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Birmingham Public Schools

Summary of Audit Results
For Year Ended June 30, 2017



Birmingham Public Schools
Summary of Audit Results
For the Year Ended June 30, 2017

Financial Statement Audit

- Unmodified opinion – Highest form of assurance
- No material weaknesses identified
- No material noncompliance noted
- 2006 and 2007 Refunding Bonds were refunded, net present value savings of approximately \$2,600,000 to the tax payers
- Adoption of Governmental Accounting Standards Board Statement No. 77

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, 2017 (in thousands)

	Major Governmental Funds			Total
	General Fund	2015 Building & Site Construction Fund	Nonmajor Governmental Funds	
Assets	<u>\$ 37,443</u>	<u>\$ 38,976</u>	<u>\$ 8,394</u>	<u>\$ 84,813</u>
Liabilities	15,702	5,584	847	22,133
Fund Balance				
Nonspendable	20	-	31	51
Restricted	-	33,392	3,740	37,132
Committed (1)	7,141	-	3,776	10,917
Assigned	2,007	-	-	2,007
Unassigned	<u>12,573</u>	<u>-</u>	<u>-</u>	<u>12,573</u>
Total Fund Balance	<u>21,741</u>	<u>33,392</u>	<u>7,547</u>	<u>62,680</u>
Total Liabilities and Fund Balance	<u>\$ 37,443</u>	<u>\$ 38,976</u>	<u>\$ 8,394</u>	<u>\$ 84,813</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, 2017 (in thousands)

	Major Governmental Funds			Total
	General Fund	2015 Building & Site Construction Fund	Nonmajor Governmental Funds	
Revenue	\$ 120,301	\$ 439	\$ 28,628	\$ 149,368
Other financing sources	375	-	20,398	20,773
Expenditures	(120,673)	(19,039)	(27,706)	(167,418)
Other financing uses	-	-	(21,154)	(21,154)
Net change in fund balance	3	(18,600)	166	(18,431)
Fund balance - Beginning of year	21,738	51,992	7,381	81,111
Fund Balance - End of year	<u>\$ 21,741</u>	<u>\$ 33,392</u>	<u>\$ 7,547</u>	<u>\$ 62,680</u>

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



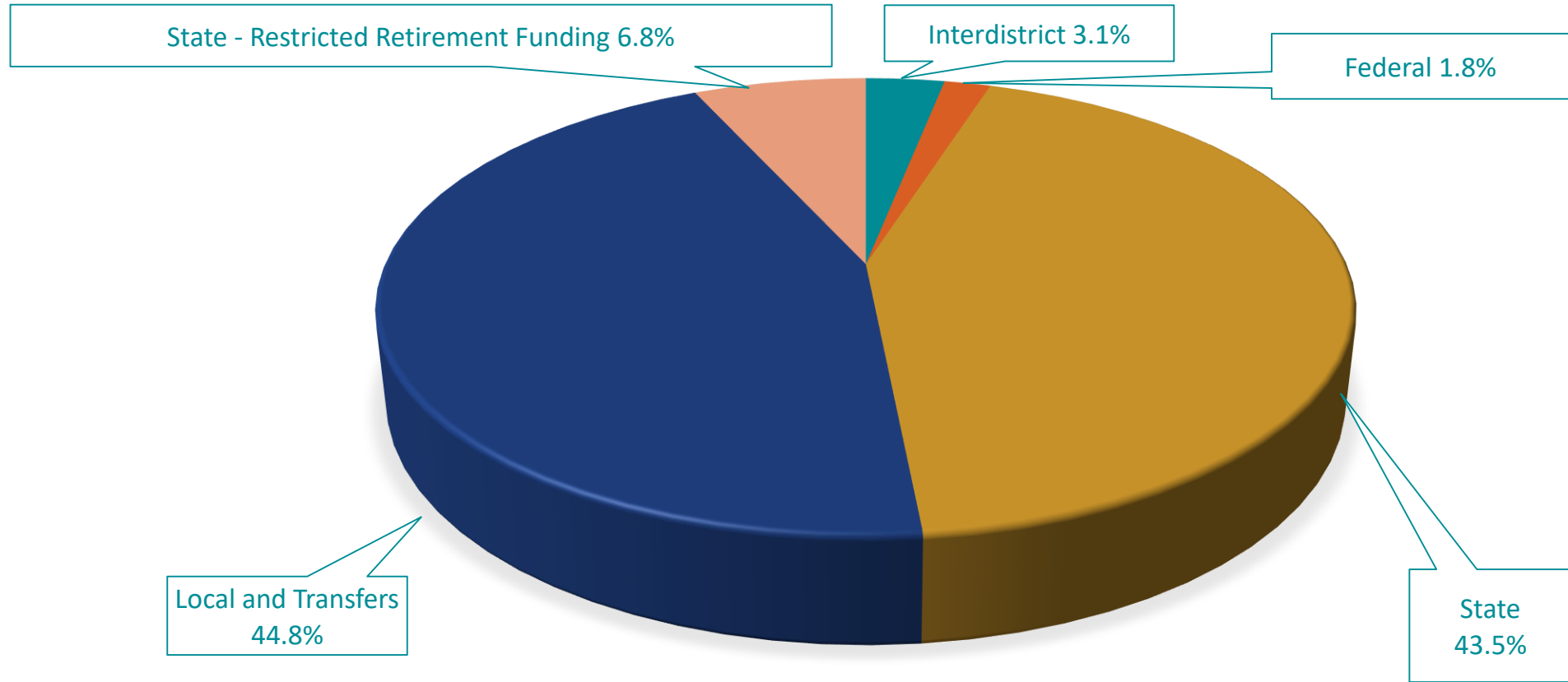
Birmingham Public Schools
General Fund Budget to Actual Comparison
Year Ended June 30, 2017 (in thousands)

