



Public Schools of the City of Ann Arbor

Financial Audit
Year ended June 30, 2022



Results of the June 30, 2022 Audit

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

Plante Moran issued an unmodified “clean” opinion on the audited financial statements and the federal programs audit



Responsibilities of the June 30, 2022 Audit

Financial statements are the responsibility of the District

Plante Moran, as an independent third party, is responsible for rendering an opinion on the audited financial statements

Audit completed in accordance with auditing standards generally accepted in the United States of America



Results of the June 30, 2022 Audit

Other Matters

No Difficulties
Encountered in
Performing the Audit

No Disagreements
with Administration

No Audit Adjustments

No material weaknesses
or significant deficiencies;
no findings or questioned
costs



Highlights and Challenges

Highlights:

- **\$58.5** million in current year capital investments from the outstanding bond issues, including \$52.5 million from the 2019 Bond Program and the balance from the 2018 technology and 2015 building and site bonds
- Sinking Fund millage continues to be a critical element to the overall capital repair needs of the District, with **\$12.6** million in current year investments from this fund
- Emergency ESSER COVID-19 response grant funding of **\$25.5** million in FY 22 to support the health and safety of students and staff



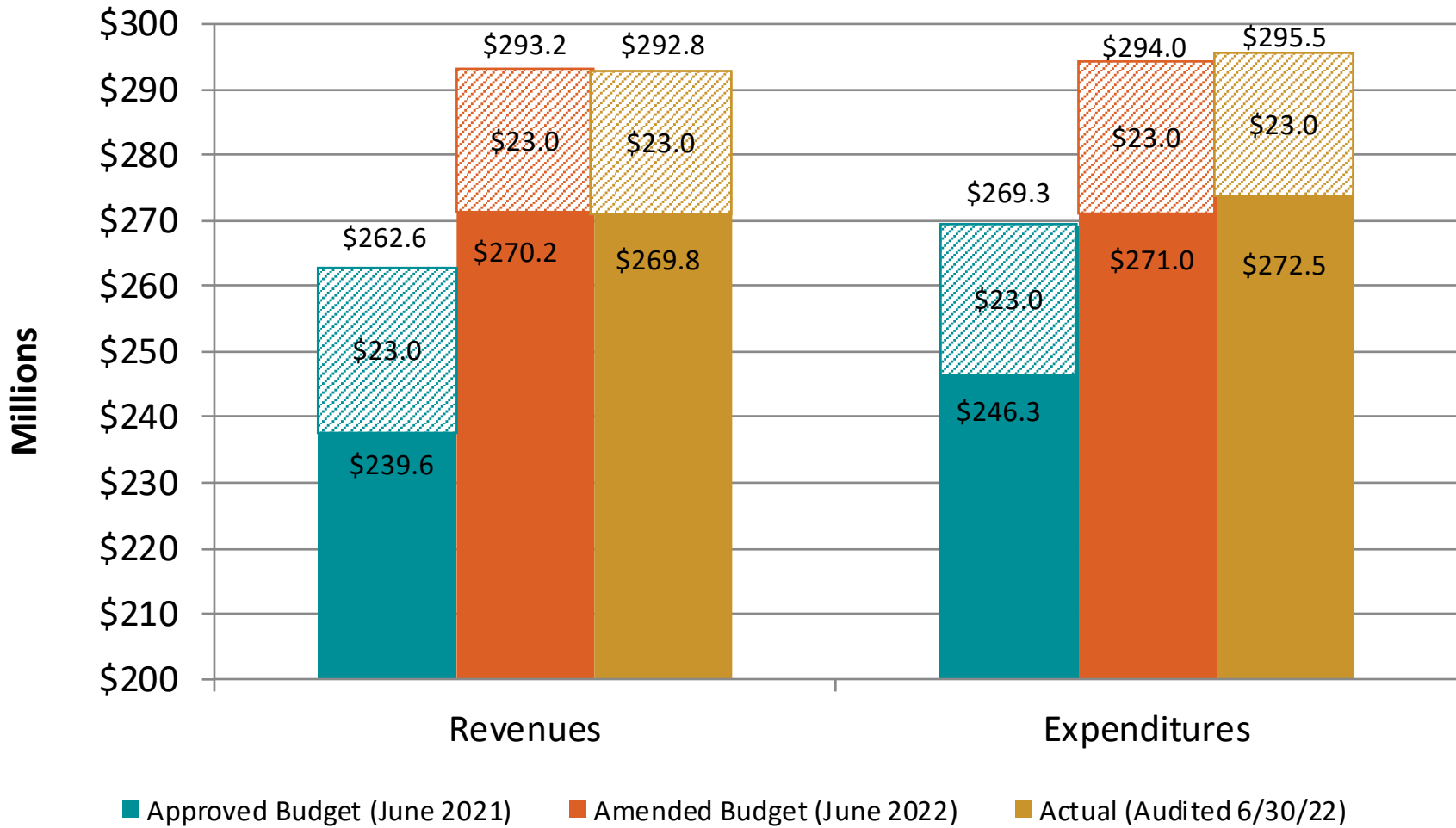
Highlights and Challenges

Challenges:

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



General Fund – Budget to Actual



Both revenue and expenditures include \$23 million in MPERS retirement contributions passed-through from the State of Michigan



General Fund

Budget to Actual

Year Ended June 30, 2022

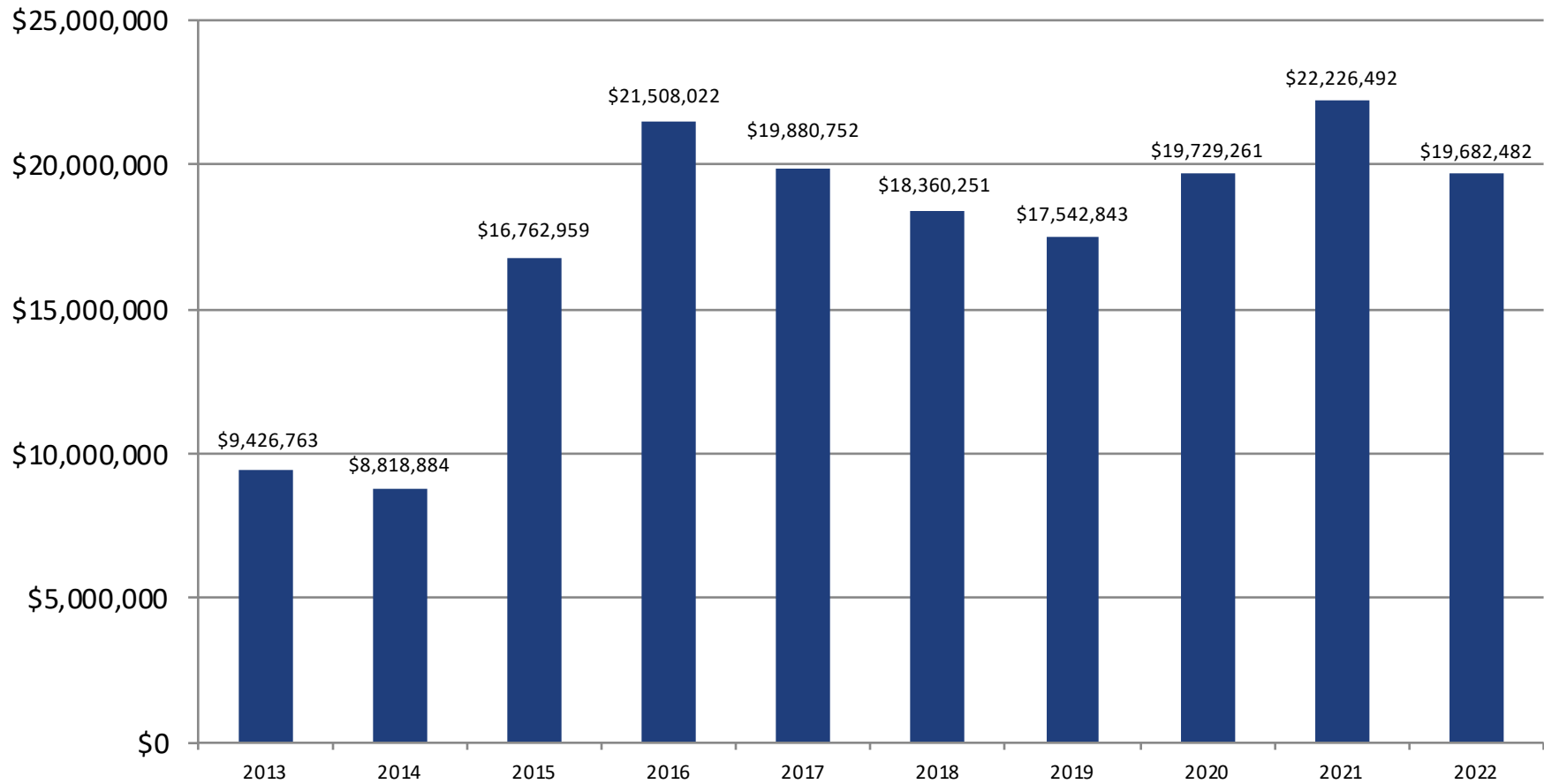
| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>% variance</u> |
|---|-----------------------------|-----------------------------|--------------------|-------------------|
| Fund Balance - June 30, 2021 | \$ 22,226,492 | \$ 22,226,492 | \$ - | |
| Revenue | 293,242,626 | 292,808,917 | (433,709) | -0.15% |
| Expenditures | <u>294,014,096</u> | <u>295,549,583</u> | <u>1,535,487</u> | 0.52% |
| Excess of Expenditures Over Revenue | (771,470) | (2,740,666) | (1,969,196) | |
| Plus: Other Financing Sources/(Uses) | <u>-</u> | <u>196,656</u> | <u>196,656</u> | |
| Change in Fund Balance | <u>(771,470)</u> | <u>(2,544,010)</u> | <u>(1,772,540)</u> | |
| Fund Balance - June 30, 2022 | <u>\$ 21,455,022</u> | <u>\$ 19,682,482</u> | | |
| Fund Balance as % of Expenditures | | 6.7% | | |
| Fund Balance as % of Revenue | | 6.7% | | |
| Days of operation (365 day year) | | 24 | | |



