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Birmingham Public Schools

Summary of Audit Results
For Year Ended June 30, 2018



Birmingham Public Schools Summary of Audit Results For the Year Ended June 30, 2018

Financial Statement Audit

- Unmodified opinion
- No material weaknesses identified
- No material noncompliance noted
- Adoption of Governmental Accounting Standards Board Statement No. 75
- 2018 Building & Site Construction Fund – Over \$12.6 million in bond proceeds this year

Single Audit

- District is in compliance with federal guidelines
- Major program audited – Special Education Cluster
- District is a Low Risk Auditee
- No federal audit findings identified during our testing



Birmingham Public Schools Governmental Funds Balance Sheet June 30, 2018 (in thousands)

	Major Governmental Funds				Total
	General Fund	2015 Building & Site Construction Fund	2018 Building & Site Construction Fund	Nonmajor Governmental Funds	
Assets	<u>\$ 35,974</u>	<u>\$ 9,960</u>	<u>\$ 12,653</u>	<u>\$ 7,973</u>	<u>\$ 66,560</u>
Liabilities	17,557	4,722	-	993	23,272
Fund Balance					
Nonspendable	363	-	-	33	396
Restricted	-	5,238	12,653	4,437	22,328
Committed (1)	7,237	-	-	2,808	10,045
Assigned	4,154	-	-	-	4,154
Unassigned	<u>6,663</u>	<u>-</u>	<u>-</u>	<u>(298)</u>	<u>6,365</u>
Total Fund Balance	<u>18,417</u>	<u>5,238</u>	<u>12,653</u>	<u>6,980</u>	<u>43,288</u>
Total Liabilities and Fund Balance	<u>\$ 35,974</u>	<u>\$ 9,960</u>	<u>\$ 12,653</u>	<u>\$ 7,973</u>	<u>\$ 66,560</u>

General Fund includes the Athletics, Federal Programs, and Cash Flow Stabilization activities

(1) – In the General Fund, this balance is committed for cash flow stabilization, so that District does not have to borrow from a third party



Birmingham Public Schools
Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2018 (in thousands)

	Major Governmental Funds				Total
	General Fund	2015 Building & Site Construction Fund	2018 Building & Site Construction Fund	Nonmajor Governmental Funds	
Revenue	\$ 121,113	\$ 676	\$ 113	\$ 29,181	\$ 151,083
Other financing sources	420	-	12,665	193	13,278
Expenditures	(124,857)	(28,830)	(125)	(29,502)	(183,314)
Other financing uses	-	-	-	(439)	(439)
Net change in fund balance	(3,324)	(28,154)	12,653	(567)	(19,392)
Fund balance - Beginning of year	21,741	33,392	-	7,547	62,680
Fund Balance - End of year	<u>\$ 18,417</u>	<u>\$ 5,238</u>	<u>\$ 12,653</u>	<u>\$ 6,980</u>	<u>\$ 43,288</u>

General Fund includes the Athletics, Federal Programs, and Cash Flow Stabilization activities



