

Date: September 12, 2022

To: Board of Directors

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

Subject: March 2022 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through March 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 March 31 for fiscal years 2020-21 and 2021-22.

**Table 1**

General Fund Comparison for the fiscal period ended	March 31, 2021	March 31, 2022	Variance Higher/(lower)
Beginning Fund Balance	\$ 36,893,527	\$ 56,066,371	\$ 19,172,845
Revenue	248,020,814	253,503,087	5,482,273
Other Financing Sources	208,884	115,749	(93,135)
<b>Total Resources Available</b>	<b>285,123,225</b>	<b>309,685,207</b>	<b>24,561,982</b>
Expenditures	260,550,748	291,915,619	31,364,872
Other Financing Uses	-	-	-
<b>Total Use of Resources</b>	<b>260,550,748</b>	<b>291,915,619</b>	<b>31,364,872</b>
Ending Fund Balance	\$ 24,572,477	\$ 17,769,588	\$ (6,802,890)

## **REVENUES**

- General fund revenues and other financing sources as of March 31, 2022 were \$253,688,355. This was \$5,458,657 (+2.2%) more than this time last year.

### **Highlights:**

- **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 \$1,801,286 (+265.2%) compared to this time last year. This variance is the result of the following:

- \$728,761 increase in tuition-based programs such as the foreign exchange program and tuition-based preschool
  - \$343,745 increase in revenue from the sale of goods & supplies
  - \$294,149 increase in revenue collected from the usage of district facilities as well as rentals & leases
  - \$227,696 increase in revenue collected from timber sale
  - \$177,911 increase in unassigned local support
  - 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 increased \$157,849 (+0.1%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue increased \$463,638 from last year at this time
- 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 \$2,632,083 (+6.5%) compared to this time last year. This variance was the result of the following:

- \$3,073,889 increase in Transportation Operations revenue
- \$589,625 decrease in Learning Assistance funding
- \$136,817 increase in Nutrition Services revenue
- The remaining difference is due to smaller variances in several other programs

- **Federal, general purpose** revenue includes federal general-purpose grants for ROTC – Army, Navy, Air Force and Marines as well as revenue from the distribution of federal forest fees.

Revenue in this category decreased \$364,006 (-60.9%) compared to this time last year. This variance is the result of the following:

- \$368,785 decrease in federal forest revenue
- The remaining difference is due to smaller variances in several other programs

- **Federal, special purpose** revenue is provided by the federal government to support programs for special needs students such as students with disabilities, students with limited English skills, and low income students needing help with reading and math. This category also includes funds to provide free and reduced lunch and breakfast programs for low-income students. Expenditures for programs in this category are limited to revenue received so variances from budgeted revenue should not have a negative impact on the district's budget.

Combined revenues in this category increased \$1,456,807 (+7.7%) compared to this time last year. This variance is the result of the following:

- \$4,835,489 increase in total free, reduced, and regular meal reimbursement
- \$2,765,115 decrease in targeted assistance funding provided through Elementary and Secondary School Emergency Relief Fund (ESSER) due to a timing difference in the claiming process
- \$1,438,259 decrease in Head Start funding
- \$1,277,637 increase in Title I revenues
- \$1,062,988 decrease in federal grants awarded through various other unassigned entities
- \$268,732 increase in supplemental Special Education support
- The remaining variance is due to smaller variances in several other programs

➤ **Revenue – Other Agencies** consists of funding from education service districts, other governmental entities and private foundations.

