



ANN ARBOR PUBLIC SCHOOLS
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Public Schools of the City of Ann Arbor

Financial Audit
Year ended June 30, 2024



Results of the June 30, 2024 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 for the year ended June 30, 2024



Responsibilities of the June 30, 2024 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, 2024 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:

- \$58.7 million in current year capital investments from the 2019 Bond Series II and Series III outstanding bond issues.
- Sinking Fund millage continues to be a critical element to the overall capital repair needs of the District, with \$6.2 million in current year investments from this fund



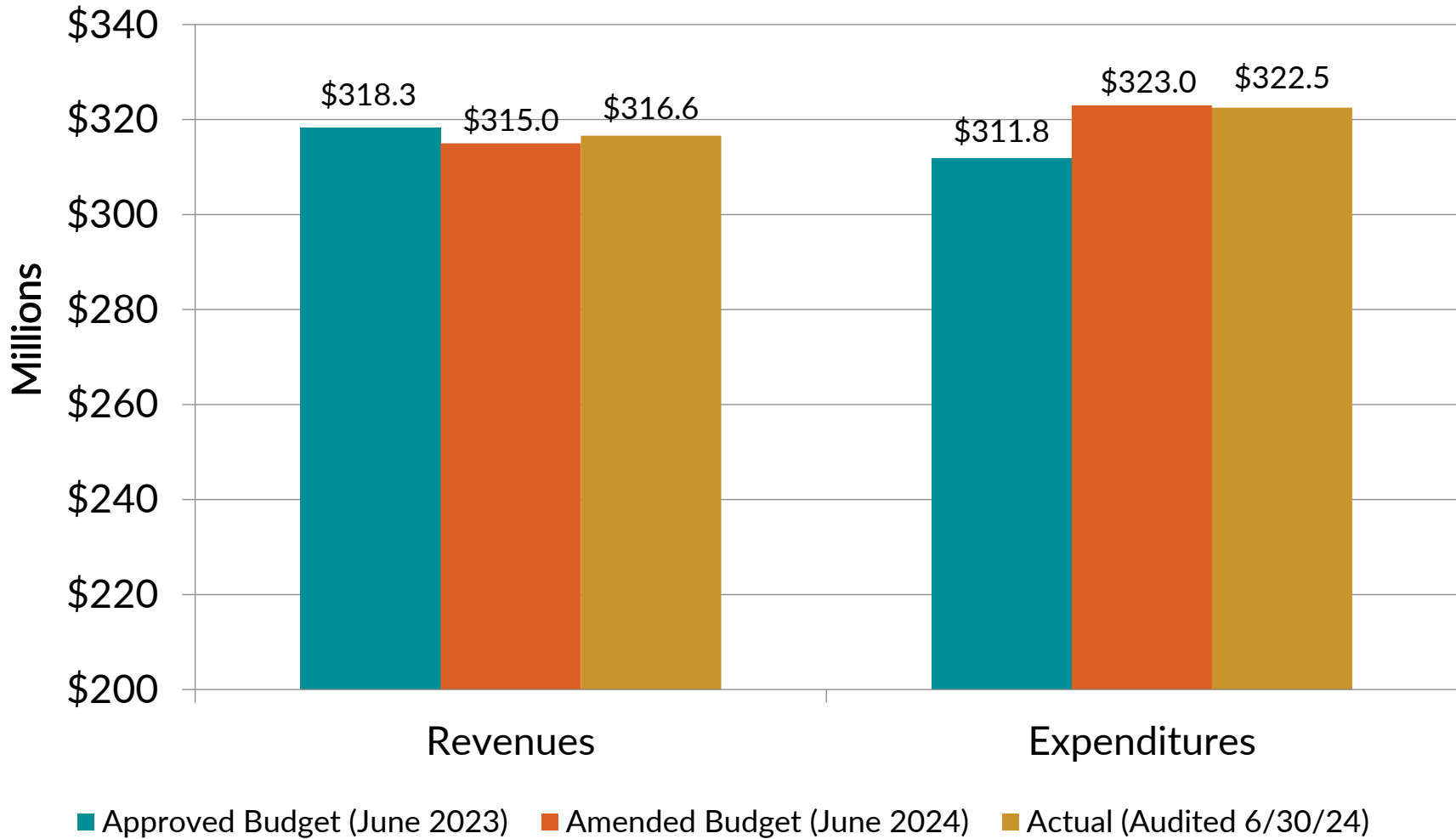
Highlights and Challenges

Challenges:

- Balancing investments in staff and services with overall fiscal responsibility, working with current funding structure
- Investment in funding for staff resources to have the ability to focus on mental health and well-being efforts
- Retain fund balance at or above, board policy and state law requirements



