



Public Schools of the City of Ann Arbor

Financial Audit
Year ended June 30, 2020



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:

- \$6.7 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 \$17.3 million in current year investments from this fund
- Successful sale of the first series of the 2019 voter approved bond yielding \$152 million for future capital improvements



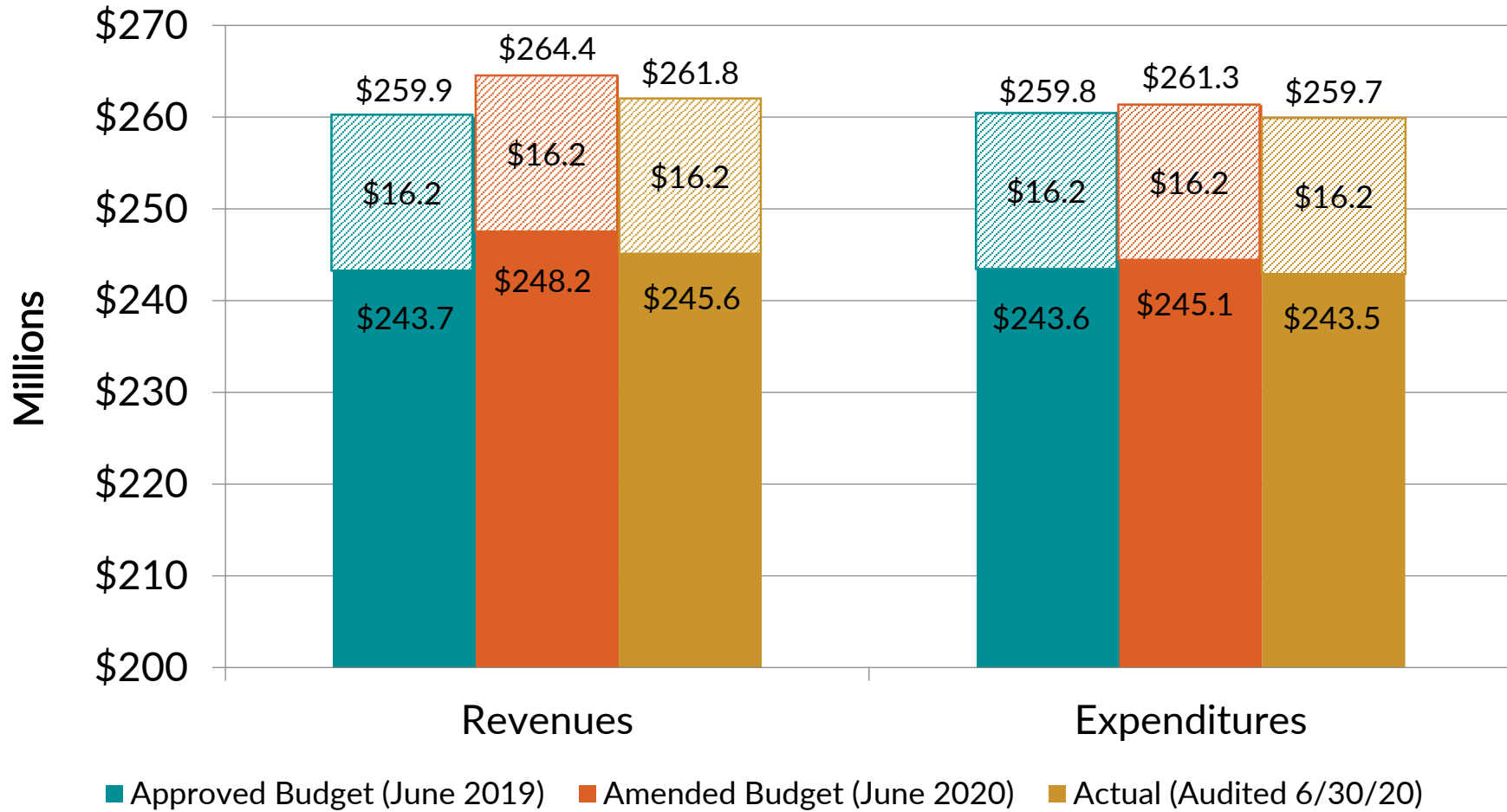
Highlights and Challenges

Challenges:

- Balancing investments in staff compensation with overall fiscal responsibility, working with current funding structure
- Impact of pandemic on all facets of the District, from remote learning challenges to reduction in state funding at the end of the year
- Continued expansion to meet needs of housing development and growth in the Ann Arbor community
- Educating on state funding model for Michigan public schools



General Fund - Budget to Actual



Both revenue and expenditures include \$16.2 million in MPERS retirement contributions passed-through from the State of Michigan



