

Date: May 20, 2022  
 To: Board of Directors  
 From: Rosalind Medina, Chief Financial Officer *Rosalind Medina*  
 Subject: December 2021 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through December 31, 2021. Enrollment information also includes the official state count through the month of December 2021 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 December 31 for fiscal years 2020-21 and 2021-22.

**Table 1**

General Fund Comparison for the fiscal period ended	December 31, 2020	December 31, 2021	Variance Higher/(lower)
Beginning Fund Balance	\$ 36,893,527	\$ 56,066,371	\$ 19,172,845
Revenue	148,323,569	149,921,006	1,597,437
Other Financing Sources	87,818	30,820	(56,998)
<b>Total Resources Available</b>	<b>185,304,914</b>	<b>206,018,198</b>	<b>20,713,284</b>
Expenditures	150,448,101	161,433,388	10,985,288
Other Financing Uses	-	-	-
<b>Total Use of Resources</b>	<b>150,448,101</b>	<b>161,433,388</b>	<b>10,985,288</b>
Ending Fund Balance	\$ 34,856,813	\$ 44,584,809	\$ 9,727,995

## **REVENUES**

- General fund revenues and other financing sources as of December 31, 2021 were \$149,951,826. This was \$1,540,439 (+1.0%) 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 \$301,569 (+1.0%) compared to this time last year. The variance reflects an increase in the levy base used to calculate the 2021 levy versus the 2020 levy; thereby, increasing the actual revenue from year to year.
- **Local non-tax** revenue consists of student lunch receipts, sales from vocational programs, tuition for summer school, interest earned from the investment of available cash, and several other small sources.

Revenue in this category increased \$1,038,798 (+242.8%) compared to this time last year. This variance is the result of the following:

- \$548,692 increase in tuition-based programs such as the foreign exchange program and tuition-based preschool
  - \$323,838 increase in revenue from the sale of goods & supplies
  - \$69,737 increase in unassigned local support
  - \$62,996 increase in local gifts, grants & donations
  - The remaining difference is due to smaller variances in several other programs
- **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 decreased \$855,793 (-1.0%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue decreased \$550,004 from last year at this time due to a timing difference of when payments were made this year versus last year
- LEA funding was eliminated this year and therefore decreased \$305,789 from last year's collection

- **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 \$1,737,065 (+7.8%) compared to this time last year. This variance was the result of the following:

- \$1,681,151 increase in revenue for the Transitional Bilingual program
- \$393,960 increase in Transportation Operations revenue
- \$229,554 decrease in Special Education funding
- 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 \$978,041 (+11.1%) compared to this time last year. This variance was the result of the following:

- \$2,170,426 increase in total free, reduced, and regular meal reimbursement
- \$1,062,988 decrease in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding
- \$929,281 decrease in targeted assistance funding provided through Elementary and Secondary School Emergency Relief Fund (ESSER) due to a timing difference in the claiming process
- \$757,926 increase in Title I revenues
- 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 decreased \$1,556,164 (-99.5%) compared to this time last year. This variance was the result of the following:

- \$1,556,164 decrease in revenue from other districts for Special Education services for non-resident FTE. This variance reflects a difference in the timing of when revenue was collected last year compared to this year.

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

**Table 2**

<b>Revenue and Other Financing Sources Comparison by Year</b>					
<b>Revenue Source</b>	<b>Through December 2020</b>	<b>Percent of Total</b>	<b>Through December 2021</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Local Taxes	\$ 31,636,716	21.32%	\$ 31,938,285	21.30%	\$ 301,569
Local Non-Tax	427,771	0.29%	1,466,569	0.98%	1,038,798
State, General Purpose	83,203,456	56.06%	82,347,663	54.92%	(855,793)
State, Special Purpose	22,368,486	15.07%	24,105,551	16.08%	1,737,065
Federal, General Purpose	78,975	0.05%	79,041	0.05%	66
Federal, Special Purpose	8,814,702	5.94%	9,792,743	6.53%	978,041
Revenue - Other Districts	1,563,374	1.05%	7,210	0.00%	(1,556,164)
Revenue - Other Agencies	230,089	0.16%	183,945	0.12%	(46,144)
Revenue - Other Financing	87,818	0.06%	30,820	0.02%	(56,998)
<b>Total Revenue</b>	<b>\$ 148,411,387</b>	<b>100.00%</b>	<b>\$ 149,951,826</b>	<b>100.00%</b>	<b>\$ 1,540,439</b>

**EXPENDITURES**

- General fund expenditures through December 31, 2021 were \$161,433,388; this was \$10,985,288 (+7.3%) more than this time last year.

