

# **Detroit Public Schools Community District**

*FY 2017 Overview of Financial Reports and Key Observations*

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July 10, 2017

# Summary statement of revenues and expenditures – budget to actual comparison

	Budget to Actual Comparison YTD			
	Budget	Actual	Variance	
	YTD	YTD		
	May-17	May-17	\$	%
<b>Revenues</b>				
Local sources	\$ 19,420,522	\$ 20,930,952	\$ 1,510,430	8%
State sources	396,780,902	391,859,063	(4,921,839)	(1%)
Federal sources	97,547,820	99,541,061	1,993,241	2%
Intendistrict sources <sup>1</sup>	34,523,265	35,342,098	818,833	2%
Other sources <sup>2</sup>	50,149,549	50,149,549	(0)	(0%)
<b>Total revenues</b>	<b>598,422,058</b>	<b>597,822,724</b>	<b>(599,335)</b>	<b>(0%)</b>
<b>Expenditures</b>				
Salaries	\$240,272,911	\$ 231,748,576	\$ (8,524,335)	(4%)
Benefits	132,043,637	126,275,619	(5,768,019)	(4%)
Purchased Services	120,533,533	117,300,403	(3,233,130)	(3%)
Supplies & Textbooks	13,263,203	13,256,313	(6,890)	(0%)
Equipment & Capital	6,118,882	5,415,202	(703,680)	(12%)
Utilities	14,991,981	14,961,872	(30,108)	(0%)
Other	-	-	-	-
<b>Total Expenditures</b>	<b>527,224,146</b>	<b>508,957,986</b>	<b>(18,266,161)</b>	<b>(3%)</b>
<b>Surplus (Deficit)</b>	<b>\$ 71,197,912</b>	<b>\$ 88,864,739</b>	<b>\$ 17,666,827</b>	<b>25%</b>

*Note: Budget figures shown to the left are based on Budget Amendment #5, which was prepared in May 2017 and included actual results through April*

## Revenues

- Higher Local revenues mainly due to enhancement millage collections, offset by less than expected revenues from community services activities
- Lower State revenues mainly due to a grant true-up (i.e., Section 31A [At-Risk])
- Higher Federal revenues mainly due to higher than expected receipts relating to Title I Part A

## Expenditures

- Lower expenditures compared to budget is primarily related to unfilled vacancies within the budget, but also related to lower than expected spend on transportation, general administration, and community service activities

Notes regarding the impact of the legislation that created DPSCD

1. Includes Act 18 funds from WRESA and revenue related to Charter School services and EAA
2. Comprised of one-time revenue related to asset sales, DPS ending cash transfer, and \$25m of transitional operating funds