General Fund

Budget to Actual

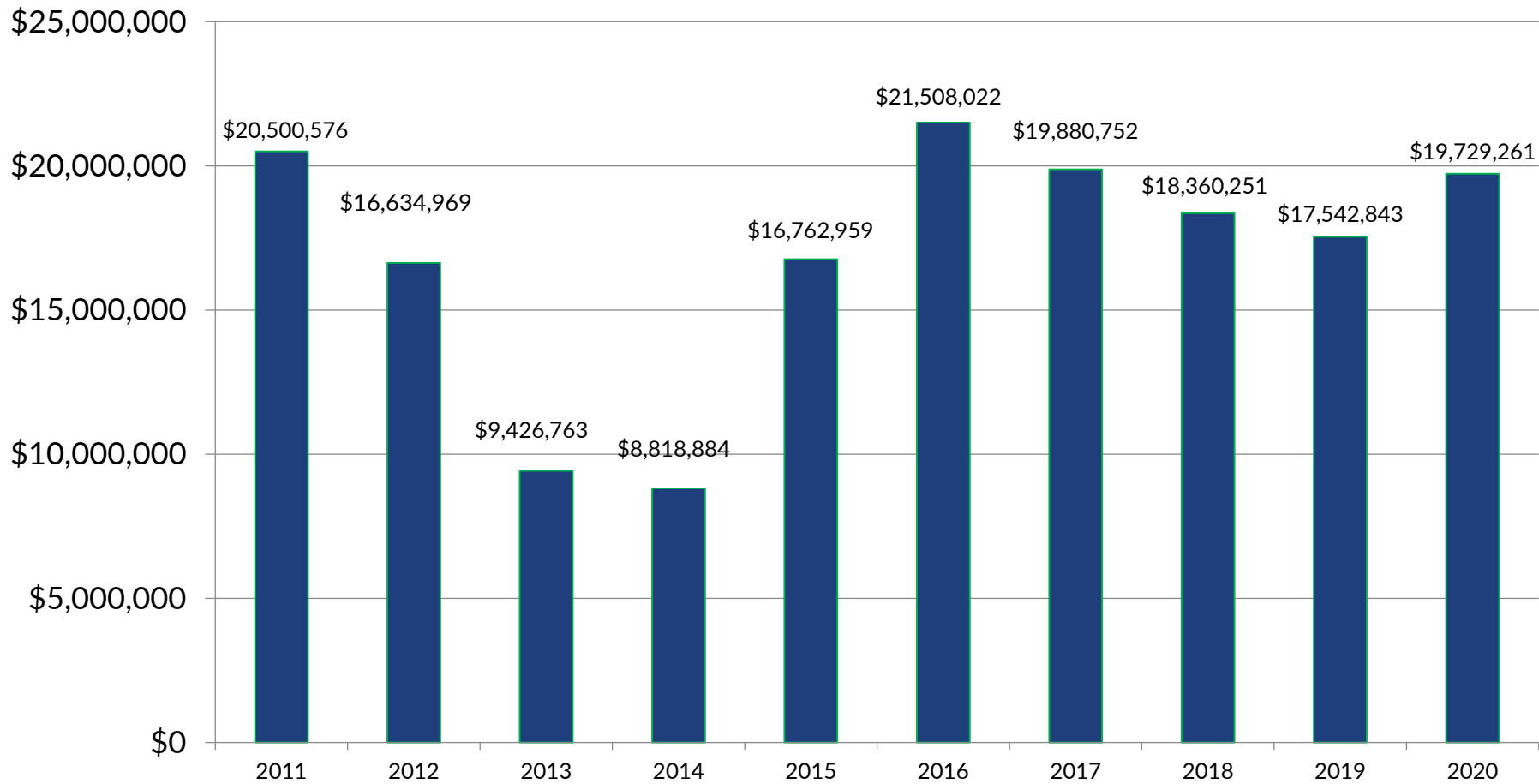
Year Ended June 30, 2020

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% variance</u>
Fund Balance - June 30, 2019	\$ 17,542,843	\$ 17,542,843	\$ -	
Revenue	264,363,202	261,800,519	(2,562,683)	-0.97%
Expenditures	<u>261,285,190</u>	<u>259,010,997</u>	<u>(2,274,193)</u>	-0.87%
Excess of Expenditures Over Revenue	3,078,012	2,789,522	(288,490)	
Plus: Other Financing Sources/(Uses)	<u>(45,240)</u>	<u>(603,104)</u>	<u>(557,864)</u>	
Change in Fund Balance	<u>3,032,772</u>	<u>2,186,418</u>	<u>(846,354)</u>	
Fund Balance - June 30, 2020	<u>\$ 20,575,615</u>	<u>\$ 19,729,261</u>		
Fund Balance as % of Expenditures		7.6%		
Fund Balance as % of Revenue		7.5%		
Days of operation (365 day year)		28		



Comparative General Fund

Fund Balance History
Year Ended June 30



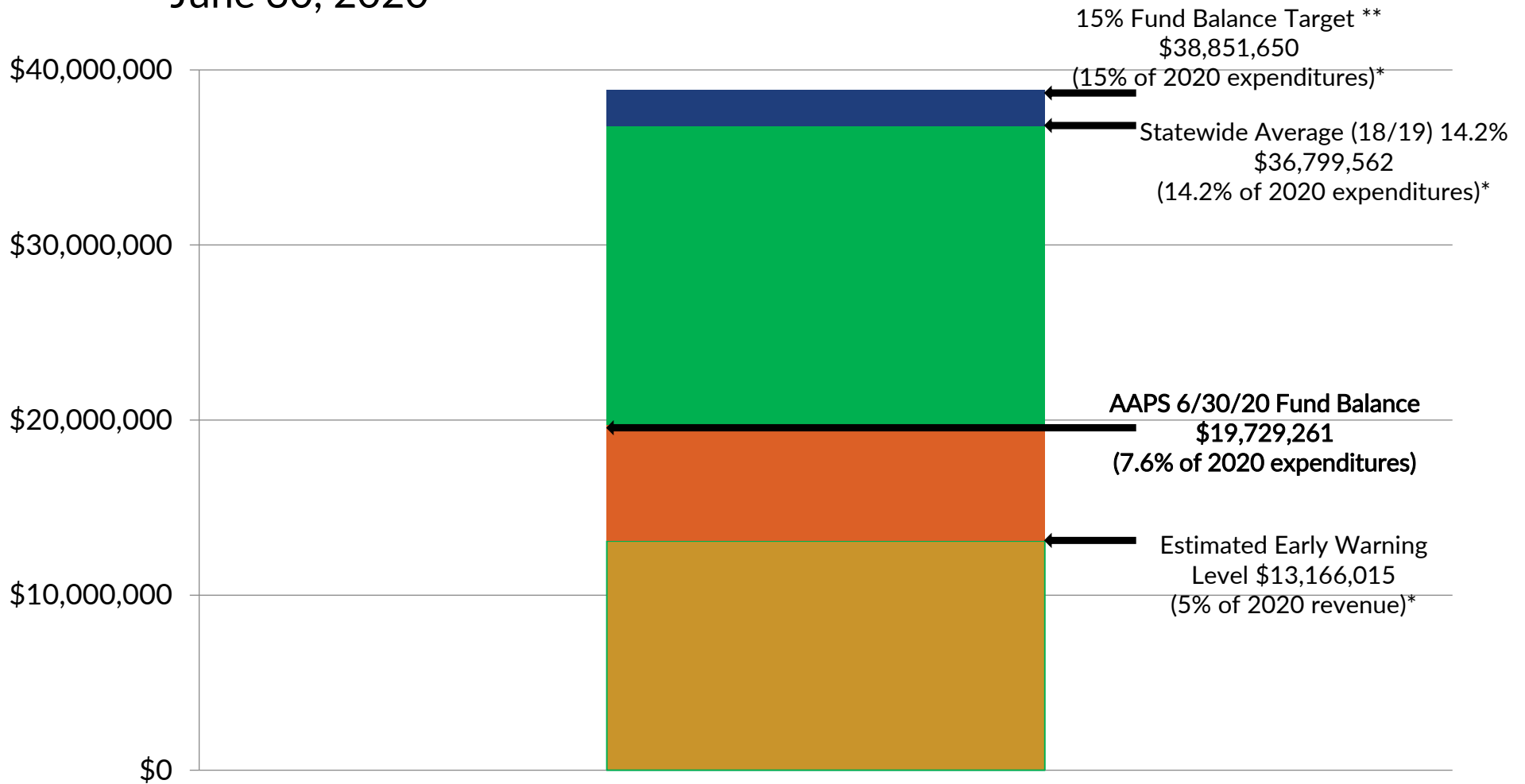
Percentage of Expenditures	10.5%	8.5%	4.7%	4.6%	8.3%	10.2%	8.5%	7.2%	6.8%	7.6%
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General Fund

