


Date: August 27, 2015

To: Board of Directors

From: Rosalind Medina, Chief Financial Officer 

Subject: June 2015 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through June 30, 2015. Enrollment information also includes the official state count through the month of June 2015 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 June 30, 2015 for fiscal years 2013-14 and 2014-15.

**Table 1**

General Fund Comparison for the fiscal period ended		June 30, 2014	June 30, 2015	Variance Higher/(lower)
Beginning Fund Balance	\$	33,608,934	\$ 32,527,540	\$ (1,081,394)
Revenue		280,747,360	296,435,886	15,688,526
Other Financing Sources		68,140	19,808	(48,332)
Total Resources Available		314,424,433	328,983,234	14,558,801
Expenditures		282,133,220	289,869,913	7,736,693
Other Financing Uses		-	-	-
Total Use of Resources		282,133,220	289,869,913	7,736,693
Ending Fund Balance	\$	32,291,213	\$ 39,113,321	\$ 6,822,108

## **REVENUES**

- General fund revenues and other financing sources as of June 30, 2015 were \$296,455,694. This was \$15,640,195 or 5.6% more than this time last year.

### **Highlights:**

- **Local tax** revenue consists of tax receipts from the voter approved local maintenance and operations levy. Collections through the month of June increased \$3,074,916 from this time last year. This is due to the difference in the timing of receipts so far this year compared to last, as well as due to increases in the levy base (i.e., certain State and Federal revenues) used to calculate the 2014 levy versus the 2013 levy; thereby increasing the actual revenue from year to year. In addition, the district will be collecting tax revenues lost in prior years due to administrative refunds. When the district collects taxes on property that is subsequently destroyed or adjudicated from the tax rolls, the property owner is given an administrative refund. Administrative refunds are a loss of revenue to the district in the year they are issued. As part of RCW 84.69, the county treasurer will re-levy for this lost revenue as part of the normal levy calculations for the current year.
- **Local non-tax** revenue consists of student lunch receipts, sales from vocational programs, tuition for extended day kindergarten and summer school, interest earned from the investment of available cash, and several other small sources. Revenues in this category increased \$355,455 compared to this time last year. Of this variance, \$375,063 was due to an increase of procurement card rebates compared to this time last year. In addition, the tuition revenue for Bryant Montessori increased \$98,695 compared to this time last year. The remaining variance was due to smaller differences in several other revenues and programs within this category.
- **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 and the placement of our staff on the Legislative Evaluation and Accountability Program (LEAP) document, which determines our staff mix factor (SMF). 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 as if it were set at 14% of selected state and federal education dollars. If, when compared with the statewide rate, the local district's 14% levy rate is higher, the state provides LEA funds to the district to help reduce the local tax burden on taxpayers.

**State general purpose revenue continued**

Revenue in this category increased \$6,479,339 compared to this time last year. Apportionment revenue is calculated on budgeted enrollment and staff mix factor from September through December. In January, the state updates the calculation with actual year to date data. Apportionment revenue has increased \$5,703,199 compared to this time last year due to an increase of 314 average annual enrollment FTE. LEA also increased \$776,140 compared to this time 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 \$4,239,661 compared to this time last year. Of this variance, \$2,548,466 was due to an increase in revenue for the Transportation program. Special Education and Learning Assistance Program (LAP) revenues increased \$824,788 and \$159,265, respectively, compared to last year. In addition, Steward Middle School Funding for the Required Action District (RAD) Program and Transitional Bilingual Program increased \$499,483 and \$282,409 respectively when compared to last year. The remaining variance was due to smaller changes 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 \$1,483,116 compared to this time last year. This variance is due to the difference in timing of revenue received this year compared to last year. Title 1, School Improvement Grant (SIG) Cohort III revenues for Roosevelt Elementary School and First Creek Middle School increased \$575,019 and \$956,608, respectively, compared to last year.

