

Date: February 28, 2023
 To: Board of Directors
 From: Rosalind Medina, Chief Financial Officer *Rosalind Medina*
 Subject: January 2023 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through January 31, 2023. Enrollment information also includes the official state count through the month of January 2023 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 January 31 for fiscal years 2021-22 and 2022-23.

Table 1

General Fund Comparison for the fiscal period ended	January 31, 2022	January 31, 2023	Variance Higher/(lower)
Beginning Fund Balance	\$ 56,066,371	\$ 44,334,490	\$ (11,731,881)
Revenue	179,943,672	204,168,609	24,224,937
Other Financing Sources	35,103	91,507	56,404
Total Resources Available	236,045,147	248,594,606	12,549,459
Expenditures	205,377,433	234,260,935	28,883,503
Other Financing Uses	-	-	-
Total Use of Resources	205,377,433	234,260,935	28,883,503
Ending Fund Balance	\$ 30,667,714	\$ 14,333,671	\$ (16,334,045)

REVENUES

- General fund revenues and other financing sources as of January 31, 2023 were \$204,260,066. This was \$24,281,291 (+13.5%) more than this time last year.

Highlights:

- **Local tax** revenues consist of tax receipts from the educational programs and operations levies. In February 2022, Tacoma voters approved a levy that would allow the district to collect \$77,500,000 in the 2022-23 school year. Local tax revenues increased \$887,610 (+2.8%) 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 apportionment and 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. The funding formula is designed to ensure that each school district receives a minimum amount of funding per student, known as the basic education allocation. This allocation is set by the state legislature and is adjusted annually to account for changes in enrollment and inflation. Starting in the 2018-19 school year, the formula also includes a supplemental regionalization factor which is based on local housing cost factors.

Revenue in this category increased \$6,146,389 (+6.0%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue increased \$3,517,385 from last year at this time due to a projected increase of 355 Basic Ed (K-12) 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 \$3,156,183 (+10.7%) compared to this time last year. This variance was the result of the following:

- \$1,114,728 increase in support for the Special Education program
- \$921,200 increase in Nutrition Services revenue
- \$808,340 increase in Learning Assistance funding
- \$219,082 increase in funding for special & pilot programs
- \$153,945 increase in revenue for the transitional bilingual 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 increased \$13,208,863 (+105.0%) compared to this time last year. This variance was the result of the following:

- \$12,156,129 increase in support through Elementary and Secondary School Relief (ESSER)
 - \$1,099,118 increase in funding for the Head Start program
 - The remaining variance is due to smaller variances in several other programs
- **Revenue – Other Districts** are reimbursements for services rendered to students from other school districts. Revenues in this category increased \$790,822 (+55.9%) compared to this time last year. This variance is due to an increase of non-resident FTE from last year.
- **Revenue – Other Agencies** consists of funding from education service districts, other governmental entities and private foundations.

Revenue in this category decreased \$109,861 (-23.3%) compared to this time last year. This variance is due to a decrease in grants funded by the City of Tacoma.

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

Table 2

<u>Revenue and Other Financing Sources Comparison by Year</u>					
Revenue Source	Through January 2022	Percent of Total	Through January 2023	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 32,170,733	17.87%	\$ 33,058,343	16.18%	\$ 887,610
Local Non-Tax	1,718,781	0.95%	1,801,586	0.88%	82,805
State, General Purpose	101,983,291	56.66%	108,129,680	52.94%	6,146,389
State, Special Purpose	29,498,023	16.39%	32,654,206	15.99%	3,156,183
Federal, General Purpose	105,993	0.06%	168,120	0.08%	62,127
Federal, Special Purpose	12,579,822	6.99%	25,788,685	12.63%	13,208,863
Revenue - Other Districts	1,415,679	0.79%	2,206,501	1.08%	790,822
Revenue - Other Agencies	471,350	0.26%	361,489	0.18%	(109,861)
Revenue - Other Financing	35,103	0.02%	91,507	0.04%	56,404
Total Revenue	\$ 179,978,775	100.00%	\$ 204,260,116	100.00%	\$ 24,281,341

EXPENDITURES

- General fund expenditures through January 31, 2023 were \$234,260,935; this was \$28,883,503 (+14.1%) 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 \$7,690,059 (+7.9%) from this time last year. This variance was the result of the following:

- \$7,117,390 increase in regular salaries due to negotiated salary increases, including +7.5% increase for teachers
- \$1,101,084 increase in substitutes salaries
- 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 \$3,862,745 (+11.5%) from this time last year. This variance was the result of the following:

- \$3,362,764 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 \$4,364,119 (+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 \$7,709,691 (+94.2%) compared to this time last year. This variance was the result of the following:

- \$7,465,032 increase in technology related supplies, including the purchase of new student laptops
- \$502,638 decrease in general district-wide supplies
- \$493,103 increase in books & periodicals, including the purchase of iReady math curriculum
- \$162,864 increase in food related costs
- \$108,522 increase in fuel charges

- **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 \$3,836,644 (+20.9%) compared to this time last year. This variance was the result of the following:

- \$1,336,839 increase in various district-wide contracted services
- \$787,206 decrease in in contracted student transportation services including payments made to First Student due to a timing difference of when payments were made this year vs last year
- \$655,375 increase in communication services, including online subscription curriculum for math, social studies and literacy
- \$429,080 increase in the district's general liability insurance
- \$196,927 increase in district-wide utilities
- 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 increased \$1,337,801 (+346.5%) compared to this time last year. This variance was the result of the following:

- \$1,211,599 increase in building construction expenses
- The remaining variance is due to smaller variances in several other programs

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 January 2022	Percent of Total	Through January 2023	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 97,741,196	47.59%	\$ 105,431,255	45.01%	\$ 7,690,059
Classified Salaries	33,638,939	16.38%	37,501,684	16.01%	3,862,745
Employee Benefits	46,981,223	22.88%	51,345,342	21.92%	4,364,119
Supplies and Materials	8,183,410	3.98%	15,893,101	6.78%	7,709,691
Contractual Services	18,390,820	8.95%	22,227,464	9.49%	3,836,644
Local Mileage & Travel	55,709	0.03%	138,152	0.06%	82,443
Capital Outlay	386,136	0.19%	1,723,937	0.74%	1,337,801
Total Expenditures	\$ 205,377,433	100.00%	\$ 234,260,935	100.00%	\$ 28,883,503

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 January the district is at 2.52%. 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 January 31, 2022 and January 31, 2023. 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

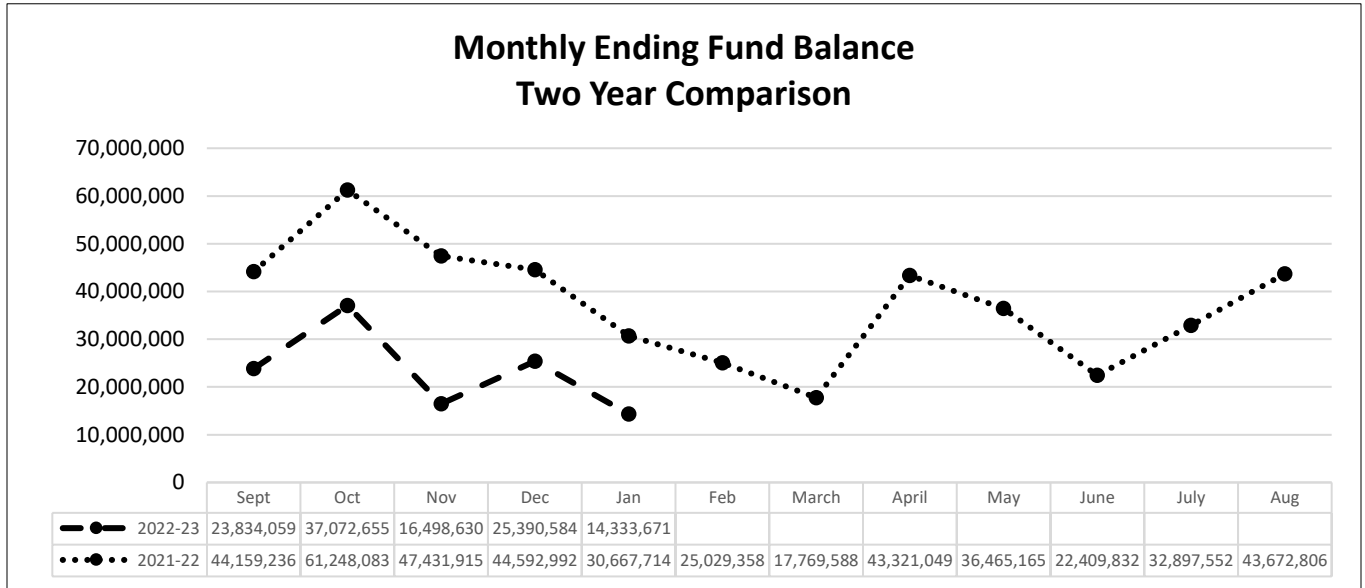
Fund Balance Comparison by Year					
Fund Balance Descriptions for the fiscal period ended	January 2022	Percent of Revenue	January 2023	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items Committed to Debt and Fiscal Management	\$ 5,058,037	1.01%	\$ 5,861,370	1.03%	\$ 803,333
Committed to Encumbrances	-	0.00%	-	0.00%	-
Committed to Contingencies	310,128	0.06%	3,769,770	0.66%	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	1.87%	\$ 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	\$ (8,654,520)	-1.73%	\$ (25,626,857)	-4.51%	(16,972,337)
Unassigned for Minimum FB Policy	\$ 21,177,326	4.22%	\$ 17,791,499	3.13%	(3,385,827)
Total Unassigned Fund Balance	\$ 12,522,806	2.50%	\$ (7,835,358)	-1.38%	\$ (20,358,164)
Total Fund Balance	\$ 30,667,714	6.11%	\$ 14,333,671	2.52%	\$ (16,334,044)
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 January, total cash on hand was \$51,751,368 and daily expenditures amounted to \$1,526,212 per day which when used in the formula [cash on hand / daily expenditures] equates to 33.91 days of cash on hand.