Fund Balance Indicators

June 30, 2020



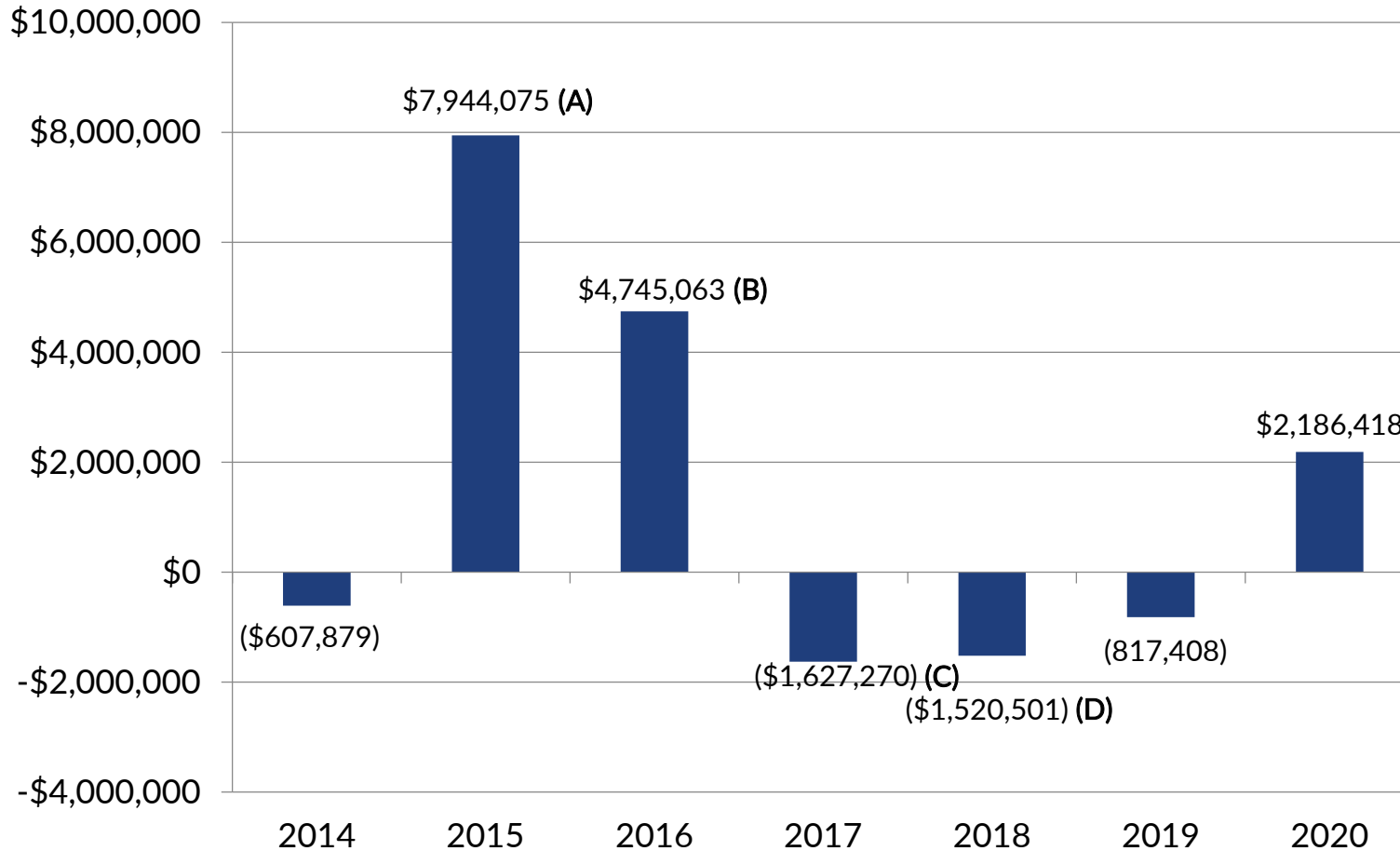
**Estimated Early Warning Line and Fund Balance target percentages based on 2020 general fund revenues and expenditures. Board policy is range of 6-15% of expenditures*

*** Michigan School Business Officials (MSBO) recommended target*



Net Change in Fund Balance – General Fund

Year Ended June 30



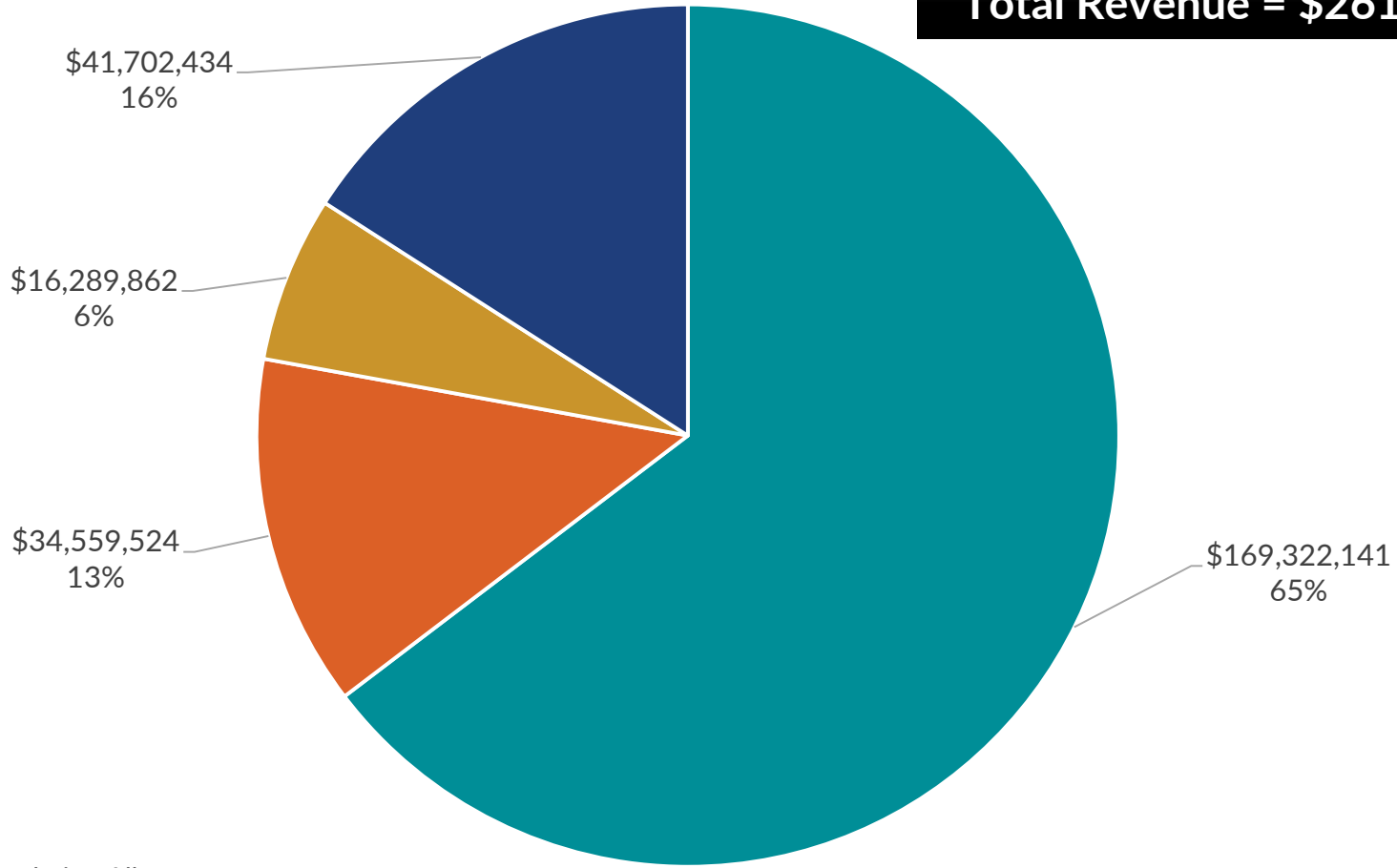
- (A) Includes one-time funds for Special Education from WISD (\$4.6 million) and Medicaid funds (\$400,000)
- (B) Includes one-time funds related to sale of Roberto Clemente (\$1 million) and Ann Arbor District Library interest (\$3 million)
- (C) Includes certain one-time direct expenses related to 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, 2020