General Fund – Budget to Actual





General Fund

Budget to Actual

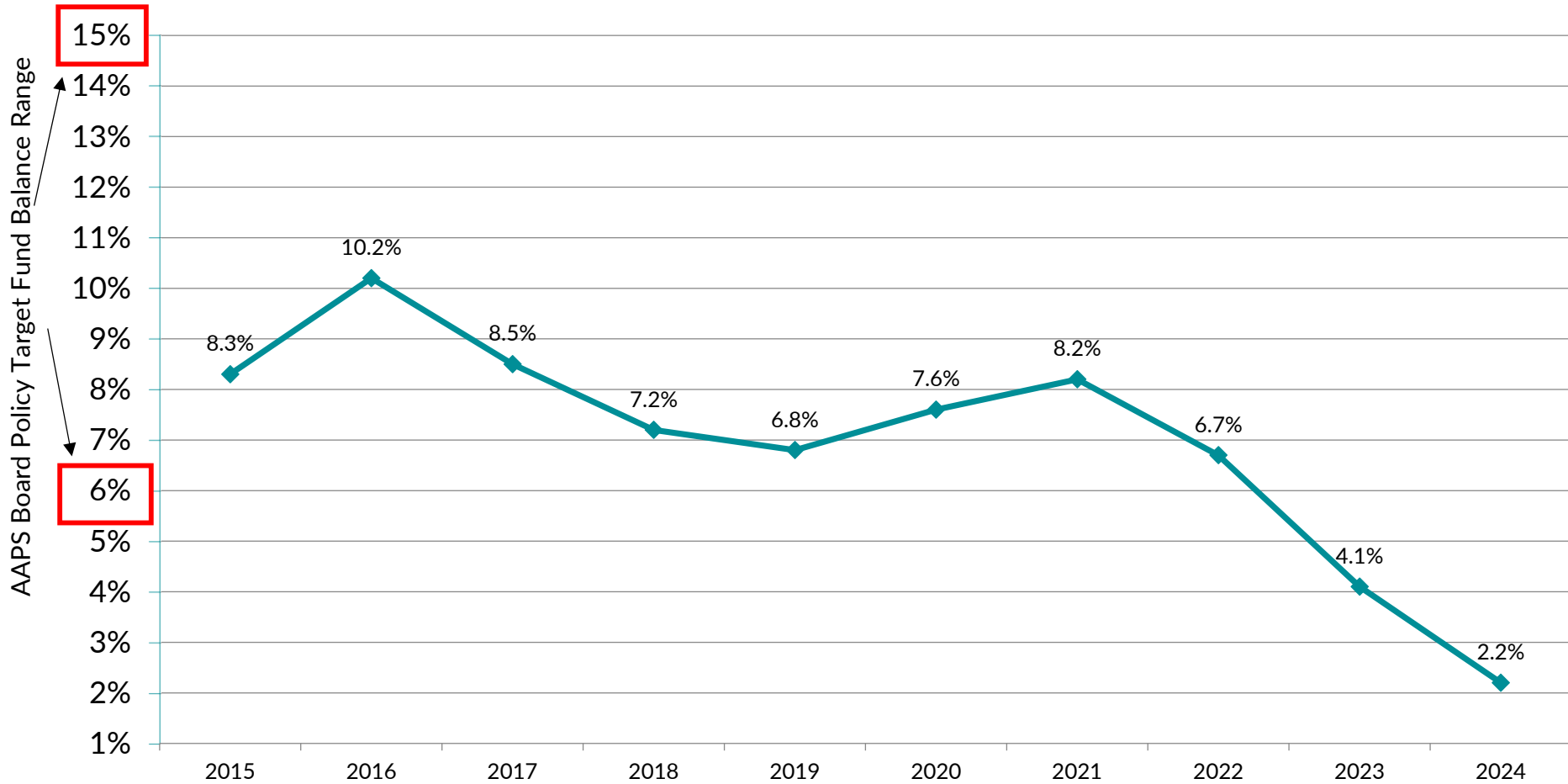
Year Ended June 30, 2024

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% variance</u>
Fund Balance - June 30, 2023	\$ 12,875,365	\$ 12,875,365	\$ -	
Revenue	315,038,926	316,641,146	1,602,220	0.51%
Expenditures	<u>323,007,824</u>	<u>322,486,789</u>	<u>(521,035)</u>	-0.16%
Excess of Expenditures Over Revenue	(7,968,898)	(5,845,643)	2,123,255	
Plus: Other Financing Sources/(Uses)	<u>(121,603)</u>	<u>112,470</u>	<u>234,073</u>	
Change in Fund Balance	<u>(8,090,501)</u>	<u>(5,733,173)</u>	<u>2,357,328</u>	
Fund Balance - June 30, 2024	<u>\$ 4,784,864</u>	<u>\$ 7,142,192</u>		
Fund Balance as % of Expenditures	1.48%	2.21%		0.73%
Fund Balance as % of Revenue	1.52%	2.26%		0.74%
Days of operation (365 day year)		8		