	Final Budget	Actual	Variance	Percentage Variance Favorable (Unfavorable)
Revenue	\$ 120,688	\$ 120,301	\$ (387)	-0.32%
Transfers in	395	375	(20)	-5.06%
Expenditures	<u>(121,735)</u>	<u>(120,673)</u>	<u>1,062</u>	0.87%
Change in fund balance	<u>(652)</u>	<u>3</u>	<u>655</u>	
Fund Balance - Beginning of year	21,738	21,738	-	
Fund Balance - End of year	<u>\$ 21,086</u>	<u>\$ 21,741</u>	<u>\$ (655)</u>	

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



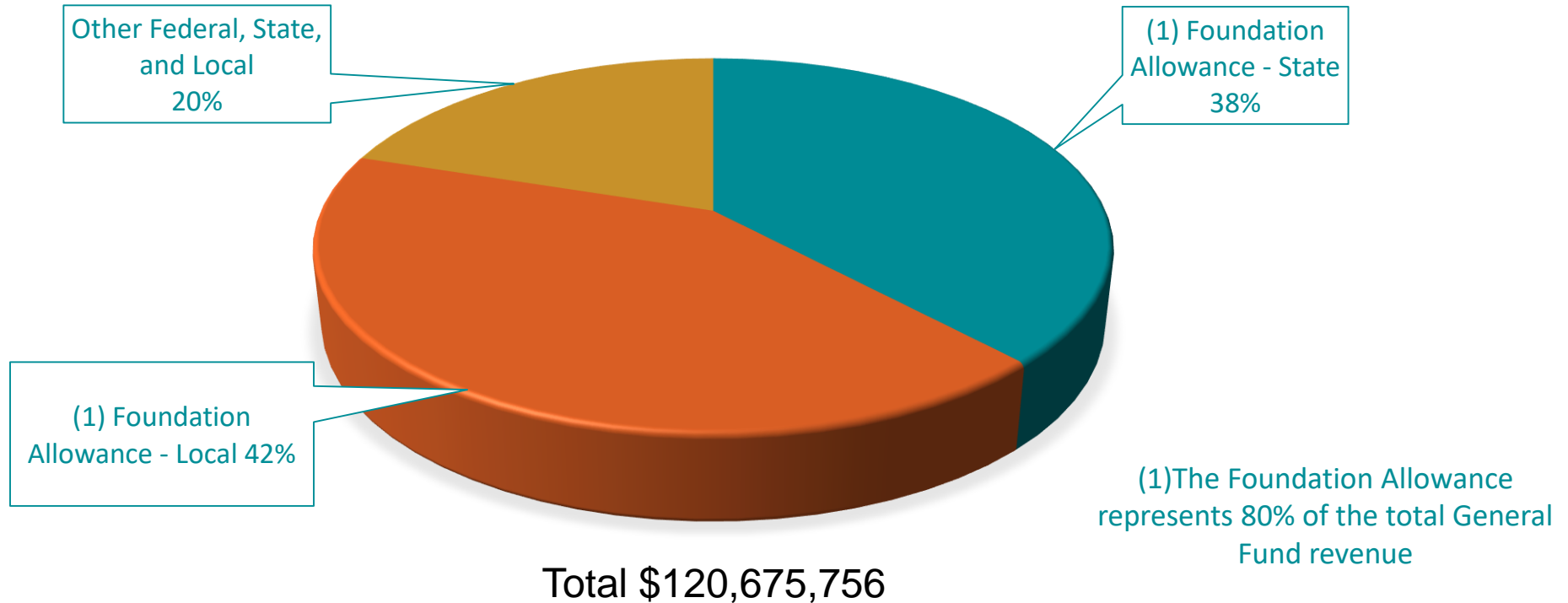
Birmingham Public Schools General Fund Revenue by Source Year Ended June 30, 2017



