

Date: January 4, 2023
 To: Board of Directors
 From: Rosalind Medina, Chief Financial Officer *Rosalind Medina*
 Subject: September 2022 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through September 31, 2022. Enrollment information also includes the official state count through the month of October 2022 and the projected annual average full-time equivalent (FTE) students for the year.

Table 1 displays a comparison of summary financial data through the period ending September 30 for fiscal years 2021-22 and 2022-23.

Table 1

General Fund Comparison for the fiscal period ended	September 30, 2021	September 30, 2022	Variance Higher/(lower)
Beginning Fund Balance	\$ 56,066,371	\$ 43,672,806	\$ (12,393,566)
Revenue	29,977,420	31,030,623	1,053,203
Other Financing Sources	25,075	17,406	(7,669)
Total Resources Available	86,068,866	74,720,835	(11,348,032)
Expenditures	41,909,630	51,548,459	9,638,829
Other Financing Uses	-	-	-
Total Use of Resources	41,909,630	51,548,459	9,638,829
Ending Fund Balance	\$ 44,159,236	\$ 23,172,375	\$ (20,986,862)

REVENUES

- General fund revenues and other financing sources as of September 30, 2022 were \$31,048,029. This was \$1,045,534 (+3.5%) more than this time last year.

Highlights:

- **State general purpose** revenue comes from two sources – Apportionment and Local Effort Assistance (LEA). Apportionment is the revenue received through a state funding formula that is based on the average number of students enrolled which drives the number of staff allocated to the district. Starting in the 2018-19 school year, the formula also includes a supplemental regionalization factor which is based on local housing cost factors. LEA is revenue provided by the state to equalize local levy rates for districts with a proportionally lower assessed valuation tax base. The state calculates a statewide average levy rate and if, when compared with the statewide rate, the local district's levy rate is higher, the state provides LEA funds to the district to help reduce the local tax burden on taxpayers.

Revenue in this category increased \$1,021,278 (+4.3%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue increased \$1,021,278 from last year at this time due to a projected increase of 321 Basic Ed FTE from last year
- **State special purpose** revenue consists of funding for the following programs: Special Education, Learning Assistance Program (LAP), Remann Hall, Transitional Bilingual, Child Nutrition Services, Student Transportation, Special & Pilot Programs, as well as various other small instructional programs.

Revenue in this category decreased \$412,863 (-7.6%) compared to this time last year. This variance was the result of the following:

- \$488,076 decrease in revenue for the Transitional Bilingual program due to a timing difference in collection
- The remaining difference is due to smaller variances in several other programs

➤ **Federal special purpose** revenue consists of funding for the following programs: Special Education Federal Flow Through, Perkins Vocational Education, Title 1 – Disadvantaged, School Improvement, Head Start, Limited English Proficiency, Indian Education, federal reimbursement for student meals, as well as several other instructional programs. Revenues in this category are on a reimbursement basis. Therefore, the fluctuation in this category is often due to the timing of reporting expenditures and the processing of reimbursements by the funding agency. Program managers are given expenditure authority only for the approved amount of the grant awards; so variances should not have a negative impact on the district’s basic education budget.

Revenue in this category increased \$386,601 (+425.0%) compared to this time last year. This variance was the result of the following:

- \$394,524 increase in total free, reduced and regular meal reimbursement
- The remaining variance is due to smaller variances in several other programs

Revenue from various sources and the increases or decreases from this time last year are shown in **Table 2**.

Table 2

Revenue and Other Financing Sources Comparison by Year					
Revenue Source	Through September 2021	Percent of Total	Through September 2022	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 0	0.00%	\$ (0)	(0.00%)	\$ -
Local Non-Tax	567,105	1.89%	629,292	2.03%	62,187
State, General Purpose	23,907,386	79.68%	24,928,664	80.29%	1,021,278
State, Special Purpose	5,407,974	18.03%	4,995,111	16.09%	(412,863)
Federal, General Purpose	4,000	0.01%	-	0.00%	(4,000)
Federal, Special Purpose	90,955	0.30%	477,556	1.54%	386,601
Revenue - Other Districts	-	0.00%	-	0.00%	-
Revenue - Other Agencies	-	0.00%	-	0.00%	-
Revenue - Other Financing	25,075	0.08%	17,406	0.06%	(7,669)
Total Revenue	\$ 30,002,495	100.00%	\$ 31,048,029	100.00%	\$ 1,045,534

EXPENDITURES

- General fund expenditures through September 30, 2022 were \$51,548,459; this was \$9,638,829 (+23.0%) more than this time last year.

