



Ann Arbor Public Schools Budget Process

June 26, 2024



Introduction

Plante Moran provided assistance in connection with an analysis/comparison of the fiscal year 2023-24 General Fund original budget, adopted by the Board of Education (the “Board”) on June 21, 2023, to actual year-to-date amounts, which results in an unfavorable variance.

The most recent period in which an audit of the District’s financial statements was conducted for the year ended June 30, 2023. Financial amounts presented for any subsequent period have not been audited.

We have included **two slides** that were previously presented to the Board on November 15, 2023.



Budget – What is it?

- **Budget** – a plan of financial operation for a given period of time
 - **Estimated Expenditures** – the total amount of probable expenditures *determined through some reasonable means* to be incurred during the fiscal year
 - **Estimated Revenues** – the total amount of probable revenue *determined through some reasonable means* to be available for the payment of current year liabilities
- The Superintendent or Chief Administrative Officer (and the administration) has the responsibility for developing the original budget and any subsequent amendments for presentation to the school board (MCL 141.434)



Budget Requirements

Per MCL 141.435 (Uniform Budgeting and Accounting Act), the recommended budget shall include at least the following:

- (a) **Expenditure data** for the most **recently completed fiscal year** and estimated expenditures for the current fiscal year.
- (b) An **estimate of the expenditure amounts** required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.
- (c) **Revenue data** for the most **recently completed fiscal year** and estimated revenues for the current fiscal year.
- (d) An **estimate of the revenues**, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.
- (e) The **amount of surplus or deficit that has accumulated from prior fiscal years**, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.
- (f) An **estimate of the amounts needed for deficiency, contingent, or emergency purposes**.
- (g) Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.



Budget Requirement

The total estimated expenditures, including an accrued deficit, in the budget **shall not exceed** the total estimated revenues,

including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.



Budget Process Assessment

Plante Moran interviewed District staff to understand the process utilized by AAPS to develop the 2023/24 Original Budget and the current Amendment

- **Original Budget:**

- *Roll Forward* - Starting point is the current fiscal year amended budget (i.e., the budget originally passed by the Board was modified; a common occurrence for districts) based on changes that occur during the fiscal year. This starting point is called a “roll forward”
- A *Variance* column is utilized to identify changes that are known that would cause the next fiscal year budget to be different than the current fiscal year amended budget. This could include:
 - Foundation allowance per pupil changes and pupil count projections
 - Employment contracts and negotiated rates
 - Significant non-payroll contractual changes