Total
\$120,675,756



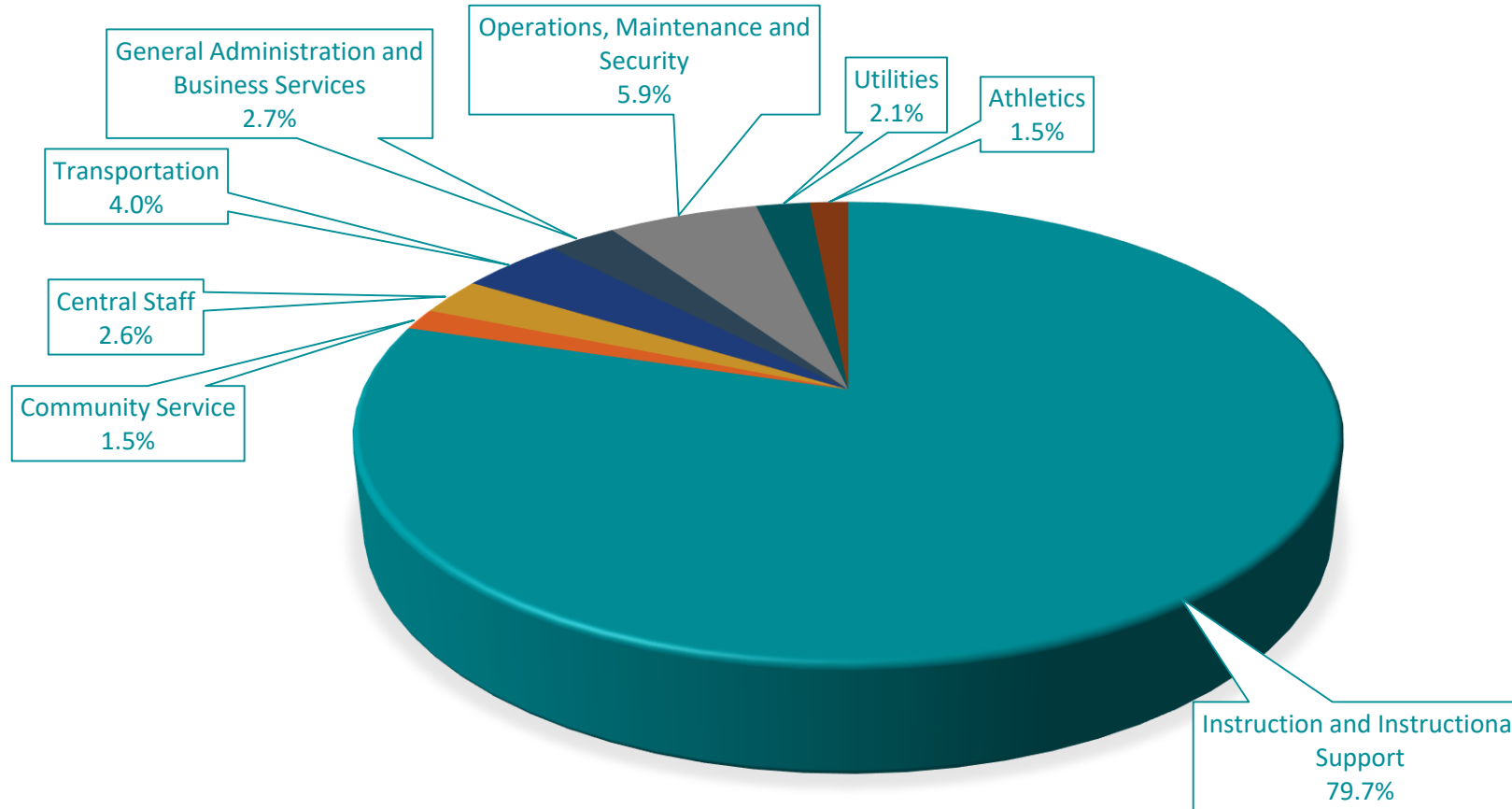
Birmingham Public Schools General Fund Revenue Year Ended June 30, 2017



