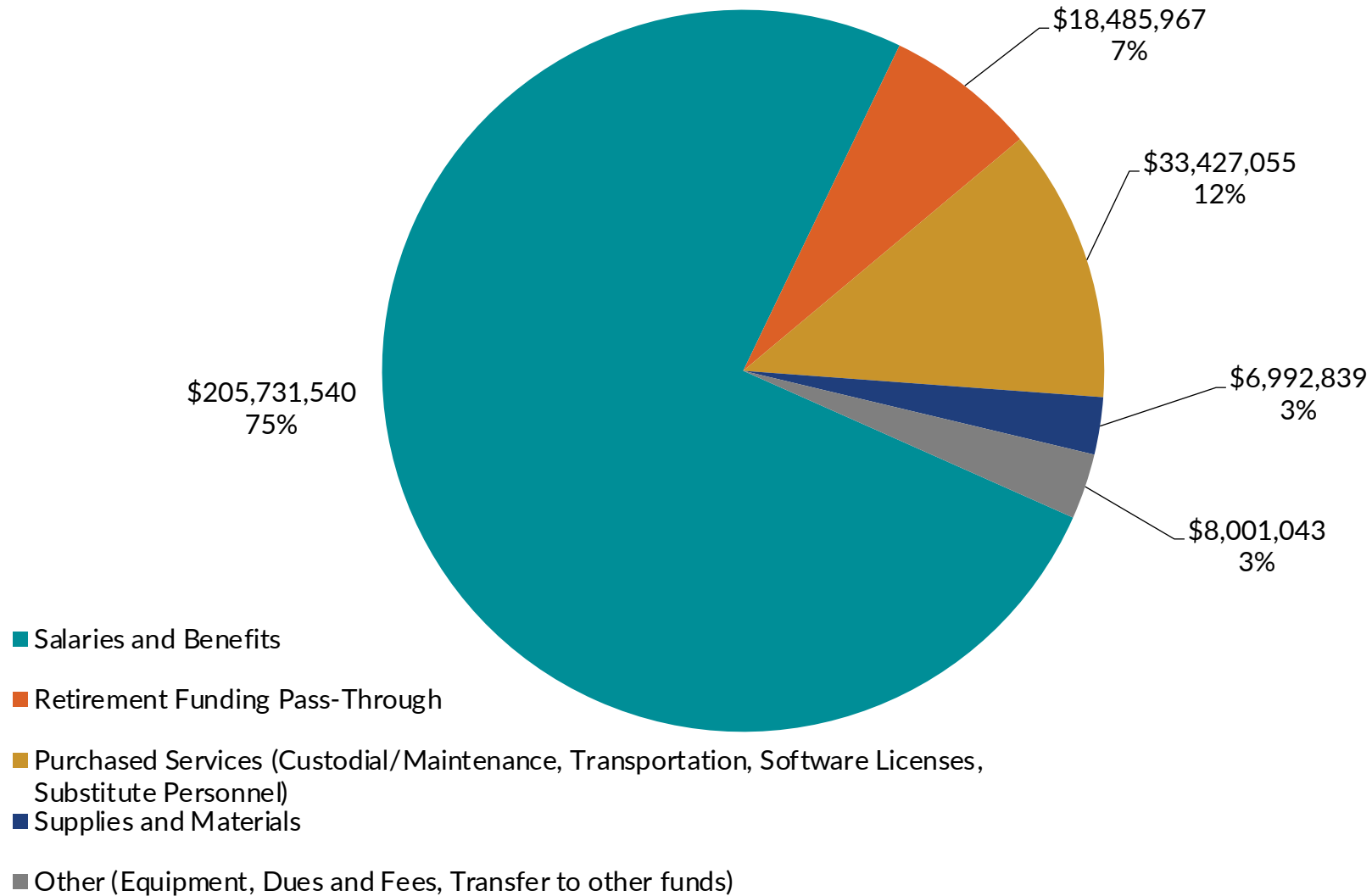
* End date assumes a 12-month Tydings period; however, actual end date will be communicated by MDE and will likely be prior to the dates noted here