Highlights:

- **Certificated salaries** consist of compensation including, but not limited to, regular salaries, substitutes, extended contracts, extra work for extra pay and training for employees holding an educational certificate, (e.g., teachers, principals, librarians, etc.).

Expenditures in this category increased \$1,484,968 (+7.9%) from this time last year. This variance was the result of the following:

- \$1,566,213 increase in regular salaries due to negotiated salary increases, including +7.5% increase for teachers
- The remaining difference is due to smaller variances in several other programs

- **Classified salaries** consist of compensation costs for employees who do not hold an educational certificate (e.g., secretarial, technical, custodial, etc.) including but not limited to regular salaries, staff development, training and extra work for extra pay.

Expenditures in this category increased \$536,854 (+8.5%) from this time last year. This variance was the result of the following:

- \$562,856 increase in in regular salaries due to negotiated salary increases, including +8.5% for Education Support Professionals and Office Professionals and +7.5% increase for Professional Technicals and Bus Drivers
- The remaining difference is due to smaller variances in several other programs

- **Employee Benefits** consist of expenditures for the district's portion of employee benefits (e.g., retirement, social security, health insurance, etc.). This category increases or decreases in proportion to the number of staff, salaries and changes in benefit rates. Expenditures in this category increased \$596,620 (+6.5%) compared to this time last year.

- **Supplies and materials** consist of expenditures for supplies, instructional materials, and equipment costing less than \$5,000.

Expenditures in this category increased \$6,131,780 (+238.6%) compared to this time last year. This variance was the result of the following:

- \$7,020,966 increase in technology related supplies, including the purchase of new student laptops
- \$485,562 decrease in food related costs
- The remaining variance is due to smaller variances in several other programs

- **Contractual services** consist of expenditures for services rendered to the district under expressed or implied contracts, with the exception of travel.

Expenditures in this category increased \$984,838 (+20.0%) compared to this time last year. This variance was the result of the following:

- \$2,415,864 increase in the district's general liability insurance due to a timing difference of when payments were made to the WA Risk Management Pool this year vs last year
- \$652,136 decrease in communication services
- \$593,504 decrease in district-wide utilities
- \$338,277 decrease in general contracted services
- The remaining variance is due to smaller variances in several other programs

- **Capital Outlay** expenditures consist of payments for items costing more than \$5,000 each and are not consumable by nature.

Expenditures in this category decreased \$118,968 (-95.1%) compared to this time last year. This variance was the result of a decrease in spending on furniture and other equipment.

The levels of expenditures within various object categories and the increases or decreases from this time last year are shown in **Table 3**.

Table 3

<u>Expenditure and Other Financing Uses Comparison by Year</u>					
Expenditure Objects	Through September 2021	Percent of Total	Through September 2022	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 18,782,073	44.82%	\$ 20,267,041	39.32%	\$ 1,484,968
Classified Salaries	6,351,172	15.15%	6,888,026	13.36%	536,854
Employee Benefits	9,162,647	21.86%	9,759,267	18.93%	596,620
Supplies and Materials	2,569,693	6.13%	8,701,473	16.88%	6,131,780
Contractual Services	4,913,257	11.72%	5,898,095	11.44%	984,838
Local Mileage & Travel	5,736	0.01%	28,472	0.06%	22,736
Capital Outlay	125,053	0.30%	6,085	0.01%	(118,968)
Total Expenditures	\$ 41,909,630	100.00%	\$ 51,548,459	100.00%	\$ 9,638,829