Comparative General Fund

Fund Balance History

Year Ended June 30



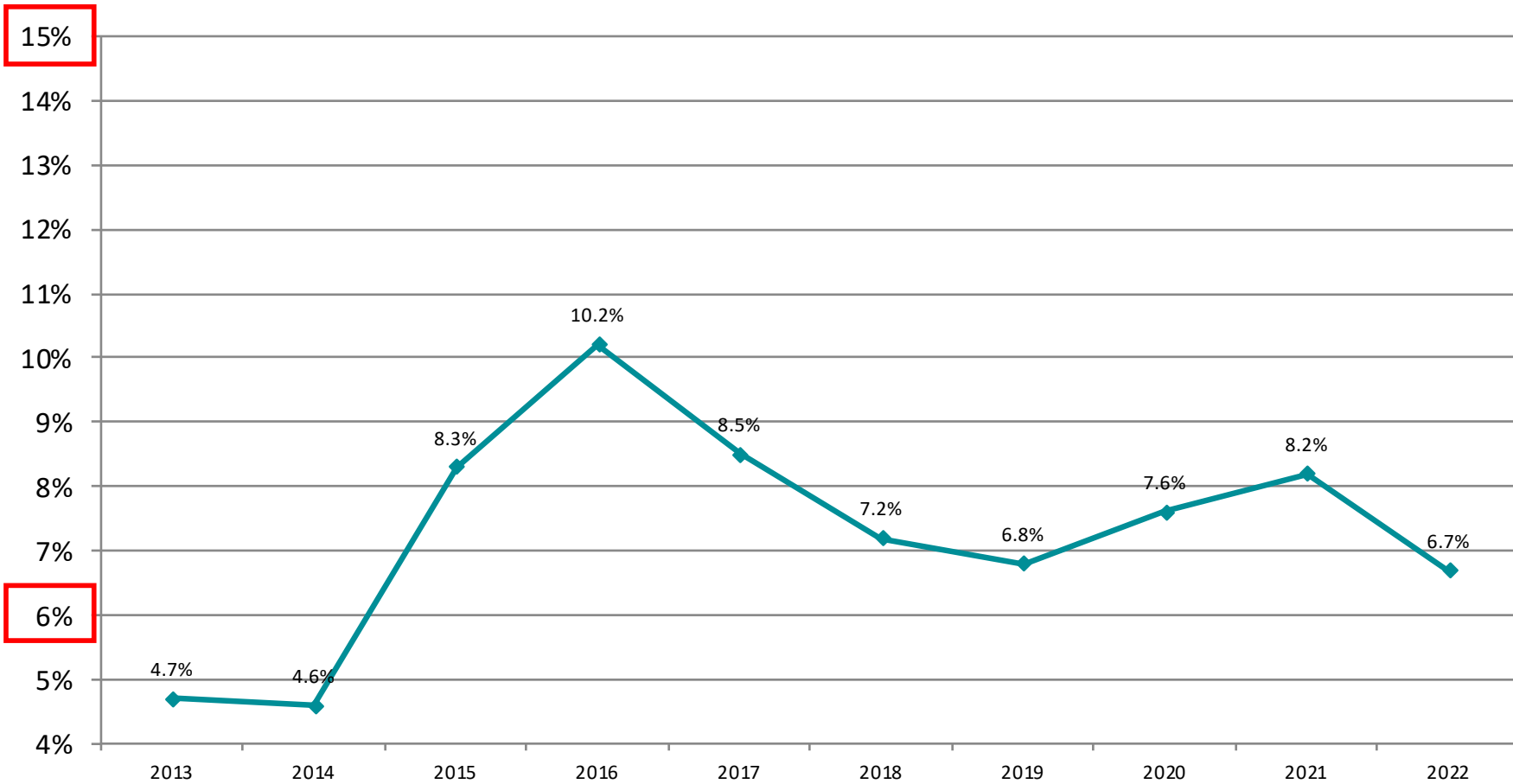
| Percentage of Expenditures | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------|------|------|------|-------|------|------|------|------|------|------|
| Percentage of Expenditures | 4.7% | 4.6% | 8.3% | 10.2% | 8.5% | 7.2% | 6.8% | 7.6% | 8.2% | 6.7% |



Comparative General Fund

Fund Balance as a Percentage of Expenditures History

Year Ended June 30



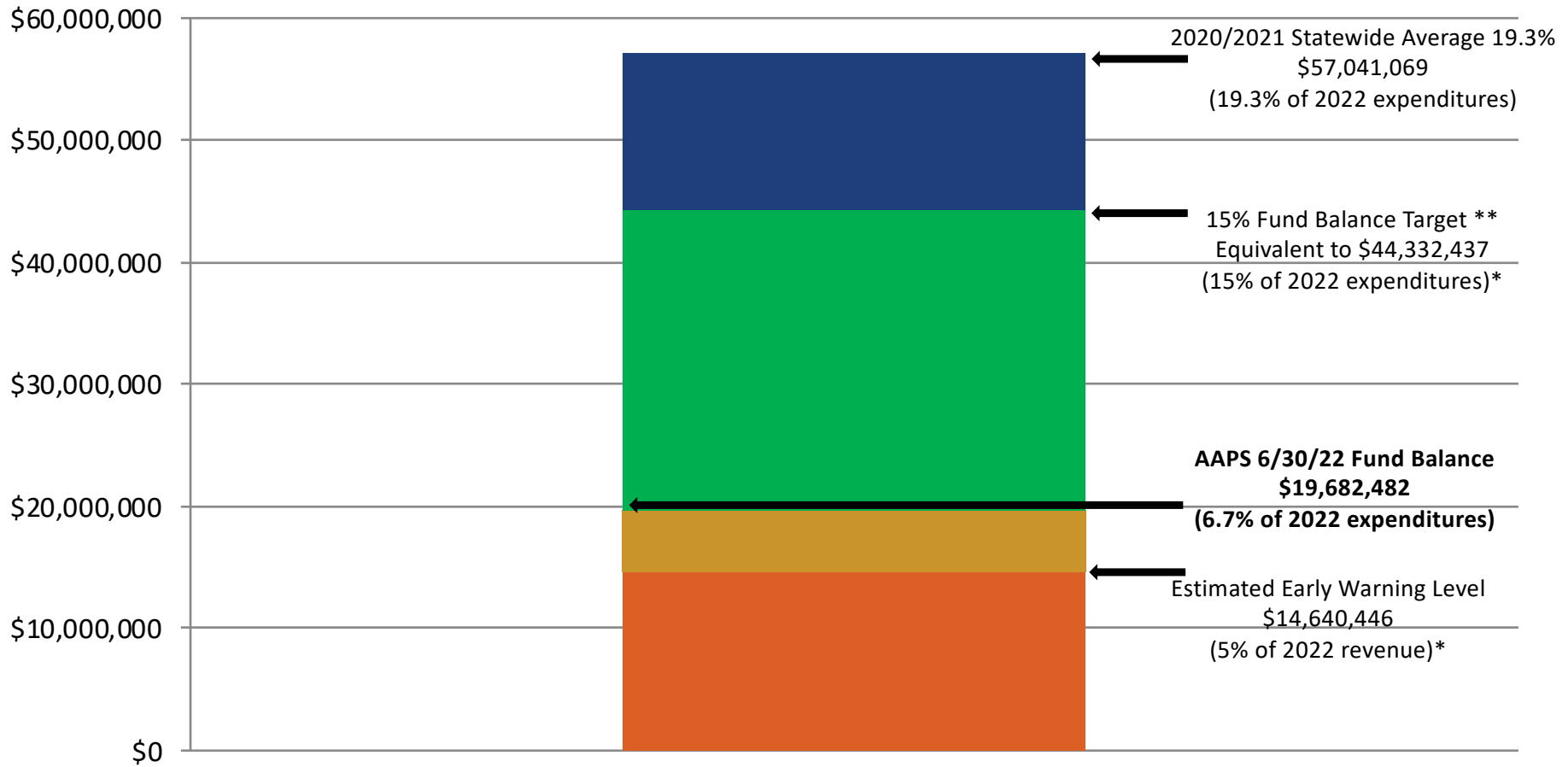
| Fund Balance (millions) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
| | \$9.43m | \$8.82m | \$16.76m | \$21.51m | \$19.88m | \$18.36m | \$17.54m | \$19.73m | \$22.23m | \$19.68m |



