

TUSD

FY2014-2015 Annual Financial Report Fiscal Status Update

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Chief Financial Officer

- Annual Financial Report
- FY2014-2015 Budget/Actual – AFR
- Comprehensive Annual Financial
- CAFR-Impact on District Rating

Overview

- ARS §15-904 requires school districts to prepare and submit an AFR, in electronic format, by October 15.
- The Auditor General in conjunction with ADE is required to prescribe the AFR format to be used by all school districts.
- AFR Includes general ledger/financial data for all funds at the closing of the fiscal year including:

Budget Expenses Revenues Fund Balances

- Districts are required to upload all general ledger/financial data to Arizona Auditor General's Office. Data is used to reconcile AFR reporting and compile Classroom Dollar Report.
- AFR is audited as part of yearly audit process
- All district AFRs are available on the ADE website

Annual Financial Report

<https://www.ade.az.gov/Budget/SubmittedFileStatus/SubmittedFileStatus.asp?EntityOwnerID=4403>



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AFR access ADE website

Funding Source	AFR Page	2015 Budget	Actual Expenditures
Maintenance & Operation	1 & 2	\$298,537,424	\$285,606,330
Classroom Site	3	\$28,637,918	\$13,249,135
DAA/Unrestricted Capital	4	\$28,215,096	\$24,449,943
Federal Grants	5	\$67,455,463	\$45,018,343
State Grants	5	\$1,932,500	\$1,274,596
Debt Service	6	\$24,200,000	\$24,113,940
Instructional Improvement	6	\$2,500,000	\$1,679,356
Other Funds	6	\$75,074,500	\$43,314,234
Internal Service	6	\$36,300,000	\$30,105,605
Food Services	FS	\$23,000,000	\$20,162,948
Total All funds		\$585,852,901	\$488,974,430

FY2014-2015 Budget/Actual - AFR

Funding Source	6/30/2014 Fund Balance	6/30/2015 Fund Balance	FB Variance
Maintenance & Operation	\$14,640,501	\$14,112,916	(\$527,585)
Classroom Site	\$11,696,289	\$15,396,411	\$3,700,122
DAA/Unrestricted Capital	(\$5,159,184)	\$4,090,256	\$9,249,440
Federal Grants	\$3,236,789	(\$5,699,459)	*(\$8,936,248)
State Grants	\$301,607	\$731,902	\$430,295
Debt Service	\$2,846,101	\$2,076,172	(\$769,929)
Instructional Improvement	\$430,713	\$657,819	\$227,106
Other Funds	\$26,093,795	\$32,113,317	\$6,019,522
Internal Service	\$37,763,091	\$37,938,416	\$175,325
Food Services	\$3,783,139	\$3,590,862	(\$192,277)
Total All Funds	\$95,632,841	\$105,008,612	\$9,375,771

*Does not include receivables due- Funds operate on Reimbursement Basis

FY2014-2015 Fund Balances - AFR

RESERVE FUNDS Used to Offset M&O	6/30/2014 Fund Balance	Revenues	Expenditures	6/30/2015 Fund Balance
Classroom Site - Base	\$900,419	\$3,384,784	\$2,704,578	\$1,580,625
Classroom Site - Other	\$1,013,812	\$6,766,955	\$6,684,122	\$1,096,645
Instructional Improvement	\$430,713	\$1,906,462	\$1,679,356	\$657,819
Medicaid Reimbursement	\$3,300,090	\$1,429,694	\$1,732,356	\$2,997,428
E-Rate	\$2,953,937	\$1,438,702	\$3,446,834	\$945,805
Impact Aid	\$415,463	\$728,590	\$446,781	\$697,272
Civic Center	\$3,328,591	\$1,216,755	\$775,660	\$3,769,686
Indirect Costs	\$8,292,318	\$1,737,093	\$4,419,593	\$5,609,818
Total Reserve	\$20,635,343	\$18,609,035	\$21,889,280	*\$17,355,098

*Projection was \$14,542,880

FY2014-2015 Fund Balance - AFR

- The Comprehensive Annual Financial Report contains financial statements prepared by external auditors that comply with the Governmental Accounting Standards Board (GASB) accounting requirements
- CAFR has three major sections
 - Introductory
 - Financial
 - Statistical
- The GFOA reviews CAFR's submitted by local governments yearly and awards their Certificate of Achievement Award for Excellence in Financial Reporting to those local governments that are in compliance with their CAFR accounting standards of preparation.

Comprehensive Annual Financial Report

- AFR- reports on actual cash basis/ fund balances
- CAFR reports on modified accrual basis
 - Adjust for prepaid expenses
 - Pension plan (new)
 - Inventory
 - Lease obligations
- Funds are grouped as Governmental & Non-Governmental

Comprehensive Annual Financial Report

- Governmental Funds Include

- General Fund

- Classroom Site

- Title I Grants

- Debt Service

- Unrestricted Capital

- Non-Major Governmental Funds

- General Fund comprised of

- Maintenance & Operation

- Medicaid

- Indirect Costs

- Impact Aid

- Auxiliary Operation

- Gifts & Donations

- Insurance Proceeds

- Litigation Recovery

- Intergovernmental Agreements

Comprehensive Annual Financial Report

Rating agencies

- Moody's
- Fitch
- Standard & Poors

Factors that impact rating:

- Historical CAFR reports
- Financial stability
- Enrollment
- Tax Base
- **General Fund Balance**