FUND BALANCE

Fund balance is the excess of assets of a governmental unit over its liabilities (i.e., beginning fund balance plus revenues, less expenditures and transfers, equals ending fund balance). In accordance with Government Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definition* are as follows: Nonspendable, Restricted, Committed, Assigned or Unassigned. Funds that are designated for a specific purpose are placed in fund balance accounts per the Board's Debt and Fiscal Management Policy 6015 and generally accepted accounting principles (GAAP). The Debt and Fiscal Management Regulation targets the fund balance to be 5% of budgeted general fund revenues less other financing sources, and for the month of September the district is at 4.08%. These fund balance accounts are structured to facilitate the prudent fiscal operation of the district. These accounts should remain at the designated levels unless there is substantial change in the district's operational requirements. The accounts are frequently reviewed in relation to board policies and GAAP requirements.

Table 4 shows a comparison of fund balance as of September 30, 2021 and September 30, 2022. The fund balance fluctuates with both the receipt of revenues and the flow of expenditures. This yearly cycle of revenues and expenditures is considered when developing both projections for the current year and the budget for the upcoming year. The district has earmarked all available funds, not otherwise restricted, committed or assigned to be placed in the assigned to future operations category as a onetime source to help balance future operating budgets.

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Table 4

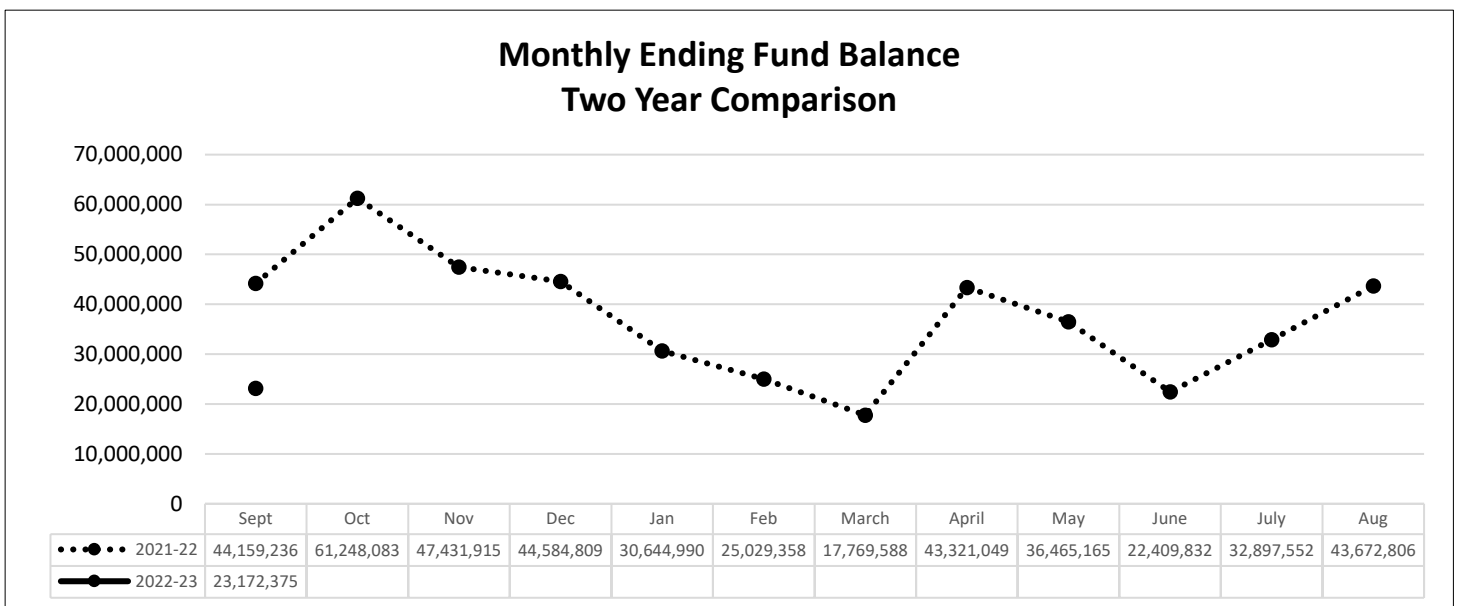
<u>Fund Balance Comparison by Year</u>					
Fund Balance Descriptions for the fiscal period ended	September 2021	Percent of Revenue	September 2022	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 5,058,037	1.01%	\$ 5,861,370	1.03%	\$ 803,333
Committed to Debt and Fiscal Management	-	0.00%	-	0.00%	-
Committed to Encumbrances	310,128	0.06%	3,769,770	0.66%	3,459,643
Committed to Contingencies	1,000,000	0.20%	1,000,000	0.18%	-
Total Debt & Fiscal Management Fund Balance	\$ 6,368,165	1.27%	\$ 10,631,140	1.87%	\$ 4,262,975
Restricted for Carryover	\$ 1,896,105	0.38%	\$ 1,328,374	0.23%	\$ (567,732)
Restricted for Debt Service	110,927	0.02%	439,803	0.08%	328,877
Assigned to Carryover	2,704,343	0.54%	2,543,975	0.45%	(160,368)
Assigned to Curriculum & Instruction	3,800,000	0.76%	-	0.00%	(3,800,000)
Assigned to Future Operations	3,265,369	0.65%	7,225,737	1.27%	3,960,368
Restricted or Assigned Fund Balance	\$ 11,776,744	2.35%	\$ 11,537,889	2.03%	\$ (238,856)
Total Nonspendable, Restricted, Committed and Assigned Fund Balance	\$ 18,144,908	3.62%	\$ 22,169,029	3.90%	\$ 4,024,120
Unassigned Fund Balance	\$ 4,837,002	0.96%	\$ (16,788,152)	2.95%	(21,625,154)
Unassigned for Minimum FB Policy	\$ 21,177,326	4.22%	\$ 17,791,499	3.13%	(3,385,827)
Total Unassigned Fund Balance	\$ 26,014,328	5.19%	\$ 1,003,346	0.18%	\$ (21,625,154)
Total Fund Balance	\$ 44,159,236	8.80%	\$ 23,172,375	4.08%	\$ (20,986,861)
Revenue less other financing	\$ 501,600,429	*	\$ 568,452,772	**	