General Fund

Fund Balance Indicators

June 30, 2022



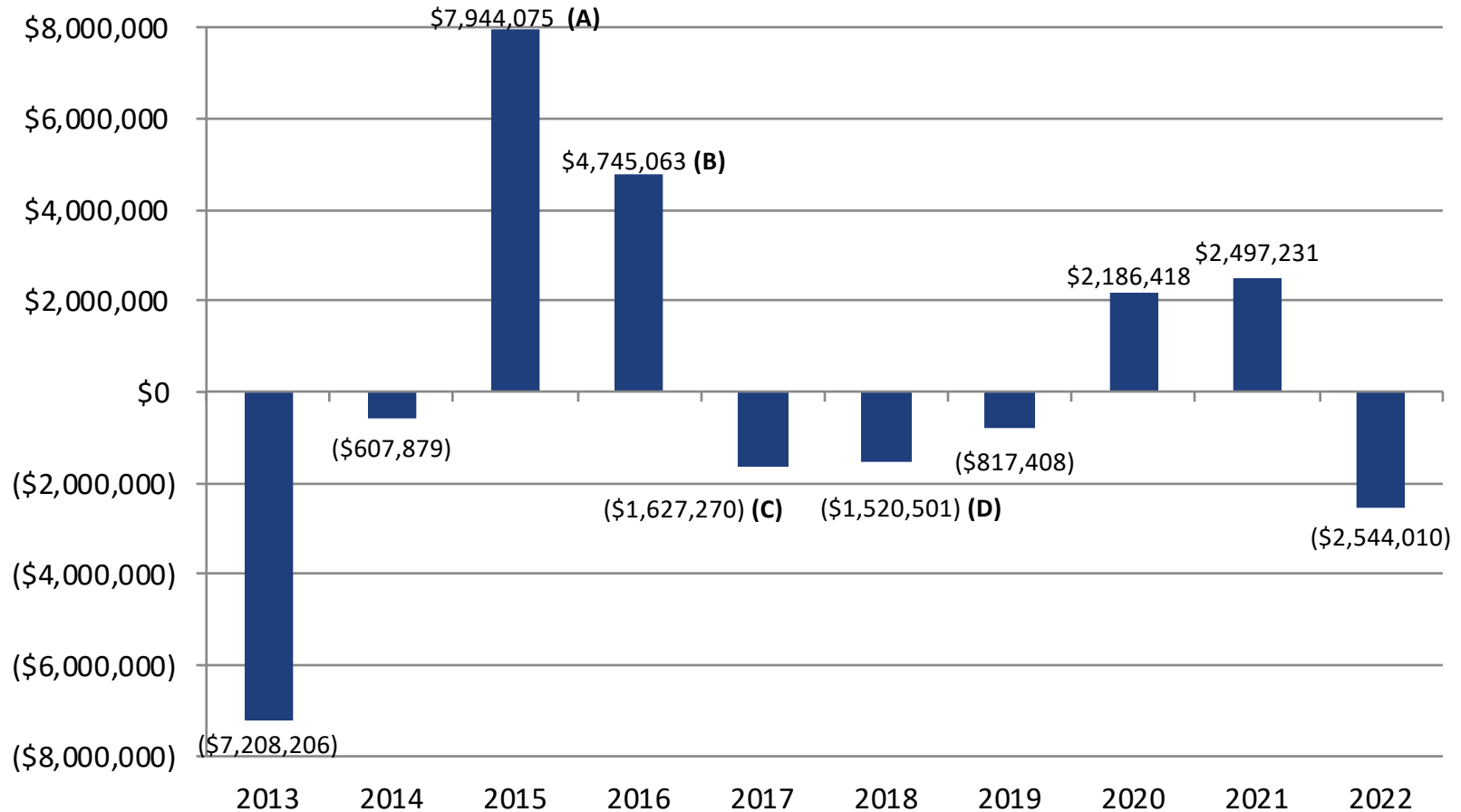
*Estimated Early Warning Line and Fund Balance target percentages based on 2022 general fund revenues and expenditures. Board policy is range of 6-15% of expenditures

** 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)

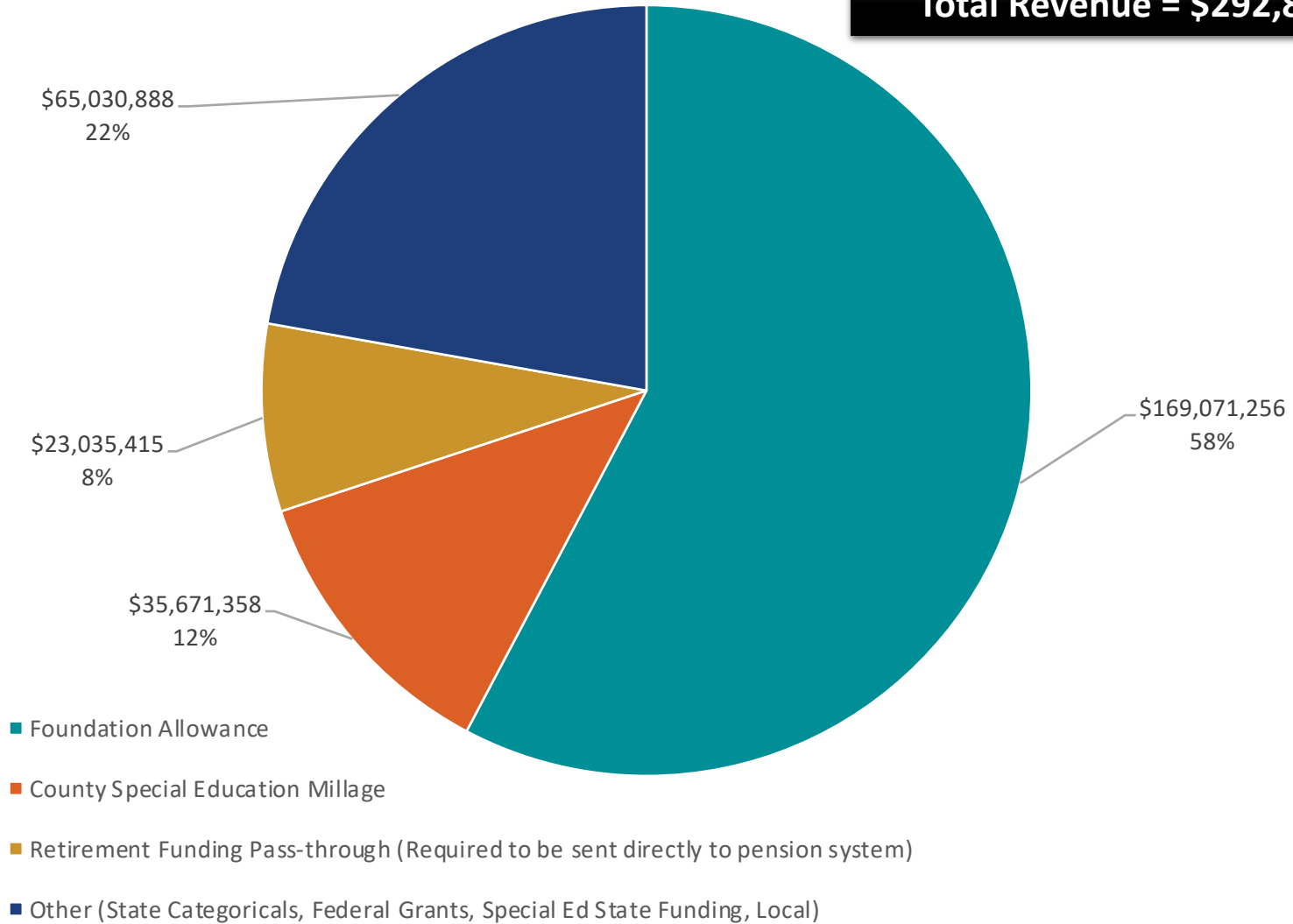
(D) Includes one-time funding related to Cell Tower leases (\$2.4 million), easement to ITC (\$1.1 million), and Tax Base Prior Year Adjustments from the State of Michigan (\$3.1 million)