2017 Foundation per Pupil = \$11,936, total FTE 8,135.99
52% from local property tax revenue, total of \$50.5 million, \$6,209 per FTE
47.8% from unrestricted state aid, total of \$46.4 million, \$5,705 per FTE
0.2% from other, total of \$0.2 million or \$22 per FTE



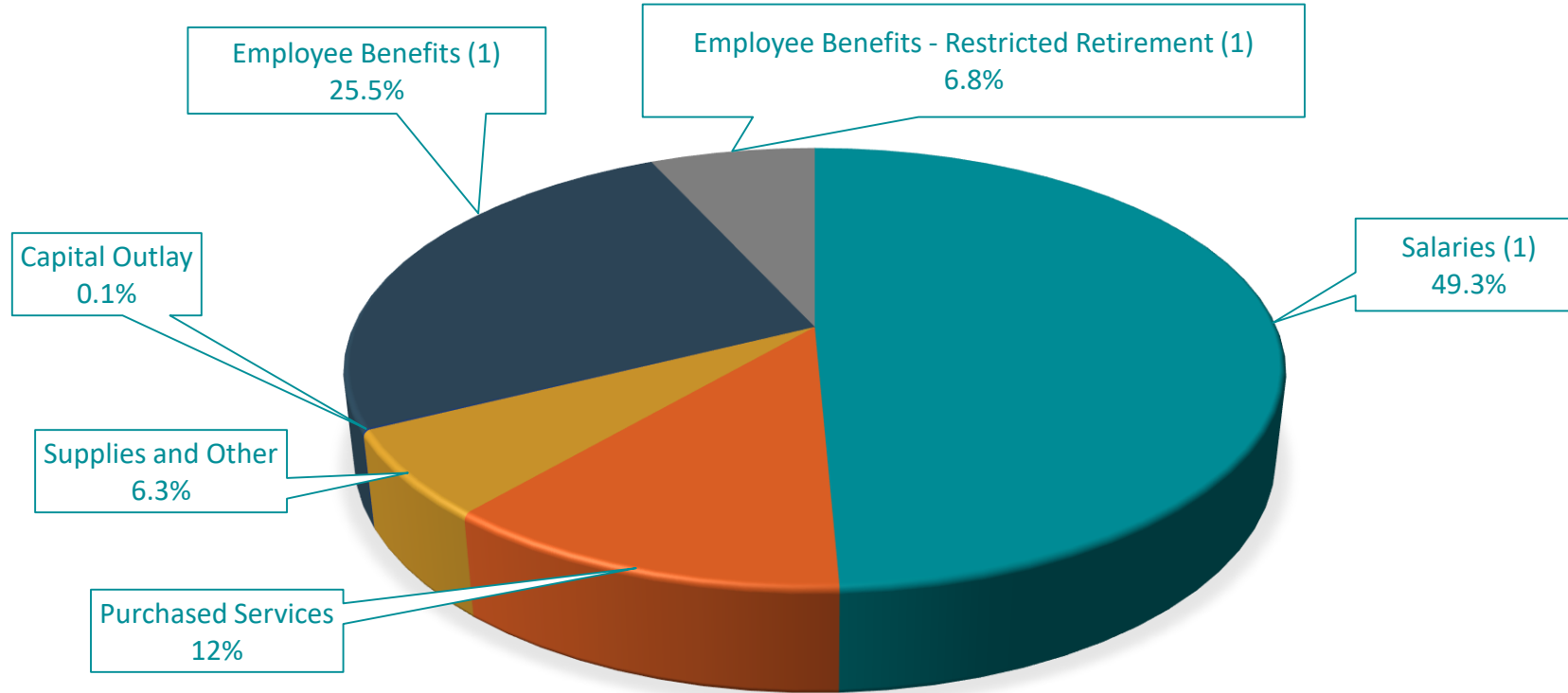
Birmingham Public Schools General Fund Expenditures – Analysis by Function Year Ended June 30, 2017



