

TUSD 2015-2016 Annual Financial Report Fiscal Status Update

Karla G. Soto, Chief Financial Officer
Renee Weatherless, Senior Director of Finance

Agenda

- Arizona School Finance
 - Regulations
 - Required Documents
- Annual Financial Report
 - Budget objectives
 - Budget presentation & updates
 - Budget/Actual Expenditures
 - Fund Balances
 - Expenses by Category
 - Classroom Dollar Calculation
 - Classroom Site Fund (Prop 301) update

Arizona School Finance - Regulations

ARIZONA REVISED STATUTE (ARS) TITLE 15

- Rules Established by the Arizona Legislature
- Title 15 Refers to Education
- Sections 15-901 to 15-1241 Refer to School Finance

UNIFORM SYSTEM OF FINANCIAL RECORDS (USFR)

The legislature has required that the Arizona Department of Education and the State's Auditor General interpret Title 15 and design the State's Uniform System of Financial Records (USFR) which is used in maintaining local school district financial records and preparing reports.

Arizona School Finance – Required Documents

In the State of Arizona, there are a number of forms which provide some uniformity in the manner that financial information is presented and submitted to the Arizona Department of Education.

EXPENDITURE BUDGET

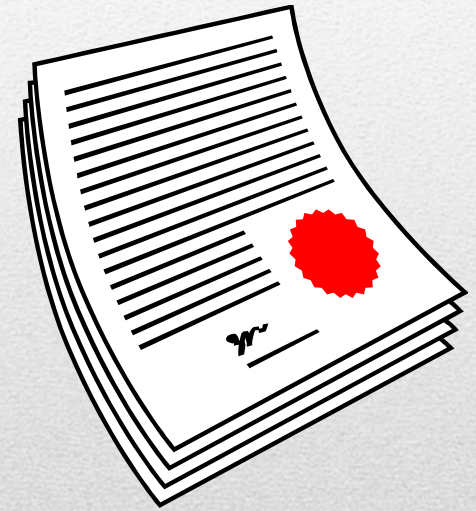
- Proposed by July 1st of the fiscal year
- Adopted by July 15th of the fiscal year
(public hearing required)

REVISED EXPENDITURE BUDGET

- Completed by December 15th and/or May 15th

ANNUAL FINANCIAL REPORT

- (Completed by October 15th)



Annual Financial Report

- 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.
- Districts are required to upload all general ledger raw data to Arizona Auditor General's Office. Data is used to reconcile AFR reporting and compile Classroom Dollar Report.
- AFR Includes financial data for all funds at the closing of the fiscal year including:
Budget **Expenses** **Revenues** **Fund Balances**
- AFR is audited as part of yearly audit process
- All district AFRs are available on the ADE website

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

The screenshot displays the 'Submitted File Status' page for Tucson Unified District on the Arizona Department of Education (ADE) website. The page header includes the ADE logo and the title 'Information and Financial Services Budget Submitted File Status'. Below the header, there is a navigation bar with links for 'Home', 'Reports', 'Submitted File Status', 'Summary Status', 'Upload', and 'Districts/Charters Selection'. The main content area shows a search filter for 'Submitted File Status' with a 'Switch to Student Counts' button. The search criteria are set to 'Submitted made from 05/25/2002'. The 'Date Range' is set to 'All', 'Fiscal Year' is 'All Years', 'Type' is 'District Annual Financial Report - Actual', and 'Rows / Page' is '20'. A 'Go!' button is present. The footer contains links for 'Help', 'Security Information', 'School Finance Home', 'ADE Common Logon', 'Menu', and 'ADE Home Page', along with an email address 'schoolfinance@azed.gov' and a copyright notice for 2002 Arizona Department of Education.

FY2015-2016 Budget Objectives

- Implement changes in Staffing Formula – priority 1:27 Teacher to Student ratio
- Meet the requirements of the Desegregation Order
- Focus on shifting more \$ and resources into the classroom / reduction of budget allocations in non-instructional areas
- Use Visions (ERP) software to develop and maintain budget throughout the year
- Work with bargaining groups to restructure salary schedule to facilitate setup in ERP setup, allow affordable salary increases and facilitate future salary projections
- Align budget with District Strategic Plan
- Realign district budget and establish expenditures and encumbrances from appropriate funding sources in all funds to have more consistency in spending – eliminate the need to process journal entries at year end as has been done in the past to balance the budget

Decrease Audit Findings

Restructure Salary schedule to identify Prop 301 amount to eliminate audit finding/Journal entry process

TUSD Classroom Site Fund (Prop 301) Audit Findings

**TUCSON UNIFIED SCHOOL DISTRICT NO.1
UNIFORM SYSTEM OF FINANCIAL RECORDS
COMPLIANCE QUESTIONNAIRE**

FOR FISCAL YEAR ENDED JUNE 30, 2009

11. Due to an error when processing the journal entry described in comment 12, \$8,585 was incorrectly posted to the Classroom Site Fund.