# FY 2017 monthly cash flows

\$ in thousands	2016						2017						FY 17 Total
	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	January Actuals	February Actuals	March Actuals	April Actuals	May Actuals	June Actuals	
<b>Cash Receipts</b>													
State Aid	\$ -	\$ -	\$ -	\$ 35,052	\$ 35,841	\$ 33,765	\$ 34,830	\$ 35,552	\$ 35,002	\$ 34,868	\$ 35,236	\$ 35,011	\$ 315,157
MPSERS (State Funded)	-	-	-	-	6,364	3,182	3,182	3,182	3,182	3,182	3,182	3,182	28,639
Enhancement Millage	-	-	-	-	-	-	177	5,540	5,261	1,905	1,575	4	14,462
Grants	-	-	2,407	1,257	13,052	13,009	13,311	24,988	9,546	5,756	20,360	13,277	116,963
Transfer from DPS	25,000	15,269	-	15,739	17,000	-	5,358	-	-	-	4,930	48,439	131,735
WCRESA	15,000	-	2,498	2,254	1,944	2,254	2,341	6,756	4,361	561	2,443	1,496	41,908
Food Service Reimbursement	-	-	-	-	3,666	4,685	4,846	3,644	3,689	3,667	6,304	4	30,505
Capital Asset Sales	-	-	-	-	-	3,091	-	362	6,354	-	-	-	9,807
Miscellaneous	25	110	198	976	628	537	477	1,358	380	934	839	654	7,117
<b>Total Cash Receipts</b>	<b>40,025</b>	<b>15,380</b>	<b>5,103</b>	<b>55,277</b>	<b>78,496</b>	<b>60,523</b>	<b>64,521</b>	<b>81,383</b>	<b>67,776</b>	<b>50,873</b>	<b>74,870</b>	<b>102,067</b>	<b>696,293</b>
<b>Cash Disbursements</b>													
MPSERS (Pass through)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,364)	\$ (3,182)	\$ (3,182)	\$ (3,182)	\$ (3,182)	\$ (3,182)	\$ (3,182)	\$ (25,457)
Payroll Direct Deposit	(2,396)	(3,424)	(14,038)	(13,598)	(6,767)	(25,744)	(13,087)	(14,006)	(20,577)	(13,266)	(13,466)	(13,574)	(153,944)
Taxes	(27)	(1,397)	(2,966)	(5,085)	(5,296)	(9,216)	(5,118)	(5,081)	(4,922)	(4,986)	(4,906)	(6,774)	(55,775)
FICA	-	(629)	(882)	(1,543)	(1,566)	(2,885)	(1,497)	(1,569)	(1,547)	(1,579)	(1,502)	(3,126)	(18,326)
Accounts Payable*	(1)	(505)	(8,223)	(6,045)	(12,668)	(22,410)	(7,340)	(13,049)	(19,169)	(13,679)	(14,952)	(25,836)	(143,878)
Pension (employee portion)	(36)	(428)	(692)	(1,589)	(1,716)	(2,597)	(1,784)	(1,787)	(1,837)	(1,836)	(1,786)	(1,845)	(17,934)
Pension (employer portion)	-	(1,700)	(429)	(5,187)	(5,468)	(8,073)	(5,263)	(5,265)	(5,474)	(5,509)	(5,296)	(8,195)	(55,859)
Health	(28)	(6,965)	(5,818)	(124)	(4,404)	(3,731)	(3,152)	(4,102)	(3,144)	(2,926)	(7,908)	(3,632)	(45,935)
Fringe Benefits**	-	(6)	(13)	(22)	(40)	(65)	(82)	(75)	(166)	(78)	(92)	(339)	(979)
Food Service	-	-	(321)	(2,189)	(1,424)	(3,598)	(167)	(1,034)	(2,079)	(3,793)	(1,239)	(1,026)	(16,872)
Transfer to DPS	-	-	-	-	-	-	(15,739)	(458)	(17,176)	(4,923)	(52)	(9,228)	(47,576)
Other	-	(75)	-	(2)	(199)	(41)	(22)	(19)	(589)	(0)	(9)	(50,364)	(51,322)
<b>Total Cash Disbursements</b>	<b>(2,488)</b>	<b>(15,131)</b>	<b>(33,383)</b>	<b>(35,387)</b>	<b>(39,550)</b>	<b>(84,725)</b>	<b>(56,434)</b>	<b>(49,627)</b>	<b>(79,864)</b>	<b>(55,758)</b>	<b>(54,390)</b>	<b>(127,121)</b>	<b>(633,855)</b>
Beginning Cash Balance	-	37,537	37,786	9,506	29,397	68,343	44,142	52,229	83,985	71,897	67,012	87,492	-
Net Cash Flow	37,537	249	(28,280)	19,891	38,946	(24,201)	8,087	31,756	(12,088)	(4,885)	20,480	(25,054)	62,438
<b>Ending Cash Balance</b>	<b>\$ 37,537</b>	<b>\$ 37,786</b>	<b>\$ 9,506</b>	<b>\$ 29,397</b>	<b>\$ 68,343</b>	<b>\$ 44,142</b>	<b>\$ 52,229</b>	<b>\$ 83,985</b>	<b>\$ 71,897</b>	<b>\$ 67,012</b>	<b>\$ 87,492</b>	<b>\$ 62,438</b>	<b>\$ 62,438</b>
<b>Memorandum:</b>													
<b>Internal Service Fund and Fiduciary Account</b>													
<b>Beginning Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(+) Liability Balance Transfer from DPS	-	-	-	-	-	-	-	-	-	-	-	48,439	48,439
(-) TIP, Legal, And Workers' Compensation Claims	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance</b>	-	-	-	-	-	-	-	-	-	-	-	48,439	48,439
<b>Grand Total</b>	<b>\$ 37,537</b>	<b>\$ 37,786</b>	<b>\$ 9,506</b>	<b>\$ 29,397</b>	<b>\$ 68,343</b>	<b>\$ 44,142</b>	<b>\$ 52,229</b>	<b>\$ 83,985</b>	<b>\$ 71,897</b>	<b>\$ 67,012</b>	<b>\$ 87,492</b>	<b>\$ 110,877</b>	<b>\$ 110,877</b>

Forecast includes actuals through June 30, 2017.

\*Accounts payable figures include legal liability payments of ~\$4.0 million paid on behalf of DPS which were repaid by DPS in June 2017.

\*\*Fringe benefits figure includes termination incentive plan and workers compensation liabilities paid on behalf of DPS which were repaid by DPS in June 2017.

# FY 2017 Key Financial Observations

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## Financial Statements

- Revenues have been largely tracking to budget since the start of the fiscal year. Major revenue streams include:
  - State Aid Foundation Allowance of \$7,552 per student (\$118 per student YoY increase)
  - Wayne County voters approved a 2 mill Enhancement Millage, which has generated ~\$365 per student of new revenue
  - Act 18 revenue from WRESA for special education
  - One-time revenues related to the following:
    - \$25M of transitional operating funds, of which only \$7.7 million was expended in FY2017
    - \$15M of DPS ending cash balance transfer
    - \$9M of asset sales related to vacant parcels and a radio station
- Expenditures have been much lower than budget primarily due to unfilled general fund vacancies
  - ~\$28 million of vacancy funding has been removed over the previous amendments
  - Budget Amendment #5 still includes \$8 million of vacancies

## Cash Flow

- With DPSCD inception 7/1/2017, several working capital strategies were employed to ensure adequate liquidity. These included some one time cash transfers as well as advances of funds from WRESA and a short-term funding transfer from DPS which was subsequently been repaid.
- In connection with the legislation, \$48 million of liabilities were assumed by DPSCD. DPS transferred dedicated funds to service these liabilities in the future during June 2017. These dedicated funds will be tracked and accounted separately from general purpose funds and will be used to satisfy outstanding obligations related to the Termination Incentive Plan (“TIP”) and legal and workers’ compensation claims
- There will be cash receipts and disbursements related to FY 2017 that will occur in FY 2018 (e.g., State Aid payments, Enhancement Millage collections, AP disbursements, etc.)
- There is expected to continue to be transfers between DPSCD and DPS as accounting and other reconciliations are completed and finalized (e.g., invoices paid by DPSCD on behalf of DPS, P-Card charges, etc.)