Total \$120,672,941



Birmingham Public Schools General Fund Expenditures – Analysis by Object Year Ended June 30, 2017

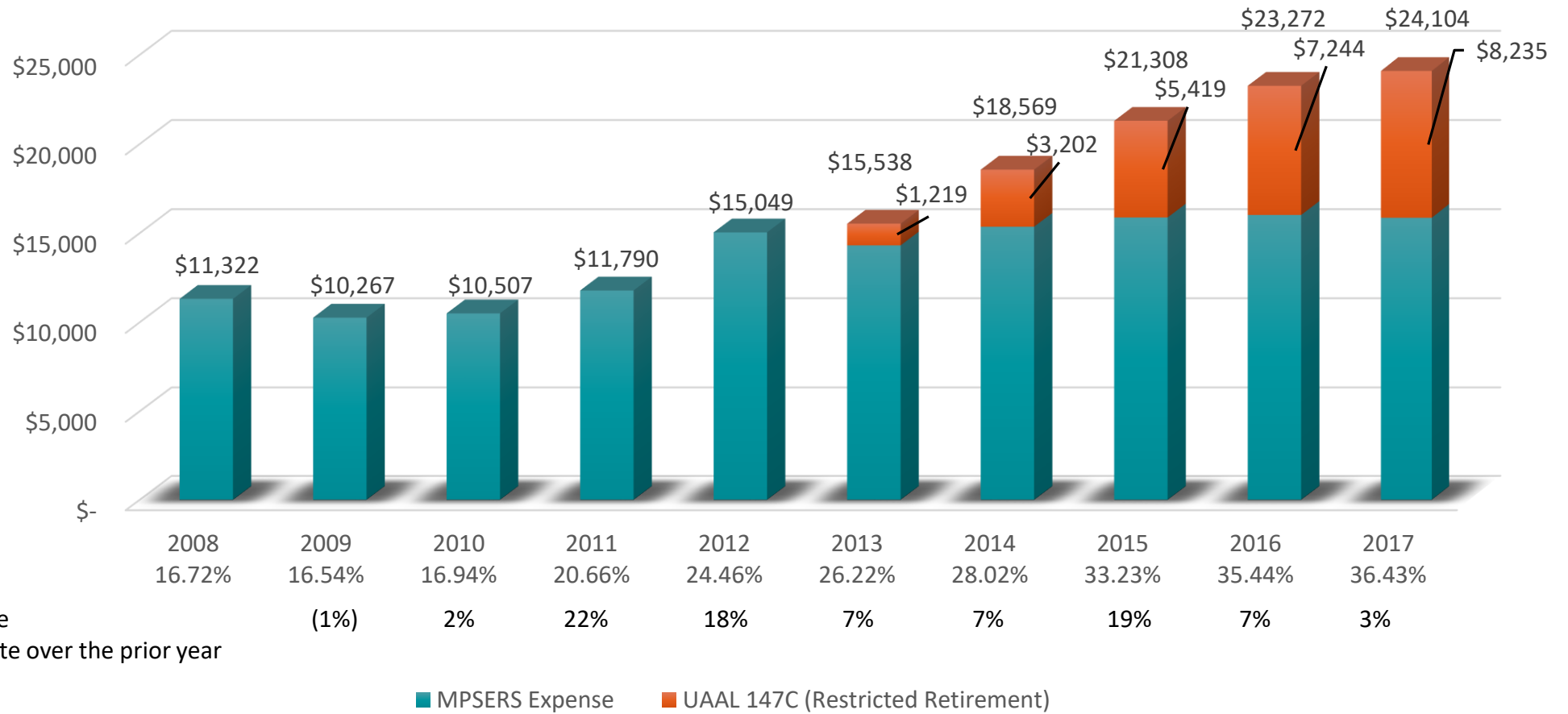


(1) Salaries and benefits combined represent 81.6% of total expenditures

Total \$120,672,941



Birmingham Public Schools Retirement Funding (in thousands) Years Ended June 30, 2017





Birmingham Public Schools
 Michigan Public School Employees' Retirement System
 June 30, 2017