12. Classroom Site Fund expenditures for funds 011 and 013 were recorded through journal entries at the end of the fiscal year; each journal entry represented a pay period.

FOR FISCAL YEAR ENDED JUNE 30, 2010

9. The District recorded CSF expenditures through a journal entry at year end rather than throughout the fiscal year.

FOR FISCAL YEAR ENDED JUNE 30, 2011

1. Journal entries and reconciliations of cash, capital expenditures, revenues and the final general ledger were not performed and reviewed in a timely manner resulting in several coding errors, audit adjustments and revisions to the general ledger and AFR.

8. The District was unable to provide documentation to perform testwork on Fund 012 expenditures.

9. Classroom Site Fund expenditures for Fund 011 and Fund 013 are recorded through a journal entry at fiscal year end.

10. Due to an error on the budget worksheet, the budget limit was overstated by \$1,914,002 in Fund 012 and understated in Fund 011 and Fund 013 by \$3,173,014 and \$4,142,690, respectively.

TUSD Classroom Site Fund (Prop 301) Audit Findings

**TUCSON UNIFIED SCHOOL DISTRICT NO.1
UNIFORM SYSTEM OF FINANCIAL RECORDS
COMPLIANCE QUESTIONNAIRE**

FOR FISCAL YEAR ENDED JUNE 30, 2012

8. Classroom Site Fund expenditures for Fund 011 and Fund 013 are recorded through a journal entry at fiscal year-end.

FOR FISCAL YEAR ENDED JUNE 30, 2013

5. Classroom Site Fund expenditures for Fund 011 and Fund 013 are recorded through a journal entry at fiscal year end.

FOR FISCAL YEAR ENDED JUNE 30, 2014

8. Transactions were not recorded in Classroom Site funds at the time the monies were expended. The expenditures were recorded through a journal entry at the end of the fiscal year.

FOR FISCAL YEAR ENDED JUNE 30, 2015

4 Classroom Site Fund Transactions were not recorded in Classroom Site funds at the time the monies were expended. The expenditures were recorded through a journal entry at the end of the fiscal year.

<http://www.tusd.k12.az.us/contents/distinfo/budget/pdfs/USFRComplianceQuestionnaireFY13.pdf>

<http://www.tusd.k12.az.us/contents/distinfo/budget/pdfs/USFRComplianceQuestionnaireFY14.pdf>

<http://www.tusd.k12.az.us/contents/distinfo/budget/pdfs/USFRComplianceQuestionnaireFY15.pdf>

FY2015-2016 Budget Presentations & Updates

<u>Title</u>	<u>Date</u>	<u>TUSD Website link</u>
301 Pay For Performance Plan 2015-2016	6/9/15	http://tusd1.org/contents/govboard/packet06-09-15/6-9-15-BAI6-Presentation.pdf
Tucson Unified School District #1 FY 2016 Proposed Budget	6/23/15	http://tusd1.org/contents/govboard/packet06-23-15/6-23-15-BAI11-Presentation.pdf
Tucson Unified School District #1 FY 2016 Adopted Budget	7/14/15	http://tusd1.org/contents/govboard/packet07-14-15/7-14-15-BAI6-Presentation.pdf
Tucson Unified School District #1 FY 2015-2016 Tax Rate Update	7/28/15	http://tusd1.org/contents/govboard/packet07-28-15/07-28-15-BAI4-TaxRatePresentation.pdf
TUSD FY2015-2016 Budget Update	10/6/15	http://tusd1.org/contents/govboard/packet10-06-15/10-6-15-BAI2-TUSDBudgetUpdate.pdf
TUSD FY2015-2016 Budget Update	11/10/15	http://tusd1.org/contents/govboard/packet11-10-15/11-10-15-BAI7-Presentation.pdf
TUSD FY2015-2016 Budget Update	12/8/15	http://tusd1.org/contents/govboard/packet12-08-15/12-8-15-BAI6-BudgetUpdate.pdf
TUSD FY2015-2016 Budget Update	1/26/16	http://tusd1.org/contents/govboard/packet01-26-16/1-26-16-BAI3-BudgetUpdate.pdf
TUSD FY2015-2016 Budget Update	2/23/16	http://tusd1.org/contents/govboard/packet02-23-16/2-23-16-BAI2-Presentation.pdf
TUSD FY2015-2016 Budget Update	4/19/16	http://tusd1.org/contents/govboard/packet04-19-16/4-19-16-BAI5-BudgetUpdate.pdf
Tucson Unified School District #1 FY 2016 Revised Budget	5/10/16	http://tusd1.org/contents/govboard/packet05-10-16/5-10-16-BAI18-Presentation-REVISED5-19-16.pdf
TUSD FY2015-2016 Budget Update	5/26/16	http://tusd1.org/contents/govboard/packet05-24-16/5-24-16-BAI7-Att-BudgetUpdate.pdf
Tucson Unified School District #1 FY 2016 Revised Budget	6/28/16	http://tusd1.org/contents/govboard/packet06-28-16/6-28-16-BAI11-Presentation.pdf
Tucson Unified School District FY 2015-2016 Annual Financial Report	10/6/16	
TUSD FY2015-2016 Comprehensive Annual Financial Report	TBD January 2017	