General Fund Expenditures

Year Ended June 30, 2021

Total Expenditures = \$272,638,444



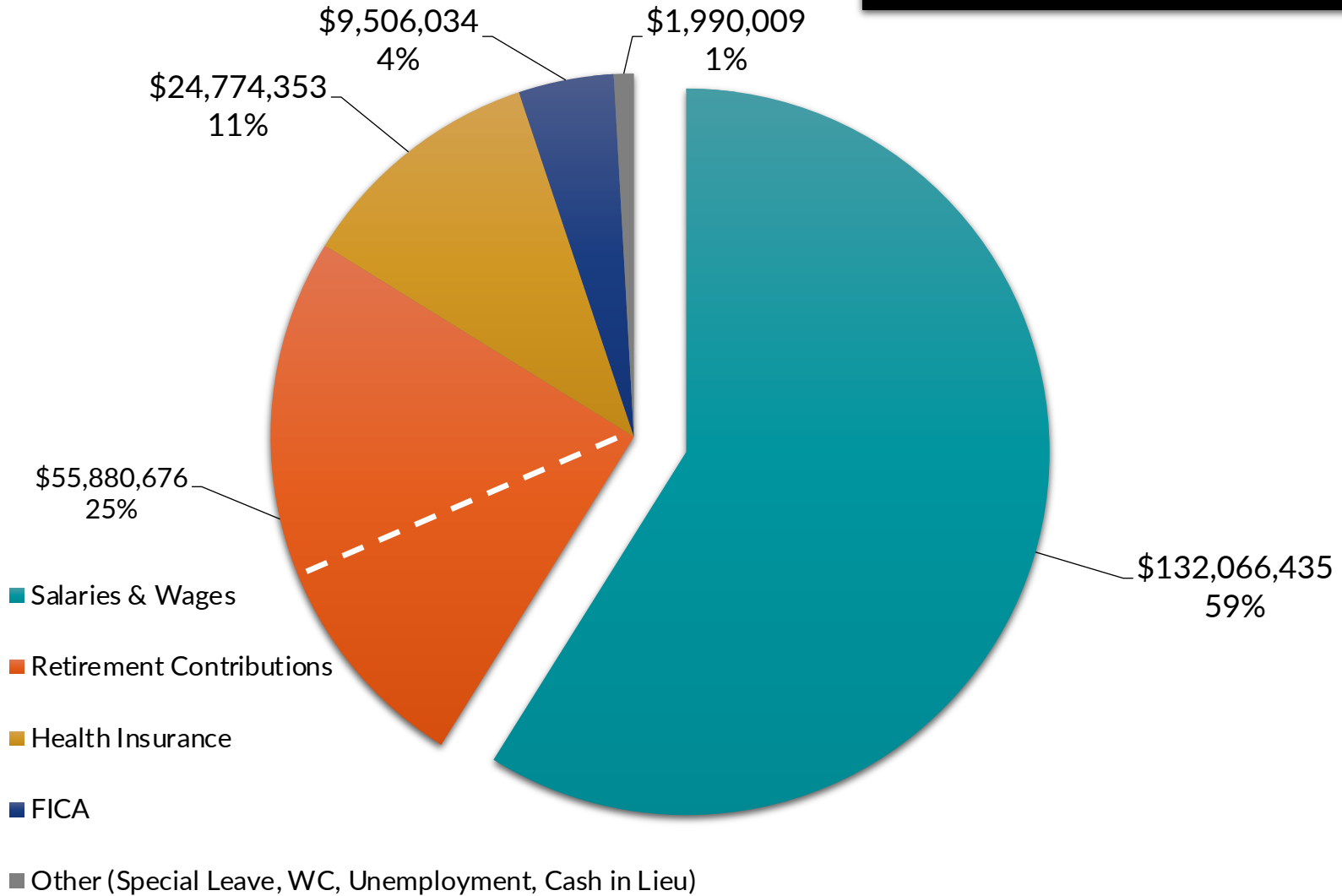
Percentages are rounded to the nearest whole percent