General Fund Revenue

Year Ended June 30, 2022

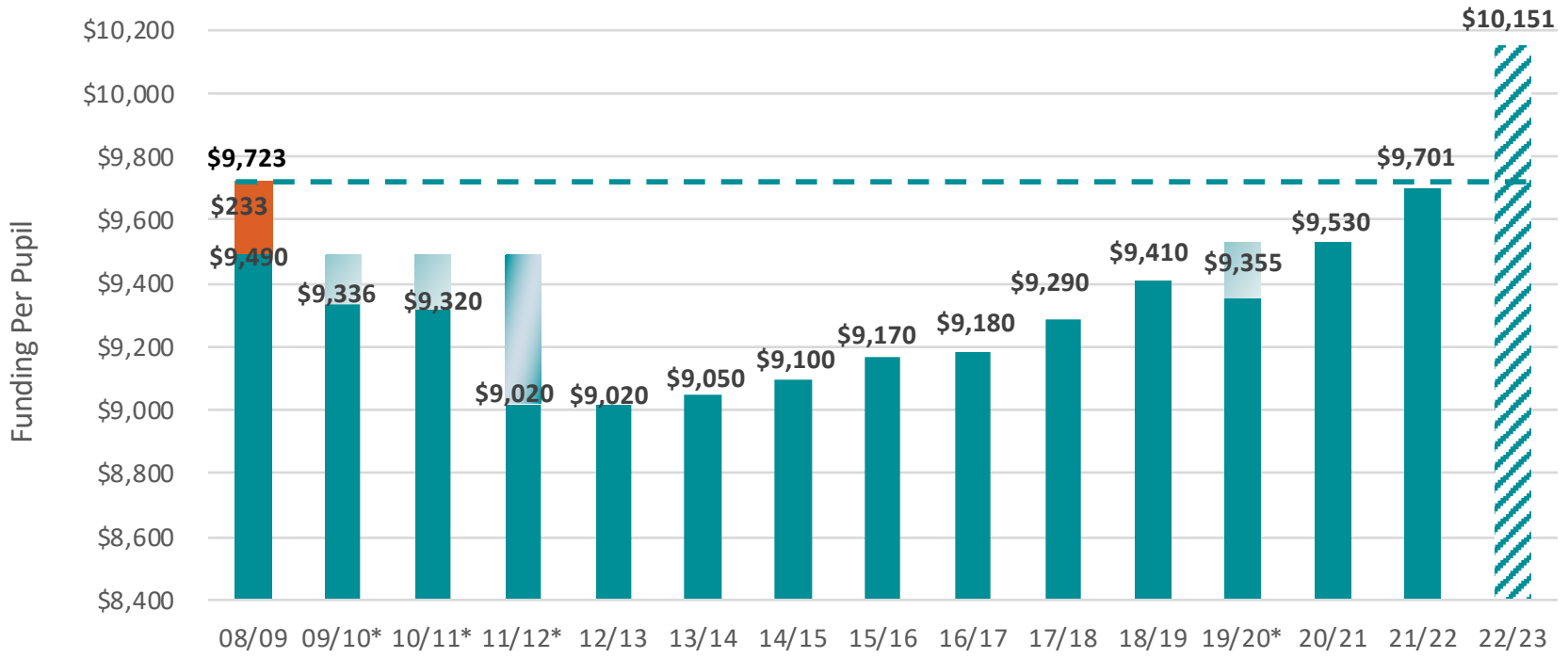
Total Revenue = \$292,808,917





Foundation Allowance

Historical lookback at funding



■ Base Foundation ■ 20j Hold Harmless

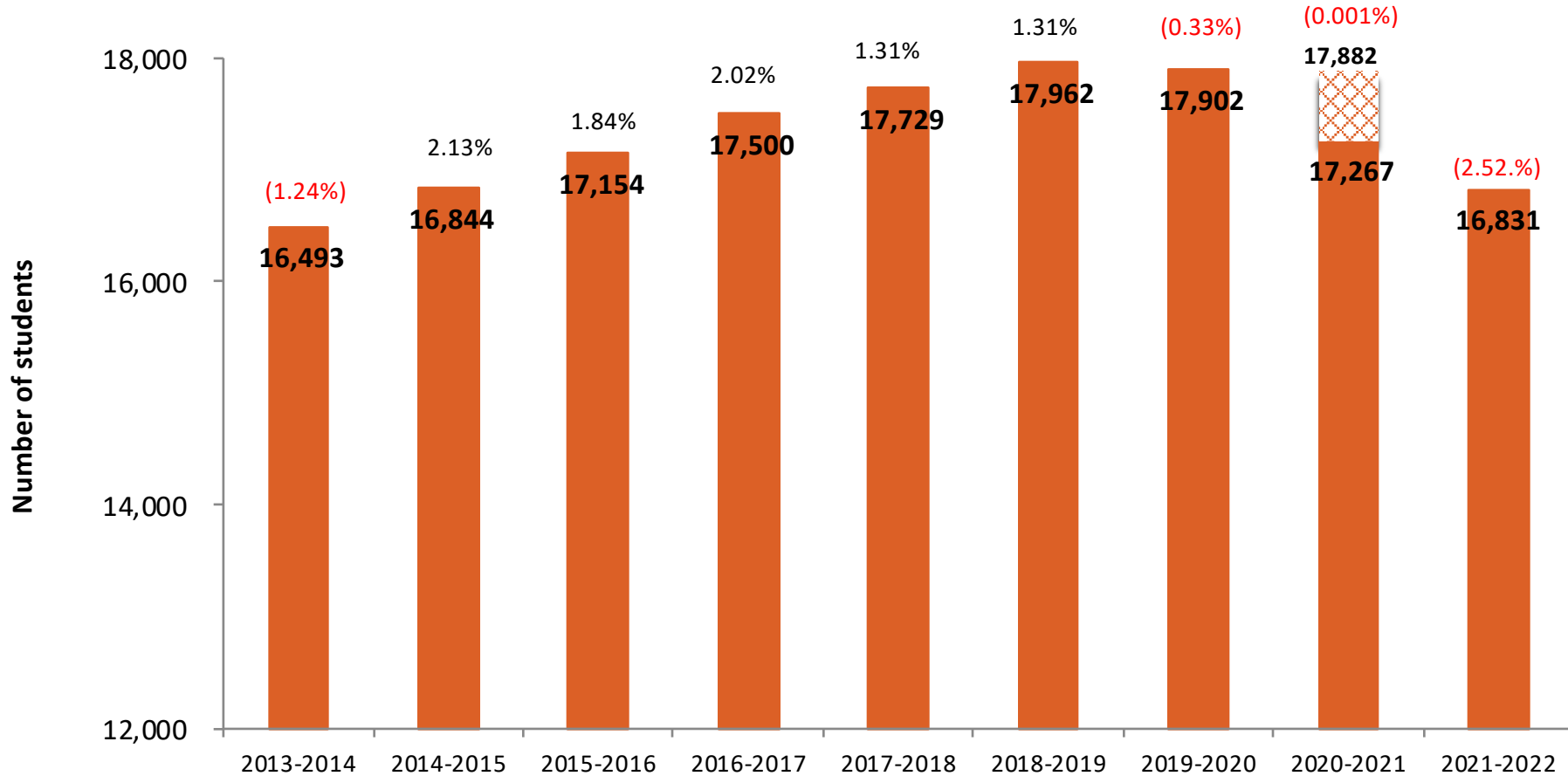
* Historical Impact on Foundation Allowance prorations (11d adjustments)