2015-2016 Annual Financial Report

FY2015-2016 Budget/Actual Expenditures- AFR

Funding Source	AFR Page	2016 Budget	Actual Expenditures
Maintenance & Operation	1 & 2	\$303,526,134	\$293,680,742
Classroom Site	3	\$33,853,304	\$13,072,277
DAA/Unrestricted Capital	4	\$26,264,540	\$24,039,833
Federal Grants	5	\$66,346,151	\$41,825,120
State Grants	5	\$1,830,615	\$1,320,279
Debt Service	6	\$24,200,000	\$24,029,490
Instructional Improvement	6	\$2,500,000	\$2,116,944
Other Funds	6	\$68,442,953	\$30,427,948
Internal Service	6	\$41,400,000	\$30,105,605
Food Services	FS	\$20,000,000	\$19,504,787
Total All funds		\$588,363,697	\$480,123,025

FY2015-2016 Budget/Actual – Desegregation AFR

Funding Source	AFR Page	2016 Budget	Actual Expenditures
Deseg M & O	Des2	\$51,011,047	\$51,742,593
Deseg Capital	Des3	\$12,700,000	\$11,968,454
Total All funds		\$63,711,047	\$63,711,047

FY2015-2016 Actual Desegregation Expenditures By Activity

USP Category	2016 Budget	Actual Expenditures	Difference
I. COMPLIANCE AND GOOD FAITH	7,206,377	9,174,443	(1,968,066)
II. STUDENT ASSIGNMENT	12,210,314	11,868,156	342,158
III. TRANSPORTATION	9,624,073	10,520,200	(896,126)
IV. ADMIN / CERTIFICATED STAFF	3,215,781	2,778,186	437,595
V. QUALITY OF EDUCATION	16,521,531	16,068,618	452,913
VI. DISCIPLINE	2,890,028	2,973,810	(83,782)
VII. FAMILY / COMM ENGAGEMENT	799,334	698,751	100,583
VIII. EXTRACURRICULAR ACTIVITIES	174,273	93,873	80,400
IX. FACILITIES AND TECHNOLOGY	8,319,653	7,623,336	696,317
X. ACCOUNTABILITY/TRANSPARENCY	2,749,682	1,911,674	838,008
Total Desegregation Expenditures	63,711,047	63,711,047	0

FY2015-2016 Fund Balances - AFR

Funding Source	6/30/2014 Fund Balance	6/30/2015 Fund Balance	6/30/2016 Fund Balance
Maintenance & Operation	\$14,640,501	\$14,112,925	\$15,672,742
Classroom Site	\$11,696,289	\$15,396,409	\$20,807,351
DAA/Unrestricted Capital	(\$5,159,184)	\$4,090,257	\$772,808
Federal & State Grants	\$3,538,396	(\$4,967,555)	\$503,992
Instructional Improvement	\$430,713	\$657,818	\$546,041
Other Funds**	\$32,723,035	\$37,780,353	\$35,126,580
Internal Service	\$37,763,091	\$35,638,414	\$32,445,848
Total All Funds	\$95,632,841	\$102,708,621	\$105,875,362

**Includes Food Services reported separately on AFR

2-Year Comparison M&O and Capital Expenditures by Category

Category	FY14-15 Actual Expenditures	FY15-16 Actual Expenditures
Salaries & Benefits	\$232,326,906	\$236,688,091
Purchased Services	\$29,549,887	\$34,842,161
Supplies	\$23,174,965	\$20,861,926
Capital	\$24,449,943	\$24,039,833
Other	\$524,750	\$1,288,564
Total All Expenditures	\$310,026,451	\$317,720,575

2 Year Comparison Desegregation M&O and Capital Expenditures by Category

Category	FY14-15 Actual Expenditures	FY15-16 Actual Expenditures
Salaries & Benefits	\$39,569,750	\$38,782,846
Purchased Services	\$8,632,417	\$8,591,744
Supplies	\$3,469,267	\$3,451,828
Capital	\$7,997,573	\$11,968,454
Other	\$123,121	\$916,175
Total All Expenditures	\$59,792,128	\$63,711,047

How are the Classroom Dollars calculated?