- **Revenue from other districts** are reimbursements for services rendered to students from other school districts. Revenues in this category increased \$258,075 compared to last year at this time. This variance was due to services provided to students in the Special Education program totaling \$236,494 where facilities and/or staff are not available in their resident district to provide the required services.
- **Revenue from other agencies** consists of funding from educational service districts, other governmental entities and private foundations. Revenues in this category decreased \$172,762 compared to this time last year. This variance is due to a decrease of \$141,667 in special education reimbursable costs compared to this time last year. The remaining variance is due to smaller changes in other programs in this category.

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

**Table 2**

<b><u>Revenue and Other Financing Sources Comparison by Year</u></b>					
<b>Revenue Source</b>	<b>Through June 2014</b>	<b>Percent of Total</b>	<b>Through June 2015</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Local Taxes	\$ 81,650,652	29.08%	\$ 84,725,568	28.58%	\$ 3,074,916
Local Non-Tax	5,427,701	1.93%	5,783,156	1.95%	355,455
State, General Purpose	130,937,350	46.63%	137,416,689	46.35%	6,479,339
State, Special Purpose	32,645,305	11.63%	36,884,966	12.44%	4,239,661
Federal, General Purpose	318,310	0.11%	289,035	0.10%	(29,275)
Federal, Special Purpose	27,044,020	9.63%	28,527,136	9.62%	1,483,116
Revenue - Other Districts	1,973,055	0.70%	2,231,130	0.75%	258,075
Revenue - Other Agencies	750,968	0.27%	578,205	0.20%	(172,763)
Revenue - Other Financing	68,140	0.02%	19,808	0.01%	(48,332)
<b>Total Revenue</b>	<b>\$ 280,815,499</b>	<b>100.00%</b>	<b>\$ 296,455,694</b>	<b>100.00%</b>	<b>\$ 15,640,195</b>

## **EXPENDITURES**

- General fund expenditures through June 30, 2015 were \$289,869,913; this was \$7,736,693 or 2.7% 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 \$4,035,179 from this time last year.

Regular salaries increased \$3,257,912 due to an increase of 43 FTE compared to this time last year as well as longevity increments given to all groups and up to an additional 2.48% salary increase for certain groups provided per their negotiated union agreements. In addition, certificated vacancy/transition, certificated hard to fill and certificated optional day pay increased \$201,867, \$137,961 and \$322,091, respectively, compared to last year. The remaining variance was due to several smaller changes within this category.

- **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 \$1,707,031 compared to this time last year. Regular salaries increased \$1,539,793 compared to this time last year due to an increase of 5 FTE compared to this time last year as well as longevity increments given to all groups and up to an additional 4% salary increase for certain groups provided per their negotiated union agreements. The remaining variance was due to several smaller changes within this category.
- **Supplies and materials** consist of expenditures for supplies, instructional materials, and equipment costing less than \$5,000. Expenditures in this category increased \$902,281 from this time last year. Of this variance, \$714,765 was due to the purchase of new district computers associated with the administration equipment refresh. The purchase of Math materials to align the district's curriculum with the common core state standards resulted in an increase of \$523,352. This variance was partially offset by a decrease of \$194,467 in fuel and \$113,804 decrease in software purchases. The remaining variance was due to several smaller changes within this category.
- **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 \$1,292,174 compared to this time last year. Special Education contractual services and the Open Doors 1418 Reengagement program costs increased \$1,003,897 and \$678,942 respectively, compared to last year at this time. Title 1 Disadvantaged contractual costs increased \$826,830. In addition, contractual costs for student transportation increased \$425,576. This variance was partially offset by decreases in Special & Pilot Programs, summer school, and contracted nutrition services totaling \$444,948, \$227,739 and \$273,462, respectively. In addition, district wide security services decreased \$679,032. The remaining variance was due to smaller differences in several other programs.