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

Table 6

<u>Cash Balance Comparison by Year</u>				
	January		Variance	
	2022	2023	higher/(lower)	
230 - Cash with Key Bank	\$ 1,295,634	\$ 370,732	\$ (924,902)	
240 - Cash with Treasurer	28,515,474	3,604,678	(24,910,796)	
241 - Warrants Outstanding	(665,749)	(253,338)	412,411	
45x - Investments	22,707,657	48,029,296	25,321,639	
Total Cash on Hand	\$ 51,853,016	\$ 51,751,368	\$ (101,648)	
Avg Daily Balance	\$ 1,672,678	\$ 1,669,399	\$ (3,279)	
Days Cash on Hand	36.58	33.91	(2.68)	

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 January 2023. The projected annual adjusted average is currently 409 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	24,963	188
	* Oct - 22	25,212	25,449	237
	* Nov - 22	25,248	25,510	262
	* Dec - 22	25,229	25,442	213
	* Jan - 23	25,181	25,397	216
	Feb - 23	25,048	25,263	215
	Mar - 23	24,965	25,180	215
	Apr - 23	24,866	25,080	214
	May - 23	24,835	25,048	213
	Jun - 23	24,746	24,959	213
Average		25,011	25,229	219
Running Start		442	356	(86)
TCC Fresh Start		114	86	(28)
Reengagement		147	138	(9)
Goodwill		11	12	2
Alternative Learning Experience		1,446	940	(506)
Adjusted Average		27,170	26,762	(409)
Actual data through January 2023				