Account-based description Using school district Uniform System of Financial Records Chart of Account's terminology,

These are the primary funds excluded:

- 250 & 425 – Adult Education
- 515 & 520 – Civic Center and Community School
- 575 – Unemployment Insurance (an internal service fund)
- 600 – Capital Projects Funds with the following exceptions: *Include textbooks, instructional aids, and library books (object codes 6641-6643)*
- 700 – Debt Service
- 800 and above – Fiduciary and Proprietary Funds

These programs are excluded:

- 700 and above – Adult/Continuing Education, Community College Education Programs,
- Community Services Programs

These functions are excluded:

- 3200 and 3300 – Enterprise and Community Services Operations
- 4000 and above – Capital, Debt Service, and Other Financing Uses

These object codes are excluded:

- 6561 & 6565 – Tuition to other Arizona school districts
- 6631 – Fair market value of donated commodities
- 6700's – Land, Buildings, and Equipment
- 6900's – Other Financing Uses, such as Transfers and Indirect Costs
- Similar transactions that a district accounts for in other funds, programs, functions, or object codes could also be excluded.

How are the Classroom Dollars calculated?

Classroom dollars

- Classroom personnel—Teachers, teachers' aides, substitute teachers, contracted instructional services, athletic coaches
- General instructional supplies —Paper, pencils, crayons, etc.
- Instructional aids—Textbooks, workbooks, instructional kits, instructional computer software, etc.
- Activities—Field trips, athletics, and cocurricular activities such as choir and band

Nonclassroom dollars

- Administration
- Plant operation and maintenance
- Food service
- Transportation
- Student support services
- Instruction support services

TUSD Classroom Spending FY15

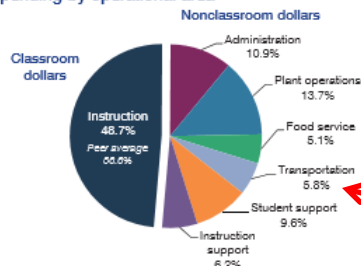
Tucson Unified School District

Pima County
Efficiency peer groups 1 and T-5, Achievement peer group 3
Legislative district(s): 2, 3, 4, 9, and 10

District size, location: Very large, City
Students attending: 45,970
Number of schools: 86

OPERATIONAL EFFICIENCY

Spending by operational area



Efficiency measures relative to peer averages

Operational area	Measure	District	Peer average	State average
Administration	Cost per pupil	\$697	\$641	\$780
	Students per administrative position	59	81	67
Plant operations	Cost per square foot	\$6.44	\$5.93	\$6.09
	Square footage per student	174	144	153
Food service	Cost per meal equivalent	\$3.00	\$2.76	\$2.79
	Cost per mile	\$4.82	\$3.48	\$3.66
Transportation	Cost per rider	\$1,946	\$1,392	\$1,071

Per pupil spending

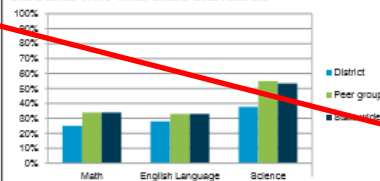
Spending by area	District 2014	District 2015	Peer average 2015	State average 2015
Instruction	\$ 3,334	\$ 4,005	\$ 4,107	\$ 4,105
Administration	855	897	641	780
Plant operations	1,063	1,124	863	930
Food service	397	417	333	417
Transportation	482	482	343	371
Student support	806	791	618	613
Instruction support	543	512	357	442
Total operational	\$ 8,080	\$ 8,228	\$ 7,262	\$ 7,658
Land and buildings	\$ 326	\$ 558	\$ 551	\$ 641
Equipment	417	413	316	383
Interest	280	254	266	225
Other	70	117	184	150
Total nonoperational	\$ 1,063	\$ 1,372	\$ 1,317	\$ 1,399
Total per pupil spending	\$ 9,143	\$ 9,600	\$ 8,579	\$ 9,057

STUDENT AND TEACHER MEASURES, FINANCIAL ASSESSMENT, AND REVENUE

Student and teacher measures

Measure	District	Peer average	State average
Attendance rate	92%	94%	94%
Graduation rate (2014)	80%	81%	76%
Poverty rate (2014)	28%	22%	23%
Students per teacher	18.7	18.8	18.6
Average teacher salary	\$44,926	\$44,582	\$46,008
Average years of teacher experience	12.4	11.7	11.0
Percentage of teachers in first 3 years	16%	18%	20%