| 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

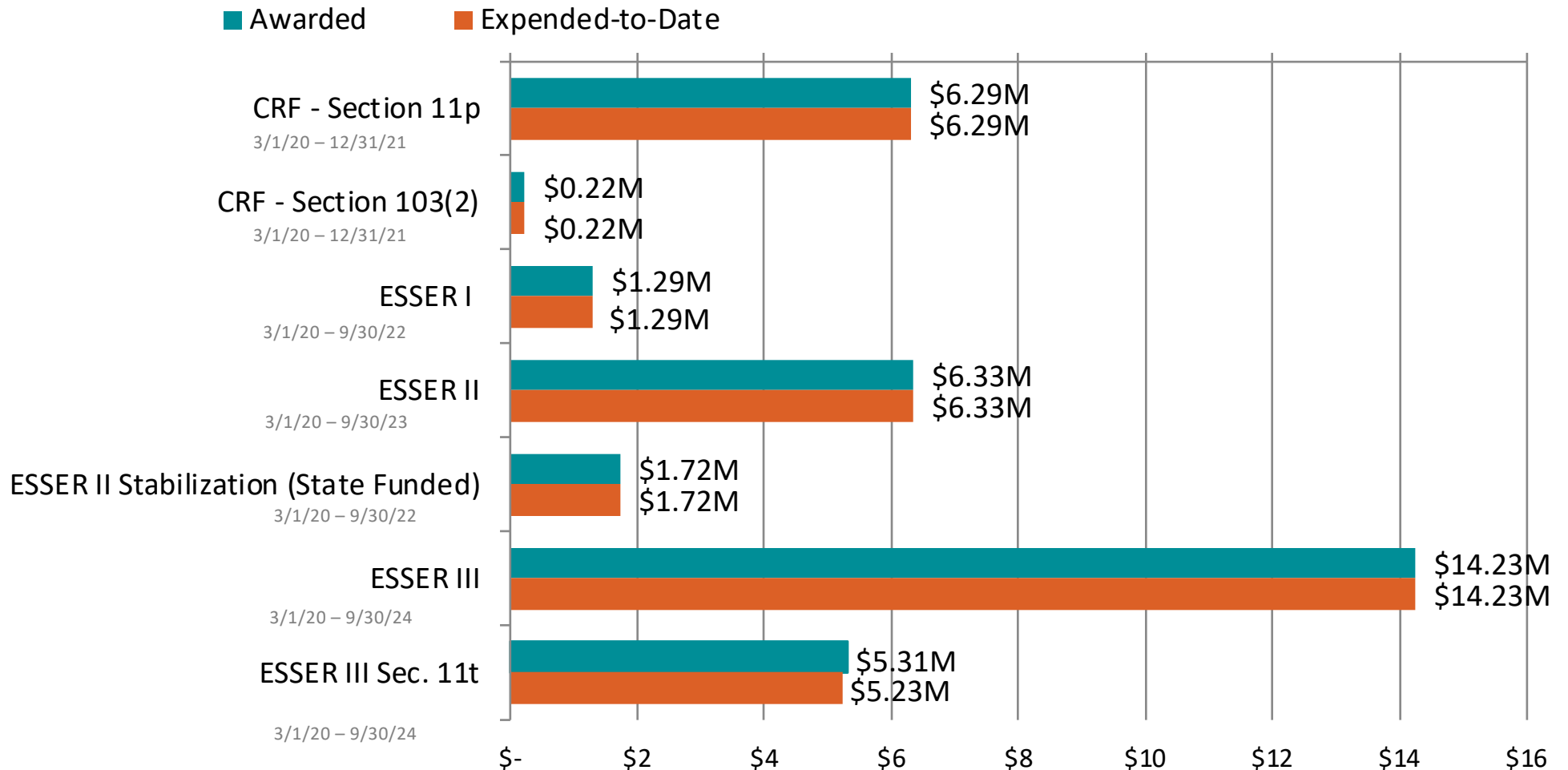
Fall FTE Count and Percentage Change from the Previous Years Ended June 30



2020-2021 only: FTE per State of Michigan super-blend funding formula



Cumulative non-recurring COVID-19 Relief Funding Awards & Expenditures through June 30, 2022 (in millions)

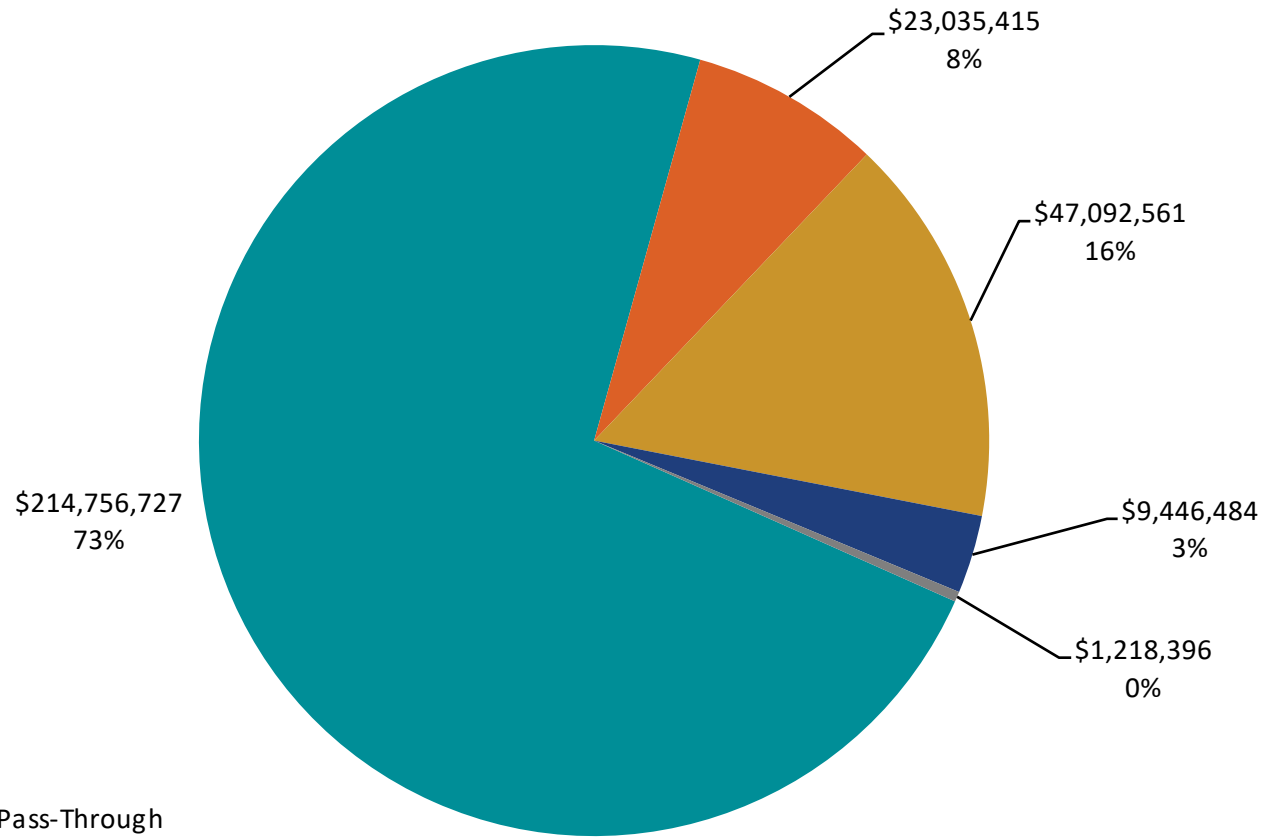




General Fund Expenditures

Year Ended June 30, 2022

Total Expenditures = \$295,549,583



- Salaries and Benefits
- Retirement Funding Pass-Through
- Purchased Services (e.g. Substitute Personnel, Transportation, Custodial/Maintenance)
- Supplies and Materials
- Other (e.g. Equipment, Dues and Fees)

