

Date: January 19, 2023

To: Board of Directors

From: Rosalind Medina, Chief Financial Officer *Rosalind Medina*

Subject: October 2022 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through October 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 October 31 for fiscal years 2021-22 and 2022-23.

Table 1

General Fund Comparison for the fiscal period ended	October 31, 2021	October 31, 2022	Variance Higher/(lower)
Beginning Fund Balance	\$ 56,066,371	\$ 43,672,806	\$ (12,393,566)
Revenue	87,667,876	90,597,502	2,929,627
Other Financing Sources	30,286	18,362	(11,924)
Total Resources Available	143,764,533	134,288,670	(9,475,863)
Expenditures	82,516,450	97,930,142	15,413,692
Other Financing Uses	-	-	-
Total Use of Resources	82,516,450	97,930,142	15,413,692
Ending Fund Balance	\$ 61,248,083	\$ 36,358,528	\$ (24,889,556)

REVENUES

- General fund revenues and other financing sources as of October 31, 2022 were \$90,615,864. This was \$2,917,703 (+3.3%) more than this time last year.

Highlights:

- **Local tax** revenues consist of tax receipts from the educational programs and operations levies. In February 2018, Tacoma voters approved a levy that would allow the district to collect \$72 million a year. Local tax revenues increased \$1,100,768 (+4.2%) compared to this time last year. The variance reflects an increase in the levy base used to calculate the 2022 levy versus the 2021 levy; thereby, increasing the actual revenue from year to year.
- **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 \$1,928,888 (+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 367 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 increased \$465,675 (+3.5%) compared to this time last year. This variance was the result of the following:

- \$275,516 increase in Nutrition Services revenue
- \$177,754 increase in Learning Assistance funding
- \$140,211 increase in support for the Special Education program
- 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 decreased \$484,579 (-22.9%) compared to this time last year. This variance was the result of the following:

- \$753,914 decrease in Title I revenues due to a timing difference in when resources were received last year vs this year
- \$332,376 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 October 2021	Percent of Total	Through October 2022	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 26,438,286	30.15%	\$ 27,539,054	30.39%	\$ 1,100,768
Local Non-Tax	726,418	0.83%	676,848	0.75%	(49,570)
State, General Purpose	45,158,396	51.49%	47,087,284	51.96%	1,928,888
State, Special Purpose	13,185,216	15.03%	13,650,891	15.06%	465,675
Federal, General Purpose	15,063	0.02%	3,968	0.00%	(11,095)
Federal, Special Purpose	2,116,036	2.41%	1,631,457	1.80%	(484,579)
Revenue - Other Districts	7,210	0.01%	-	0.00%	(7,210)
Revenue - Other Agencies	21,251	0.02%	8,000	0.01%	(13,251)
Revenue - Other Financing	30,286	0.03%	18,362	0.02%	(11,924)
Total Revenue	\$ 87,698,162	100.00%	\$ 90,615,864	100.00%	\$ 2,917,703

EXPENDITURES

- General fund expenditures through October 31, 2022 were \$97,930,142; this was \$15,413,692 (+18.7%) 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 \$3,244,698 (+8.5%) from this time last year. This variance was the result of the following:

- \$3,133,296 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 \$1,531,798 (+11.8%) from this time last year. This variance was the result of the following:

- \$1,404,906 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 \$1,699,821 (+9.3%) 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 \$6,967,815 (+187.1%) compared to this time last year. This variance was the result of the following:

- \$7,034,519 increase in technology related supplies, including the purchase of new student laptops
- \$406,912 decrease in food related costs
- \$322,431 increase in books & periodicals, including the purchase of iReady math curriculum
- 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 \$2,054,349 (+23.0%) compared to this time last year. This variance was the result of the following:

- \$1,486,494 increase in communication services, including online subscription curriculum for math, social studies and literacy
- \$370,879 increase in the district's general liability insurance
- \$323,691 increase in contracted student transportation
- 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 \$124,057 (-51.5%) 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 October 2021	Percent of Total	Through October 2022	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 38,234,347	46.34%	\$ 41,479,045	42.36%	\$ 3,244,698
Classified Salaries	12,994,847	15.75%	14,526,645	14.83%	1,531,798
Employee Benefits	18,378,955	22.27%	20,078,776	20.50%	1,699,821
Supplies and Materials	3,725,079	4.51%	10,692,894	10.92%	6,967,815
Contractual Services	8,922,020	10.81%	10,976,369	11.21%	2,054,349
Local Mileage & Travel	20,094	0.02%	59,361	0.06%	39,267
Capital Outlay	241,110	0.29%	117,053	0.12%	(124,057)
Total Expenditures	\$ 82,516,450	100.00%	\$ 97,930,142	100.00%	\$ 15,413,692

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 October the district is at 6.60%. 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 October 31, 2021 and October 31, 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

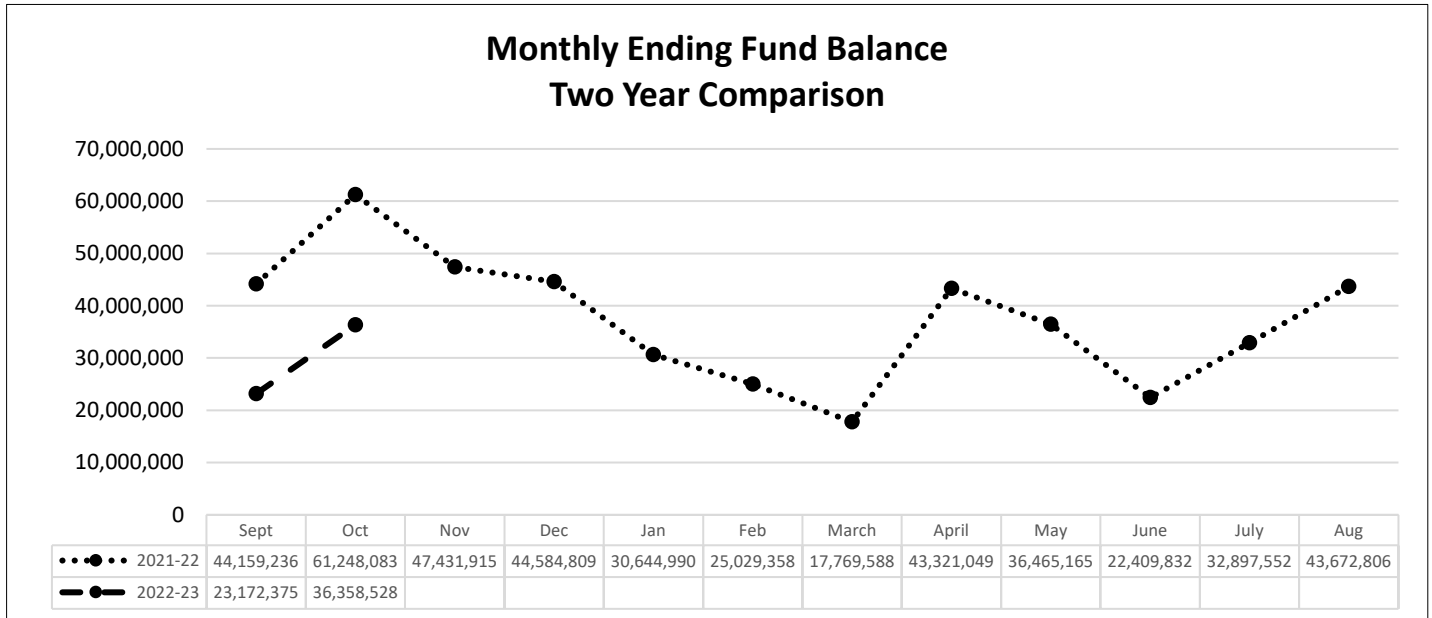
<u>Fund Balance Comparison by Year</u>					
Fund Balance Descriptions for the fiscal period ended	October 2021	Percent of Revenue	October 2022	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items Committed to Debt and Fiscal Management	\$ 5,058,037	1.01%	\$ 5,861,370	1.06%	\$ 803,333
Committed to Encumbrances	-	0.00%	-	0.00%	-
Committed to Contingencies	310,128	0.06%	3,769,770	0.68%	3,459,643
	1,000,000	0.20%	1,000,000	0.18%	-
Total Debt & Fiscal Management Fund Balance	\$ 6,368,165	1.27%	\$ 10,631,140	1.93%	\$ 4,262,975
Restricted for Carryover	\$ 1,896,105	0.38%	\$ 1,328,374	0.24%	\$ (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	0.46%	(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	1.31%	3,960,368
Restricted or Assigned Fund Balance	\$ 11,776,744	2.35%	\$ 11,537,889	2.09%	\$ (238,856)
Total Nonspendable, Restricted, Committed and Assigned Fund Balance	\$ 18,144,908	3.62%	\$ 22,169,029	4.02%	\$ 4,024,120
Unassigned Fund Balance	\$ 21,925,849	4.37%	\$ (3,601,999)	0.65%	(25,527,848)
Unassigned for Minimum FB Policy	\$ 21,177,326	4.22%	\$ 17,791,499	3.23%	(3,385,827)
Total Unassigned Fund Balance	\$ 43,103,174	8.59%	\$ 14,189,499	2.58%	\$ (25,527,848)
Total Fund Balance	\$ 61,248,083	12.21%	\$ 36,358,528	6.60%	\$ (24,889,555)
Revenue less other financing	\$ 501,600,429	*	\$ 550,909,806	**	