*2021-22 total actual revenue less other financing sources as of August 31, 2022

**2022-23 budgeted revenue less other financing sources

Table 5 shows a two-year history of the monthly ending fund balance. The ending fund balance will appropriately fluctuate based upon when certain revenues are received and expenses accrued. The fund balance typically increases in October and April when the district receives property tax revenue.

Table 5



Cash Management

In addition to the fund balance, another key performance indicator used to monitor the financial health of the district is cash on hand. The district uses cash to meet payroll and pay bills as they arise. Because revenue is not received on a regular schedule over the course of the year, the cash on hand balance will fluctuate as those expenditures occur. For the month of September, total cash on hand was \$33,233,168 and daily expenditures amounted to \$1,718,282 per day which when used in the formula [cash on hand / daily expenditures] equates to 19.34 days of cash on hand.

Table 6 displays a comparison of cash on hand records through the period ending September 30 for fiscal years 2021-22 and 2022-23.

Table 6

<u>Cash Balance Comparison by Year</u>				
	September		Variance	
	2021	2022	higher/(lower)	
230 - Cash with Key Bank	\$ 358,591	\$ 1,270,964	\$ 912,373	
240 - Cash with Treasurer	3,858,428	2,253,451	(1,604,977)	
241 - Warrants Outstanding	(217,025)	(1,506,629)	(1,289,604)	
45x - Investments	35,677,077	31,215,382	(4,461,695)	
Total Cash on Hand	\$ 39,677,071	\$ 33,233,168	\$ (6,443,903)	
Avg Daily Balance	\$ 1,322,569	\$ 1,107,772	\$ (214,797)	
Days Cash on Hand	28.40	19.34	(9.06)	

ENROLLMENT

State funding for school districts is based on the annual average full-time equivalent (FTE) students enrolled in the district. FTE is calculated based on the number of classroom hours of instruction received.