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

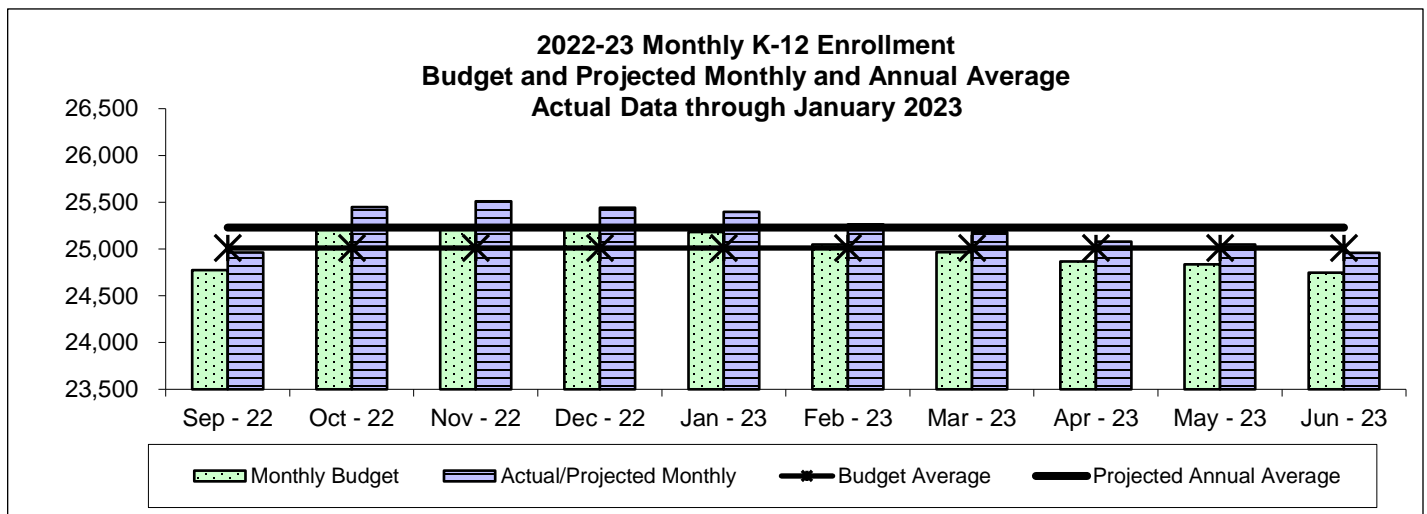


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2021-22 and 2022-23, and the variance between projected and budgeted average FTE for 2022-23.

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 377 FTE;
- Middle schools (grades 6-8) decreased by 153 FTE;
- High schools (grades 9-12) increased by 131 FTE;
- Running Start (college level courses) decreased by 46 FTE;
- TCC Fresh Start decreased by 15 FTE;
- Reengagement Center decreased by 12 FTE;
- Goodwill increased by 4 FTE;
- ALE (Alternative Learning Experience) decreased by 628 FTE

The combined variances result in an average decrease of 341 student FTE from the previous year.

Table 9

K-12 Annual Average FTE Enrollment Two Year Comparison					
	(A) 2020-21 Actual	(B) 2022-23 Budget	(C) 2022-23 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten	1,996	2,017	2,091	95	74
Grade 1	1,914	1,987	2,068	155	81
Grade 2	1,947	1,905	1,947	(0)	42
Grade 3	1,992	1,890	1,983	(9)	93
Grade 4	1,893	1,963	2,025	132	62
Grade 5	1,912	1,879	1,916	4	37
Elementary	11,653	11,641	12,030	377	389
Grade 6	1,931	1,856	1,855	(76)	(0)
Grade 7	1,925	1,917	1,953	28	36
Grade 8	2,047	1,939	1,941	(106)	2
Middle School	5,903	5,712	5,749	(153)	38
Grade 9	2,158	2,155	2,197	39	42
Grade 10	1,977	2,166	2,094	117	(72)
Grade 11	1,652	1,786	1,678	26	(108)
Grade 12	1,531	1,550	1,480	(51)	(70)
High School	7,319	7,658	7,450	131	(208)
Running Start	402	442	356	(46)	(86)
TCC Fresh Start **	101	114	86	(15)	(28)
Reengagement Center **	150	147	138	(12)	(9)
Goodwill **	8	11	12	4	2
Alternative Learning Experience	1,567	1,446	940	(628)	(506)
Grand Total *	27,103	27,170	26,762	(341)	(409)
Actual data through January 2023					

** Open Doors - 1418 Programs

COVID-19

Washington State's Elementary and Secondary School Emergency Relief (ESSER) Fund is a federal program that provides funding to support K-12 education in response to the COVID-19 pandemic. The funding comes from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan Act (ARPA). The district is closely monitoring the financial impacts that the COVID-19 pandemic continues to have on revenues and expenditures. Washington State's ESSER funding is allocated to school districts based on a formula that takes into account the number of low-income students, English language learners, and students with disabilities in each district. The funds must be used in accordance with federal guidelines and must be used to address the impacts of the COVID-19 pandemic on K-12 education. The district is currently in the third phase of ESSER funding (ESSER III) which was authorized under the ARPA, and provides an additional \$2.6 billion to Washington State's K-12 schools. The funds are being used to support schools in their efforts to safely reopen for in-person learning, address learning loss, provide additional academic and social-emotional support for students, and invest in school infrastructure to support improved learning environments.

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	2,120,243
Salaries - Classified Employees - 3XXX	1,411,963
Benefits and Payroll Taxes - 4XXX	1,220,321
Supplies, Instructional Resources - 5XXX	8,112,499
Purchased Services - 7XXX	2,062,076
Travel - 8XXX	287
Capital Outlay - 9XXX	1,255,389
Totals by Object	\$16,183,179

Expenditures are from September 1 - January 31

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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.