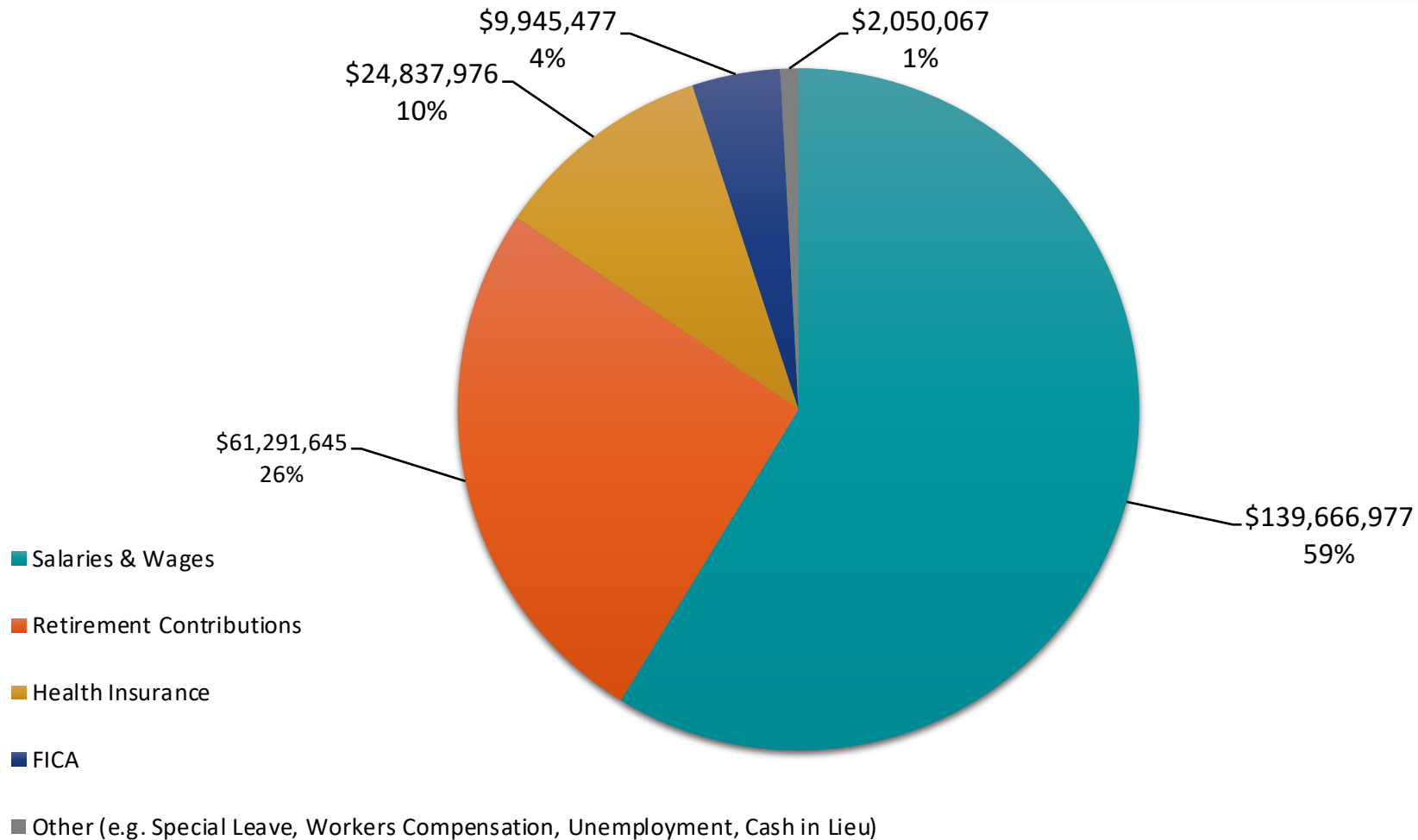
Percentages are rounded to the nearest whole percent



General Fund Salaries and Benefits

Year Ended June 30, 2022

Total Salaries and Benefits = \$237,792,142



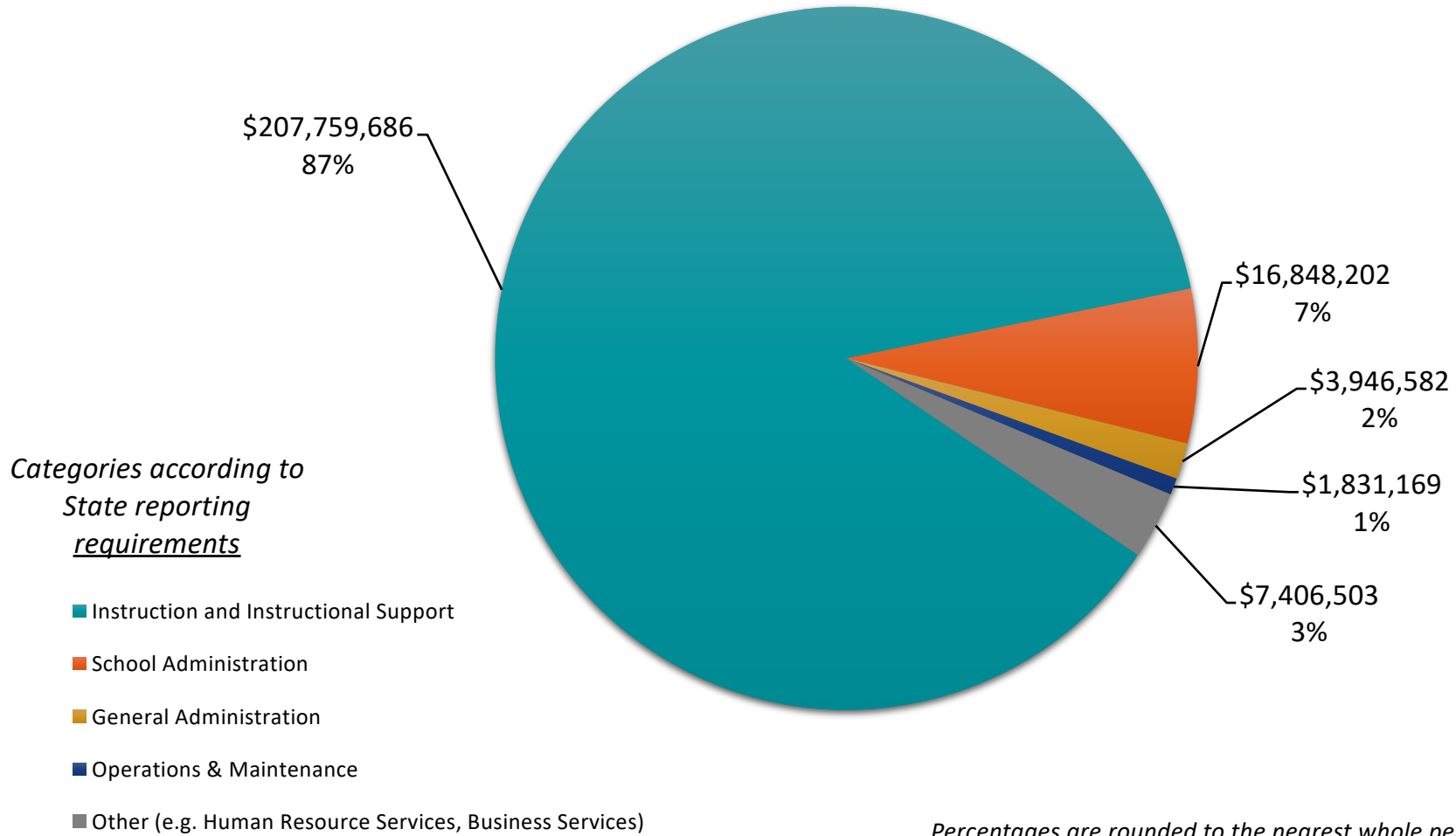
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General Fund Breakdown of Salaries and Benefits