Revenue in this category decreased \$106,578 (-11.8%) compared to this time 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 March 2021</b>	<b>Percent of Total</b>	<b>Through March 2022</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Local Taxes	\$ 36,708,424	14.79%	\$ 36,730,377	14.48%	\$ 21,953
Local Non-Tax	679,105	0.27%	2,480,391	0.98%	1,801,286
State, General Purpose	148,105,411	59.66%	148,263,260	58.44%	157,849
State, Special Purpose	40,496,880	16.31%	43,128,963	17.00%	2,632,083
Federal, General Purpose	598,060	0.24%	234,054	0.09%	(364,006)
Federal, Special Purpose	18,975,430	7.64%	20,432,237	8.05%	1,456,807
Revenue - Other Districts	1,552,406	0.63%	1,504,803	0.59%	(47,603)
Revenue - Other Agencies	905,098	0.36%	798,519	0.31%	(106,579)
Revenue - Other Financing	208,884	0.08%	115,749	0.05%	(93,135)
<b>Total Revenue</b>	<b>\$ 248,229,698</b>	<b>100.00%</b>	<b>\$ 253,688,355</b>	<b>100.00%</b>	<b>\$ 5,458,657</b>

## **EXPENDITURES**

- General fund expenditures through March 31, 2022 were \$291,915,619; this was \$31,364,872 (+12.0%) 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 March 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 \$10,648,483 (+8.4%) from this time last year. This variance was the result of the following:

- \$8,647,780 increase in regular salaries due to negotiated salary increases, including +5.0% increase for teachers
- \$1,564,805 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 \$7,068,627 (+17.6%) from this time last year. This variance was the result of the following:

- \$5,168,122 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
- \$1,846,404 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 \$2,054,351 (+3.2%) 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 \$2,625,055 (+31.0%) compared to this time last year. This variance was the result of the following:

- \$2,664,542 increase in general district-wide supplies including new and replacement athletic & ASB equipment
- \$894,591 decrease in textbooks & materials including the purchase of new math and literacy curriculum in 2020-21
- \$769,750 increase in total district-wide food costs
- \$592,673 decrease in purchases made in response to COVID-19 and the shift to remote learning last year including laptop purchases for student distribution
- \$422,479 increase in fuel charges
- \$255,709 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 \$7,961,374 (+40.0%) compared to this time last year. This variance was the result of the following:

- \$4,335,733 increase 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
- \$1,455,128 increase in various district-wide contracted services
- \$1,181,494 increase in district-wide utility payments
- \$820,116 increase in communication services including online subscription components of the new math and literacy curriculums
- 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 \$950,853 (+584.0%) compared to this time last year. This variance was the result of the following:

- \$633,861 increase in other equipment including the purchase of rotary mowers and 3D anatomy visualization and virtual dissection tables for the CTE program
- \$127,737 increase in building construction expenses
- \$95,353 increase in the purchase of vehicles including two cargo vans for the nutrition services program
- \$87,247 increase in technology related hardware 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**

<b><u>Expenditure and Other Financing Uses Comparison by Year</u></b>					
<b>Expenditure Objects</b>	<b>Through March 2021</b>	<b>Percent of Total</b>	<b>Through March 2022</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Certificated Salaries	\$ 127,108,231	48.78%	\$ 137,756,714	47.19%	\$ 10,648,483
Classified Salaries	40,276,713	15.46%	47,345,340	16.22%	7,068,627
Employee Benefits	64,585,514	24.79%	66,639,865	22.83%	2,054,351
Supplies and Materials	8,481,536	3.26%	11,106,591	3.80%	2,625,055
Contractual Services	19,882,778	7.63%	27,844,152	9.54%	7,961,374
Local Mileage & Travel	53,157	0.02%	109,286	0.04%	56,129
Capital Outlay	162,818	0.06%	1,113,671	0.38%	950,853
<b>Total Expenditures</b>	<b>\$ 260,550,748</b>	<b>100.00%</b>	<b>\$ 291,915,619</b>	<b>100.00%</b>	<b>\$ 31,364,872</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 March the district is at 3.24%. 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 March 31, 2021 and March 31, 2022. The fund balance fluctuates with both the receipt of revenues and the flow of expenditures. This yearly cycle of revenues and expenditures is considered when developing both projections for the current year and the budget for the upcoming year. The district has earmarked all available funds, not otherwise restricted, committed or assigned to be placed in the assigned to future operations category as a onetime source to help balance future operating budgets.