Comparative General Fund

Fund Balance as a Percentage of Expenditures History
Year Ended June 30



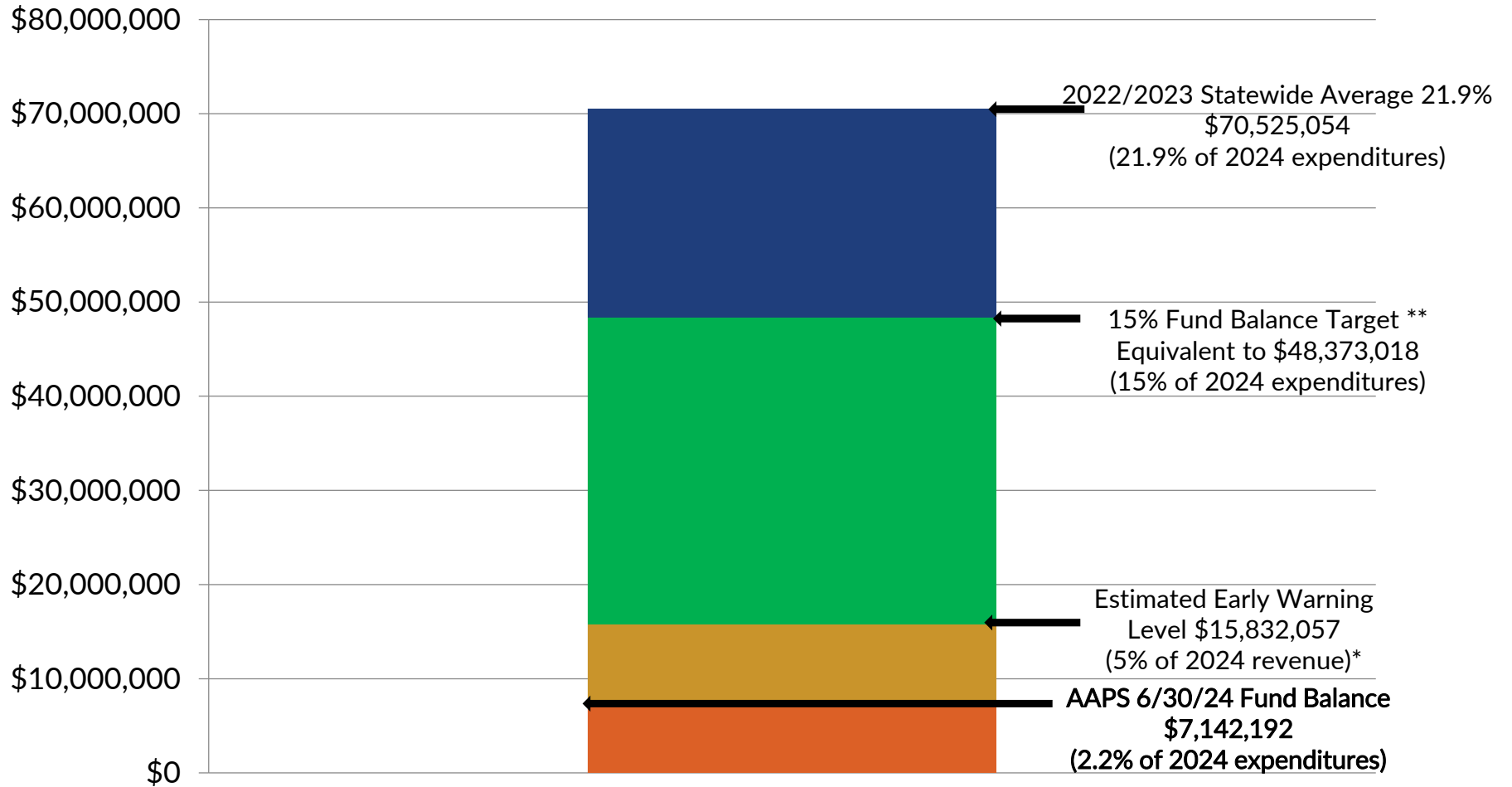
Fund Balance (millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$16.76m	\$21.51m	\$19.88m	\$18.36m	\$17.54m	