Year Ended June 30, 2022

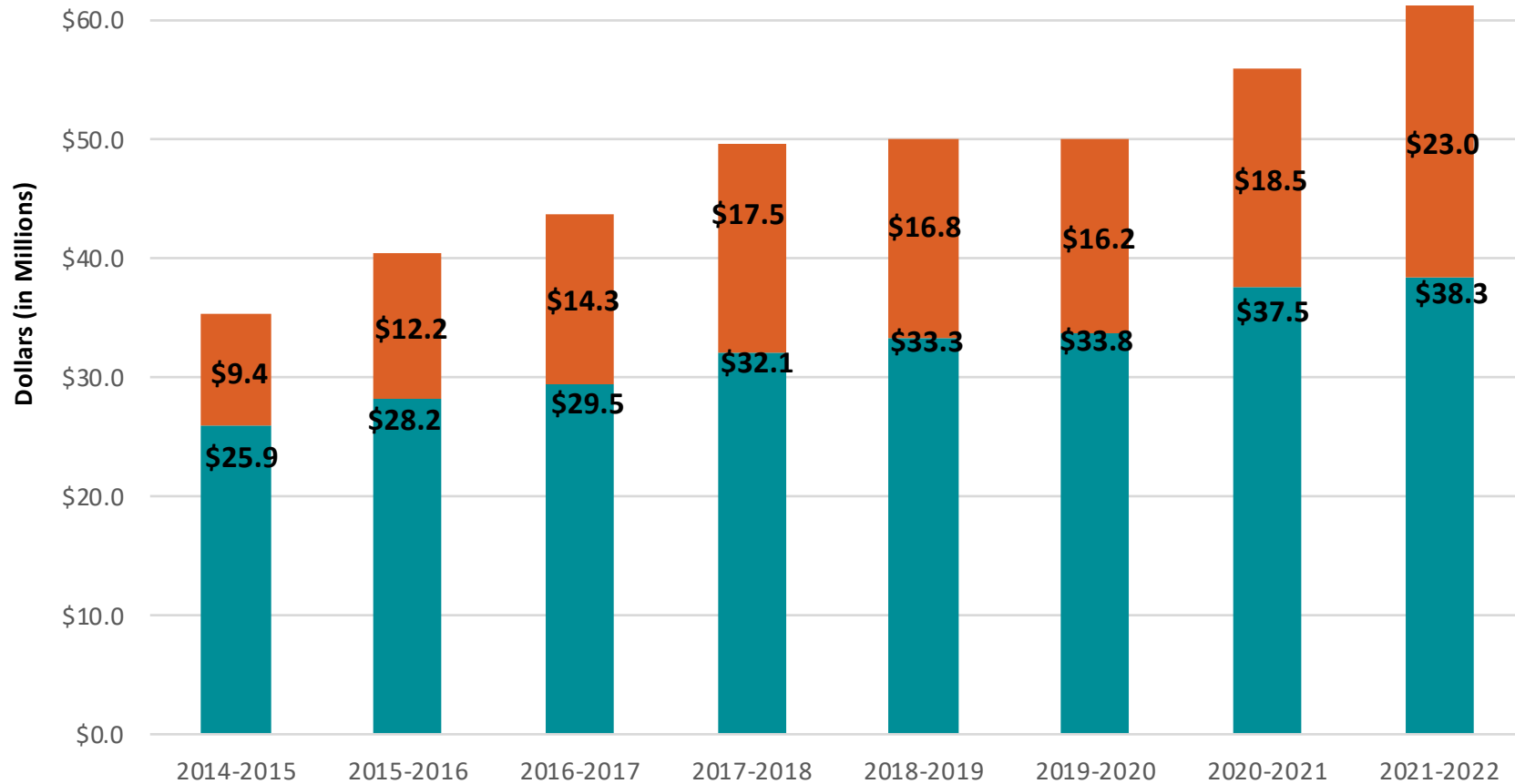
Total Salaries and Benefits = \$ 237,792,142
(94% = School-based Salaries & Benefits)






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

Year Ended June 30



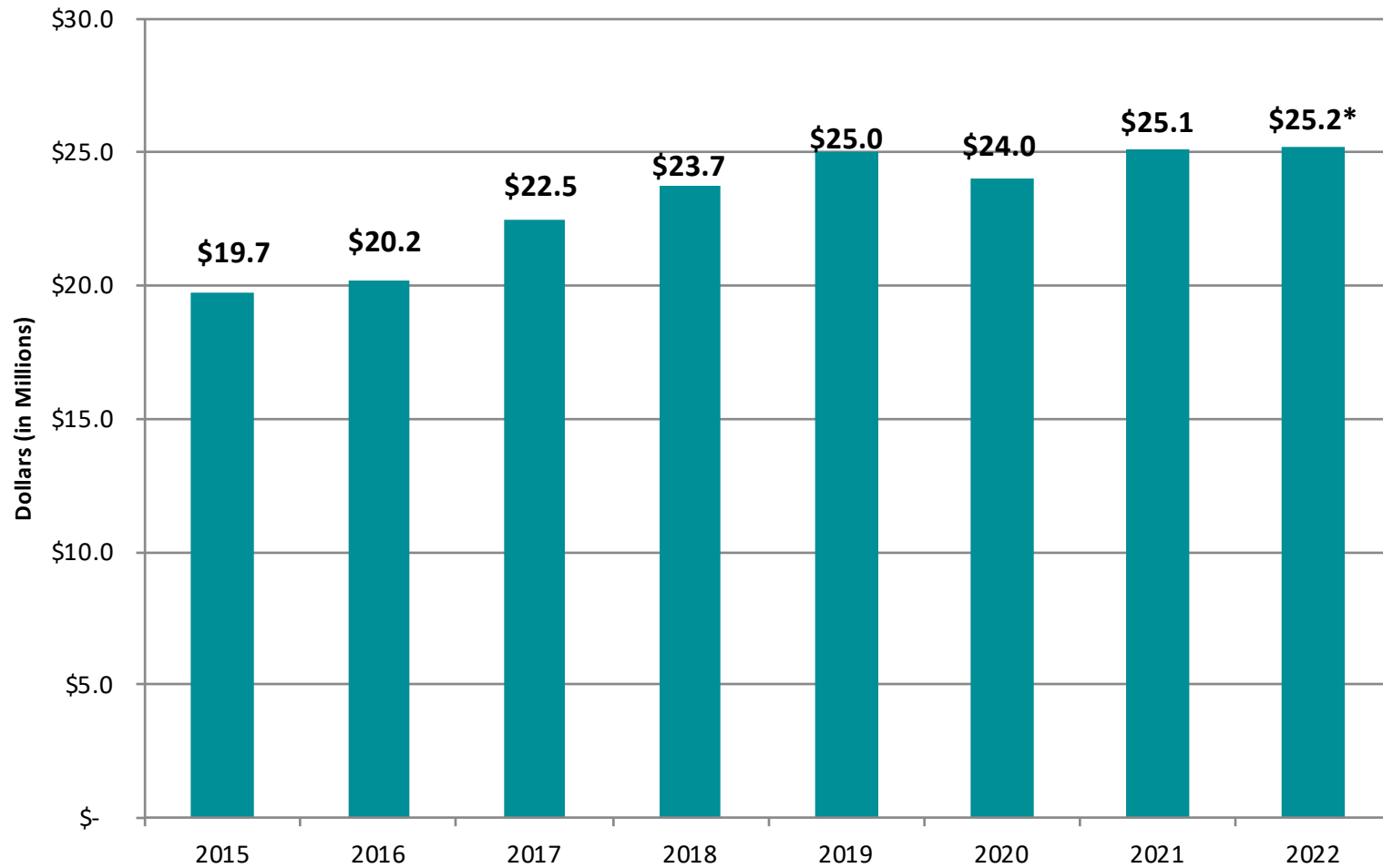
Participation in MPERS is a state mandated requirement