The budgeted annual average FTE enrollment of 27,170 is based on the demographer's October projection including a 0.5% discount and a 3 year weighted average of October to year-end enrollment. Monthly budgeted enrollment is also based on a three year weighted average.

Table 7 shows monthly budgeted, projected enrollment counts and actual counts through October 2022. The projected annual adjusted average is currently 441 FTE less than the budgeted average.

Table 7

Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 22	24,775	24,981	206
	* Oct - 22	25,212	25,468	256
	Nov - 22	25,248	25,481	233
	Dec - 22	25,229	25,462	233
	Jan - 23	25,181	25,413	232
	Feb - 23	25,048	25,279	231
	Mar - 23	24,965	25,195	230
	Apr - 23	24,866	25,095	229
	May - 23	24,835	25,064	229
	Jun - 23	24,746	24,974	228
	Average	25,011	25,241	231
	Running Start	442	339	(103)
	TCC Fresh Start	114	77	(36)
	Reengagement	147	148	1
	Goodwill	11	10	(1)
	Alternative Learning Experience	1,446	913	(533)
	Adjusted Average	27,170	26,729	(441)
Actual data through October 2022				

Every student enrolled is converted to a full-time equivalent (FTE) based on the number of instructional hours. A full-time equivalent student for grades 4-12 is 900 hours (i.e., 5 hours per day x 180 days) and grades 1-3 is 720 hours (i.e., 4 hours per day x 180 days), for .5 FTE (half day) kindergarten student is 360 hours (i.e., 2 hours per day x 180 days).

Students who participate for only part of the year or part of each day are calculated as a portion of an FTE. Any district may choose to serve students more hours per day or per year than the state definition of full-time equivalent. However, those students who attend classes more hours per day will not generate more than one FTE for funding purposes.

Student enrollment is typically highest in October, but for funding purposes, monthly enrollment is averaged for the year. The graph in **Table 8** shows the budget and actual monthly enrollment through June and the budgeted and projected average enrollment for the year. Although this graph only lists September through June, the figures include projected annual average counts through August 2023. This is done to include corrections to prior monthly reports and enrollment that falls outside of the traditional school year (e.g., Running Start, Summer School, etc.) in the annual average.

Table 8

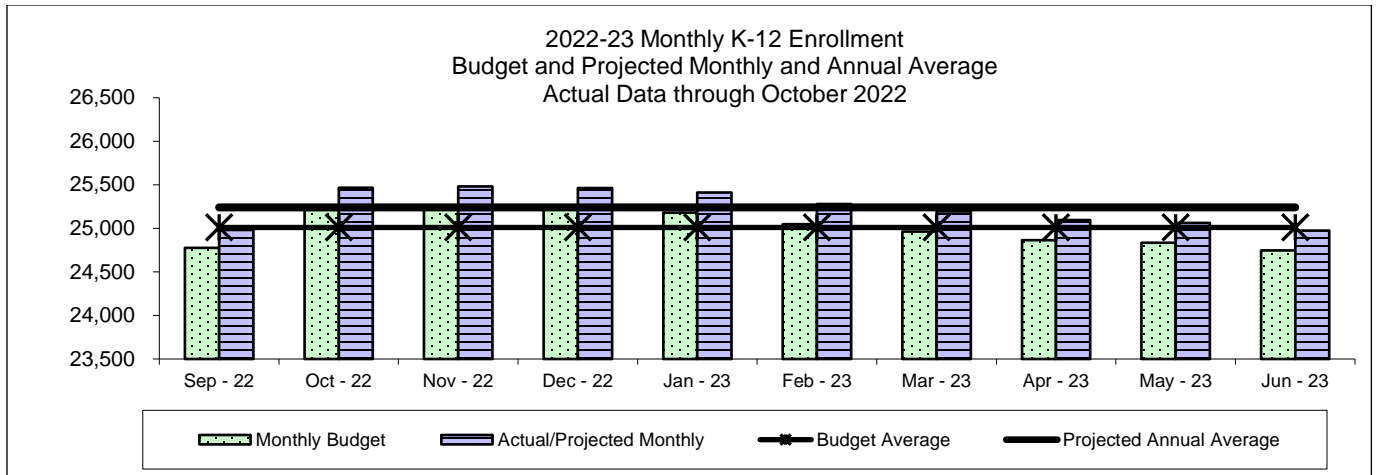


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2021-22 and 2022-23, and the variance between projected and budgeted average FTE for 2022-23.