\$19.73m	\$22.23m	\$19.68m	\$12.88m	\$7.14m



General Fund

Fund Balance Indicators

June 30, 2024



* 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

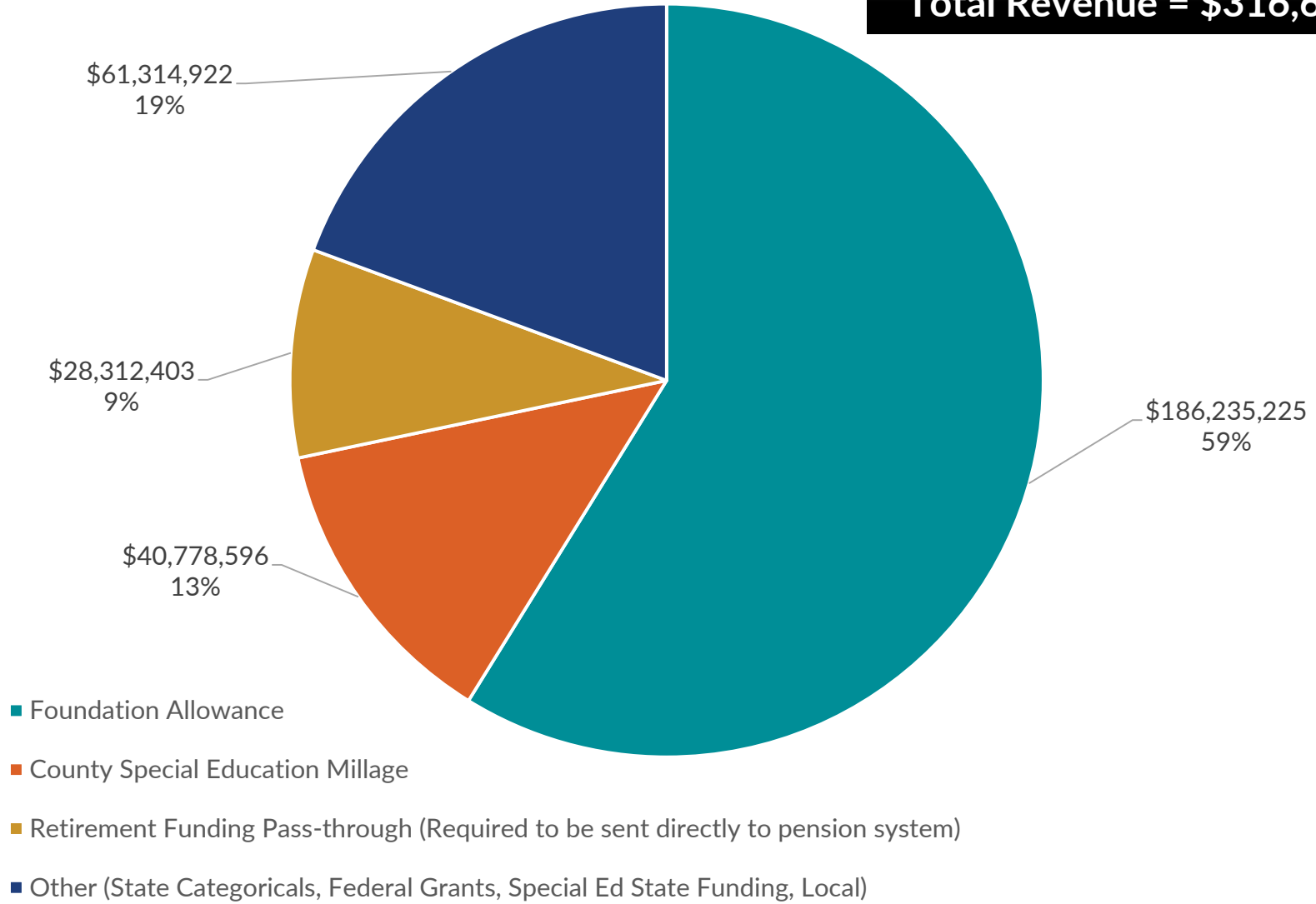
Note: Board policy is a range of 6%-15% of expenditures