*In order to align with state and federal reporting objectives, the Tacoma School District began using four-digit National Center for Education Statistics (NCES) object codes for expenditures in the current 2021-22 school year. Although December 2020 total expenditures have not changed, the account code structure has and is reflected in this report.*

**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 \$5,570,462 (+7.7%) from this time last year. This variance was the result of the following:

- \$4,575,199 increase in regular salaries due to negotiated salary increases, including +5.0% increase for teachers
- \$1,081,627 increase in salaries paid to certificated employees for work performed outside their normal work period or assignment
- 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 \$3,077,305 (+13.3%) from this time last year. This variance was the result of the following:

- \$1,938,158 increase in in regular salaries due to negotiated salary increases, including +5.0% for office professionals and professional technical and +4.0% increase for custodians and nutrition services
- \$1,106,986 increase in salaries paid to classified employees for work performed outside their normal work period or assignment
- 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 \$307,839 (+0.8%) 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 \$735,669 (+12.5%) compared to this time last year. This variance was the result of the following:

- \$1,419,117 increase in general district-wide supplies including new and replacement athletic & ASB equipment
- \$949,502 decrease in purchases made in response to COVID-19 and the shift to remote learning last year including laptop purchases for student distribution
- \$839,481 decrease in textbooks & materials including the purchase of new math and literacy curriculum in 2020-21
- \$530,756 increase in total district-wide food costs
- \$260,358 increase in software purchases including a software component of the new math curriculum
- \$247,478 increase in fuel charges
- The remaining difference 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 \$1,165,163 (+9.3%) compared to this time last year. This variance was the result of the following:

- \$1,429,034 increase in contracted student transportation services including payments made to First Student
- \$951,143 increase in communication services including online subscription components of the new math and literacy curriculums
- \$541,031 decrease in general purchased services which includes various contracts across the district
- \$498,230 decrease in district-wide utilities
- \$235,227 decrease in district-wide insurance payments
- 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 \$110,904 (+58.8%) compared to this time last year. This variance was the result of the following:

- \$93,849 increase in technology related hardware and software including the purchase of new photo and video studio equipment
- 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>					
<b>Expenditure Objects</b>	<b>Through December 2020</b>	<b>Percent of Total</b>	<b>Through December 2021</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Certificated Salaries	\$ 72,034,158	47.88%	\$ 77,604,620	48.07%	\$ 5,570,462
Classified Salaries	23,062,043	15.33%	26,139,348	16.19%	3,077,305
Employee Benefits	36,705,115	24.40%	37,012,954	22.93%	307,839
Supplies and Materials	5,886,242	3.91%	6,621,911	4.10%	735,669
Contractual Services	12,546,575	8.34%	13,711,738	8.49%	1,165,163
Local Mileage & Travel	25,308	0.02%	43,253	0.03%	17,945
Capital Outlay	188,660	0.13%	299,564	0.19%	110,904
<b>Total Expenditures</b>	<b>\$ 150,448,101</b>	<b>100.00%</b>	<b>\$ 161,433,388</b>	<b>100.00%</b>	<b>\$ 10,985,288</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 Regulation targets the fund balance to be 5% of budgeted general fund revenues less other financing sources, and for the month of December the district is at 8.09%. 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 December 31, 2020 and December 31, 2021. 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

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assigned to be placed in the assigned to future operations category as a onetime source to help balance future operating budgets.