The projected average for 2022-23 enrollment varies from 2021-22 actual enrollment as follows (**Table 9, Column (D)**):

- Elementary schools (grades K-5) increased by 362 FTE;
- Middle schools (grades 6-8) decreased by 164 FTE;
- High schools (grades 9-12) increased by 169 FTE;
- Running Start (college level courses) decreased by 62 FTE;
- TCC Fresh Start decreased by 24 FTE;
- Reengagement Center decreased by 2 FTE;
- Goodwill increased by 2 FTE;
- ALE (Alternative Learning Experience) decreased by 654 FTE

The combined variances result in an average decrease of 374 student FTE from the previous year.

Table 9

K-12 Annual Average FTE Enrollment Two Year Comparison					
	(A) 2021-22 Actual	(B) 2022-23 Budget	(C) 2022-23 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten	1,996	2,017	2,095	99	78
Grade 1	1,914	1,987	2,060	146	73
Grade 2	1,947	1,905	1,941	(5)	36
Grade 3	1,992	1,890	1,984	(9)	93
Grade 4	1,893	1,963	2,029	137	66
Grade 5	1,912	1,879	1,906	(5)	27
Elementary	11,653	11,641	12,015	362	374
Grade 6	1,931	1,856	1,858	(73)	3
Grade 7	1,925	1,917	1,941	16	24
Grade 8	2,047	1,939	1,940	(107)	0
Middle School	5,903	5,712	5,739	(164)	27
Grade 9	2,158	2,155	2,203	45	48
Grade 10	1,977	2,166	2,109	131	(58)
Grade 11	1,652	1,786	1,702	50	(84)
Grade 12	1,531	1,550	1,474	(58)	(77)
High School	7,319	7,658	7,487	169	(171)
Running Start	402	442	339	(62)	(103)
TCC Fresh Start **	101	114	77	(24)	(36)
Reengagement Center **	150	147	148	(2)	1
Goodwill **	8	11	10	2	(1)
Alternative Learning Experience	1,567	1,446	913	(654)	(533)
Grand Total *	27,103	27,170	26,729	(374)	(441)
Actual data through October 2022					

** Open Doors - 1418 Programs

COVID-19

The district is closely monitoring the financial impacts that COVID-19 is having on revenues and expenditures. The Washington Office of Superintendent of Public Instruction (OSPI) has created framework for how the district will be reimbursed for certain COVID-19 related expenditures and has requested districts to develop a unique accounting identifier for tracking purposes. In addition to state funding changes, the Federal relief act Elementary and Secondary School Emergency Relief Fund (ESSER) has been established through the Department of Education. OSPI has determined that the Title I allocation methodology will be used when dispersing funds allocated for Washington school districts.

Table 10 shows the district's current expenses under the budget responsibility codes (BRCs) used to track COVID-19 related expenditures

Table 10

Expenditures by Object	Amount of Expenditures
Debit/Credit - 0XXX/1XXX	112
Salaries - Certificated Employees - 2XXX	381,159
Salaries - Classified Employees - 3XXX	182,229
Benefits and Payroll Taxes - 4XXX	181,230
Supplies, Instructional Resources - 5XXX	7,418,204
Purchased Services - 7XXX	793,647
Travel - 8XXX	-
Capital Outlay - 9XXX	-
Totals by Object	\$8,956,581

Expenditures are from September 1 - September 30

CONCLUSION

Fiscal operations and performance to budget are being closely monitored. The district administration continually reviews legislation and operations to make improvements for the benefit of the students, employees, and in stewardship of district assets.