

Tulsa Public Schools
 Brief Overview of Financial Reporting and Allocation of Available Funds
 October, 2005

Basis of Measurement and Financial Reporting

Tulsa Public Schools maintains its financial records on a cash basis and reports annually in detail to the State on that basis. Adjusting entries, in keeping with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) pronouncements are applied to report the financial results in the District's annual financial statements. These financial statements are audited annually by an independent accounting firm.

The cash basis financial statements are reported to the State each year no later than September 1 immediately following the close of the fiscal year on June 30. The audited financial statements must be filed with the State by March 30 of the following calendar year. The District is in the process of converting all of this information to an electronic format for posting on the district's website, some of which is available at this time (www.tulsaschools.org).

Funds

The District reports its financial activities through the use of fund accounting which segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Recap of Cash Transactions by Fund for the Fiscal Year ended June 30, 2005

Fund	Fund Balance 7/1/2004	Fiscal Year Ending 6/30/2005		Fund Balance 6/30/2005
		Revenues	Expenditures	
General	\$15,268,033	\$262,003,776	\$260,314,914	\$16,956,895
Building	5,104,612	12,065,937	12,437,752	4,732,797
Child Nutrition	2,350,943	16,626,867	16,655,086	2,322,724
Bond	616,074	47,703,093	45,582,688	2,736,478
Debt Service	41,094,249	41,841,966	41,705,980	41,230,235
Gifts and Endowments	1,840,982	3,723,203	3,542,855	2,021,330
	<u>\$66,274,892</u>	<u>\$383,964,842</u>	<u>\$380,239,274</u>	<u>\$70,000,460</u>

A description of the activities of the various funds is provided below.

General Fund – Major revenue sources include state and local property taxes, state funding under the State Aid Formula, as well as federal and state restricted monies that must be expended for specific programs. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of maintaining school buildings.

Child Nutrition Fund – Approximately 2/3 of the receipts are from the federal government through the free and reduced lunch program. The remaining receipts are fees received for food services. All of these funds are used to support the food services provided at the schools. Schools with a designated level of students qualifying for free and reduced lunch can offer food services to their students at no cost to the student. These programs include:

Program	Free or Reduced Lunch %	# Schools Participating
Universal Free Breakfast and Lunch	96%	23
Breakfast in the Classroom	80%	21
Free Breakfast for all Students at the School	50%	43

Bond Fund – The capital projects fund is comprised of the District’s bond funds and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping school facilities, renovating existing facilities, and acquiring transportation equipment.

Debt Service Fund – The debt service fund is the District’s sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term debt, principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Gifts and Endowments Fund – The gifts and endowment fund receives its assets by way of philanthropic foundations, individuals, or private organizations. Funds not earmarked for a specific purpose are used to promote the general welfare of the district.

District Operations Funded by the General Fund

Attached you will find a report that shows the source and use of funds by broad functional area on a cash (statutory) basis for the General Fund. In addition, you will find a more detailed schedule that shows amounts coded by school site and category.

The Expenditures by School Site report is separated into two broad categories – Unrestricted and Restricted funds. Restricted funds are limited by law for certain

purposes. Local restricted funds are primarily those received from the “Vision 2025” sales tax initiative. These funds can only be used for textbooks and classroom equipment. State restricted funds are the other major source for textbook funding but include some other program funds as well, such as funding for the employee’s mandatory flexible benefit allowance. Federal funds are restricted to certain purposes, primarily programs for economically disadvantaged students and “No Child Left Behind” initiatives. Federal funds must be supplemental to the basic state educational guidelines and cannot supplant state and local spending.

Unrestricted funds are for the “core requirements” of the District’s mission. Although they are not restricted, there are significant requirements that the district must meet with these funds that limit the flexibility of the use of the funds to include:

- **Minimum Teacher Salaries** – The graduated schedule is based on level of education and years of service. The District must report at a detailed level the education and years of experience for each teacher and demonstrate compensation sufficient to meet this schedule.
- **Class Size Penalties** – Tulsa Public Schools is subject to class size audit and penalties. Penalties for oversized classes are calculated by grade and school site. The District must report detailed enrollment information for this purpose as well.
- **Transportation Services** – The District is required to provide transportation to any student who lives more than 1.5 miles from his/her school, regardless of grade level.
- **Administrative Cost** – The District is penalized if the total of administrative cost, as defined by a specific formula, exceeds 6%.
- **General Fund Carryover Penalty** – The District can incur a penalty if the general fund balance at the end of the year exceeds a certain formula amount. This limits spending flexibility between years.

The District makes every effort possible to allocate funds evenly to the school sites based on enrolled students. Regardless, the amount of unrestricted funds spent per student can vary among sites for many reasons, to include carryover of funds from a prior year or to a future year, or a variance in enrollment from the beginning of the year on which the allocation was based. Unfilled vacancies will also affect the amount spent. Staff savings/overages are not carried over from year to year.

Salaries and Benefits

Nearly 80% of the expenditures from the general fund is for salaries and benefits. And, all employees at the district except for management are covered by one of two collective bargaining agreements. A principal way that the level of staffing is determined is by the District’s annual staffing plan. Initial Allocations are based on the projected student count. The Staffing Plan specifies the student/teacher ratio to be used for each grade level and the support staff allowed based on total projected student count. Adjustments are made once the school year begins based on the actual 10th day student count. Funding for the allocations is based on the actual cost of employees filling the allocations. Tulsa

Public School's staffing plan is posted on the District website at the beginning of each school year and may be found at www.tulsaschools.org.

Site Discretionary Funds

Schools are allocated funds for supplies, etc based on a base allocation and a per student rate. The projected student count is used to develop the initial budget. For FY 06 the base allocation and per student rate is as follows:

- Elementary Sites: \$5,550 plus \$27.80 per student
- Middle School Sites: \$5,550 plus \$29.50 per student
- High School Sites: \$6,800 plus \$33.50 per student

Adjustments are made based on actual 10th day enrollment for any variance over 5%. Funds not spent in the current year may be carried over into the following year.

Substitute Teacher Funds

Each school receives an allocation for substitute teachers in the amount of \$476 per certified teacher assigned to the site. Half of any remaining unspent amounts is distributed to eligible teachers as an attendance bonus. The teacher's share in the pool is based on his/her own attendance record.