Students who met state standards



Financial stress assessment

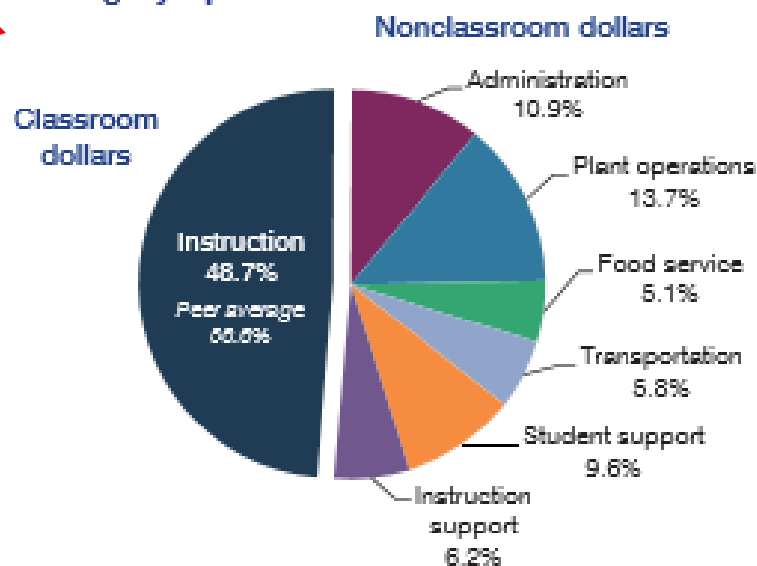
Overall financial stress level:	Moderate
Measure: 2013 through 2015	Assessment
Change in number of district students	Concentrated decrease
Spending exceeded operating/capital budgets	No overspending
Spending increase election results	No election held
Operating reserve percentage (max. 4%), trend	3.0% increasing
Years of capital reserve held	1 to 3 years
Current financial and internal control status	Compliant

Per pupil revenues

Revenues by source	District 2014	District 2015	Peer average 2015	State average 2015
Federal	\$ 1,703	\$ 1,241	\$ 839	\$ 1,299
State	3,280	3,607	3,183	3,517
Local	4,793	4,621	4,941	4,248
Total revenues per pupil	\$ 9,776	\$ 9,469	\$ 8,963	\$ 9,064
Select revenues from common sources				
Equalization formula funding	\$ 5,615	\$ 5,286	\$ 5,221	\$ 5,303
Grants	1,703	1,213	854	1,167
Donations and tax credits	75	74	83	78
Select revenues from less common sources				
Desegregation	\$ 1,361	\$ 1,301	4 of 10	
Small school adjustment	0	0	0 of 10	
Federal impact aid	14	16	2 of 10	
Voter-approved levy increases	903	479	10 of 10	

http://www.auditor.gen.state.az.us/Reports/School_Districts/Statewide/2015_February/AZ_School_District_Spending_FY2016.pdf

Spending by operational area



TUSD Classroom Spending

Budget/Current Expenditures by Functional Area	FY13-14 Actual	FY14-15 Actual	FY15-16 Actual	FY16-17 Budget
Classroom Dollars	48.7%	48.7%	49.0%	53.8%
Student Support	10.0%	6.2%	9.5%	8.3%
Instruction Support	6.7%	9.6%	6.6%	7.3%
<i>Subtotal</i>	<i>65.4%</i>	<i>64.5%</i>	<i>65.1%</i>	<i>69.4%</i>
Administration	10.6%	10.9%	11.0%	10.2%
Plant Operations	13.2%	13.7%	13.0%	11.7%
Food Service	4.9%	5.1%	5.2%	4.4%
Transportation	5.9%	5.8%	5.8%	4.3%
TOTAL	100.0%	100.0%	100.0%	100.0%

Classroom Site Fund (Prop 301) Update

CLASSROOM SITE FUNDS (CSF)

Proposition 301

- The Classroom Site Fund (CSF), A.R.S. §15-977, was approved by the voters as Proposition 301 in 2001 and established in fiscal year 2002.
- Revenues come from the portion of state sales tax collections and State Trust Land income allocated to school districts as an additional source of funding for teacher compensation and other specified M&O purposes.

011 = 20% Teacher Base Pay

012 = 40% Teacher Performance Pay

013 = 40% Other- Class size reduction, AIMS intervention, Teacher professional development, Dropout prevention programs & teacher liability insurance

CLASSROOM SITE FUNDS (CSF)

Proposition 301

- In the beginning Prop 301 did not define “teacher” for its purposes.
- 2001 Az. Atty. Gen. Opinion I01-014 interpreted “teacher”:
“traditional classroom teachers are not the only persons eligible for compensation increases. School districts and charter schools may use such funds for compensation increases for certified or certificated teachers and others employed to provide instruction to students related to the school's educational mission.”
- 2011 The Reeves v. Barlow case*overturned the 2001 AG opinion.
The court ruled: “If a school district employee is not a teacher, then that employee is not entitled to be considered for [Prop 301] compensation. Indeed, a school district that permitted a non-teacher to participate in the compensation system would exceed its authority under A.R.S. § 15–977.”
The court also expressly held that a school employee must have a teaching certificate to participate in 301.