General Fund Salaries and Benefits

Year Ended June 30, 2021

Total Salaries and Benefits = \$224,217,507



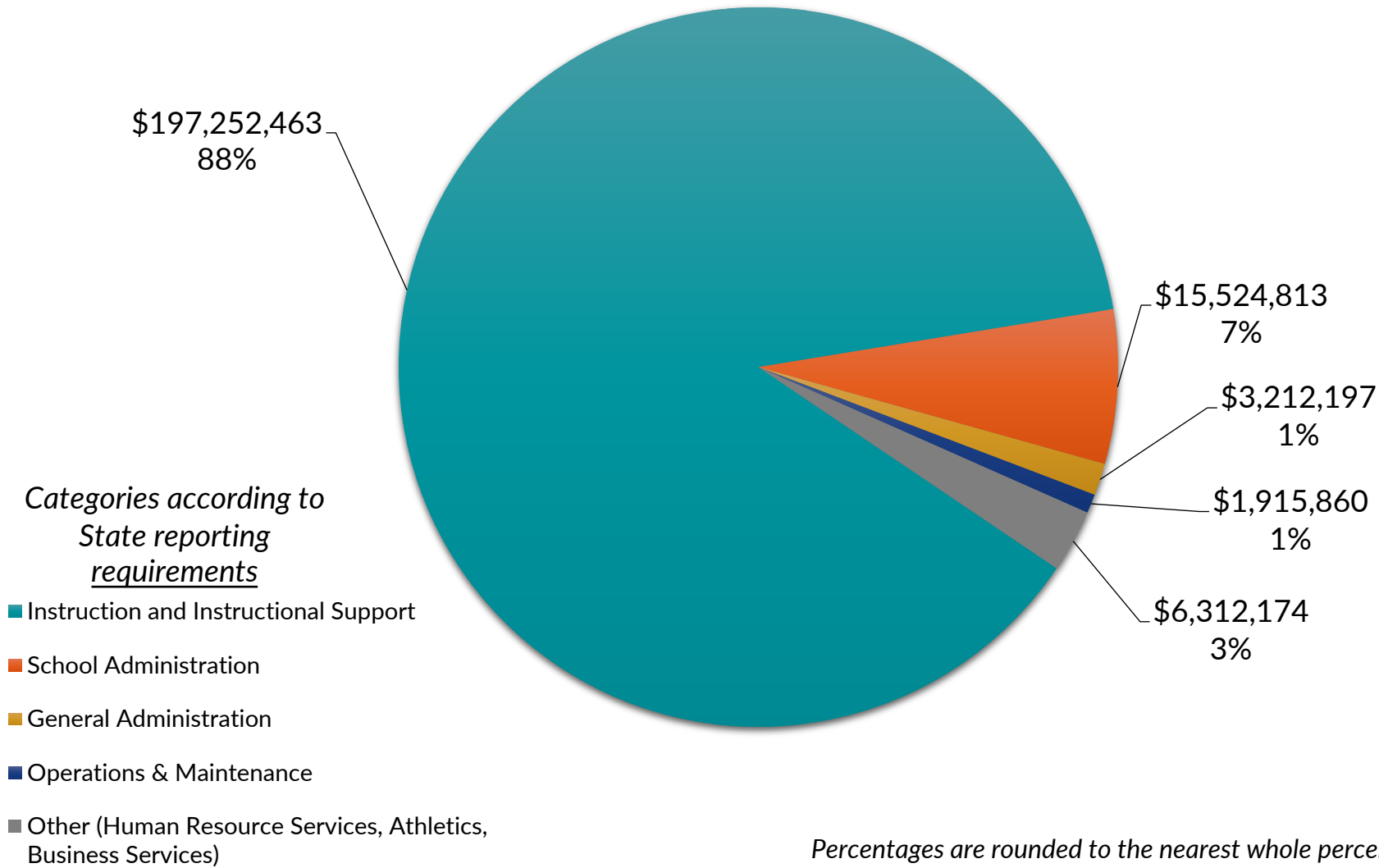
Percentages are rounded to the nearest whole percent