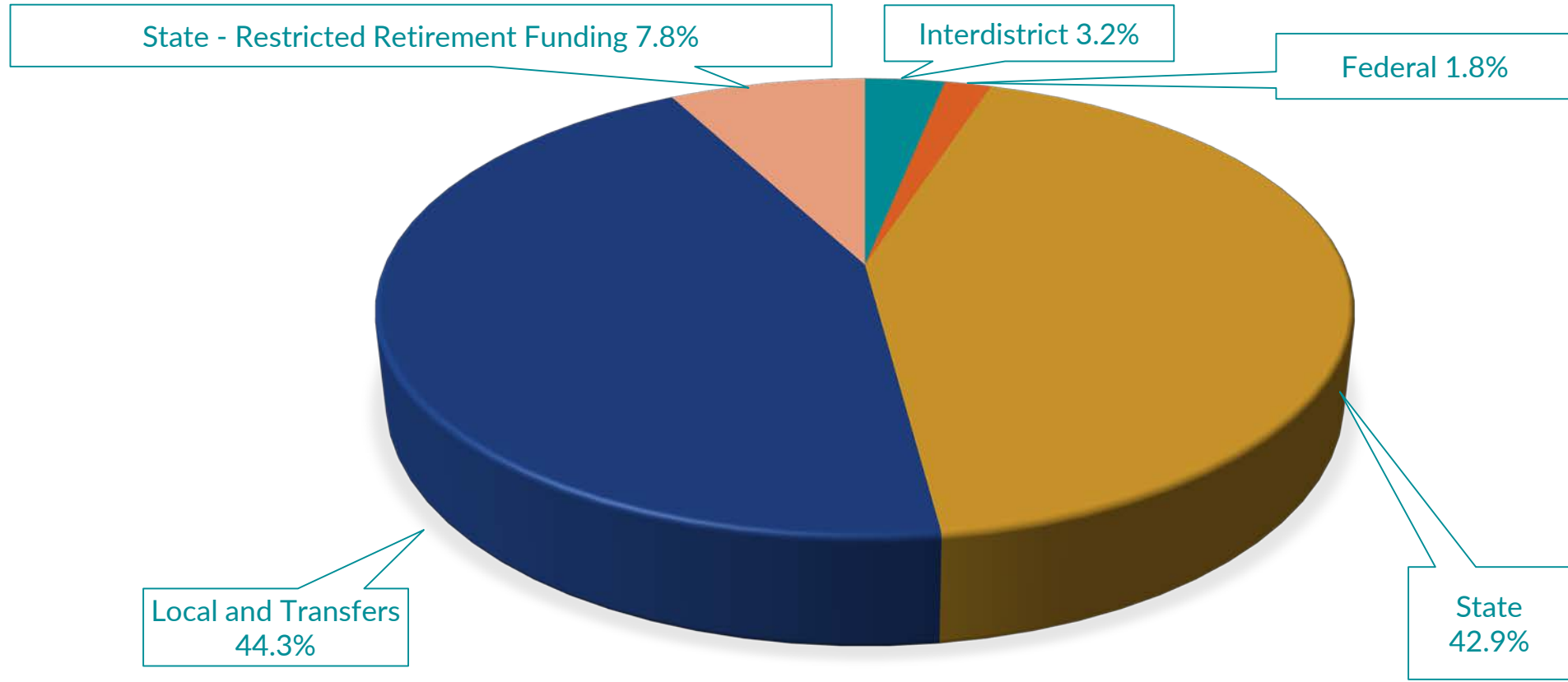
Birmingham Public Schools General Fund Budget to Actual Comparison Year Ended June 30, 2018 (in thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage Variance Favorable (Unfavorable)</u>
Revenue	\$ 121,775	\$ 121,113	\$ (662)	-0.54%
Transfers in	438	420	(18)	-4.11%
Expenditures	<u>(126,176)</u>	<u>(124,857)</u>	<u>1,319</u>	1.05%
Change in fund balance	<u>(3,963)</u>	<u>(3,324)</u>	<u>639</u>	
Fund Balance - Beginning of year □	21,741	21,741	-	
Fund Balance - End of year □	<u>\$ 17,778</u>	<u>\$ 18,417</u>	<u>\$ (639)</u>	

General Fund includes the Athletics, Federal Programs, and Cash Flow Stabilization activities



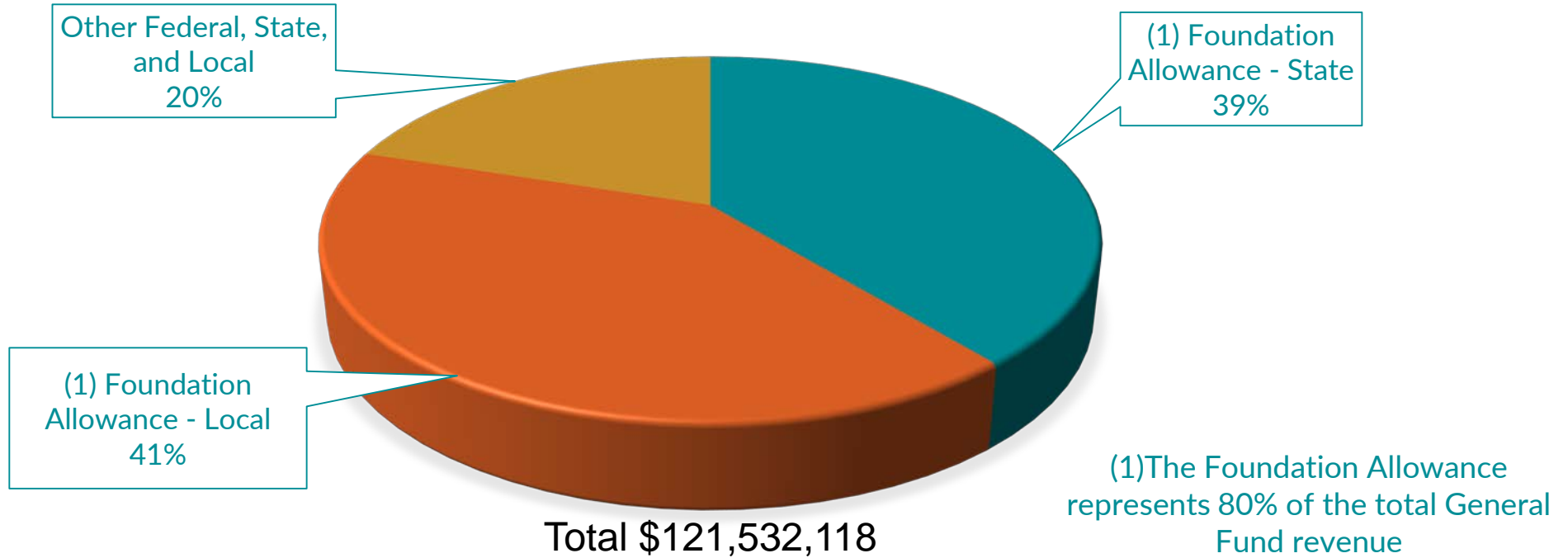
Birmingham Public Schools General Fund Revenue by Source Year Ended June 30, 2018