Total Revenue = \$261,873,961

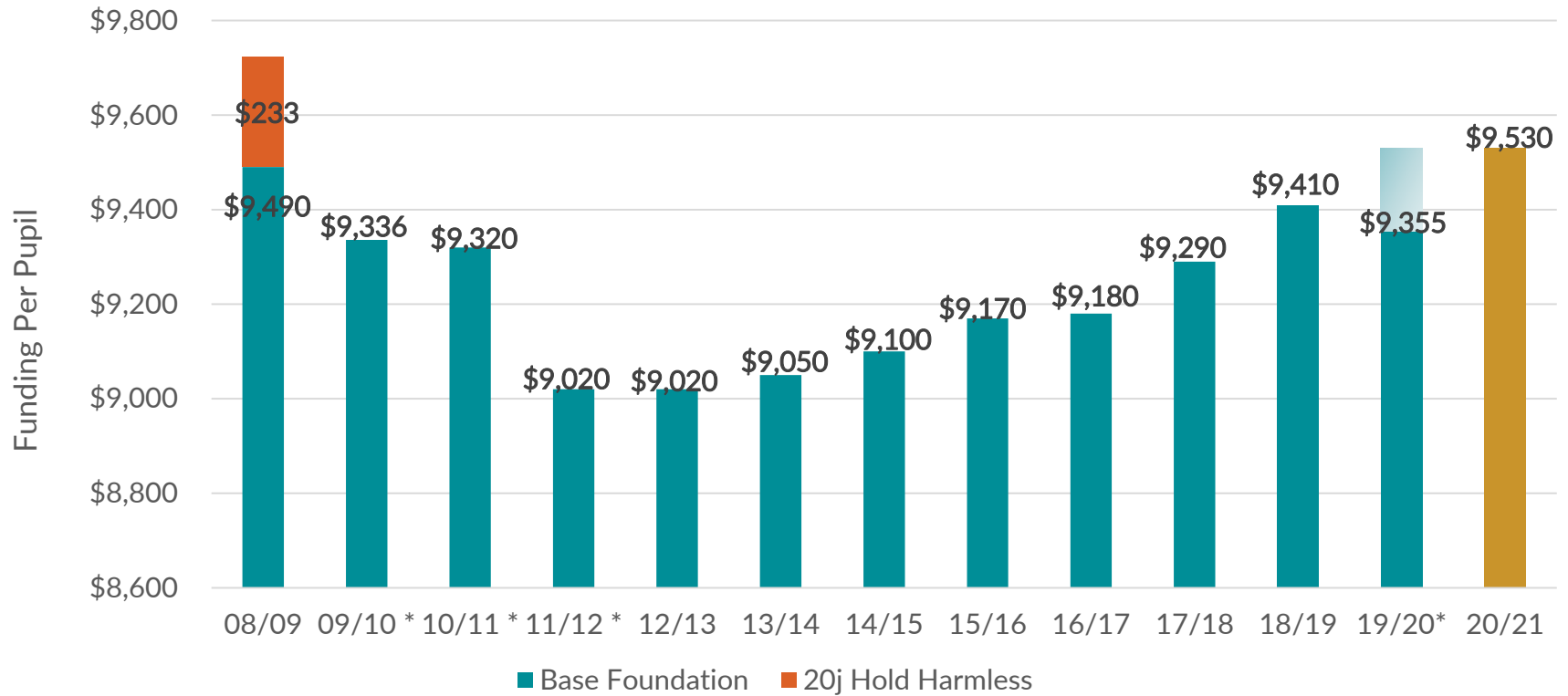


- Foundation Allowance
- County Special Education Millage
- Retirement Funding Pass-through (Required to be sent directly to pension system)
- Other (State Categoricals, Federal Grants, Special Ed State Funding, Local)



Foundation Allowance

Historical lookback at funding



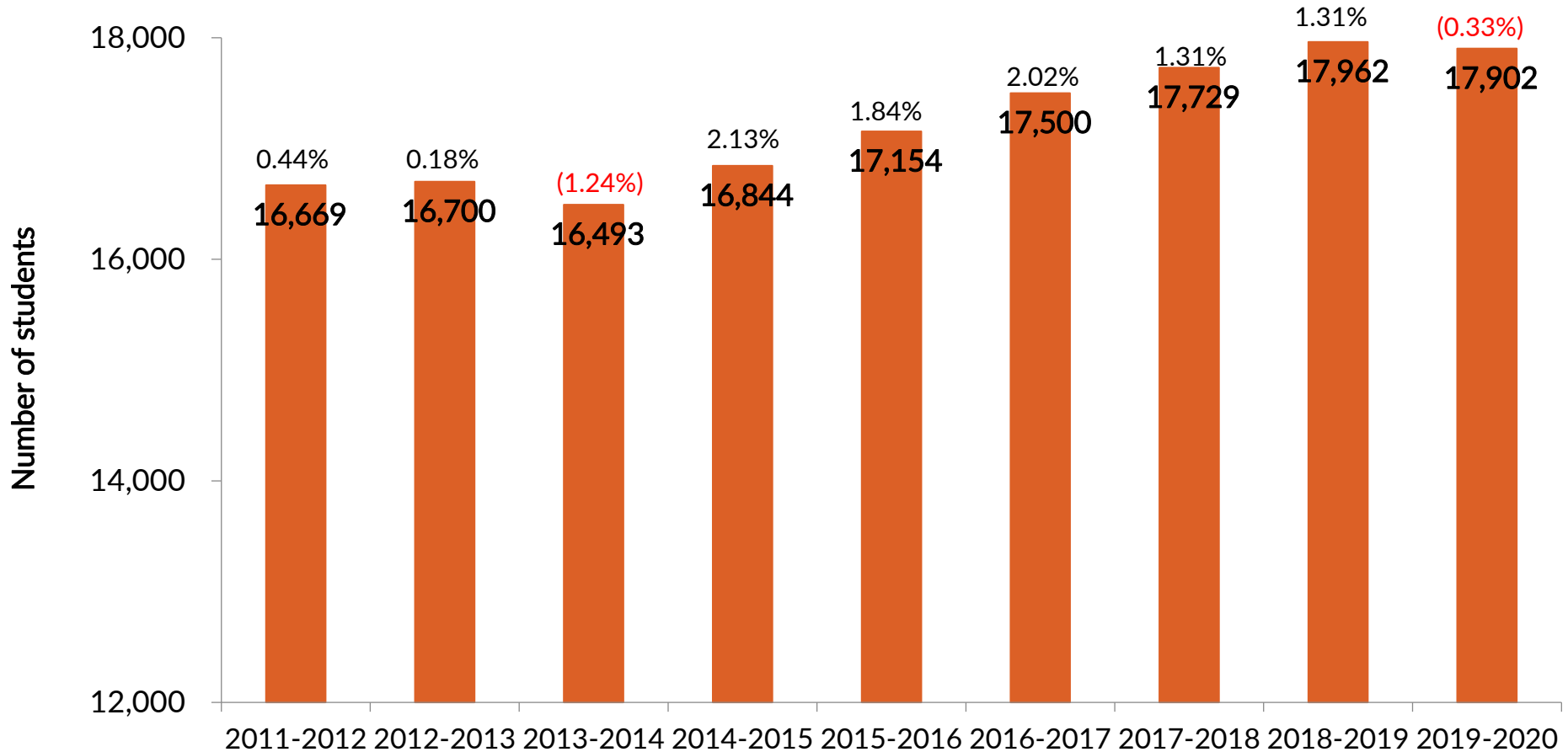
Historical Impact on Foundation Allowance prorations (11d adjustments)