General Fund Breakdown of Salaries and Benefits

Year Ended June 30, 2021

**Total Salaries and Benefits = \$ 224,217,507
(95% = School-based Salaries & Benefits)**

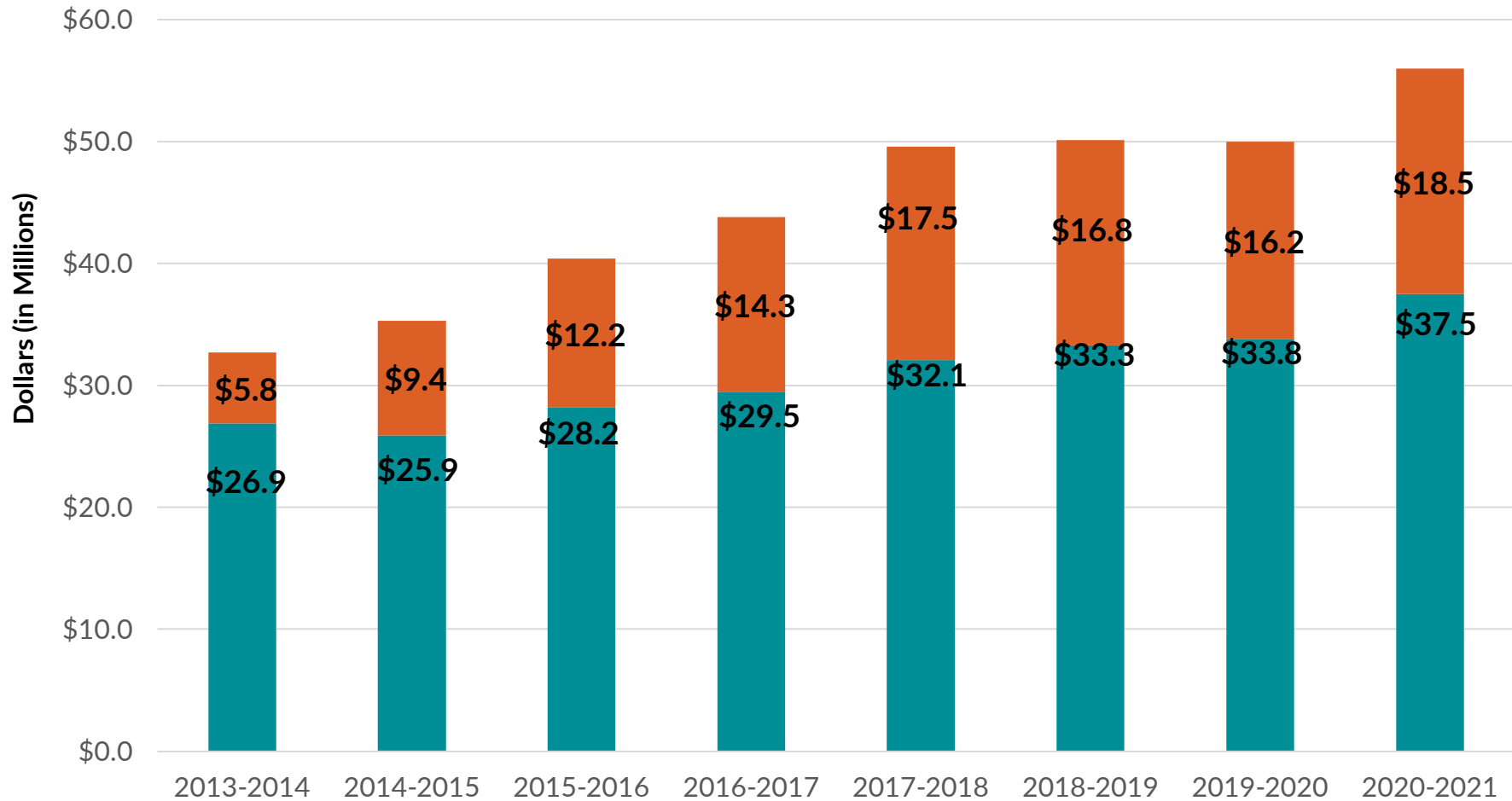


Percentages are rounded to the nearest whole percent




Retirement Funding – Total Michigan Public Schools Employees Retirement System (MPERS) Expense