General Fund Revenue

Year Ended June 30, 2024

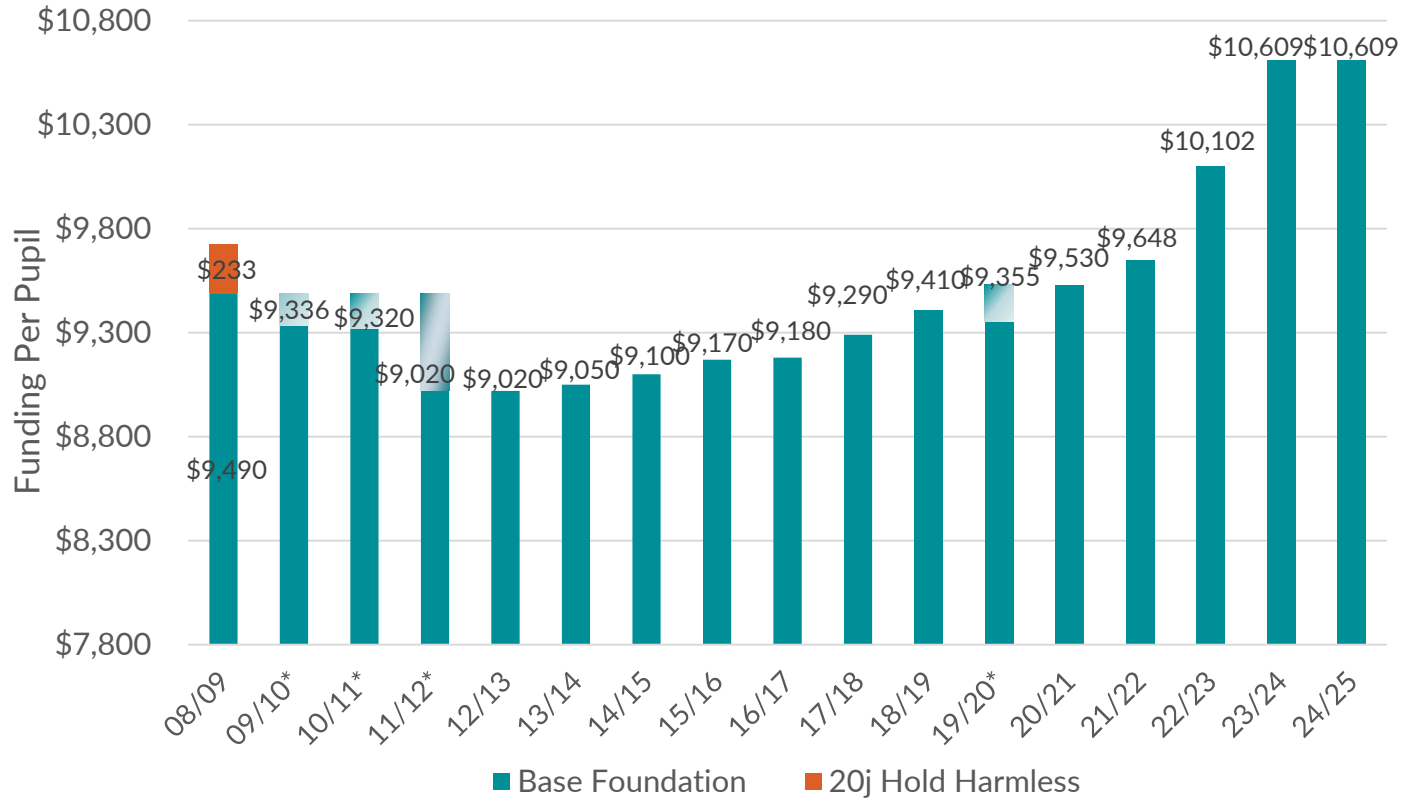
Total Revenue = \$316,641,146





Foundation Allowance

Historical lookback at funding



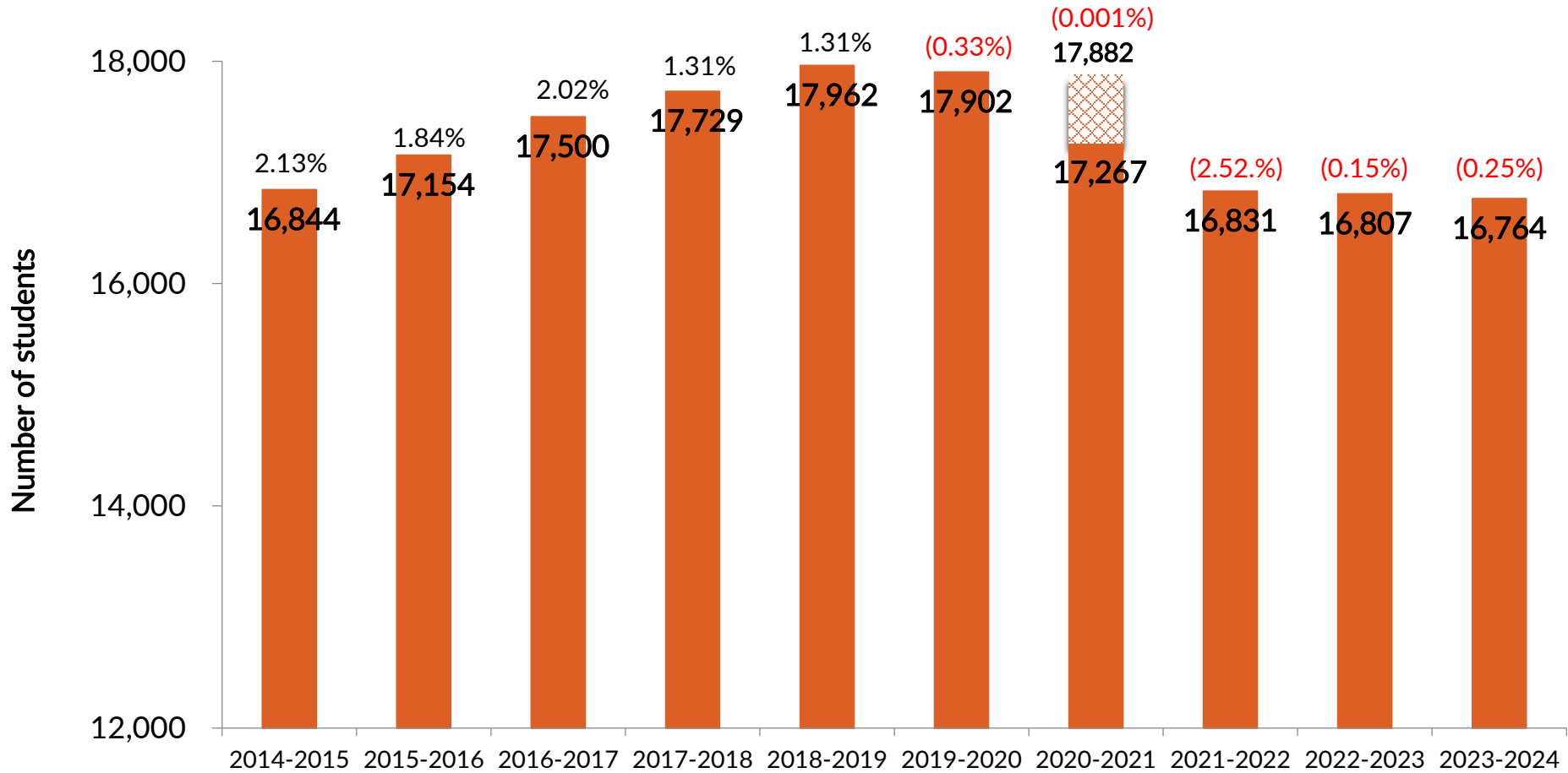
Fiscal Year Impacted	Funding reduction per pupil
09/10	(\$154)
10/11	(\$170)
11/12	(\$470) [statutorily enacted/permanent reduction]
19/20	(\$175) [per pupil proration due to impact of COVID on state budget]