- **Local Mileage & Travel** consists of expenditures for local mileage and extended travel. Expenditures in this category increased \$107,719 compared to this time last year. This variance is due to an increase of \$114,268 in district wide extended travel, which included \$43,683 for AVID training, \$38,654 for Title I School Improvement Grant Cohort III training, and \$41,857 for Title II Private School training. This variance is partially offset by a decrease of \$6,549 in district wide local travel. The remaining variance was due to several smaller differences 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 \$279,625 compared to this time last year. This was due to \$256,929 expensed for the district garbage truck last year. The remaining variance was due to smaller changes in several programs within this category.

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**

<b><u>Expenditure and Other Financing Uses Comparison by Year</u></b>					
<b>Expenditure Objects</b>	<b>Through June 2014</b>	<b>Percent of Total</b>	<b>Through June 2015</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Certificated Salaries	\$ 127,353,704	45.14%	\$ 131,388,883	45.33%	\$ 4,035,179
Classified Salaries	46,413,818	16.45%	48,120,849	16.60%	1,707,031
Employee Benefits	66,001,095	23.39%	65,973,029	22.76%	(28,066)
Supplies and Materials	14,368,782	5.09%	15,271,063	5.27%	902,281
Contractual Services	26,764,101	9.49%	28,056,275	9.68%	1,292,174
Local Mileage & Travel	722,895	0.26%	830,614	0.29%	107,719
Capital Outlay	508,825	0.18%	229,200	0.08%	(279,625)
Other Financing Uses	-	0.00%	-	0.00%	-
<b>Total Expenditures</b>	<b>\$ 282,133,220</b>	<b>100.00%</b>	<b>\$ 289,869,913</b>	<b>100.00%</b>	<b>\$ 7,736,693</b>



## **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 Policy specifies fund balance to be at least 4.5% of general fund revenues less other financing sources, and we are currently well within those limits. Effective September 1, 2014 the percentage required by the Debt and Fiscal Management Policy increased to 5% of general fund revenues less other financing sources. 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 June 30, 2014 and June 30, 2015. 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.

**Table 4**

<b>Fund Balance Comparison by Year</b>					
<b>Fund Balance Descriptions for the fiscal period ended</b>	<b>June 2014</b>	<b>Percent of Revenue</b>	<b>June 2015</b>	<b>Percent of Revenue</b>	<b>Variance higher/(lower)</b>
Nonspendable - Inventory & Prepaid Items	\$ 2,453,324	0.73%	\$ 4,359,221	1.24%	\$ 1,905,897
Committed to Debt and Fiscal Management	11,058,267	3.31%	12,138,279	3.44%	1,080,012
Committed to Encumbrances	395,277	0.12%	140,355	0.04%	(254,922)
Committed to Contingencies	1,000,000	0.30%	1,000,000	0.28%	-
<b>Total Debt &amp; Fiscal Management Fund Balance</b>	<b>\$ 14,906,868</b>	<b>4.46%</b>	<b>\$ 17,637,855</b>	<b>5.00%</b>	<b>\$ 2,730,987</b>
Restricted for Carryover	\$ 494,990	0.15%	\$ 786,566	0.22%	\$ 291,576
Restricted for Debt Service	109,566	0.03%	73,044	0.02%	(36,522)
Assigned to Carryover	1,674,635	0.50%	2,267,660	0.64%	593,025
Assigned to Curriculum & Instruction	3,580,852	1.07%	3,030,308	0.86%	(550,544)
Assigned to Future Operations	12,842,022	3.84%	8,732,107	2.48%	(4,109,915)
<b>Restricted or Assigned Fund Balance</b>	<b>\$ 18,702,065</b>	<b>5.60%</b>	<b>\$ 14,889,685</b>	<b>4.22%</b>	<b>\$ (3,812,380)</b>
<b>Total Nonspendable, Restricted, Committed and Assigned Fund Balance</b>	<b>\$ 33,608,933</b>	<b>10.06%</b>	<b>\$ 32,527,540</b>	<b>9.22%</b>	<b>\$ (1,081,394)</b>
Unassigned Fund Balance	\$ (1,317,721)	-0.39%	\$ 6,585,782	1.87%	\$ 7,903,502
<b>Total Unassigned Fund Balance</b>	<b>\$ (1,317,721)</b>	<b>-0.39%</b>	<b>\$ 6,585,782</b>	<b>1.87%</b>	<b>\$ 7,903,502</b>
<b>Total Fund Balance</b>	<b>\$ 32,291,213</b>	<b>9.66%</b>	<b>\$ 39,113,321</b>	<b>11.09%</b>	<b>\$ 6,822,108</b>
<b>Revenue less other financing</b>	<b>\$ 334,234,392 *</b>		<b>\$ 352,757,091 **</b>		