Fiscal Year Impacted	Funding reduction per pupil
09/10	(\$154)
10/11	(\$170)
11/12	(\$470) [statutorily enacted/permanent reduction]
20/21	(\$175)



Student Enrollment Comparison

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

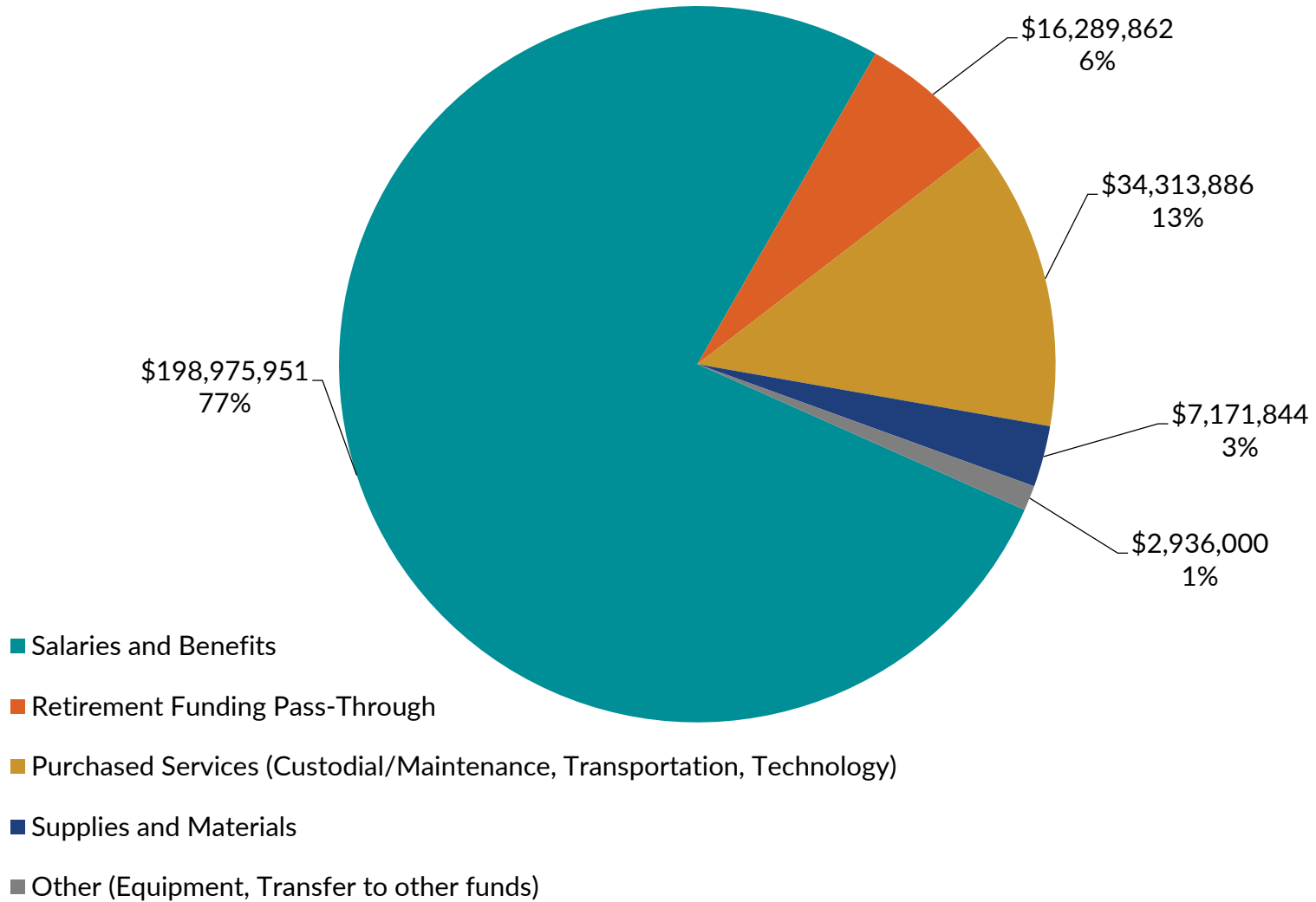




General Fund Expenditures

Year Ended June 30, 2020

Total Expenditures = \$259,687,543