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



Student Enrollment Comparison

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



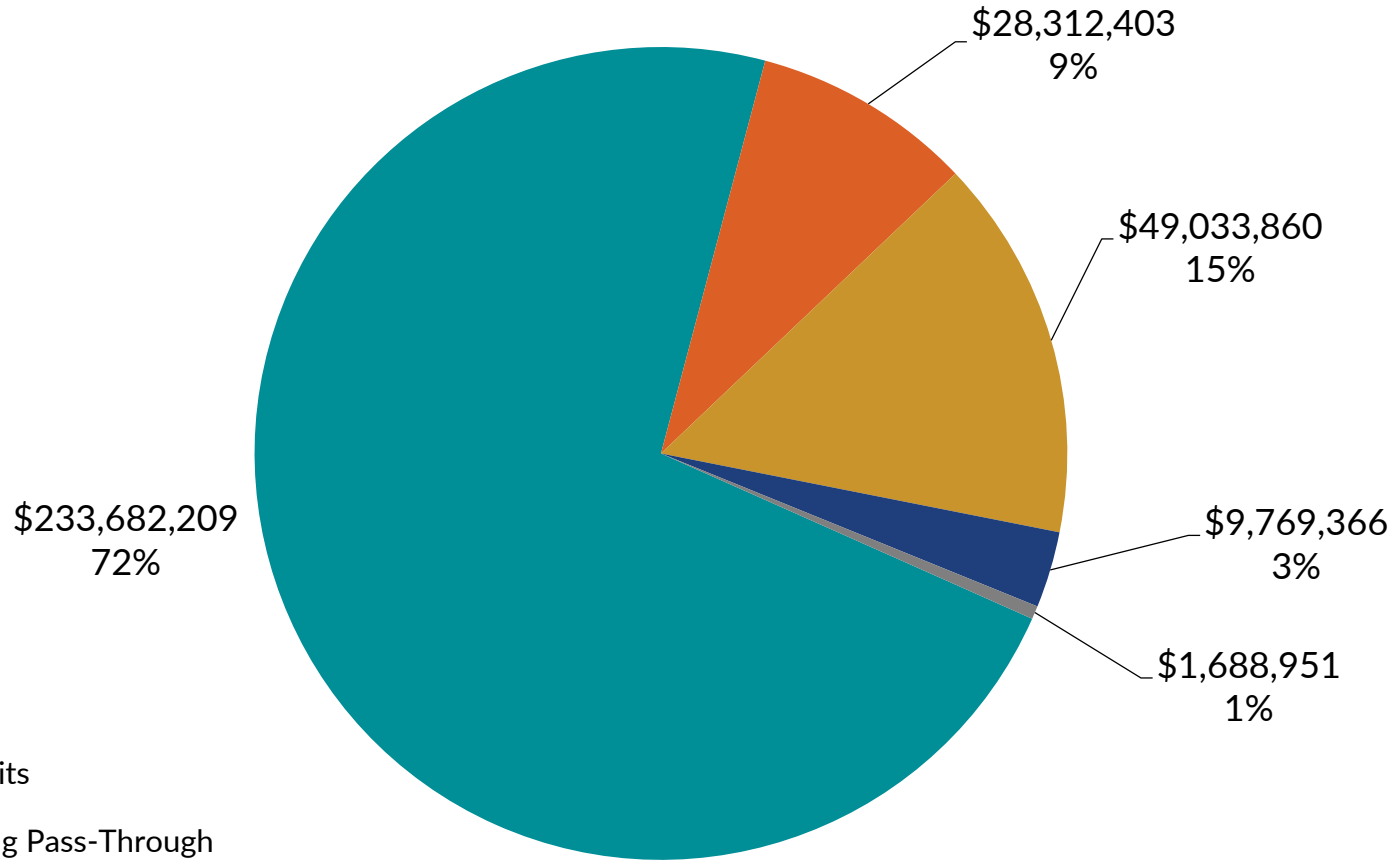
2020-2021 only: FTE per State of Michigan super-blend funding formula



General Fund Expenditures

Year Ended June 30, 2024

Total Expenditures = \$322,486,789



- 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)

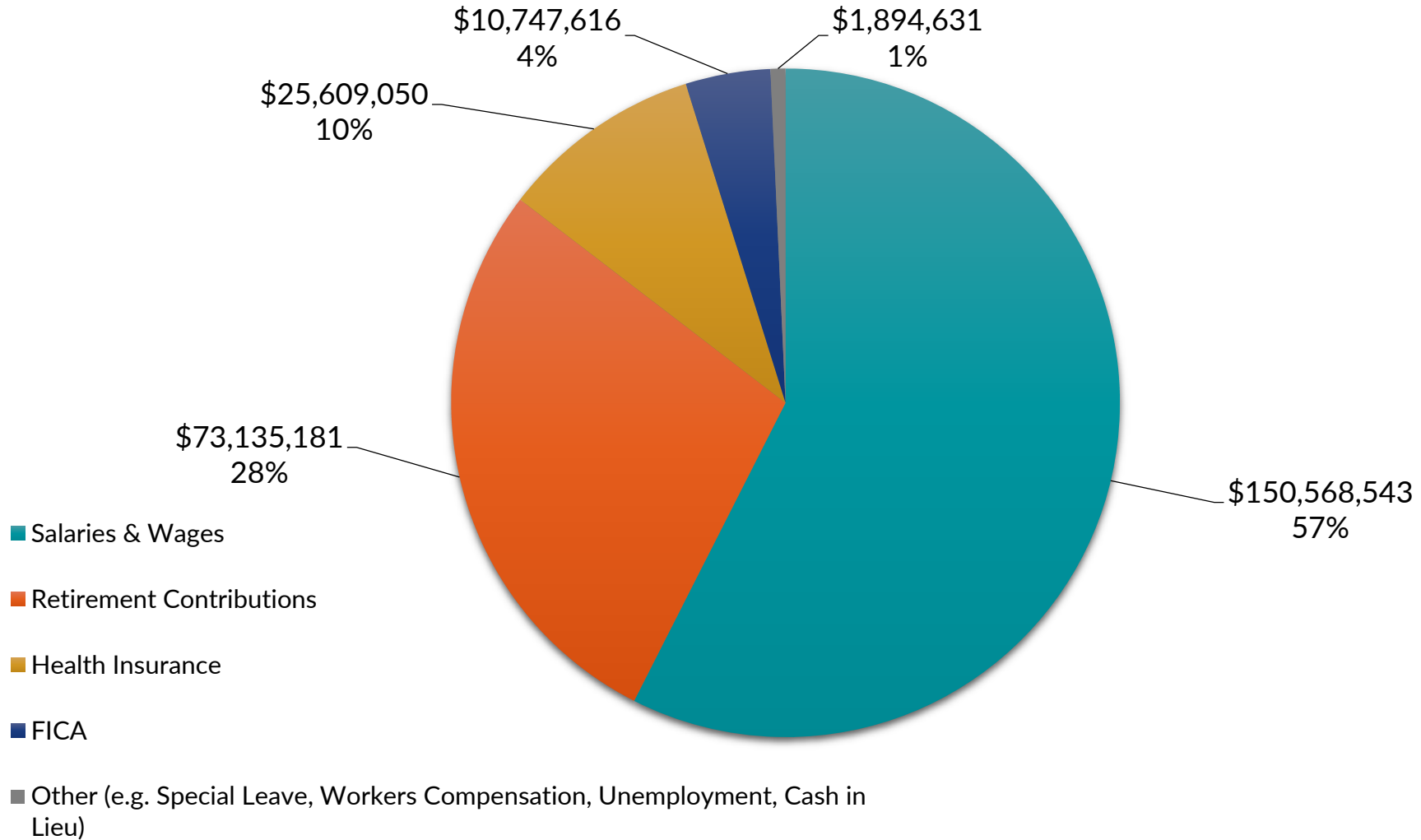
Percentages are rounded to the nearest whole percent