\* 2013-14 total revenue less other financing sources as of August 31, 2014

\*\* 2014-15 budgeted revenue less other financing sources

## **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 26,134 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. This excludes the 860 budgeted annual average FTE for funded full day kindergarten enrollment.

**Table 5** shows monthly budgeted, projected enrollment counts and actual counts through June 2015. The projected annual adjusted average is currently 721 FTE more than the budgeted average.

**Table 5**

<b>Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment</b>				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 14	26,328	26,704	376
	* Oct - 14	26,463	26,936	474
	* Nov - 14	26,347	26,882	535
	* Dec - 14	26,281	26,852	571
	* Jan - 15	26,186	26,804	618
	* Feb - 15	26,084	26,807	723
	* Mar - 15	26,057	26,700	642
	* Apr - 15	25,945	26,562	618
	* May - 15	25,888	26,553	665
	* Jun - 15	25,764	26,457	693
<b>Average</b>		26,134	26,726	592
Running Start		177	224	47
Running Start in High School		0	42	42
TCC Fresh Start		148	164	16
Reengagement		162	184	22
Goodwill		25	39	14
Alternative Learning Experience		68	56	(12)
<b>Adjusted Average</b>		26,714	27,435	721
<b>* Actual data through June 2015</b>				
This table does not include funded full day kindergarten FTE				



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).

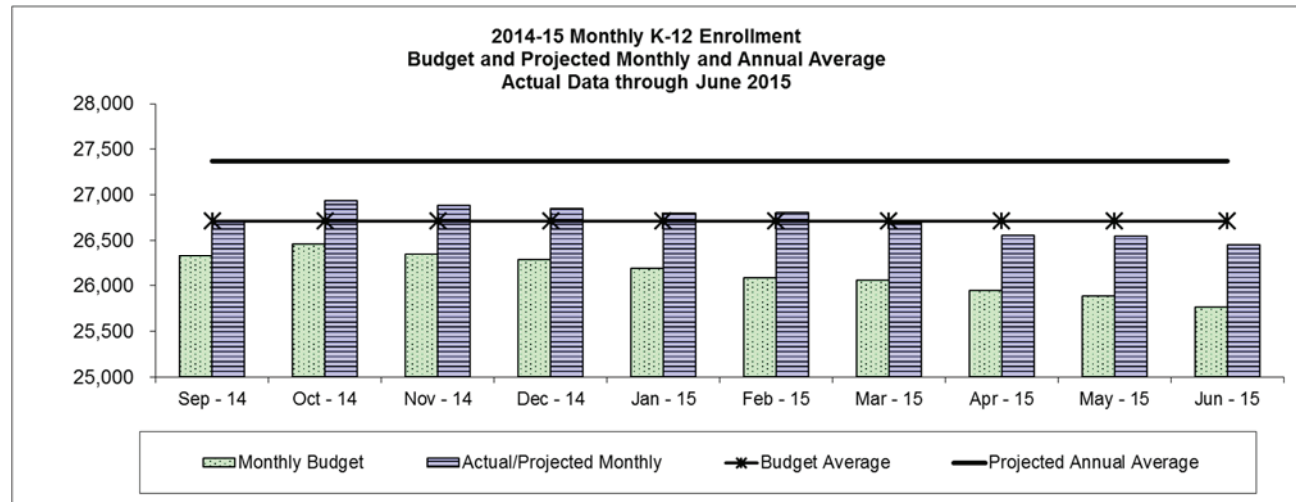
2014-15 is the eighth school year full-day kindergarten has been available. Funding for the program was phased-in beginning with the schools with the highest poverty levels, (i.e., schools with the highest percentage of students qualifying for free and reduced lunch in the prior school year). Kindergarten students enrolled in a full year full day program at a building that does not qualify for the full day state funding will only generate .5 FTE the same as students enrolled in a full year half day program. Students enrolled in a full year full day program at a building that does qualify for full day state funding will generate 1.0 FTE.