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**Table 4**

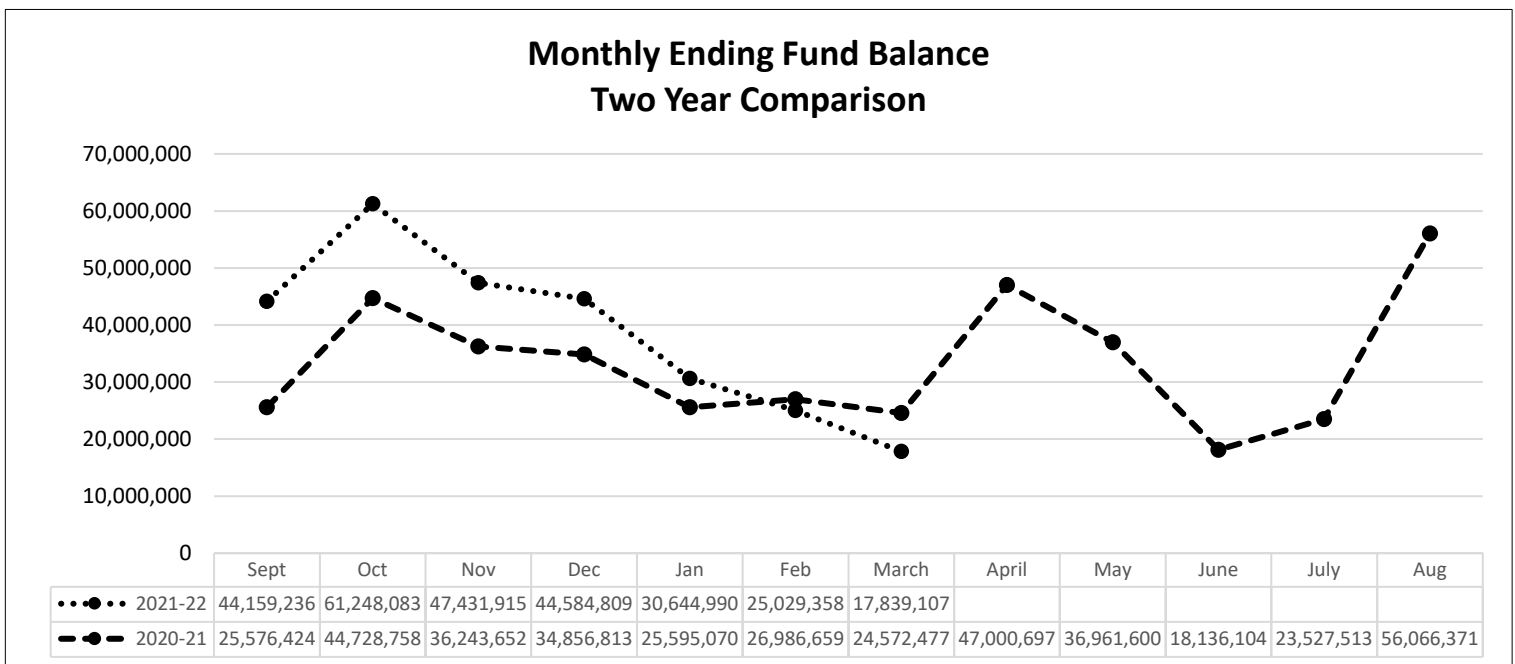
<b>Fund Balance Comparison by Year</b>					
<b>Fund Balance Descriptions for the fiscal period ended</b>	<b>March 2021</b>	<b>Percent of Revenue</b>	<b>March 2022</b>	<b>Percent of Revenue</b>	<b>Variance higher/(lower)</b>
Nonspendable - Inventory & Prepaid Items	\$ 4,837,911	1.05%	\$ 5,058,037	0.92%	\$ 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	\$ (12,157,822)	2.64%	\$ (21,483,127)	3.90%	(9,325,305)
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>\$ 5,570,058</b>	<b>1.21%</b>	<b>\$ (305,801)</b>	<b>0.06%</b>	<b>\$ (9,325,305)</b>
<b>Total Fund Balance</b>	<b>\$ 24,572,477</b>	<b>5.33%</b>	<b>\$ 17,839,107</b>	<b>3.24%</b>	<b>\$ (6,733,370)</b>
<b>Revenue less other financing</b>	<b>\$ 461,049,431</b>	<b>*</b>	<b>\$ 550,909,806</b>	<b>**</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 March, total cash on hand was \$40,856,527 and daily expenditures amounted to \$1,428,158 per day which when used in the formula [cash on hand / daily expenditures] equates to 28.61 days of cash on hand.