Year Ended June 30



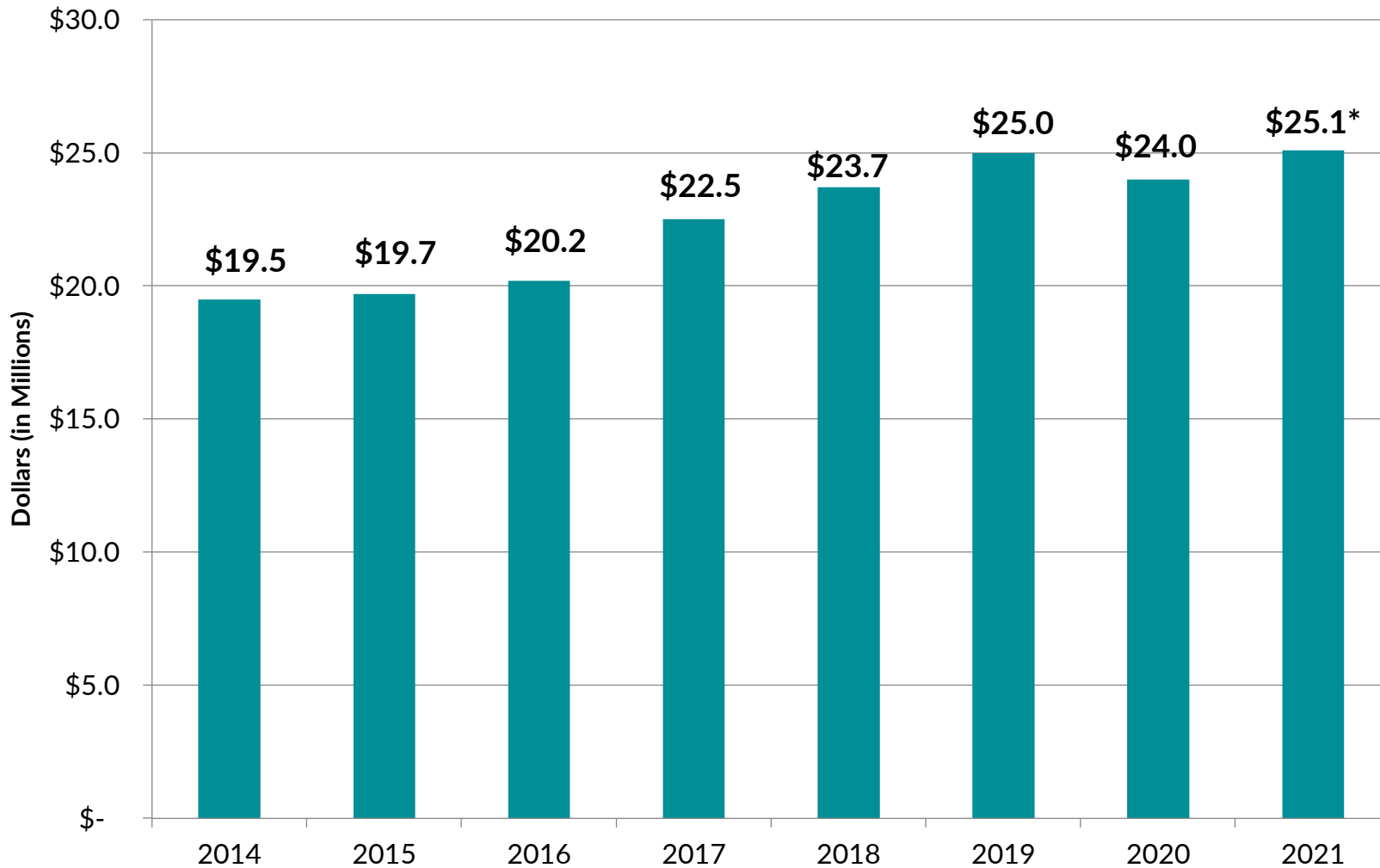
Participation in MPERS is a state mandated requirement

 Unfunded Actuarial Accrued Liability (UAAL) expense funded by a direct pass-through from the State of Michigan via State Aid