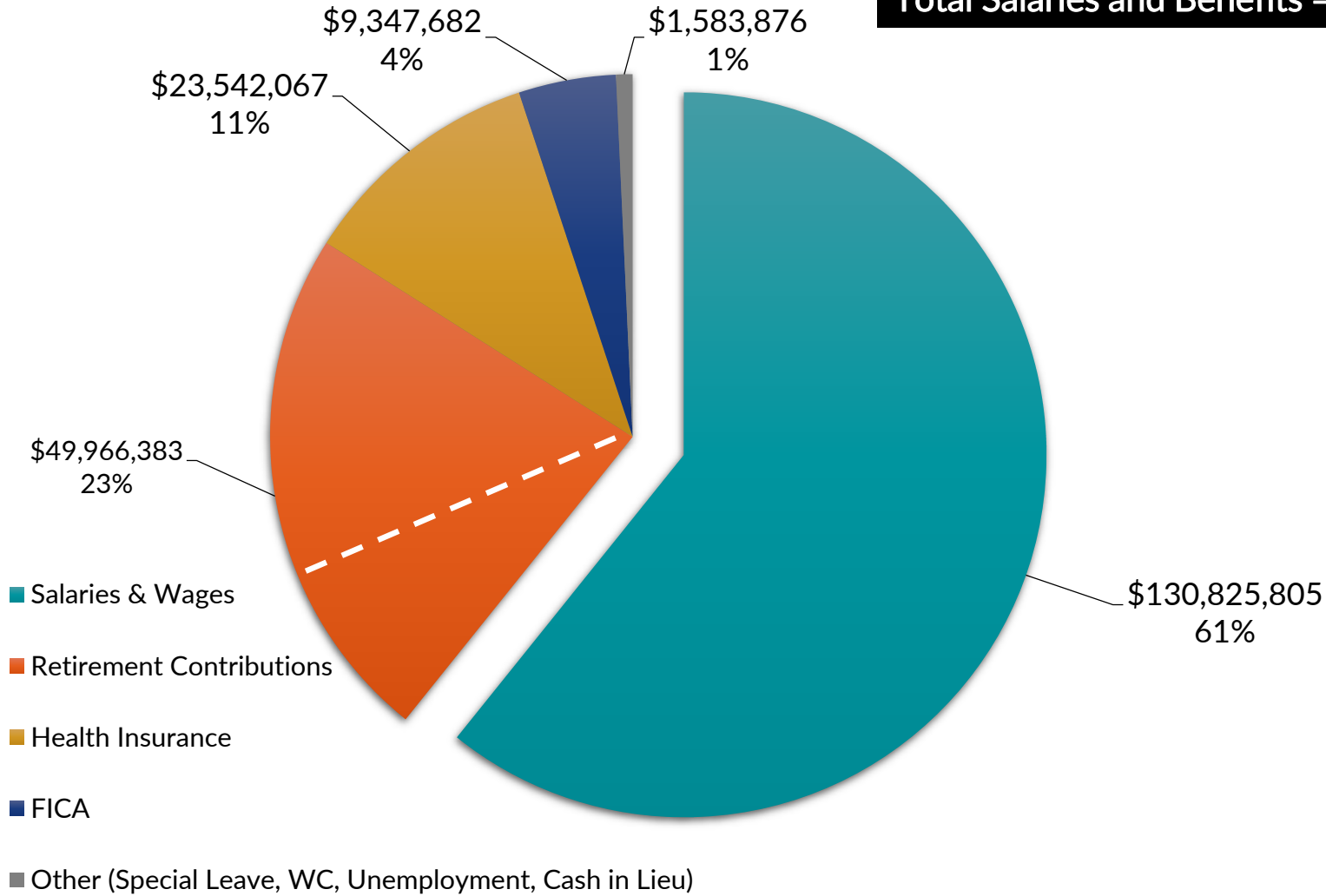




General Fund Salaries and Benefits

Year Ended June 30, 2020

Total Salaries and Benefits = \$215,265,813

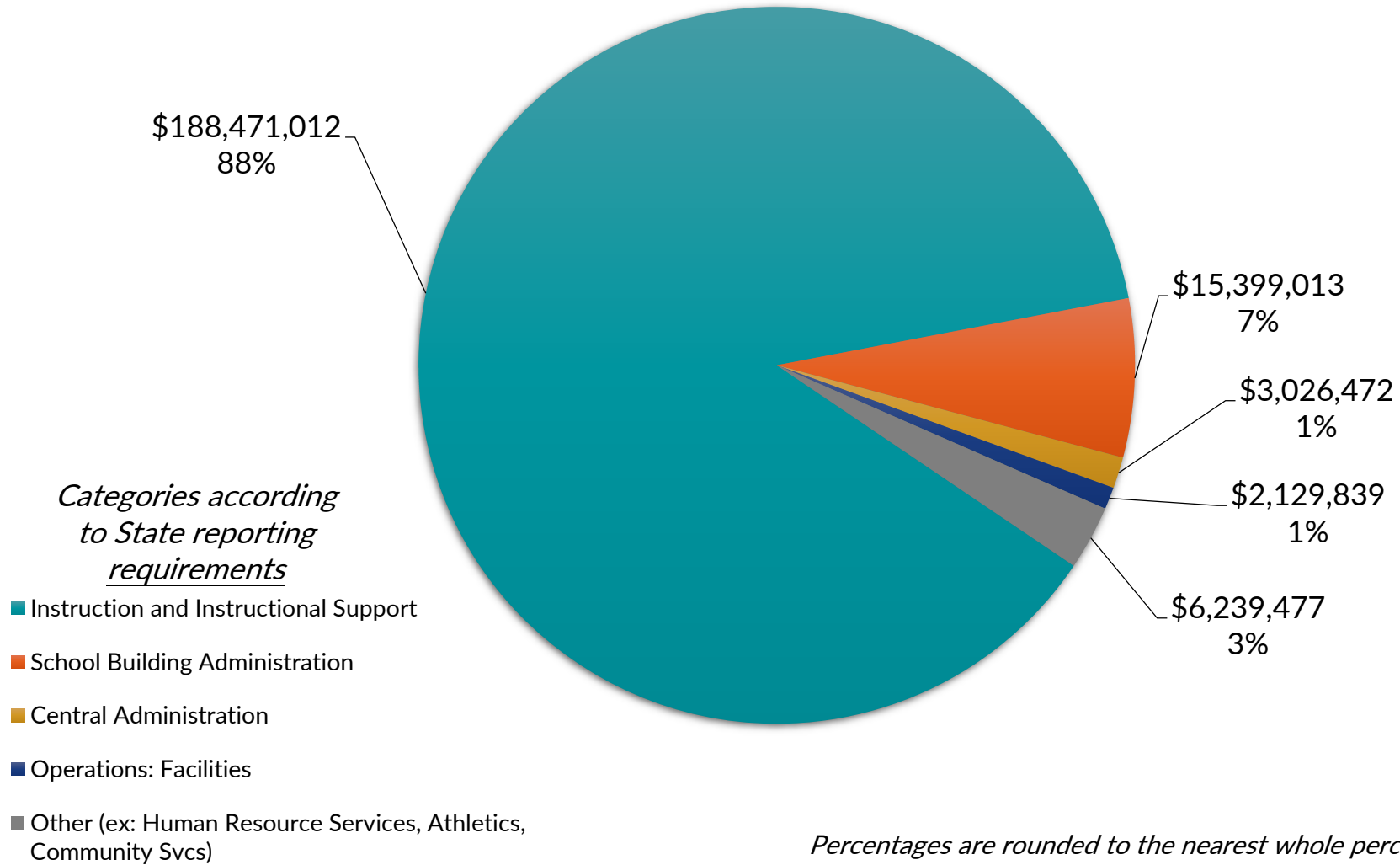




General Fund Breakdown of Salaries and Benefits

Year Ended June 30, 2020

Total Salaries and Benefits = \$ 215,265,813
(95% = School-based Salaries & Benefits)