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

**Table 6**

<b><u>Cash Balance Comparison by Year</u></b>				
	<b>March 2021</b>	<b>March 2022</b>	<b>Variance higher/(lower)</b>	
230 - Cash with Key Bank	\$ (143,478)	\$ 584,673	\$ 728,151	
240 - Cash with Treasurer	3,651,964	18,899,445	15,247,481	
241 - Warrants Outstanding	(148,911)	(970,427)	(821,516)	
45x - Investments	39,165,732	22,342,837	(16,822,896)	
<b>Total Cash on Hand</b>	<b>\$ 42,525,307</b>	<b>\$ 40,856,527</b>	<b>\$ (1,668,779)</b>	
<b>Avg Daily Balance</b>	<b>\$ 1,371,784</b>	<b>\$ 1,317,952</b>	<b>\$ (53,832)</b>	
<b>Days Cash on Hand</b>	<b>35.28</b>	<b>28.61</b>	<b>(6.67)</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 March 2022. The projected annual adjusted average is currently 911 FTE less than the budgeted average.

**Table 7**

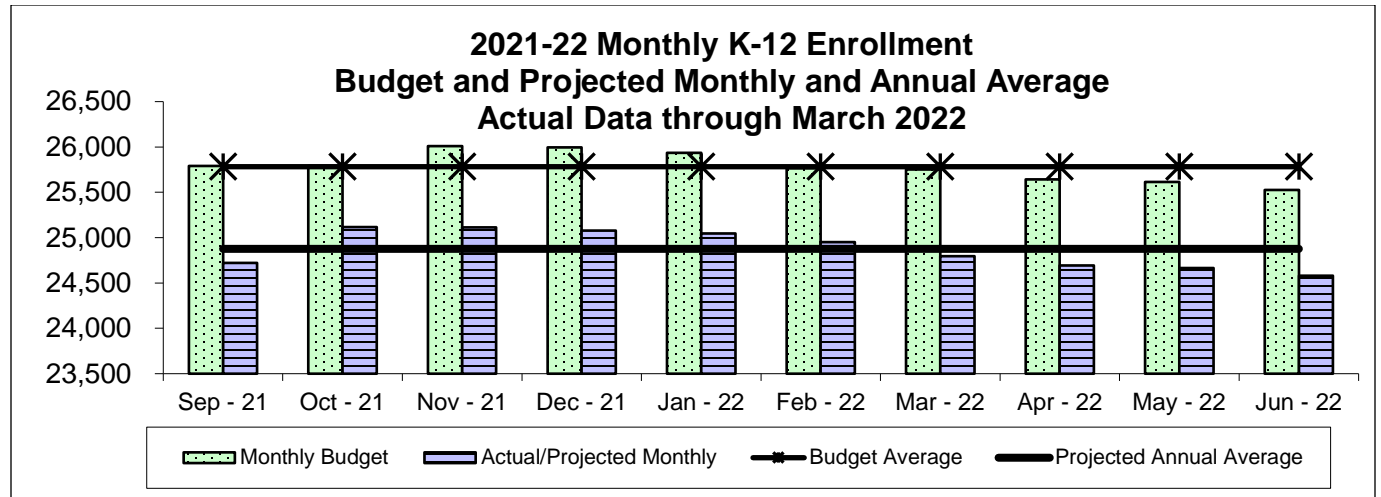
<b>Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment</b>				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 21	25,791	24,723	(1,068)
	* Oct - 21	25,791	25,118	(673)
	* Nov - 21	26,008	25,113	(895)
	* Dec - 21	25,997	25,077	(920)
	* Jan - 22	25,936	25,047	(889)
	* Feb - 22	25,766	24,952	(814)
	* Mar - 22	25,752	24,796	(956)
	Apr - 22	25,643	24,693	(950)
	May - 22	25,614	24,666	(948)
	Jun - 22	25,525	24,580	(945)
<b>Average</b>		25,782	24,877	(906)
Running Start		411	409	(3)
TCC Fresh Start		152	97	(55)
Reengagement		198	135	(63)
Goodwill		24	9	(15)
Alternative Learning Experience		1,414	1,545	131
<b>Adjusted Average</b>		27,982	27,071	(911)
<b>Actual data through March 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 701 FTE;
- Middle schools (grades 6-8) decreased by 614 FTE;
- High schools (grades 9-12) decreased by 233 FTE;
- Running Start (college level courses) decreased by 21 FTE;
- TCC Fresh Start decreased by 35 FTE;
- Reengagement Center increased by 7 FTE;
- Goodwill increased by 0 FTE;
- ALE (Alternative Learning Experience) increased by 1,545 FTE

