

Date: June 30, 2022

To: Board of Directors

From: Rosalind Medina, Chief Financial Officer 

Subject: January 2022 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through January 31, 2022. Enrollment information also includes the official state count through the month of January 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 January 31 for fiscal years 2020-21 and 2021-22.

**Table 1**

General Fund Comparison for the fiscal period ended	January 31, 2021	January 31, 2022	Variance Higher/(lower)
Beginning Fund Balance	\$ 36,893,527	\$ 56,066,371	\$ 19,172,845
Revenue	175,622,295	179,920,948	4,298,653
Other Financing Sources	113,527	35,103	(78,424)
<b>Total Resources Available</b>	<b>212,629,349</b>	<b>236,022,423</b>	<b>23,393,074</b>
Expenditures	187,034,279	205,377,433	18,343,154
Other Financing Uses	-	-	-
<b>Total Use of Resources</b>	<b>187,034,279</b>	<b>205,377,433</b>	<b>18,343,154</b>
<b>Ending Fund Balance</b>	<b>\$ 25,595,070</b>	<b>\$ 30,644,990</b>	<b>\$ 5,049,919</b>

## **REVENUES**

- General fund revenues and other financing sources as of January 31, 2022 were \$179,956,051. This was \$4,220,229 (+2.4%) 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 \$385,248 (+1.2%) compared to this time last year. The variance reflects an increase in the levy base used to calculate the 2021-22 levy versus the 2020-21 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 \$1,179,553 (+228.4%) compared to this time last year. This variance is the result of the following:

- \$590,457 increase in tuition-based programs such as the foreign exchange program and tuition-based preschool
  - \$328,690 increase in revenue from the sale of goods & supplies
  - \$98,344 increase in unassigned local support
  - \$75,865 increase in revenue collected from the usage of district facilities
  - \$69,282 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 \$367,391 (-0.4%) compared to this time last year. This variance was the result of the following:

- LEA funding was eliminated this year and therefore decreased \$305,789 from last year's collection
- Total apportionment revenue decreased \$61,602 from last year at this time due to a timing difference of when payments were made this year versus 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 \$2,859,232 (+10.7%) compared to this time last year. This variance was the result of the following:

- \$1,996,664 increase in revenue for the Transitional Bilingual program
- \$501,981 increase in Transportation Operations revenue
- \$291,863 increase in Learning Assistance 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 \$504,534 (+4.2%) compared to this time last year. This variance was the result of the following:

- \$2,694,154 increase in total free, reduced, and regular meal reimbursement
- \$1,869,154 decrease in targeted assistance funding provided through Elementary and Secondary School Emergency Relief Fund (ESSER) due to a timing difference in the claiming process
- \$1,062,988 decrease in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding
- \$644,696 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 \$180,636 (-11.3%) compared to this time last year. This variance was the result of the following:

- \$180,636 decrease in revenue from other districts for Special Education services for non-resident FTE. This variance reflects a decrease of 6 non-resident FTE from last 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 January 2021</b>	<b>Percent of Total</b>	<b>Through January 2022</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Local Taxes	\$ 31,785,485	18.09%	\$ 32,170,733	17.88%	\$ 385,248
Local Non-Tax	516,504	0.29%	1,696,057	0.94%	1,179,553
State, General Purpose	102,350,682	58.24%	101,983,291	56.67%	(367,391)
State, Special Purpose	26,638,791	15.16%	29,498,023	16.39%	2,859,232
Federal, General Purpose	100,904	0.06%	105,993	0.06%	5,089
Federal, Special Purpose	12,075,288	6.87%	12,579,822	6.99%	504,534
Revenue - Other Districts	1,596,315	0.91%	1,415,679	0.79%	(180,636)
Revenue - Other Agencies	558,327	0.32%	471,350	0.26%	(86,977)
Revenue - Other Financing	113,527	0.06%	35,103	0.02%	(78,424)
<b>Total Revenue</b>	<b>\$ 175,735,822</b>	<b>100.00%</b>	<b>\$ 179,956,051</b>	<b>100.00%</b>	<b>\$ 4,220,229</b>

**EXPENDITURES**

- General fund expenditures through January 31, 2021 were \$205,377,433; this was \$18,343,176 (+9.8%) 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 January 2021 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 \$7,392,656 (+8.2%) from this time last year. This variance was the result of the following:

- \$5,885,385 increase in regular salaries due to negotiated salary increases, including +5.0% increase for teachers
- \$1,413,668 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 \$4,957,273 (+17.3%) from this time last year. This variance was the result of the following:

- \$3,271,892 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
- \$1,591,428 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 \$1,071,620 (+2.3%) 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 \$1,522,558 (+22.9%) compared to this time last year. This variance was the result of the following:

- \$1,829,442 increase in general district-wide supplies including new and replacement athletic & ASB equipment
- \$908,533 decrease in purchases made in response to COVID-19 and the shift to remote learning last year including laptop purchases for student distribution
- \$914,933 increase in total district-wide food costs
- \$895,175 decrease in textbooks & materials including the purchase of new math and literacy curriculum in 2020-21
- \$327,116 increase in fuel charges
- \$254,936 increase in software purchases including a software component of the new math curriculum

- **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 \$3,199,308 (+21.1%) compared to this time last year. This variance was the result of the following:

- \$3,129,653 increase in contracted student transportation services including payments made to First Student
- \$997,605 increase in communication services including online subscription components of the new math and literacy curriculums
- \$571,713 decrease in district-wide utilities
- \$344,043 decrease in general purchased services which includes various contracts across the district
- \$235,981 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 \$179,293 (+86.7%) compared to this time last year. This variance was the result of the following:

- \$95,353 increase in the purchase of district vehicles
- \$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 January 2021</b>	<b>Percent of Total</b>	<b>Through January 2022</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Certificated Salaries	\$ 90,348,540	48.31%	\$ 97,741,196	47.59%	\$ 7,392,656
Classified Salaries	28,681,666	15.33%	33,638,939	16.38%	4,957,273
Employee Benefits	45,909,603	24.55%	46,981,223	22.88%	1,071,620
Supplies and Materials	6,660,852	3.56%	8,183,410	3.98%	1,522,558
Contractual Services	15,191,512	8.12%	18,390,820	8.95%	3,199,308
Local Mileage & Travel	35,240	0.02%	55,709	0.03%	20,469
Capital Outlay	206,843	0.11%	386,136	0.19%	179,293
<b>Total Expenditures</b>	<b>\$ 187,034,257</b>	<b>100.00%</b>	<b>\$ 205,377,433</b>	<b>100.00%</b>	<b>\$ 18,343,176</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 January the district is at 5.56%. 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, 2021 and January 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.

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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**

<u>Fund Balance Comparison by Year</u>					
Fund Balance Descriptions for the fiscal period ended	January 2021	Percent of Revenue	January 2022	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	\$ (11,135,230)	-2.42%	\$ (8,677,244)	1.58%	2,457,985
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>\$ 6,592,650</b>	<b>1.43%</b>	<b>\$ 12,500,082</b>	<b>2.27%</b>	<b>\$ 2,457,985</b>
<b>Total Fund Balance</b>	<b>\$ 25,595,070</b>	<b>5.55%</b>	<b>\$ 30,644,990</b>	<b>5.56%</b>	<b>\$ 5,049,920</b>
<b>Revenue less other financing</b>	<b>\$ 461,049,431</b>	*	<b>\$ 550,909,806</b>	**	