There were 890 funded full day kindergarten FTE in 2013-14. For 2014-15, the budget includes 860 funded full day kindergarten FTE; this enrollment is currently projected to be 893 funded FTE.

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 6** 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 2014. 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 6**



**Table 7** displays the variances between actual and projected annual average FTE by individual grade level for 2013-14 and 2014-15, and the variance between projected and budgeted average FTE for 2014-15.

The projected average for 2014-15 enrollment varies from 2013-14 actual enrollment as follows (**Table 7, Column (D)**):

- Elementary schools (grades K-5) increased 322 FTE;
- Middle schools (grades 6-8) decreased by 58 FTE;
- High schools (grades 9-12) decreased by 39 FTE;
- Running Start (college level courses) increased by 50 FTE;
- Running Start (college level courses) in TPS high schools increased by 7 FTE;
- TCC Fresh Start decreased by 14 FTE;
- Reengagement Center increased by 28 FTE;
- Goodwill increased by 10 FTE;
- ALE (Alternative Learning Experience) increased by 7 FTE;

The combined variances resulted in an average increase of 314 student FTE from the previous year.

**Table 7**

<b>K-12 Annual Average FTE Enrollment Two Year Comparison</b>					
	(A) 2013-14 Actual	(B) 2014-15 Budget	(C) 2014-15 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten *	1,282	1,279	1,222	(60)	(57)
Grade 1	2,588	2,455	2,557	(31)	102
Grade 2	2,432	2,458	2,554	122	96
Grade 3	2,251	2,328	2,431	180	103
Grade 4	2,262	2,150	2,248	(14)	98
Grade 5	2,083	2,197	2,207	124	10
<b>Elementary</b>	<b>12,898</b>	<b>12,867</b>	<b>13,220</b>	<b>322</b>	<b>353</b>
Grade 6	2,097	1,971	2,006	(91)	35
Grade 7	2,015	2,023	2,077	62	54
Grade 8	2,021	1,936	1,993	(28)	57
<b>Middle School</b>	<b>6,133</b>	<b>5,930</b>	<b>6,075</b>	<b>(58)</b>	<b>145</b>
Grade 9	2,239	2,426	2,060	(179)	(366)
Grade 10	2,009	1,822	1,992	(17)	170
Grade 11	1,617	1,615	1,749	132	134
Grade 12	1,605	1,474	1,630	25	156
<b>High School</b>	<b>7,470</b>	<b>7,337</b>	<b>7,431</b>	<b>(39)</b>	<b>94</b>
Running Start	173	177	224	50	47
Running Start in High Schools	34	0	42	7	42
TCC Fresh Start **	178	148	164	(14)	16
Reengagement Center **	156	162	184	28	22
Goodwill **	29	25	39	10	14
Alternative Learning Experience	49	68	56	7	(12)
<b>Grand Total *</b>	<b>27,121</b>	<b>26,714</b>	<b>27,435</b>	<b>314</b>	<b>721</b>
Actual data through June 2015					

\* This table does not include funded full day kindergarten FTE

\*\* Open Doors - 1418 Programs

### **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.