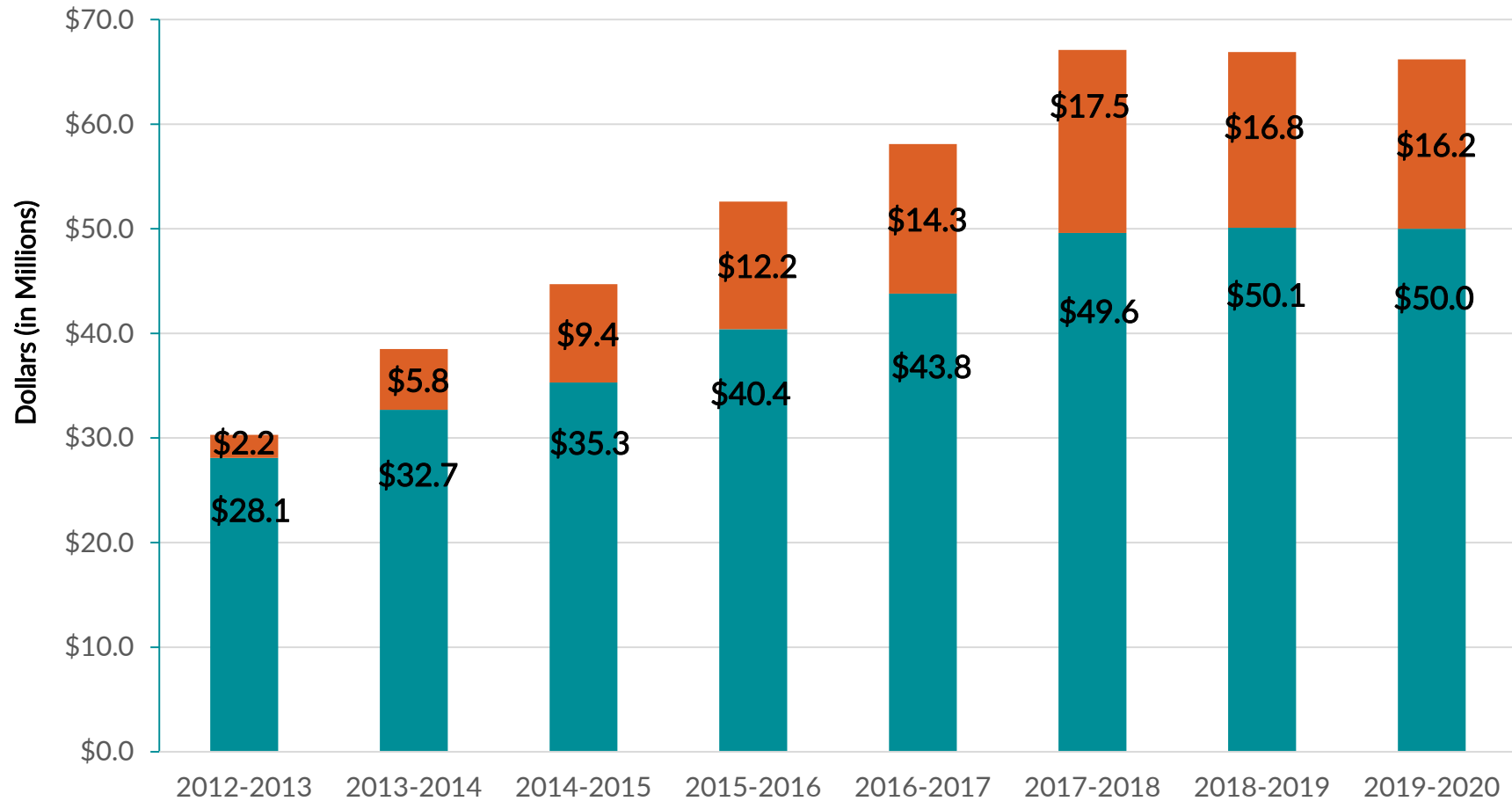


Percentages are rounded to the nearest whole percent



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

Year Ended June 30



Participation in MPERS is a state mandated requirement

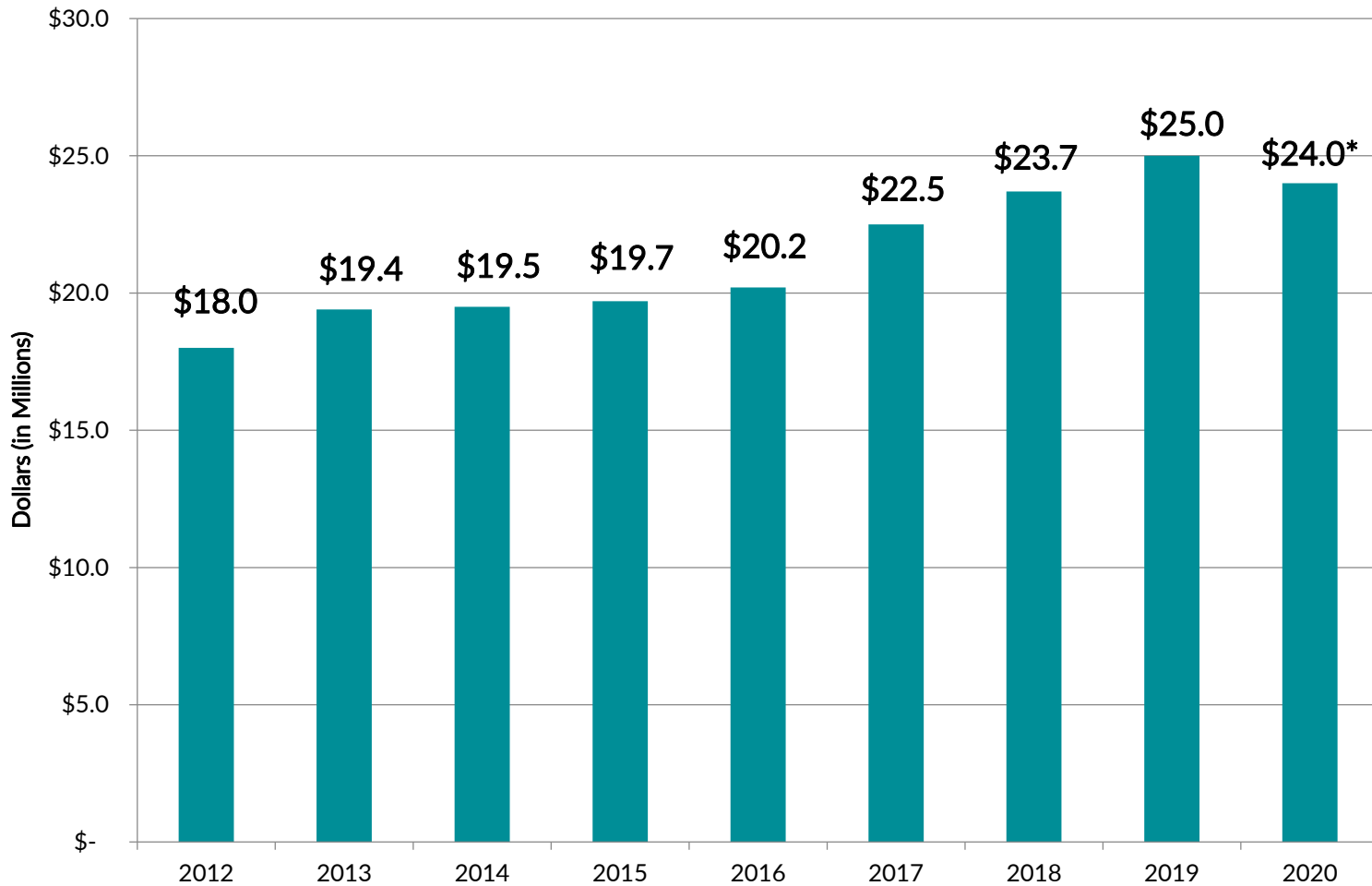


Unfunded Actuarial Accrued Liability (UAAL) expense from State Aid. This is a direct pass-through from State