CAFR/District Rating

		Tucson Unified School District #1 AZ					Agency
							Fitch:
	Annual 6/30/2009	Annual 6/30/2010	Annual 6/30/2011	Annual 6/30/2012	Annual 6/30/2013	Annual 06/30/2014	
General Fund (000's)							
REVENUES							
Property Tax	\$131,380	\$142,134	\$119,011	\$156,813	\$163,293	\$150,132	
Sales Tax							
Income Tax							
Other Tax							
Total Tax							
Licenses & Permits							
Fines & Forfeits							
Charges For Services							
Intergovernmental							
Other Local Sources	\$658	\$12,408	\$15,367	\$16,493	\$17,185	\$17,515	
State Sources	\$200,004	\$173,656	\$173,401	\$141,902	\$125,984	\$130,861	
Federal Sources	\$1,381	\$21,612	\$5,738	\$2,602	\$2,650	\$3,078	
Other Revenue	\$0	\$0	\$0	\$0	\$0	\$0	
Total Revenues	\$333,423	\$349,810	\$313,517	\$317,810	\$309,112	\$301,586	
% Change in Revenues		4.9%	-10.4%	1.4%	-2.7%	-2.4%	
EXPENDITURES							
General Government							
Public Safety							
Public Works							
Health & Social Services							
Culture & Recreation							
Educational							
Capital Outlay	\$0	\$0	\$3,082	\$810	\$982	\$490	
Debt Service	\$1,917	\$0	\$926	\$168	\$252	\$0	
Instruction	\$186,206	\$175,453	\$147,024	\$149,453	\$158,122	\$141,677	
Operation & Maintenance of Plant	\$54,965	\$54,026	\$54,572	\$54,065	\$52,088	\$48,679	
School Administration (materials, supplies, etc.)	\$37,740	\$37,332	\$37,079	\$38,356	\$39,516	\$38,099	
Other	\$69,413	\$68,814	\$71,236	\$73,586	\$75,240	\$71,285	
Total Expenditures	\$350,241	\$335,625	\$313,919	\$316,438	\$326,200	\$300,230	
% Change in Expenditures		-4.2%	-6.5%	0.8%	3.1%	-8.0%	
Operating Surplus (Deficit)	-\$16,818	\$14,185	-\$402	\$1,372	-\$17,088	\$1,356	

Historical CAFR info

General Fund	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
Revenues	\$333,423	\$349,810	\$313,517	\$317,810	\$309,112	\$301,586
Expenditures	\$350,241	\$335,625	\$313,919	\$316,438	\$326,200	\$300,230
Operating Surplus	-\$16,818	\$14,185	-\$402	\$1,372	-\$17,088	\$1,356
Fund Balance	\$12,721	\$42,993	\$44,170	\$46,646	\$32,467	\$31,941

Historical CAFR info-General Fund

Moody's Rate

Maintained at Aa2 with negative outlook

OUTLOOK

- The negative outlook reflects the expectation the district's ability to replenish reserves will remain challenged due to pressures from declining enrollment and state aid.

WHAT COULD MAKE THE RATING GO UP (remove negative outlook)

- Stable or improving performance in fiscal 2015 and fiscal 2016
- Stabilized enrollment trend
- Strengthening of residential income profile

STRENGTHS

- Large and diverse tax base encompassing Tucson metropolitan area
- Ratings Report

CHALLENGES

- Persistent enrollment declines primarily due to charter school competition
- Narrowed reserve levels and liquidity
- Below average residential income levels



Ratings Report

Moody's assigns negative outlook to Tucson USD No 1, AZ's bonds; affirms Aa2

Affects \$198 million of GO debt outstanding

District Rating – Moody's

Fitch Rate

- Maintained at AA- stable outlook

Factors that impacted rate:

- Stability in Reserves
- Slower Paced Recovery
- Moderate Long term Liabilities
- Material change in Finances/Enrollment
- Building Capital Pressures
- Satisfactory Finances though cash flow pressures remain
- Continued Lag in Final State Payment
- Fixed Funding Formula

District Rating – Fitch

9/15/2015

Press Release



Fitch Affirms Tucson USD No. 1, AZ's GOs at 'AA-'; Outlook Stable

Fitch Ratings-Austin-09 September 2015: Fitch Ratings has affirmed the rating on Tucson Unified School District No. 1, Arizona's (the district) outstanding debt as follows:

—approximately \$183.6 million unlimited tax general obligation (ULTGO) bonds at 'AA-'.

The Rating Outlook is Stable.

- Funding reductions
- Lack of appropriate funding
- Rising operating costs
- Cash Flow –State aid rollovers
- New Legislation/ballot initiatives
 - Subsequent law or regulation that complicates school district funding or budget preparation
- Declining Enrollment
- Reliance on one-time “fixes” to balance budget
- Budget Management

Factors That Impact Fiscal Solvency

Financial Reporting/ Shift to Budget Reporting

District previously utilized “reserve funds” to balance M&O budget rather than spending uniformly amongst all funds throughout the year

Financial Concerns Raised

- FY2013-2014 Over-expenditure of \$5 Million
- FY2014-2015 Anticipated shortfall of \$15 Million
- Utilization of reserve funds \$14.7 Million

Conversion to new ERP – Transition period needed to provide ongoing training, follow new processes, reports

Unitary Status Plan compliance – burden shift to M&O budget (overhead costs \$5M+ and other unallowable costs Fine Arts, Dual Language, Psychologists, Social Workers, etc.\$3.2M)

TUSD Challenges