Total Health-Related Insurance Costs

Year Ended June 30



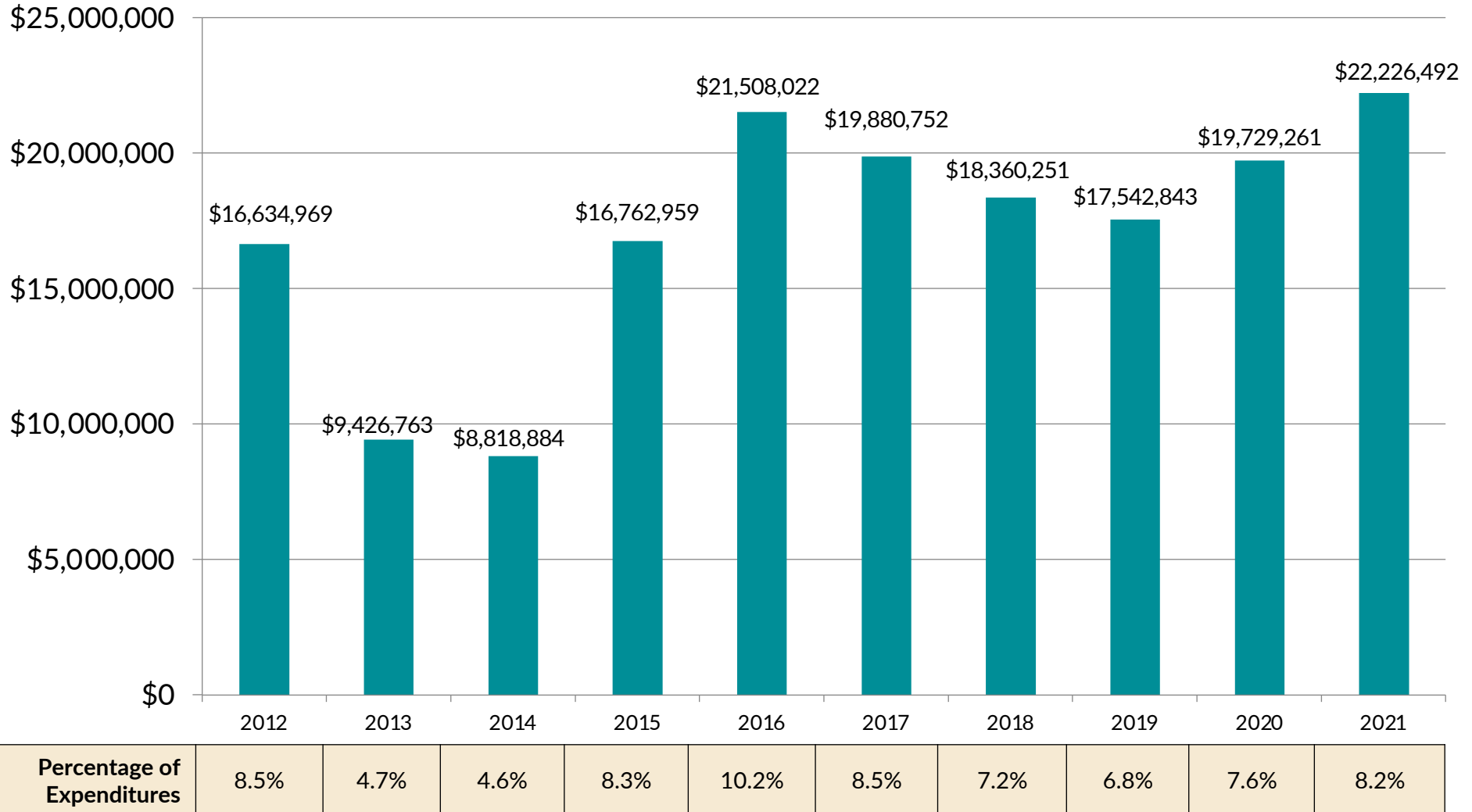
*The District currently pays a maximum of \$13,578 per teacher (the largest covered group) for health care insurance