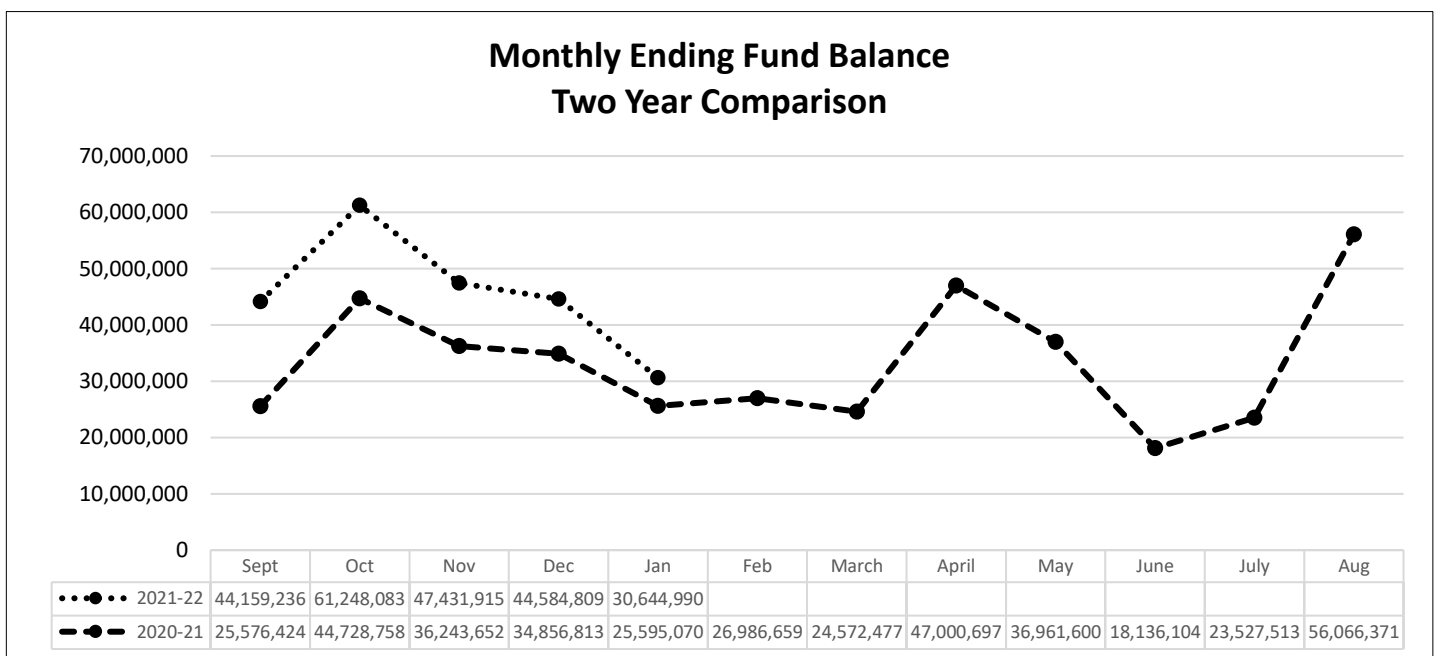
\*2020-21 total actual revenue less other financing sources as of August 31, 2021

\*\*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 January, total cash on hand was \$51,853,016 and daily expenditures amounted to \$1,243,304 per day which when used in the formula [cash on hand / daily expenditures] equates to 41.71 days of cash on hand.

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

**Table 6**

<b><u>Cash Balance Comparison by Year</u></b>				
	<b>January 2021</b>	<b>January 2022</b>	<b>Variance higher/(lower)</b>	
230 - Cash with Key Bank	\$ (55,291)	\$ 1,295,634	\$	1,350,925
240 - Cash with Treasurer	1,292,276	28,515,474		27,223,198
241 - Warrants Outstanding	1,139,394	(665,749)		(1,805,143)
45x - Investments	46,505,145	22,707,657		(23,797,489)
<b>Total Cash on Hand</b>	<b>\$ 48,881,525</b>	<b>\$ 51,853,016</b>	<b>\$</b>	<b>2,971,492</b>
<b>Avg Daily Balance</b>	<b>\$ 1,576,823</b>	<b>\$ 1,672,678</b>	<b>\$</b>	<b>95,855</b>
<b>Days Cash on Hand</b>	<b>41.42</b>	<b>41.71</b>		<b>0.29</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 January 2022. The projected annual adjusted average is currently 861 FTE less than the budgeted average.