*227 Ariz. 38, 251 P.3d 417,Az. App. 2011

CLASSROOM SITE FUNDS (CSF)

Proposition 301

- 2013 Attorney General Opinion I13-005 stated that:

Determined teaching certificate, alone, is not enough to qualify.

To qualify for 301, an employee must also “be employed to provide instruction to students to participate in the CSF plan.”

Presently, we are constrained to only expend 301 teacher compensation element funds on those who both:

Possess an Arizona teaching certificate; and

Are hired for the District to provide instruction to students.

CLASSROOM SITE FUNDS (CSF)

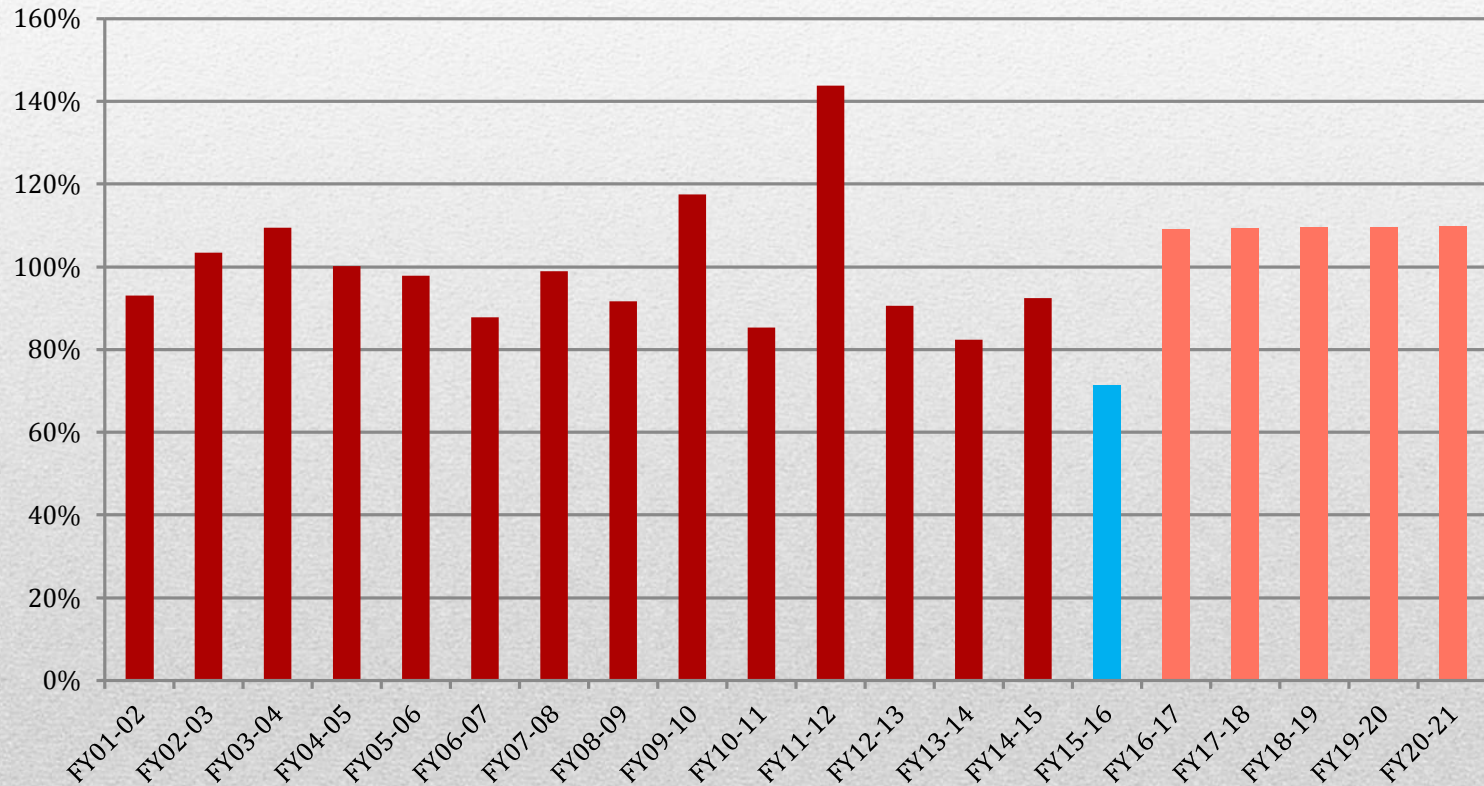
Proposition 301

How is the funding determined?