Total
\$121,532,118



Birmingham Public Schools General Fund Revenue Year Ended June 30, 2018



Funding Sources of the Foundation Allowance

\$3,877 Hold Harmless Property Taxes

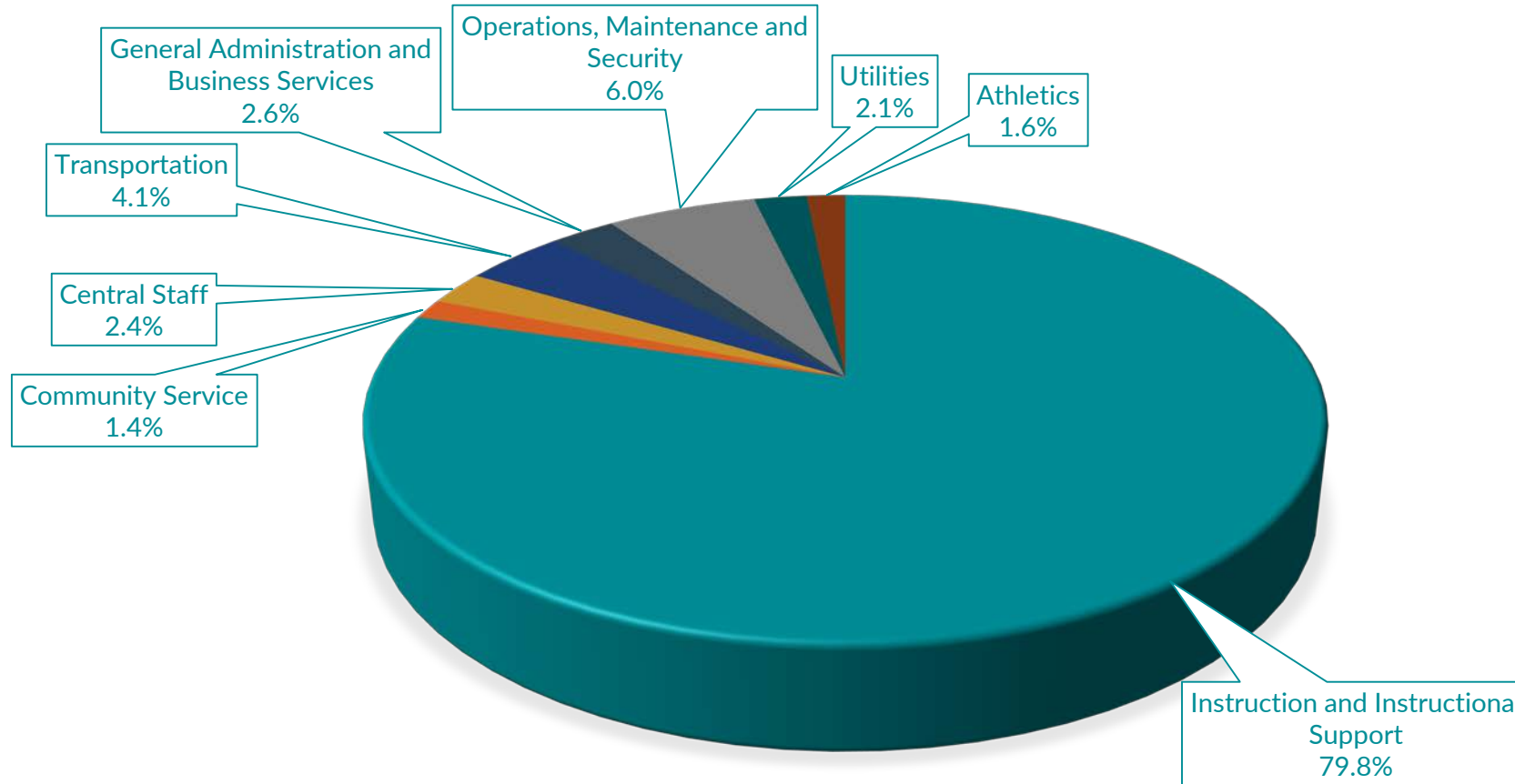
\$2,462 Non-Homestead Property Taxes