**Table 7**

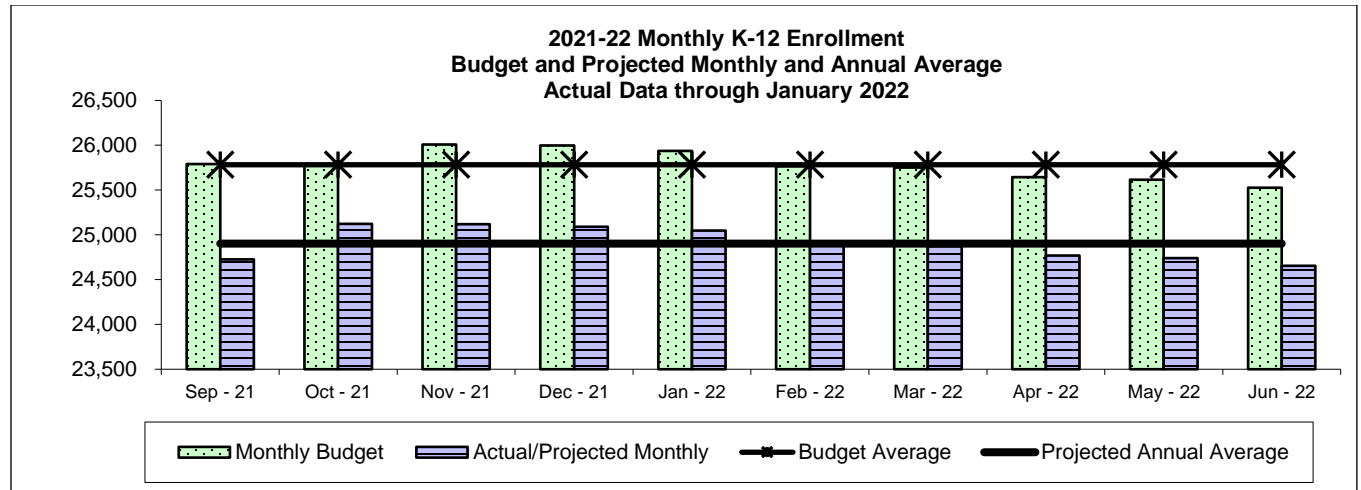
<b>Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment</b>				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 21	25,791	24,725	(1,066)
	* Oct - 21	25,791	25,123	(668)
	* Nov - 21	26,008	25,120	(888)
	* Dec - 21	25,997	25,089	(908)
	* Jan - 22	25,936	25,047	(889)
	Feb - 22	25,766	24,885	(881)
	Mar - 22	25,752	24,872	(880)
	Apr - 22	25,643	24,767	(876)
	May - 22	25,614	24,740	(874)
	Jun - 22	25,525	24,654	(871)
<b>Average</b>		25,782	24,902	(880)
Running Start		411	416	4
TCC Fresh Start		152	101	(51)
Reengagement		198	118	(80)
Goodwill		24	5	(19)
Alternative Learning Experience		1,414	1,579	165
<b>Adjusted Average</b>		27,982	27,121	(861)
<b>Actual data through January 2022</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.

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	1,991	56	(185)
Grade 1	2,090	2,150	1,916	(174)	(234)
Grade 2	2,110	2,127	1,938	(172)	(190)
Grade 3	2,010	1,941	1,987	(23)	46
Grade 4	2,079	1,905	1,886	(194)	(19)
Grade 5	2,124	1,917	1,918	(206)	1
<b>Elementary</b>	<b>12,348</b>	<b>12,216</b>	<b>11,635</b>	<b>(713)</b>	<b>(581)</b>
Grade 6	2,086	1,984	1,931	(155)	(54)
Grade 7	2,196	2,015	1,934	(262)	(81)
Grade 8	2,242	2,090	2,051	(191)	(39)
<b>Middle School</b>	<b>6,523</b>	<b>6,089</b>	<b>5,916</b>	<b>(607)</b>	<b>(173)</b>
Grade 9	2,130	2,218	2,169	39	(50)
Grade 10	2,032	2,006	1,987	(45)	(19)
Grade 11	1,841	1,683	1,666	(176)	(18)
Grade 12	1,550	1,569	1,530	(20)	(39)
<b>High School</b>	<b>7,553</b>	<b>7,477</b>	<b>7,351</b>	<b>(202)</b>	<b>(125)</b>
Running Start	430	411	416	(15)	4
TCC Fresh Start **	132	152	101	(30)	(51)
Reengagement Center **	128	198	118	(10)	(80)
Goodwill **	8	24	5	(4)	(19)
Alternative Learning Experience	0	1,414	1,579	1,579	164
<b>Grand Total *</b>	<b>27,123</b>	<b>27,982</b>	<b>27,121</b>	<b>(2)</b>	<b>(861)</b>
Actual data through January 2022					

\*\* Open Doors - 1418 Programs

**COVID-19**

The district is closely monitoring the financial impacts that COVID-19 is having on revenues and expenditures. The Washington Office of Superintendent of Public Instruction (OSPI) has created framework for how the district will be reimbursed for certain COVID-19 related expenditures and has requested districts to develop a unique accounting identifier for tracking purposes. 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	2,421
Salaries - Certificated Employees - 2XXX	962,969
Salaries - Classified Employees - 3XXX	467,282
Benefits and Payroll Taxes - 4XXX	468,219
Supplies, Instructional Resources - 5XXX	1,058,099
Purchased Services - 7XXX	906,888
Travel - 8XXX	-
Capital Outlay - 9XXX	51,797
<b>Totals by Object</b>	<b>\$3,917,675</b>

*Expenditures are from September 1 - January 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.