- By March 30th Joint Legislative Budget Committee shall determine a per pupil amount for the budget year
- What Has Changed – Because of the downturn in the economy, beginning in FY2011 the CSF yearly allocations are adjusted for any prior year carry forward or shortfall

TUSD Classroom Site Fund (Prop 301) Base & Other (Funds 011 & 013) Payments

Percent of Base & Other Funds Allocation Paid Out

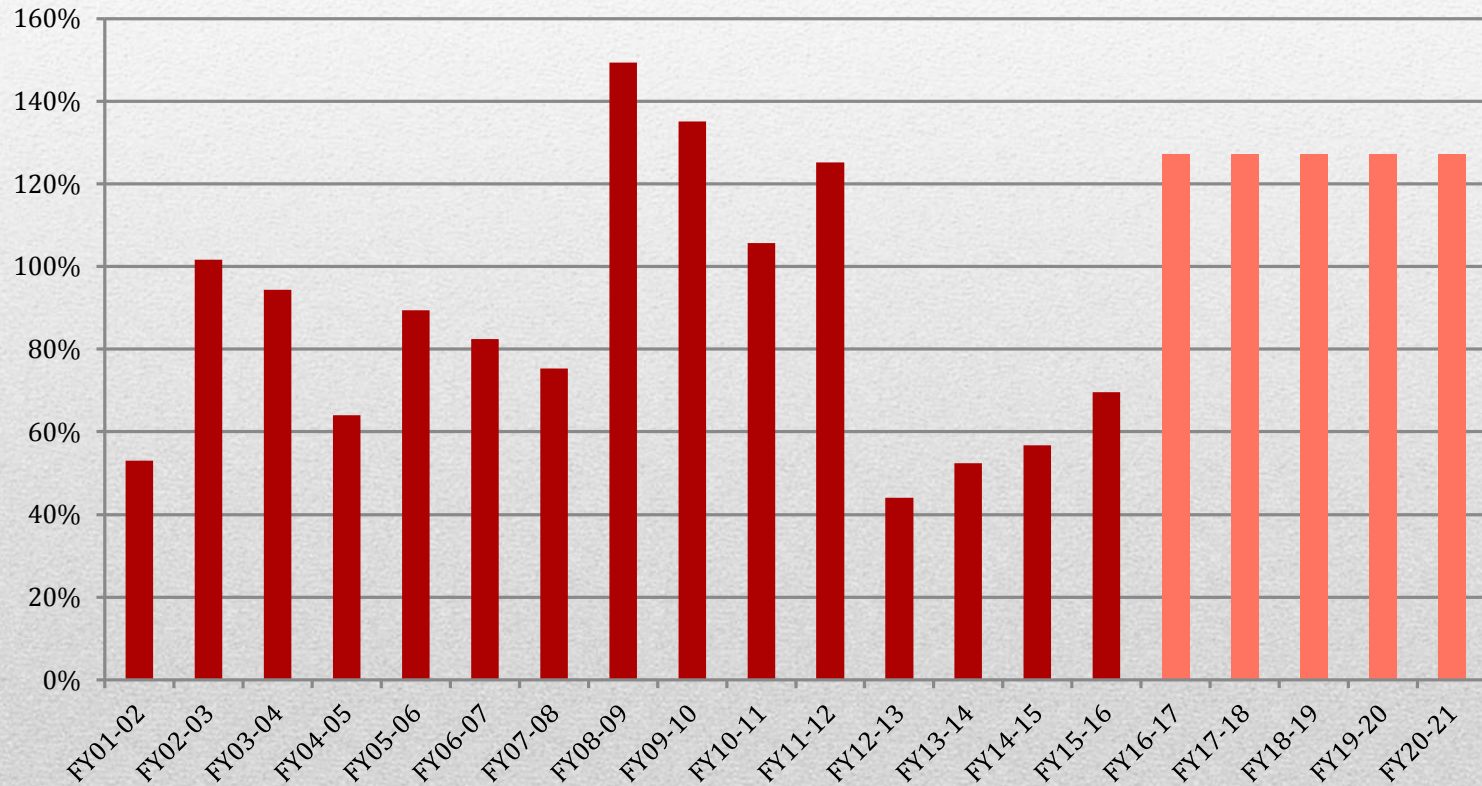


1st year 301 monies were separated from base resulting in NO impact to teacher pay

Fiscal Years 16-17 through 20-21 are projections through the remaining life of the Classroom Site Funds