\$5,705 State Funding

\$12,044 – Total Foundation Allowance, 8,085.69 Students



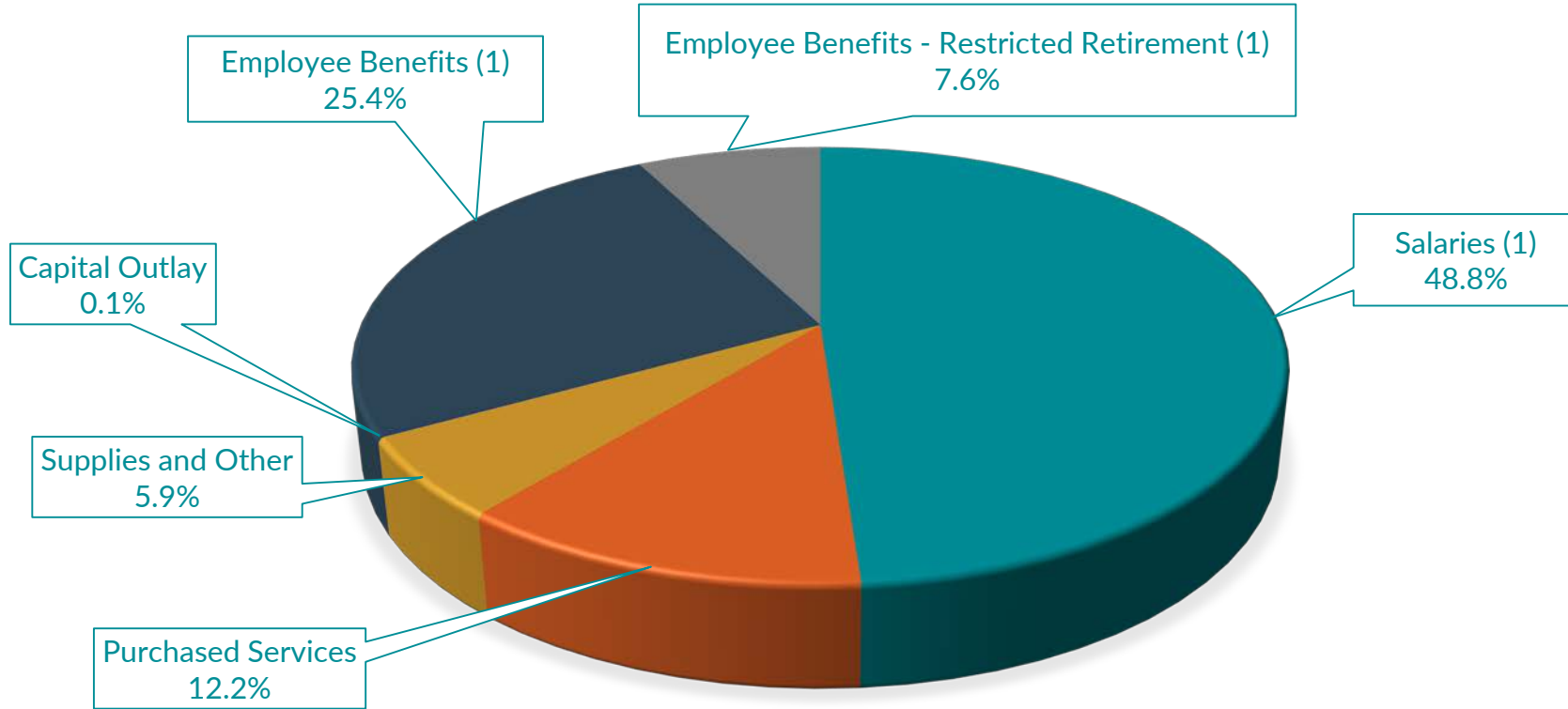
Birmingham Public Schools General Fund Expenditures – Analysis by Function Year Ended June 30, 2018