General Fund Salaries and Benefits

Year Ended June 30, 2024

Total Salaries and Benefits = \$261,955,021



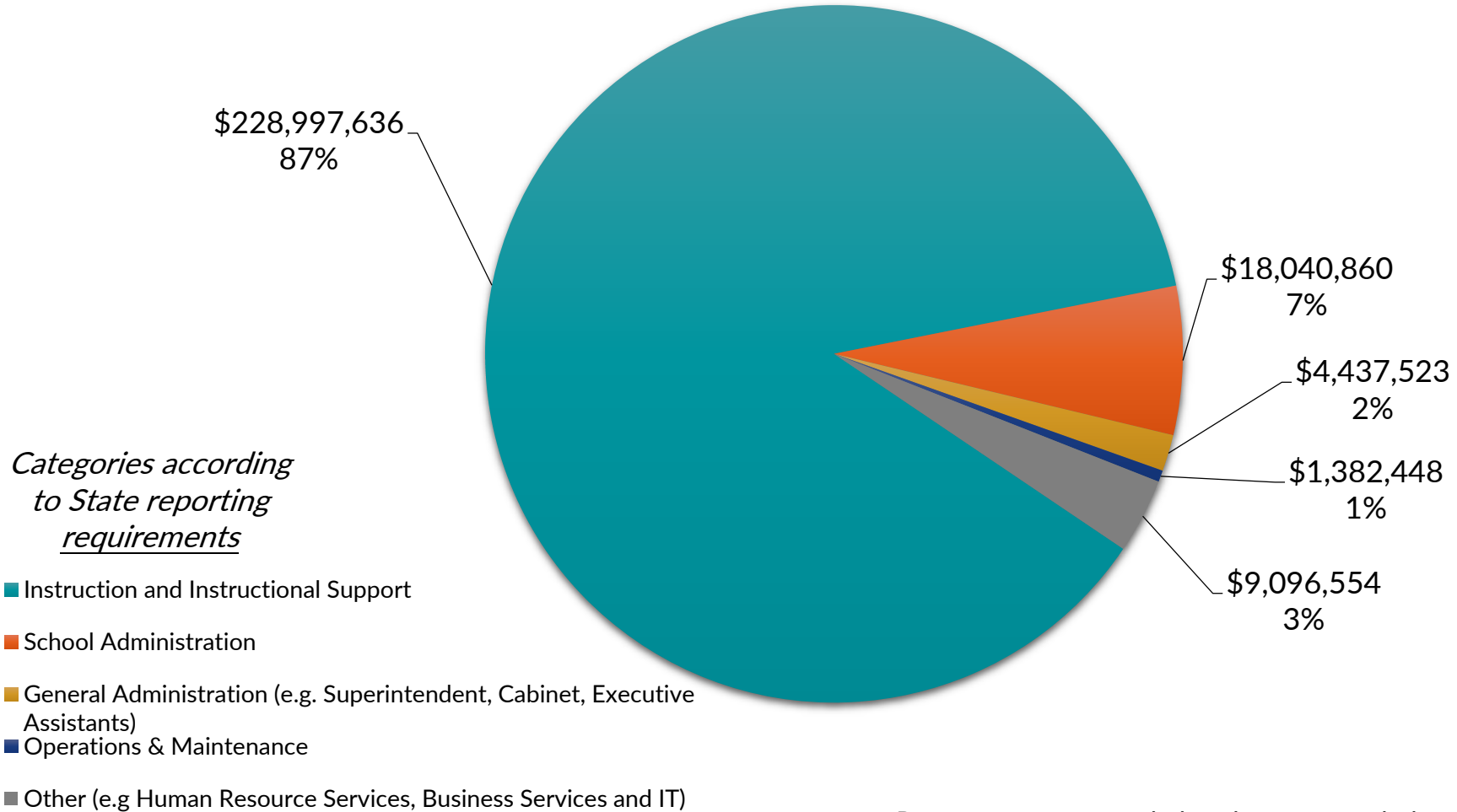
Percentages are rounded to the nearest whole percent