The combined variances result in an average decrease of 53 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	1,992	57	(184)
Grade 1	2,090	2,150	1,915	(175)	(235)
Grade 2	2,110	2,127	1,946	(164)	(181)
Grade 3	2,010	1,941	1,990	(20)	49
Grade 4	2,079	1,905	1,890	(189)	(15)
Grade 5	2,124	1,917	1,914	(210)	(3)
<b>Elementary</b>	<b>12,348</b>	<b>12,216</b>	<b>11,647</b>	<b>(701)</b>	<b>(569)</b>
Grade 6	2,086	1,984	1,934	(152)	(51)
Grade 7	2,196	2,015	1,925	(271)	(90)
Grade 8	2,242	2,090	2,050	(192)	(40)
<b>Middle School</b>	<b>6,523</b>	<b>6,089</b>	<b>5,909</b>	<b>(614)</b>	<b>(180)</b>
Grade 9	2,130	2,218	2,164	34	(54)
Grade 10	2,032	2,006	1,975	(56)	(30)
Grade 11	1,841	1,683	1,657	(184)	(26)
Grade 12	1,550	1,569	1,524	(27)	(46)
<b>High School</b>	<b>7,553</b>	<b>7,477</b>	<b>7,321</b>	<b>(233)</b>	<b>(156)</b>
Running Start	430	411	409	(21)	(3)
TCC Fresh Start **	132	152	97	(35)	(55)
Reengagement Center **	128	198	135	7	(63)
Goodwill **	8	24	9	0	(15)
Alternative Learning Experience	0	1,414	1,545	1,545	131
<b>Grand Total *</b>	<b>27,123</b>	<b>27,982</b>	<b>27,071</b>	<b>(53)</b>	<b>(911)</b>
Actual data through March 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	5,175
Salaries - Certificated Employees - 2XXX	1,444,375
Salaries - Classified Employees - 3XXX	855,489
Benefits and Payroll Taxes - 4XXX	789,426
Supplies, Instructional Resources - 5XXX	1,553,901
Purchased Services - 7XXX	1,157,734
Travel - 8XXX	-
Capital Outlay - 9XXX	179,534
<b>Totals by Object</b>	<b>\$5,985,634</b>

*Expenditures are from September 1 - March 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.