Total \$124,856,735



Birmingham Public Schools General Fund Expenditures – Analysis by Object Year Ended June 30, 2018

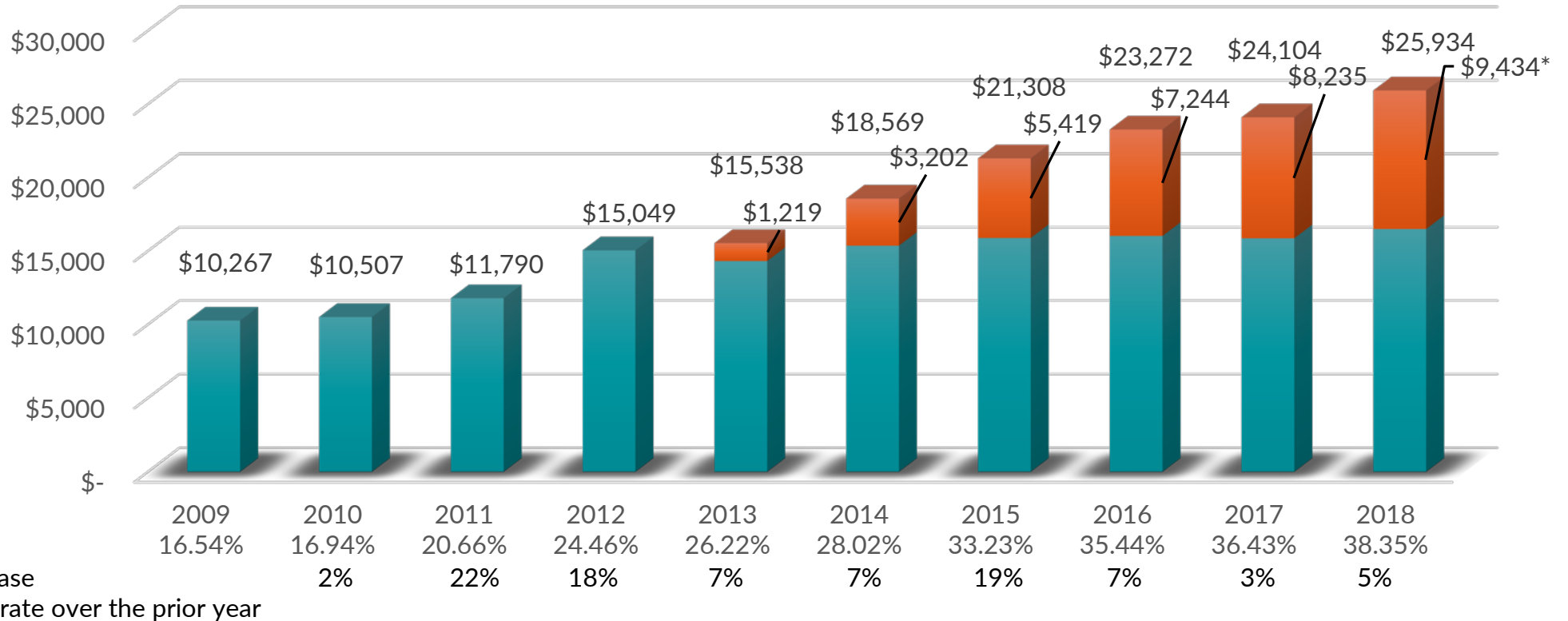


(1) Salaries and benefits combined represent 81.8% of total expenditures

Total \$124,856,735



Birmingham Public Schools Retirement Funding (in thousands) Years Ended June 30, 2018



■ MPSERS Expense ■ UAAL 147C (Restricted Retirement)

*2018 includes \$1.5 million of one time 147c(2) payments



Birmingham Public Schools Michigan Public School Employees' Retirement System June 30, 2018