**Table 4**

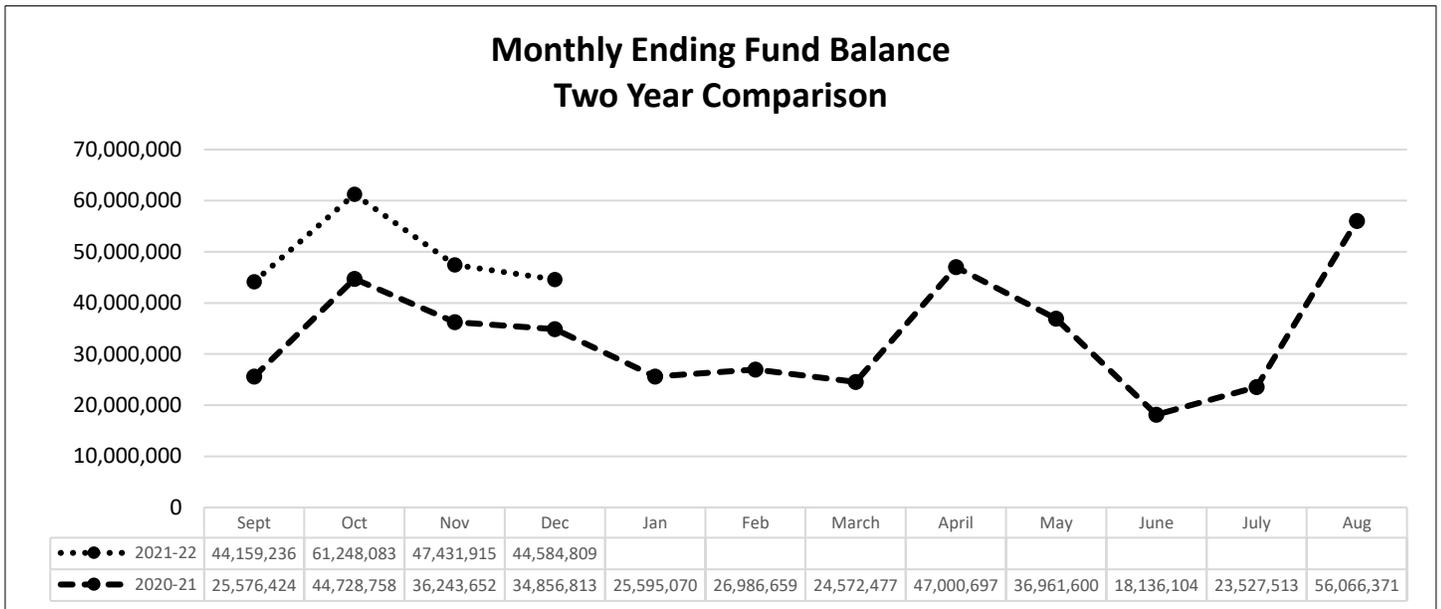
<u>Fund Balance Comparison by Year</u>					
Fund Balance Descriptions for the fiscal period ended	December 2020	Percent of Revenue	December 2021	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,837,911	1.05%	\$ 5,058,037	0.92%	\$ 220,126
Committed to Debt and Fiscal Management	-	0.00%	-	0.00%	-
Committed to Encumbrances	1,104,130	0.24%	310,128	0.06%	(794,002)
Committed to Contingencies	1,000,000	0.22%	1,000,000	0.18%	-
<b>Total Debt &amp; Fiscal Management Fund Balance</b>	<b>\$ 6,942,041</b>	<b>1.51%</b>	<b>\$ 6,368,165</b>	<b>1.16%</b>	<b>\$ (573,877)</b>
Restricted for Carryover	\$ 2,071,834	0.45%	\$ 1,896,105	0.34%	\$ (175,729)
Restricted for Debt Service	218,832	0.05%	110,927	0.02%	(107,905)
Assigned to Carryover	2,392,398	0.52%	2,704,343	0.49%	311,945
Assigned to Curriculum & Instruction	2,179,295	0.47%	3,800,000	0.69%	1,620,705
Assigned to Future Operations	5,198,019	1.13%	3,265,369	0.59%	(1,932,650)
<b>Restricted or Assigned Fund Balance</b>	<b>\$ 12,060,378</b>	<b>2.62%</b>	<b>\$ 11,776,744</b>	<b>2.14%</b>	<b>\$ (283,635)</b>
<b>Total Nonspendable, Restricted, Committed and Assigned Fund Balance</b>	<b>\$ 19,002,419</b>	<b>4.12%</b>	<b>\$ 18,144,908</b>	<b>3.29%</b>	<b>\$ (857,512)</b>
Unassigned Fund Balance	\$ (1,873,486)	-0.41%	\$ 5,262,575	0.96%	7,136,061
Unassigned for Minimum FB Policy	\$ 17,727,880	3.85%	\$ 21,177,326	3.84%	3,449,446
<b>Total Unassigned Fund Balance</b>	<b>\$ 15,854,394</b>	<b>3.44%</b>	<b>\$ 26,439,901</b>	<b>4.80%</b>	<b>\$ 7,136,061</b>
<b>Total Fund Balance</b>	<b>\$ 34,856,813</b>	<b>7.56%</b>	<b>\$ 44,584,809</b>	<b>8.09%</b>	<b>\$ 9,727,996</b>
<b>Revenue less other financing</b>	<b>\$ 461,049,431</b>	*	<b>\$ 550,909,806</b>	**	