*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 October, total cash on hand was \$62,203,952 and daily expenditures amounted to \$1,496,183 per day which when used in the formula [cash on hand / daily expenditures] equates to 41.58 days of cash on hand.

Table 6 displays a comparison of cash on hand records through the period ending October 31 for fiscal years 2021-22 and 2022-23.

Table 6

<u>Cash Balance Comparison by Year</u>				
	October 2021	October 2022	Variance higher/(lower)	
230 - Cash with Key Bank	\$ 92,999	\$ 441,916	\$	348,917
240 - Cash with Treasurer	27,914,537	61,851,042		33,936,504
241 - Warrants Outstanding	(721,380)	(1,052,539)		(331,159)
45x - Investments	38,488,347	963,532		(37,524,814)
Total Cash on Hand	\$ 65,774,504	\$ 62,203,952	\$	(3,570,552)
Avg Daily Balance	\$ 2,121,758	\$ 2,006,579	\$	(115,179)
Days Cash on Hand	50.21	41.58		(8.64)

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 27,982 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 2021. The projected annual adjusted average is currently 897 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	25,791	24,734	(1,057)
	* Oct - 22	25,791	25,122	(669)
	Nov - 22	26,008	25,138	(870)
	Dec - 22	25,997	25,127	(870)
	Jan - 23	25,936	25,069	(867)
	Feb - 23	25,766	24,905	(861)
	Mar - 23	25,752	24,891	(861)
	Apr - 23	25,643	24,785	(858)
	May - 23	25,614	24,757	(857)
	Jun - 23	25,525	24,671	(854)
Average		25,782	24,920	(862)
Running Start		411	423	11
TCC Fresh Start		152	100	(52)
Reengagement		198	116	(82)
Goodwill		24	3	(21)
Alternative Learning Experience		1,414	1,523	109
Adjusted Average		27,982	27,085	(897)
Actual data through October 2021				

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 2022. 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