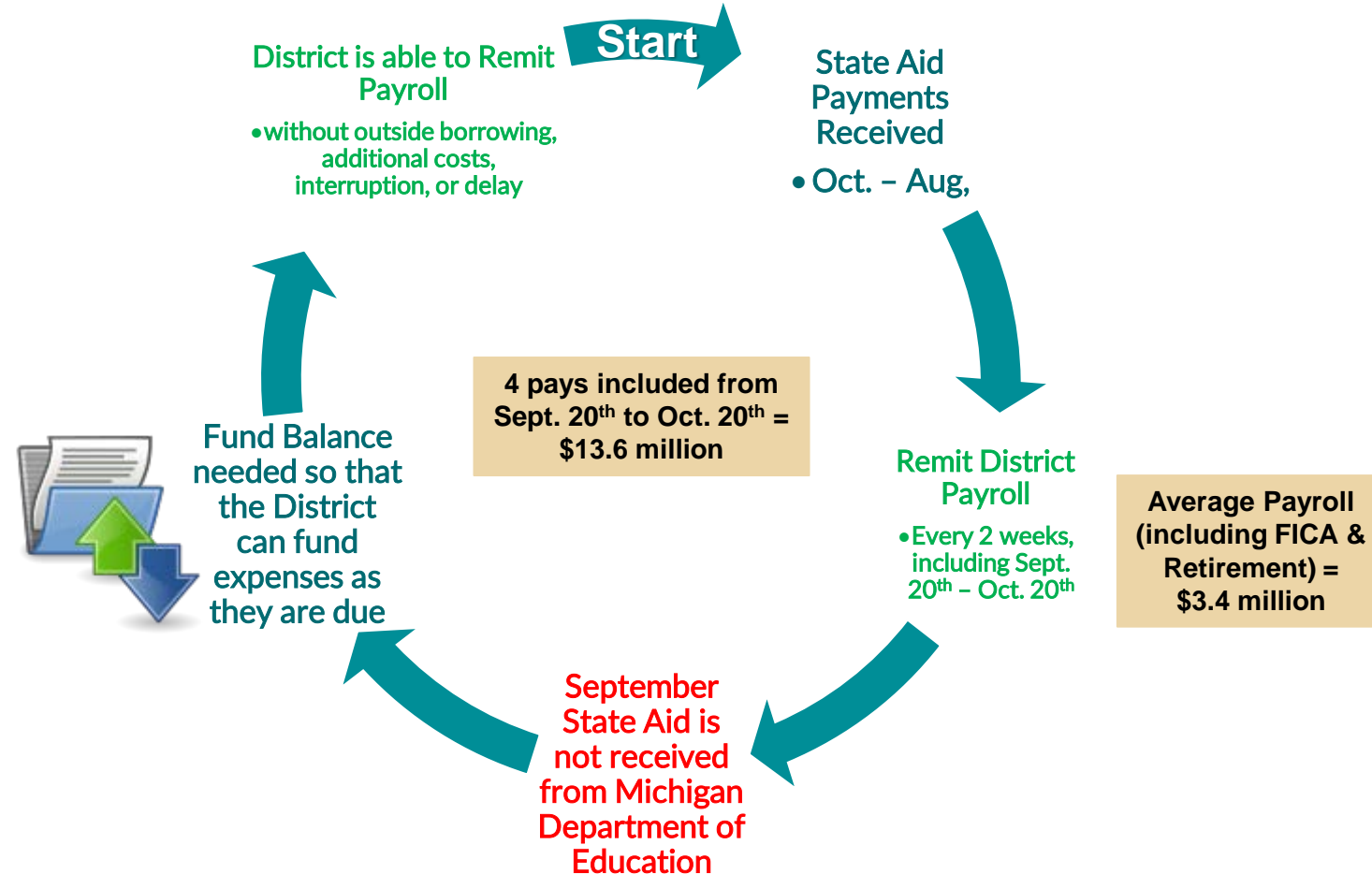
	<u>Pension Plan</u>	<u>Retiree Health Care (OPEB)</u>	<u>Total</u>
Unfunded Liability - Plan	<u>\$ 25,914,251,127</u>	<u>\$ 8,855,471,055</u>	<u>\$ 34,769,722,182</u>
Birmingham Public Schools' Proportionate Share	0.77054%	0.77051%	
Birmingham Public Schools' Allocation of Unfunded Liability	\$ 199,679,984	\$ 68,231,960	\$ 267,911,944