General Fund Breakdown of Salaries and Benefits

Year Ended June 30, 2024

Total Salaries and Benefits = \$ 261,955,021
(94% = School-based Salaries & Benefits)

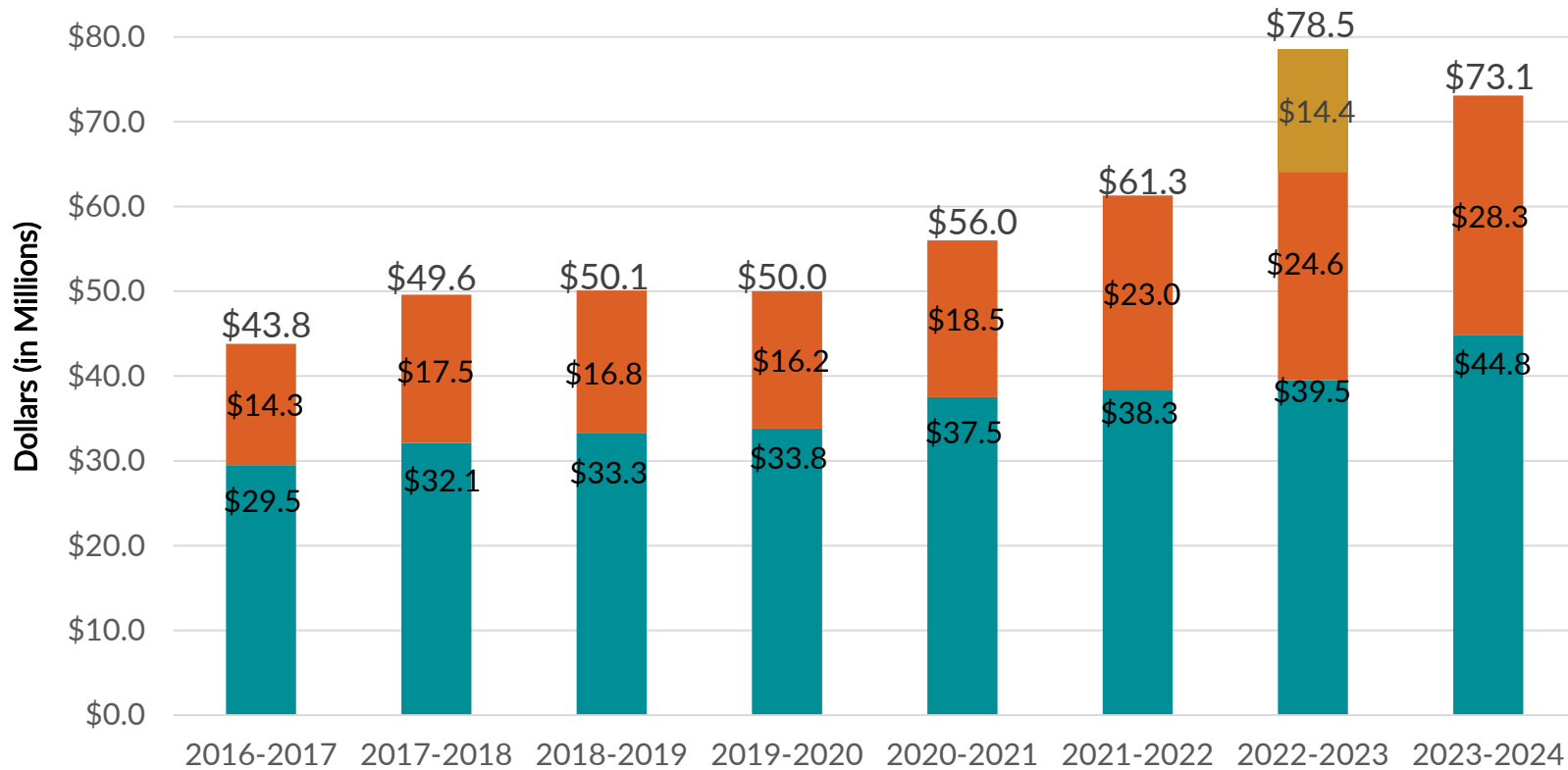


Percentages are rounded to the nearest whole percent



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

Year Ended June 30



Participation in MPERS is a state mandated requirement

- Cash paid by the District at the required contribution rate (Unreimbursed)
- Funded by a direct pass-through from the State of Michigan via State Aid (Unfunded Actuarial Accrued Liability (UAAL) expense)
- Funded by a one-time direct pass-through from the State of Michigan via State Aid (Unfunded Actuarial Accrued Liability (UAAL) expense)



Ann Arbor Public Schools

Year Ended June 30, 2024

- **Key Takeaways**
- **Future Developments in the School Environment**
- **Next Steps in the AAPS Financial Environment**



Key Takeaways

- District demonstrates focus on operating fiscally responsibly – as evidenced by:
 - “clean” opinion (highest opinion a school district can receive)
 - continual monitoring of monthly financial activity
 - steps were taken to reduce expenditures for future fiscal years
 - additional monthly monitoring reporting procedures implemented
- 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 well-being of students and staff, and competitive pay



Future Developments in the School Environment

Areas to **monitor**:

- **Fund Balance Levels**
- Monthly Budget Reports
- 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 the AAPS Financial Environment

Continue to:

- **Build fund equity to ensure sustainability of the organization**
- Keep safety and well-being of students and staff at the forefront
- 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.

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