	<u>Pension Plan</u>	<u>Retiree Health Care (OPEB) (1)</u>	<u>Total</u>
Unfunded Liability - Plan	\$ 24,949,181,763	\$ 9,300,000,000	\$ 34,249,181,763
Birmingham Public Schools' Proportionate Share	0.77349%	0.77349%	
Birmingham Public Schools' Allocation of Unfunded Liability	\$ 192,979,970	\$ 71,934,570	\$ 264,914,540

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 is similar to GASB 68, but applies to the health care portion of the plan

(1) Estimate only at June 30, 2017 - The OPEB portion of the MPSERS plan will first be recorded on the School District's financial statements for the year ended June 30, 2018



Birmingham Public Schools Significant Upcoming Accounting Standard Change

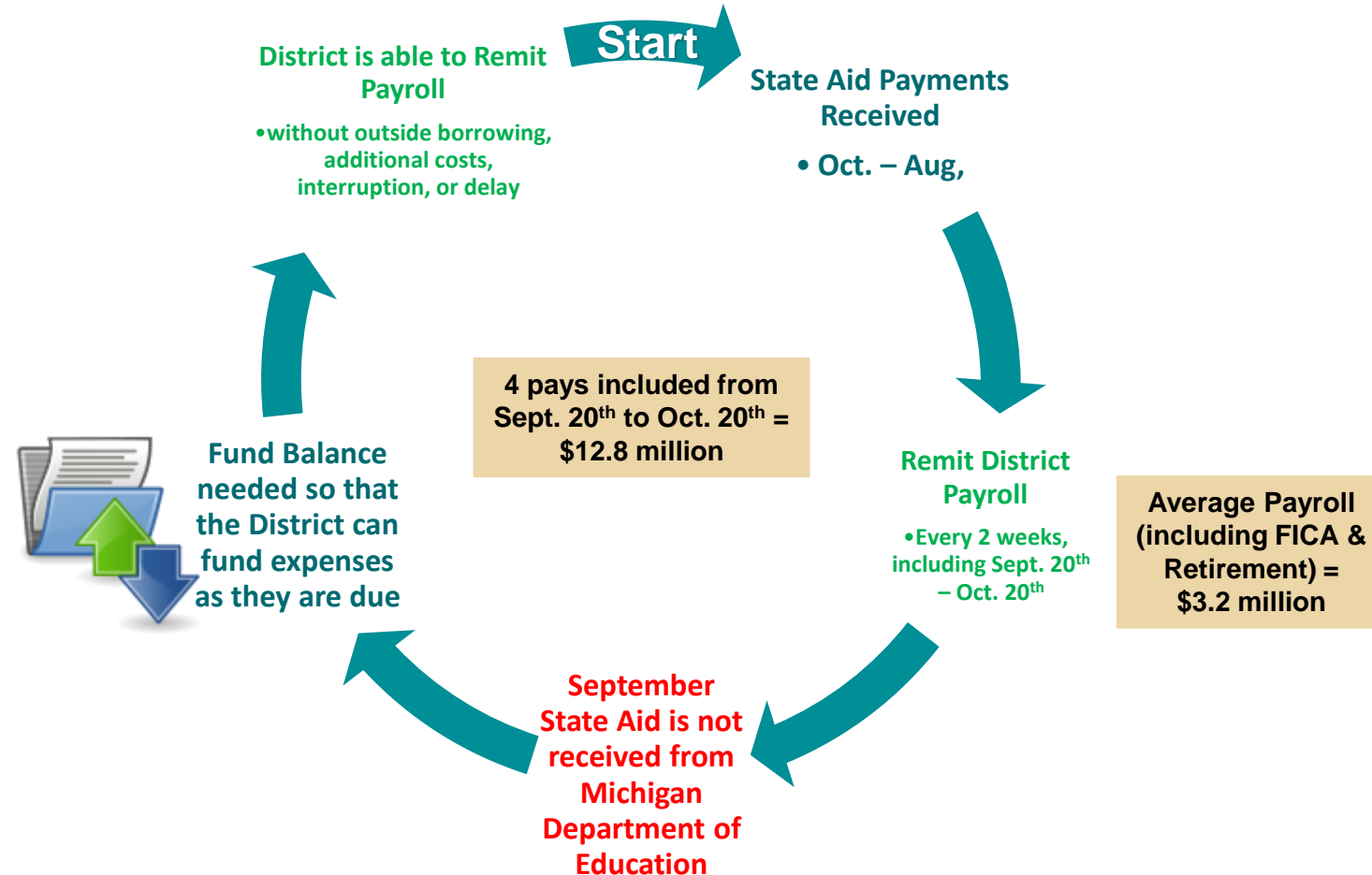
Governmental Accounting Standards Board Statement # 75

(Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions)

- This standard relates to the retiree health care portion of the state run MPSERS retirement system. GASB 68, implemented in 2015, was only for the pension portion of the MPSERS plan.
- Will have a similar impact on the District's financial statements, as GASB 68 did. This accounting change will only impact the Government Wide financial statements.
- The District's proportionate share of the pension liability at June 30, 2017 is \$193 million. Assuming the same proportionate share is used for the retiree health care portion, the District's approximate allocation of the additional liability at June 30, 2017 related to GASB 75 would be \$71.9 million (in comparison to plan underfunded status of \$9.3 Billion)
- Effective for the first time, in the District's June 30, 2018 financial statements.



Birmingham Public Schools K12 Cash Flow Challenges





Birmingham Public Schools
 General Fund Balance as a Percentage of Expenditures vs.
 Influential Rates
 June 30, 2017

<u>Unassigned Fund Balance</u>	<u>Assigned/Nonspendable/ Committed Fund Balance</u>	<u>Total Fund Balance</u>
10%	8%	18%

- 1.) Unassigned General Fund balance at June 30, 2017 = \$12,572,834
 - 2.) Total General Fund (1) balance at June 30, 2017 = \$21,741,105
- Anticipated operating expenditures for 2017-2018 = \$123,651,196

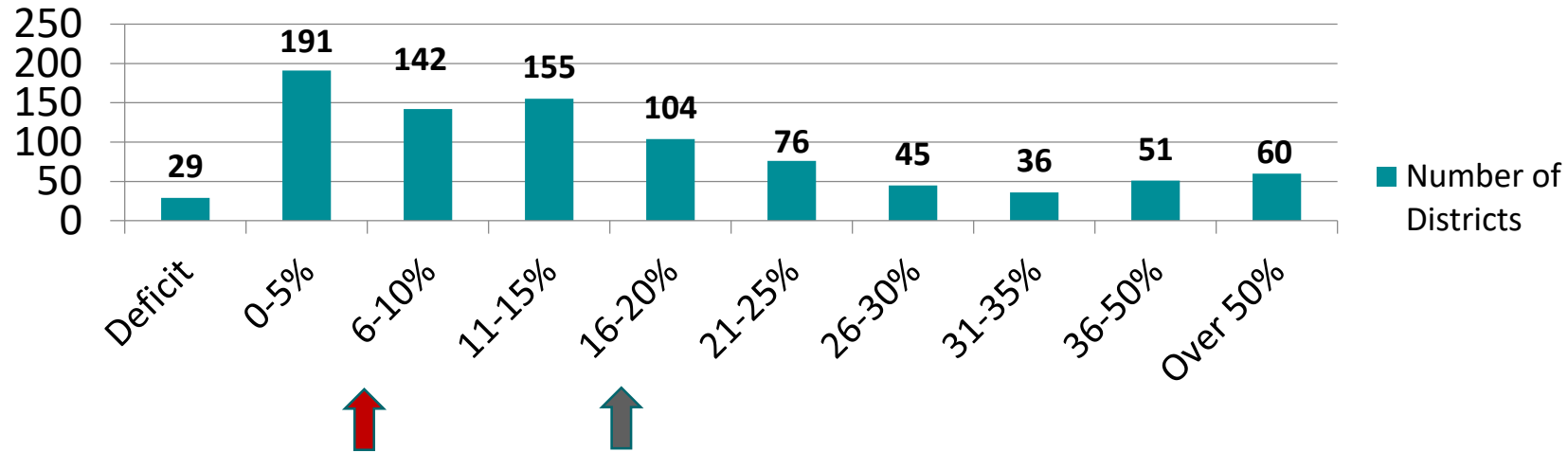
<u>District Recommended (2)</u>	<u>Minimum for Borrowing</u>	<u>Early Warning Sign</u>
16.70%	7% - 8%	5%

(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, 2016

Districts' Fund Balance/ Operating Expenditures
as of 6/30/16



Information as of 6/30/16 – 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