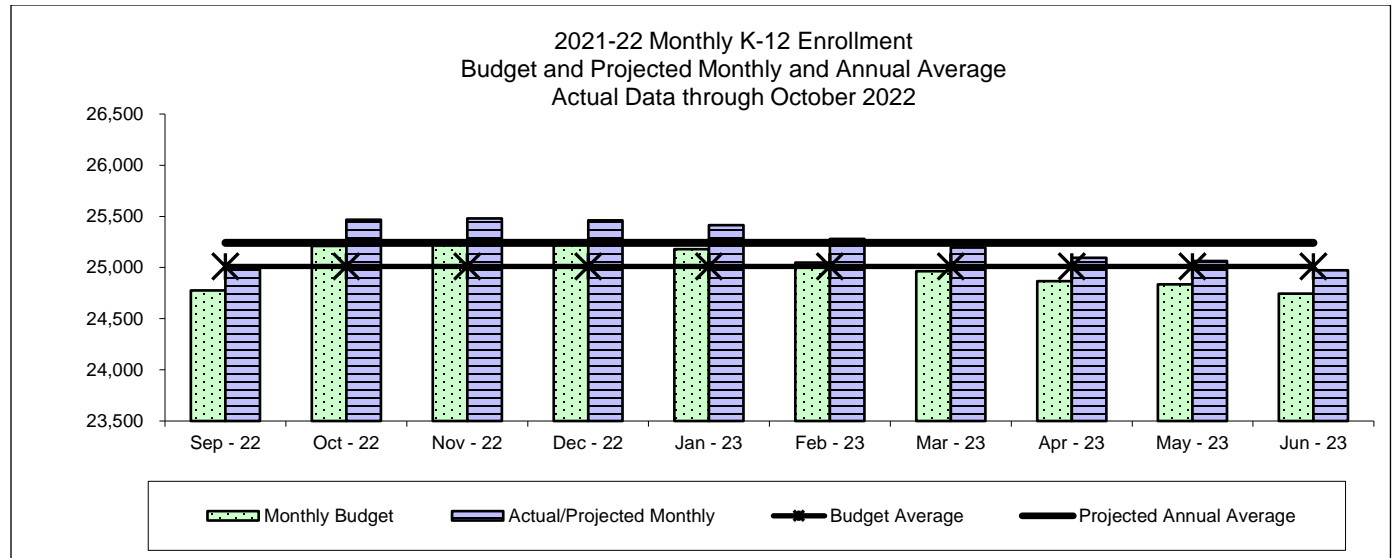


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2020-21 and 2021-22, and the variance between projected and budgeted average FTE for 2021-22.

The projected average for 2021-22 enrollment varies from 2020-21 actual enrollment as follows (**Table 9, Column (D)**):

- Elementary schools (grades K-5) decreased by 779 FTE;
- Middle schools (grades 6-8) decreased by 588 FTE;
- High schools (grades 9-12) decreased by 139 FTE;
- Running Start (college level courses) decreased by 7 FTE;
- TCC Fresh Start decreased by 32 FTE;
- Reengagement Center decreased by 13 FTE;
- Goodwill decreased by 5 FTE;
- ALE (Alternative Learning Experience) increased by 1,523 FTE

The combined variances result in an average decrease of 991 student FTE from the previous year.

Table 9

K-12 Annual Average FTE Enrollment Two Year Comparison					
	(A) 2020-21 Actual	(B) 2021-22 Budget	(C) 2021-22 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten	1,935	2,176	1,970	35	(207)
Grade 1	2,090	2,150	1,915	(175)	(235)
Grade 2	2,110	2,127	1,925	(185)	(203)
Grade 3	2,010	1,941	1,979	(31)	38
Grade 4	2,079	1,905	1,876	(204)	(30)
Grade 5	2,124	1,917	1,905	(219)	(11)
Elementary	12,348	12,216	11,569	(779)	(647)
Grade 6	2,086	1,984	1,937	(148)	(47)
Grade 7	2,196	2,015	1,936	(260)	(79)
Grade 8	2,242	2,090	2,062	(180)	(28)
Middle School	6,523	6,089	5,936	(588)	(153)
Grade 9	2,130	2,218	2,187	57	(32)
Grade 10	2,032	2,006	1,992	(40)	(14)
Grade 11	1,841	1,683	1,675	(167)	(9)
Grade 12	1,550	1,569	1,561	11	(8)
High School	7,553	7,477	7,415	(139)	(62)
Running Start	430	411	423	(7)	11
TCC Fresh Start **	132	152	100	(32)	(52)
Reengagement Center **	128	198	116	(13)	(83)
Goodwill **	8	24	3	(5)	(20)
Alternative Learning Experience	0	1,414	1,523	1,523	109
Grand Total *	27,123	27,982	27,085	(39)	(897)
Actual data through October 2021					

** 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	402
Salaries - Certificated Employees - 2XXX	814,661
Salaries - Classified Employees - 3XXX	474,391
Benefits and Payroll Taxes - 4XXX	429,704
Supplies, Instructional Resources - 5XXX	7,489,944
Purchased Services - 7XXX	1,621,491
Travel - 8XXX	-
Capital Outlay - 9XXX	93,478
Totals by Object	\$10,924,071

Expenditures are from September 1 - October 31

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.