Total Health Related Insurance Costs

Year Ended June 30

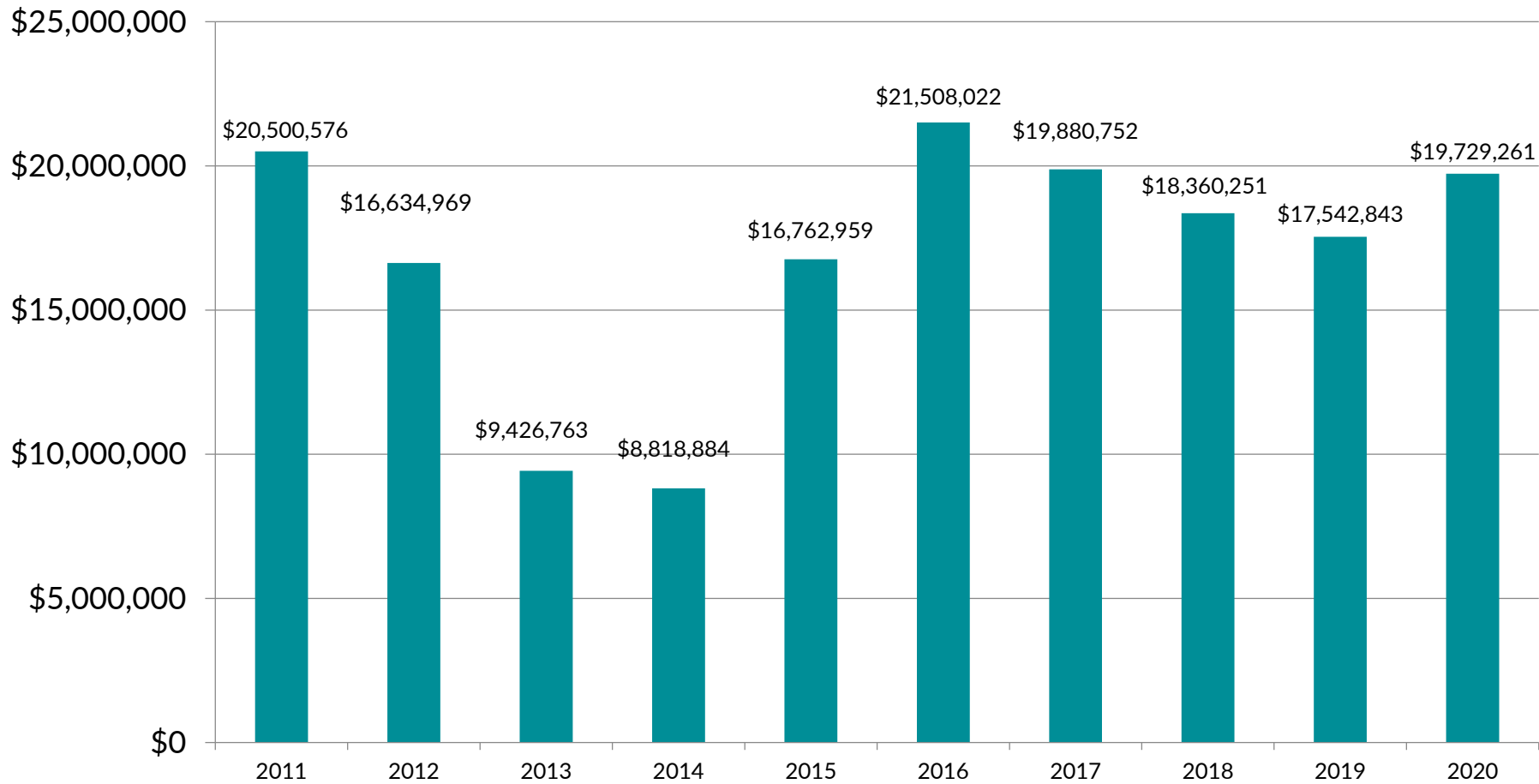


*The District currently pays a maximum of \$13,578 per teacher (the largest covered group) for insurance



Comparative General Fund

Fund Balance History
Year Ended June 30

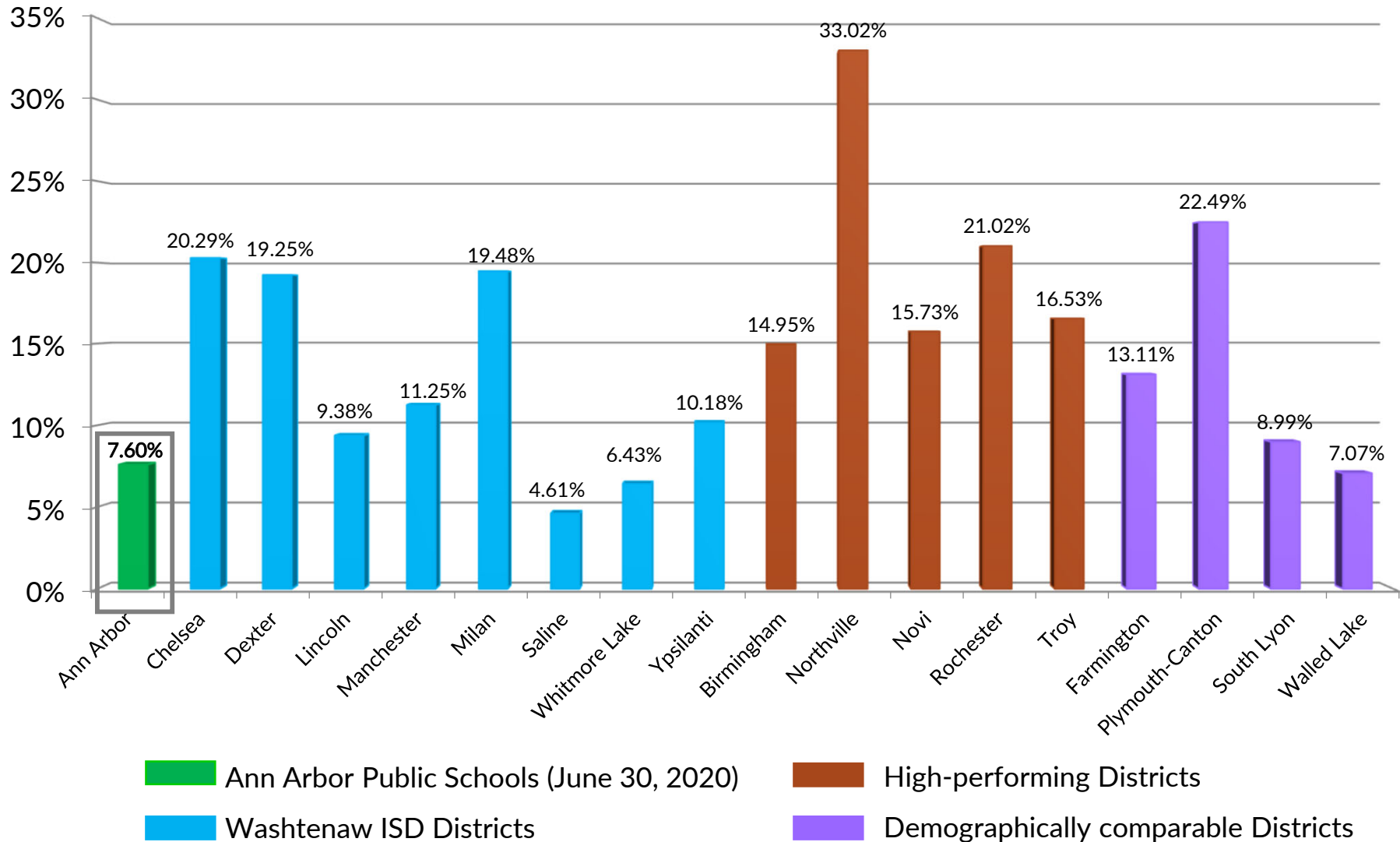


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Percentage of Expenditures	10.5%	8.5%	4.7%	4.6%	8.3%	10.2%	8.5%	7.2%	6.8%	7.6%



Fund Balance as a Percent of Expenditures

Comparison of Districts
Year Ended June 30, 2019





Ann Arbor Public Schools

Year Ended June 30, 2020

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^{a+}
ANN ARBOR PUBLIC SCHOOLS