TUSD Classroom Site Fund (Prop 301) Performance Pay (Fund 012) Payments

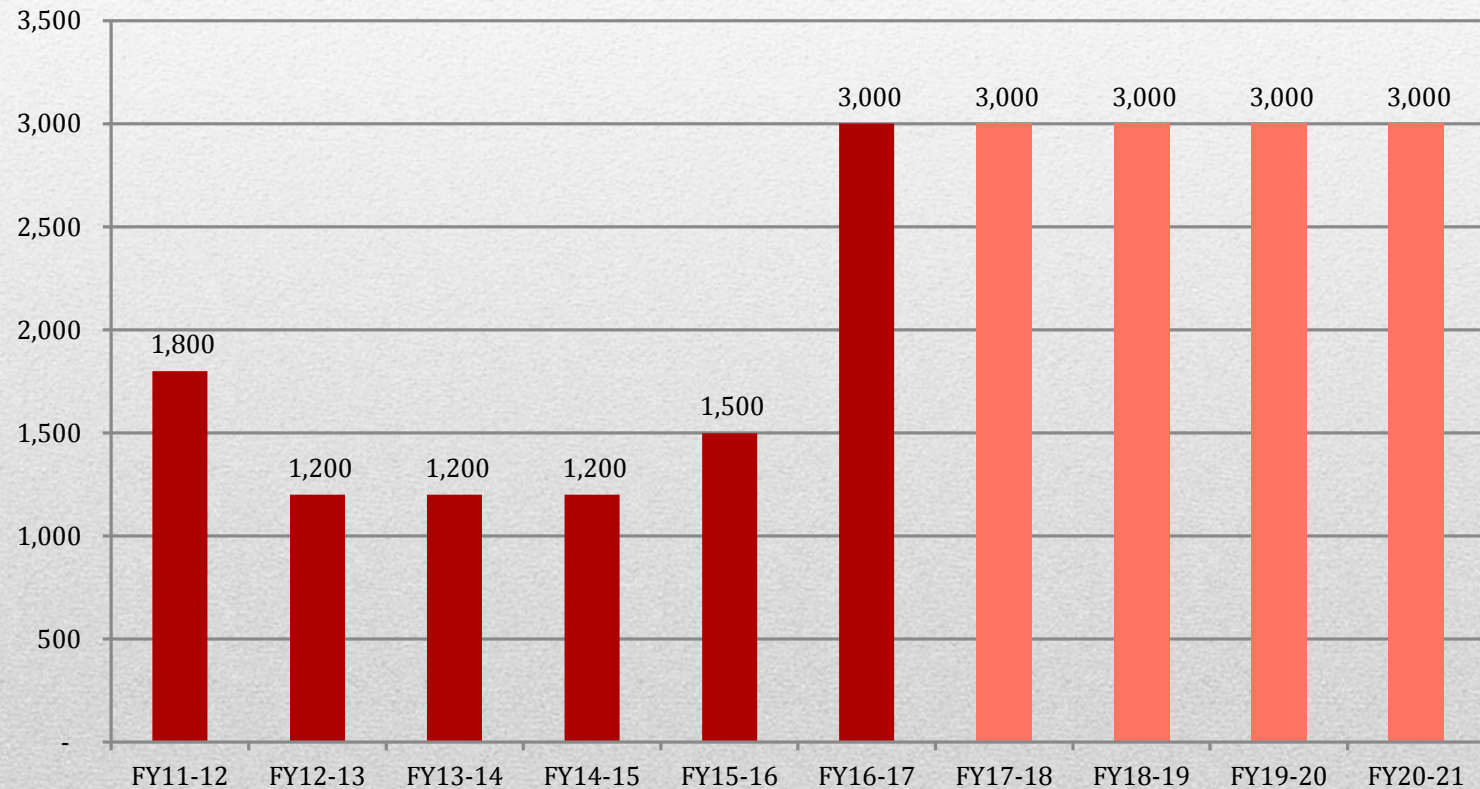
Percent of Performance Pay Allocation Paid Out



Fiscal Years 16-17 through 20-21 are projections through the remaining life of the Classroom Site Funds

TUSD Classroom Site Fund (Prop 301) Performance Pay (Fund 012) Stipend

Performance Pay Stipend



Fiscal Years 17-18 through 20-21 are estimates pending 301 plan ratification

TUSD Classroom Site Fund (Prop 301)

Stipends for FY 16-17

- Base & Other Stipend
 - \$3,600
- Performance Pay Stipend
 - 2/3 – 301 Professional Learning Community (PLC) Work
 - \$2,000 for a minimum of 10 hours during the year
 - 1/3 – Teacher Evaluation Classification
 - \$1,000 Based on the following:

• Ineffective	0%	\$0
• Developing	50%	\$500
• Effective	100%	\$1,000
• Highly Effective	150%	\$1,500

Questions?