Comparative General Fund

Fund Balance History

Year Ended June 30

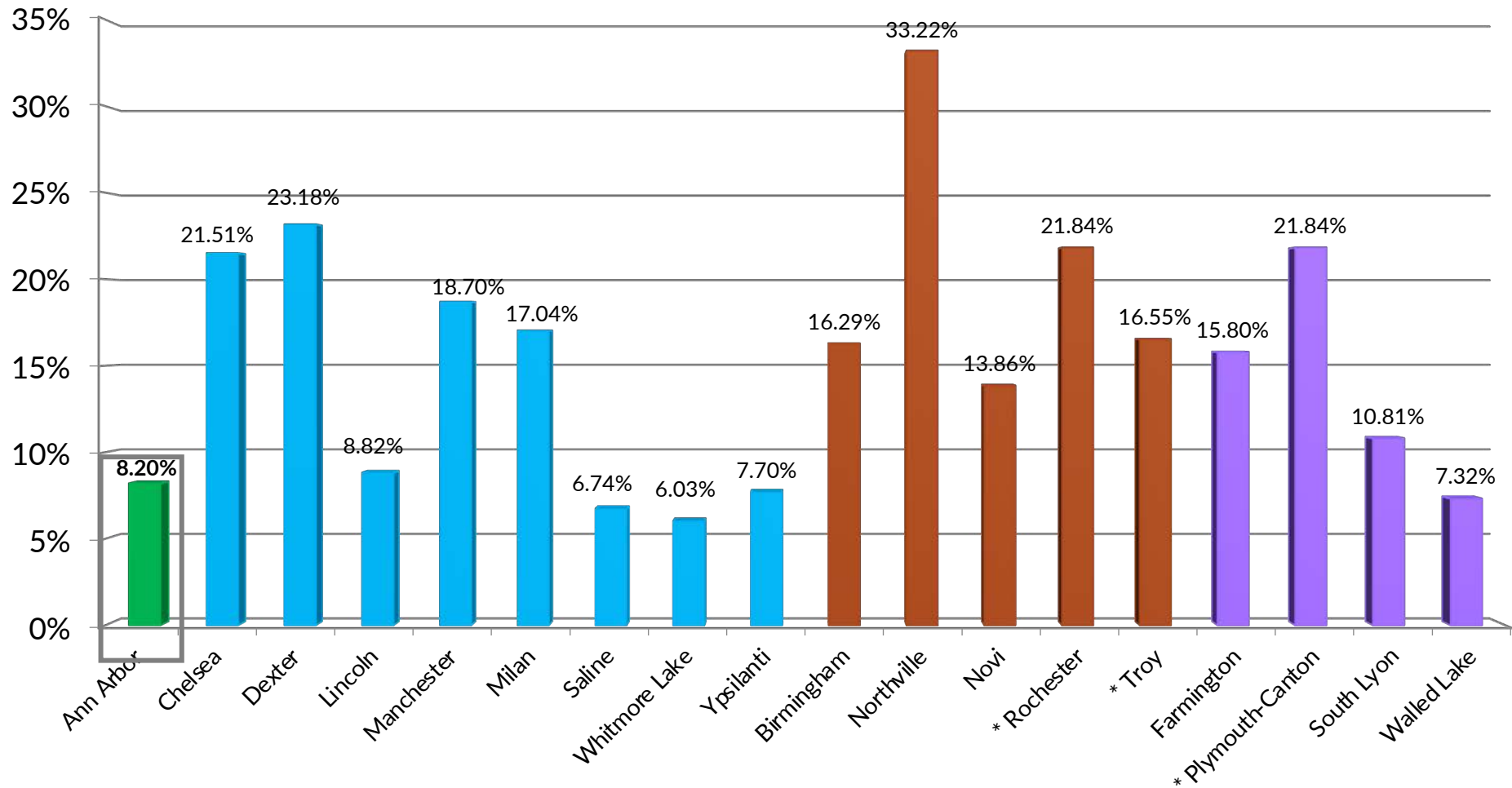




Fund Balance as a Percent of Expenditures

Comparison of Districts
Year Ended June 30, 2020

**Districts similar in size*



Ann Arbor Public Schools (June 30, 2021)

Washtenaw ISD Districts

High-performing Districts

Demographically comparable Districts



Ann Arbor Public Schools

Year Ended June 30, 2021

Key Takeaways

- District continues to operate fiscally responsibly – as evidenced by:
 - “clean” opinion (highest opinion a school district can receive)
 - continual monitoring of monthly financial activity
- Cost containment and improved efficiencies will need to continue to be a focal point for the organization in order to yield positive financial results
- 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:

- Keep health and safety of students and staff at the forefront
- Advocate at the state level for a new funding model that addresses the weighted costs of varied student needs
- 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
- Plan for ongoing funding challenges



Thank you!

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 long-term needs – sustainability & strength for the district

Community

- ongoing support of the Ann Arbor Public Schools



Thank you.

ANN ARBOR PUBLIC SCHOOLS
LEAD. CARE. INSPIRE.