 *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



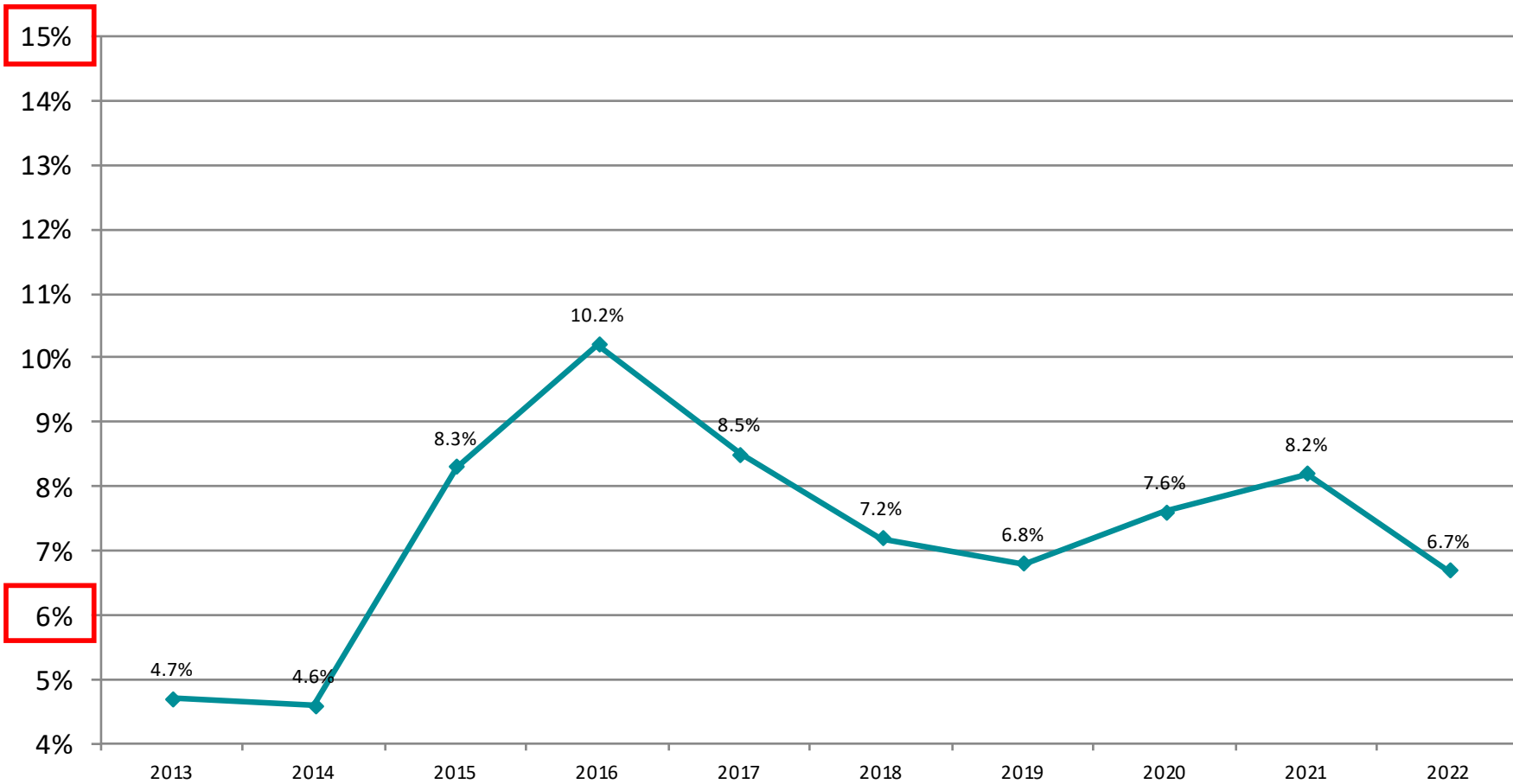
*The District currently pays a maximum of \$13,781 per teacher (the largest covered group) for health care insurance



Comparative General Fund

Fund Balance as a Percentage of Expenditures History

Year Ended June 30



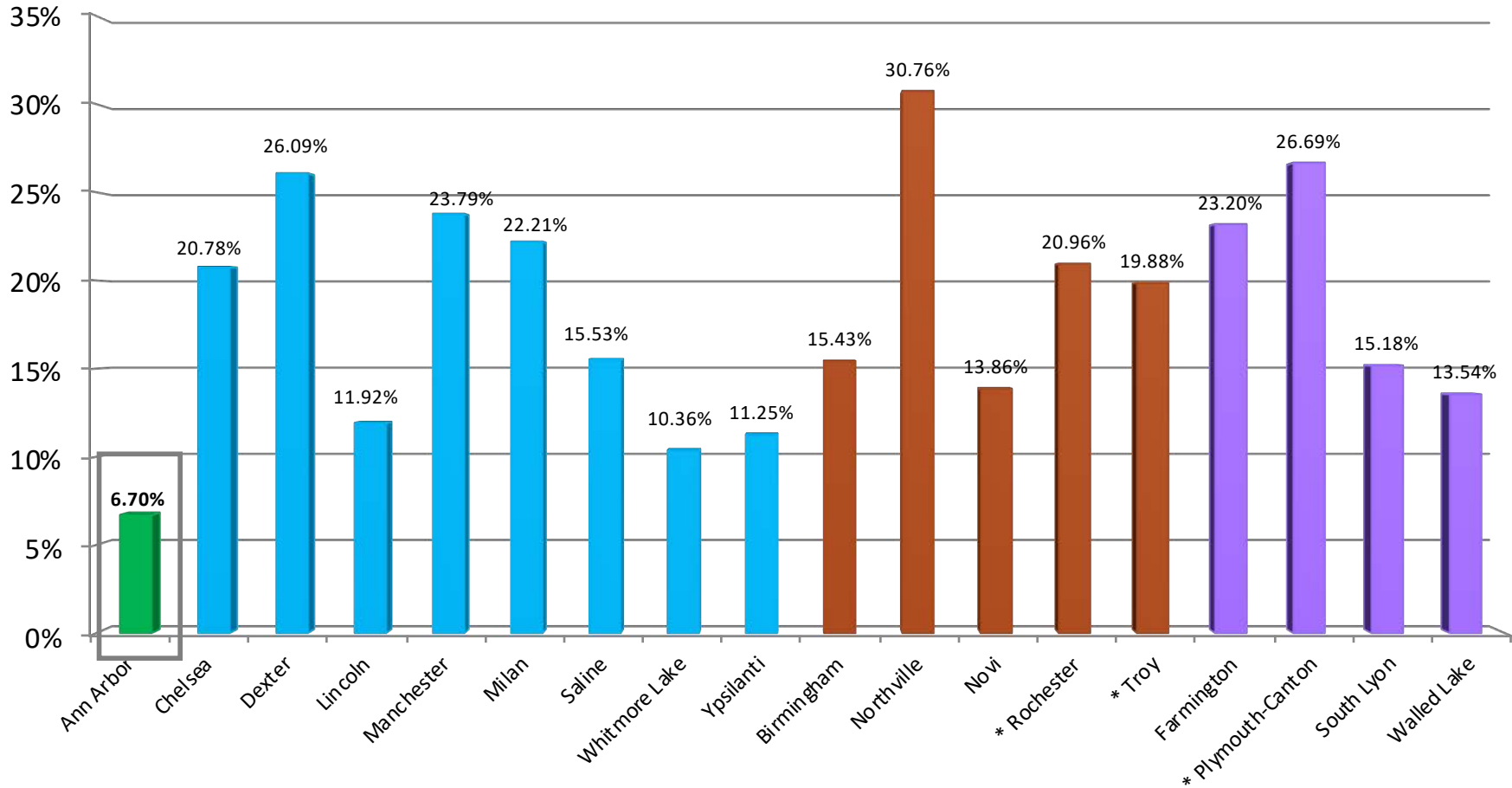
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Fund Balance as a Percent of Expenditures

Comparison of Districts
Year Ended June 30, 2021

**Districts similar in size*



 Ann Arbor Public Schools (June 30, 2022)

 Washtenaw ISD Districts

 High-performing MI Districts

 Demographically comparable Districts



Ann Arbor Public Schools

Year Ended June 30, 2022

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.
- Invested the one-time federal and state funds into health and wellness of students and staff, and competitive pay



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
- Assist students with their ongoing recovery from the COVID-19 pandemic
- Build 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:

Team AAPS

- 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 partnership in support of the Ann Arbor Public Schools



Thank you.

ANN ARBOR PUBLIC SCHOOLS
LEAD. CARE. INSPIRE.