\*2020-21 total actual revenue less other financing sources as of August 31, 2021

\*\*2021-22 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 December, total cash on hand was \$65,774,504 and daily expenditures amounted to \$1,309,897 per day which when used in the formula [cash on hand / daily expenditures] equates to 50.21 days of cash on hand.

**Table 6** displays a comparison of cash on hand records through the period ending December 31 for fiscal years 2020-21 and 2021-22.

**Table 6**

<u>Cash Balance Comparison by Year</u>				
	December 2020	December 2021	Variance higher/(lower)	
230 - Cash with Key Bank	\$ 139,138	\$ 637,823	\$	498,685
240 - Cash with Treasurer	13,628,693	704,639		(12,924,054)
241 - Warrants Outstanding	(480,446)	(273,742)		206,704
45x - Investments	41,926,181	68,074,636		26,148,455
<b>Total Cash on Hand</b>	<b>\$ 55,213,566</b>	<b>\$ 69,143,356</b>	<b>\$</b>	<b>13,929,790</b>
<b>Avg Daily Balance</b>	<b>\$ 1,781,083</b>	<b>\$ 2,304,779</b>	<b>\$</b>	<b>523,696</b>
<b>Days Cash on Hand</b>	<b>46.86</b>	<b>55.61</b>		<b>8.75</b>

**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 December 2021. The projected annual adjusted average is currently 828 FTE less than the budgeted average.

**Table 7**

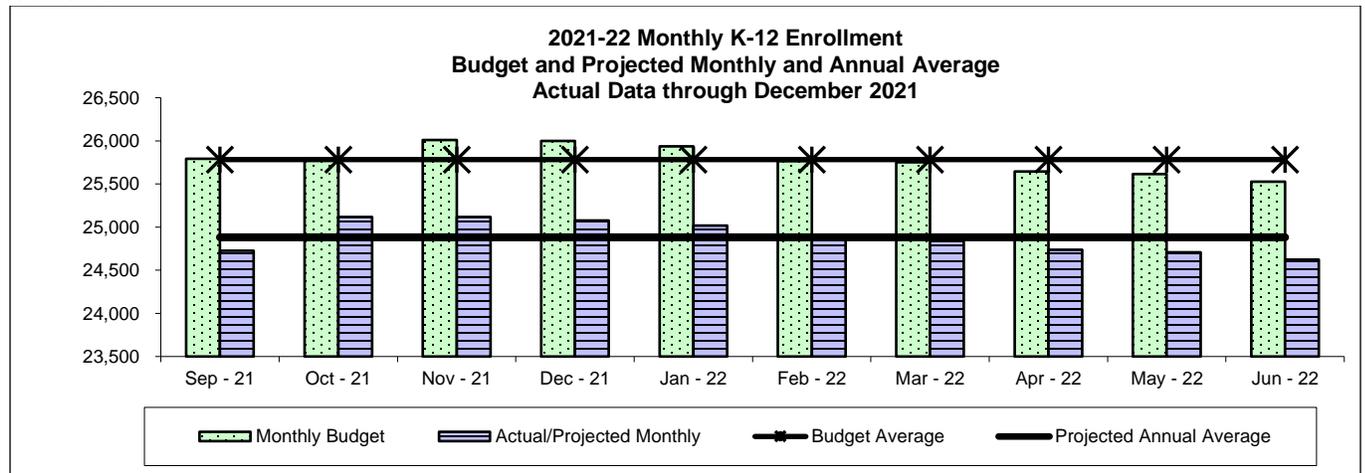
<b>Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment</b>				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 21	25,791	24,724	(1,067)
	* Oct - 21	25,791	25,118	(673)
	* Nov - 21	26,008	25,118	(890)
	* Dec - 21	25,997	25,075	(922)
	Jan - 22	25,936	25,017	(919)
	Feb - 22	25,766	24,855	(911)
	Mar - 22	25,752	24,841	(911)
	Apr - 22	25,643	24,736	(907)
	May - 22	25,614	24,709	(905)
	Jun - 22	25,525	24,623	(902)
<b>Average</b>		25,782	24,882	(901)
Running Start		411	419	8
TCC Fresh Start		152	114	(38)
Reengagement		198	118	(80)
Goodwill		24	4	(20)
Alternative Learning Experience		1,414	1,617	203
<b>Adjusted Average</b>		27,982	27,153	(828)
<b>Actual data through December 2021</b>				