MPSERS Impact to District's Financial Statements

- GASB 68 – First applicable in 2015, requires all districts to report an allocation of the funding status of the MPSERS pension plan, on their Statement of Net Position
- Pushed most districts in Michigan to a deficit position on the Statement of Net Position
- GASB 75 – First applicable in 2018, is similar to GASB 68, but applies to the health care portion of the plan



Birmingham Public Schools K12 Cash Flow Challenges





Birmingham Public Schools General Fund Balance as a Percentage of Expenditures vs. Influential Rates June 30, 2018

Unassigned Fund Balance

5%

Assigned/Nonspendable/
Committed Fund Balance

10%

Total Fund Balance

15%

- 1.) Unassigned General Fund balance at June 30, 2018 = \$6,662,744
- 2.) Total General Fund (1) balance at June 30, 2018 = \$18,416,488

Anticipated operating expenditures for 2018-2019 = \$122,867,339

District Recommended (2)

16.70%

Minimum for Borrowing

7% - 8%

Early Warning Sign

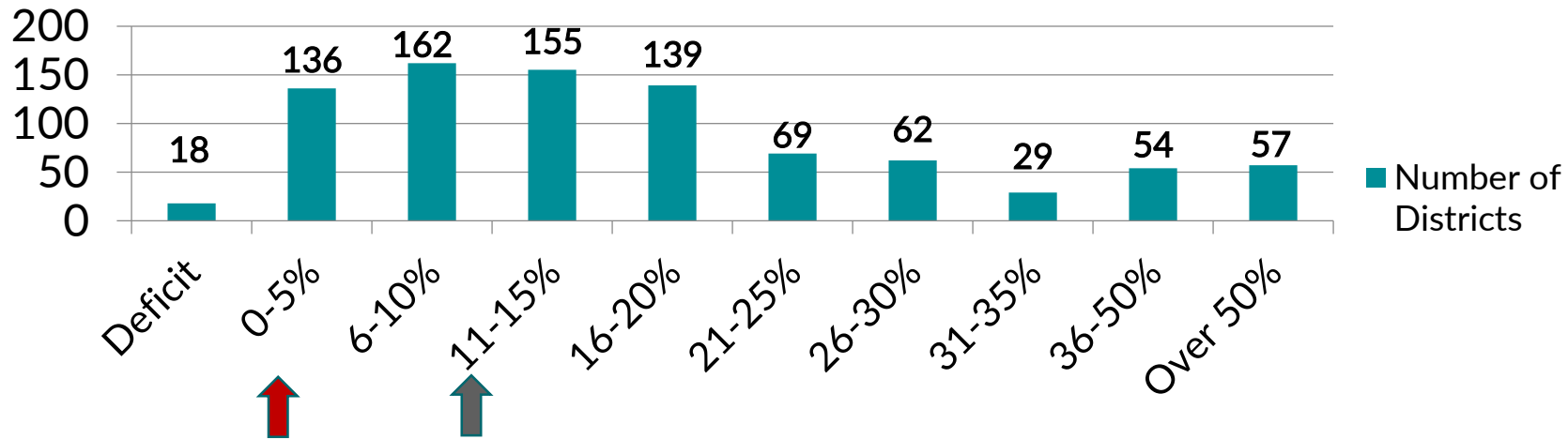
5%

- (1) General Fund includes the Athletics, Federal Programs, and Cash Flow Stabilization activities
- (2) Determined in accordance with Board Policy 6215





Birmingham Public Schools General Fund Balance as a Percentage of Expenditures vs. State Averages Data as of June 30, 2017

Districts' Fund Balance/ Operating Expenditures as of 6/30/17



Information as of 6/30/17 – most recent data released from Michigan Department of Education

-  - % w/ unassigned General Fund fund balance only
-  - % w/ total General Fund fund balance



Birmingham Public Schools Significant Upcoming Accounting Standard Change

Governmental Accounting Standards Board Statement # 84 *(Accounting and Financial Reporting for Fiduciary Activities)*

- This standard establishes criteria for identifying what is considered a fiduciary fund
- Will require District to apply a new principles based approach to determine if activity is required to be reported as a fiduciary activity. The standard establishes four types of fiduciary funds: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds
- Requires additional reporting for reported fiduciary activities
- Effective for the first time, in the District's June 30, 2020 financial statements.



Thank You