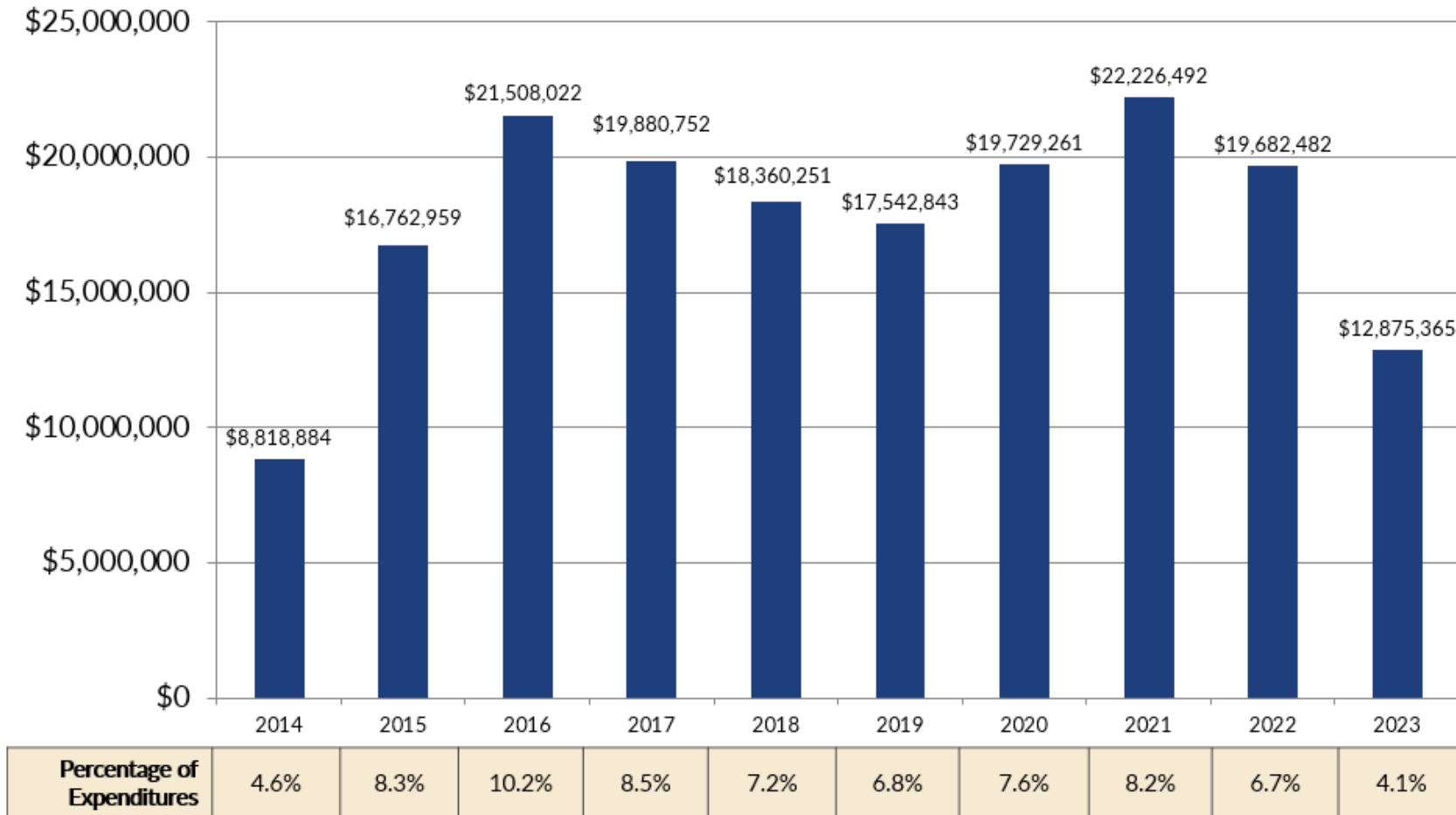
- **Amendments:**

- Utilize actual current year-to-date information for both revenues and expenditures
- Factor in known contractual changes that could impact remainder of year

The process to compile the 2023/24 Amended Budget appears appropriate.



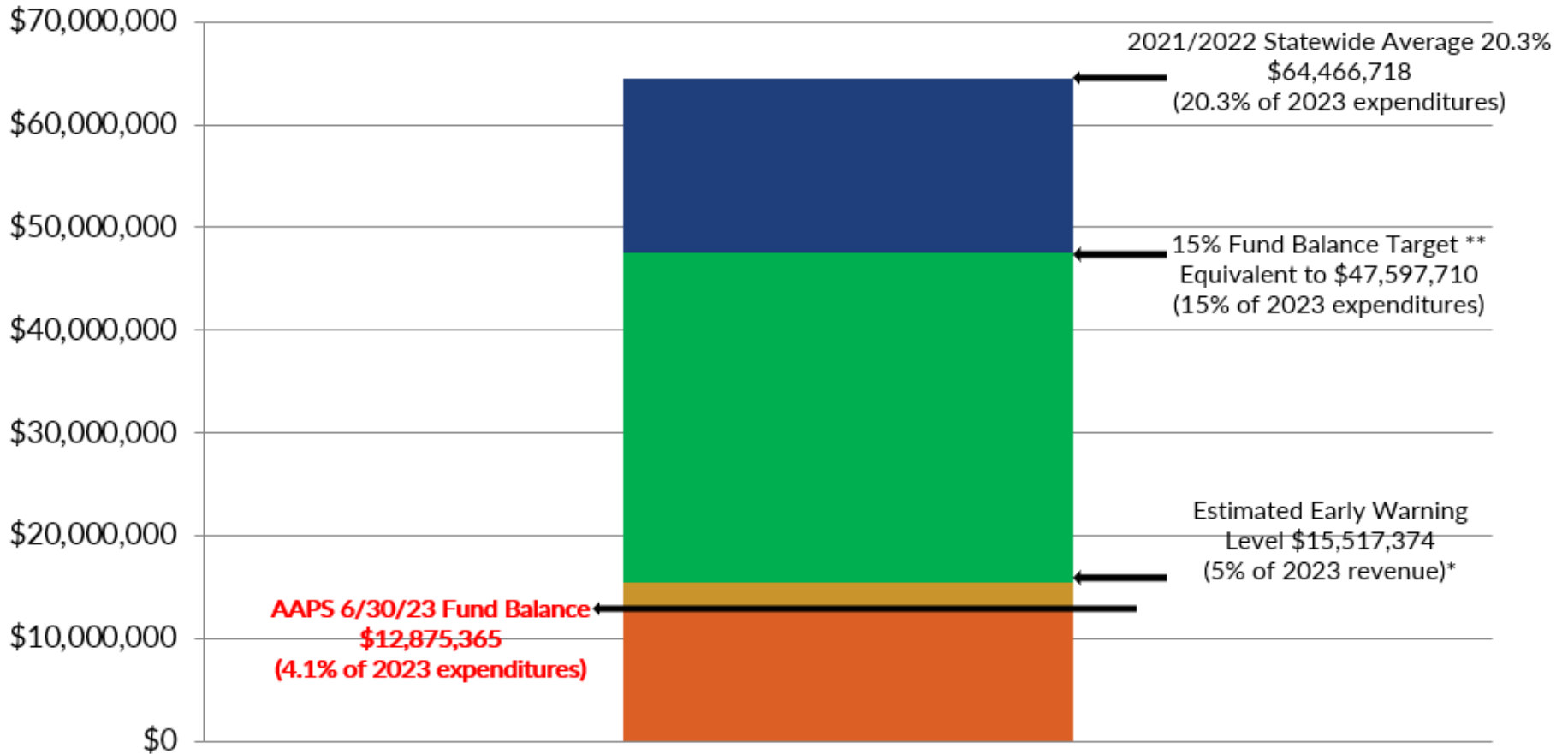
General Fund Evidence of Fund Balance decline





General Fund

June 30, 2023 Fund Balance Indicators



* Early Warning Legislation trigger occurs when a District falls below 5% of revenue based on the formula outlined in the legislation for 2 consecutive years

** Michigan School Business Officials (MSBO) recommended target

Note: Board policy is a range of 6%-15% of expenditures