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.

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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 740 FTE;
- Middle schools (grades 6-8) decreased by 611 FTE;
- High schools (grades 9-12) decreased by 192 FTE;
- Running Start (college level courses) decreased by 11 FTE;
- TCC Fresh Start decreased by 17 FTE;
- Reengagement Center decreased by 11 FTE;
- Goodwill decreased by 4 FTE;
- ALE (Alternative Learning Experience) increased by 1,617 FTE

The combined variances result in an average increase of 30 student FTE from the previous year.

**Table 9**

<b>K-12 Annual Average FTE Enrollment Two Year Comparison</b>					
	(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	1,982	47	(194)
Grade 1	2,090	2,150	1,913	(178)	(237)
Grade 2	2,110	2,127	1,937	(173)	(191)
Grade 3	2,010	1,941	1,986	(24)	45
Grade 4	2,079	1,905	1,878	(202)	(28)
Grade 5	2,124	1,917	1,913	(211)	(3)
<b>Elementary</b>	<b>12,348</b>	<b>12,216</b>	<b>11,608</b>	<b>(740)</b>	<b>(608)</b>
Grade 6	2,086	1,984	1,932	(154)	(53)
Grade 7	2,196	2,015	1,934	(262)	(81)
Grade 8	2,242	2,090	2,047	(195)	(43)
<b>Middle School</b>	<b>6,523</b>	<b>6,089</b>	<b>5,913</b>	<b>(611)</b>	<b>(177)</b>
Grade 9	2,130	2,218	2,167	37	(51)
Grade 10	2,032	2,006	1,985	(47)	(21)
Grade 11	1,841	1,683	1,668	(173)	(15)
Grade 12	1,550	1,569	1,541	(9)	(28)
<b>High School</b>	<b>7,553</b>	<b>7,477</b>	<b>7,361</b>	<b>(192)</b>	<b>(116)</b>
Running Start	430	411	419	(11)	8
TCC Fresh Start **	132	152	114	(17)	(38)
Reengagement Center **	128	198	118	(11)	(81)
Goodwill **	8	24	4	(4)	(20)
Alternative Learning Experience	0	1,414	1,617	1,617	202
<b>Grand Total *</b>	<b>27,123</b>	<b>27,982</b>	<b>27,153</b>	<b>30</b>	<b>(828)</b>
Actual data through December 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. Additionally, OSPI has committed to continue paying state apportionment revenues which is typically based on current enrollment numbers. 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**

<b>Expenditures by Object</b>	<b>Amount of Expenditures</b>
Debit/Credit - 0XXX/1XXX	106
Salaries - Certificated Employees - 2XXX	733,783
Salaries - Classified Employees - 3XXX	302,234
Benefits and Payroll Taxes - 4XXX	329,233
Supplies, Instructional Resources - 5XXX	998,842
Purchased Services - 7XXX	889,609
Travel - 8XXX	-
Capital Outlay - 9XXX	51,797
<b>Totals by Object</b>	<b>\$3,305,603</b>

*Expenditures are from September 1 - December 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.