

Date: October 3, 2022
 To: Board of Directors
 From: Rosalind Medina, Chief Financial Officer *Rosalind Medina*
 Subject: April 2022 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through April 30, 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 April 30 for fiscal years 2020-21 and 2021-22.

Table 1

General Fund Comparison for the fiscal period ended	April 30, 2021	April 30, 2022	Variance Higher/(lower)
Beginning Fund Balance	\$ 36,893,527	\$ 56,066,371	\$ 19,172,845
Revenue	310,728,757	322,339,155	11,610,398
Other Financing Sources	231,576	115,749	(115,828)
Total Resources Available	347,853,860	378,521,275	30,667,415
Expenditures	300,853,163	335,200,226	34,347,062
Other Financing Uses	-	-	-
Total Use of Resources	300,853,163	335,200,226	34,347,062
Ending Fund Balance	\$ 47,000,697	\$ 43,321,049	\$ (3,679,649)

REVENUES

- General fund revenues and other financing sources as of April 30, 2022 were \$322,454,903. This was \$11,494,570 (+3.7%) 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 \$123,891 (+0.2%) 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 \$1,816,735 (+197.3%) compared to this time last year. This variance is the result of the following:

- \$772,082 increase in tuition-based programs such as the foreign exchange program and tuition-based preschool
 - \$350,940 increase in revenue collected from the usage of district facilities as well as rentals & leases
 - \$282,965 increase in revenue from the sale of goods & supplies
 - \$227,696 increase in revenue collected from timber sale
 - \$115,815 increase in unassigned local support
 - \$110,136 increase in various 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 increased \$347,692 (+0.2%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue increased \$653,481 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 \$3,910,546 (+8.5%) compared to this time last year. This variance was the result of the following:

- \$4,359,843 increase in Transportation Operations revenue
- \$626,899 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 \$384,083 (-57.6%) compared to this time last year. This variance was the result of the following:

- \$365,145 decrease in revenue collected from federal forests
- 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 \$5,756,708 (+24.2%) compared to this time last year. This variance was the result of the following:

- \$4,911,875 increase in total free, reduced, and regular meal reimbursement
- \$1,446,211 increase in Title I revenues
- \$755,172 decrease in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding
- \$312,356 increase in supplemental Special Education funding
- The remaining variance is due to smaller variances in several other programs

➤ **Revenue – Other Financing Sources** includes revenue from the sale of equipment and the transfer of revenues from other funds..

Revenue in this category decreased \$115,827 (-50.0%) compared to this time last year. This is due to a decrease in funds collected from the sale of district equipment.

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

Table 2

Revenue and Other Financing Sources Comparison by Year					
Revenue Source	Through April 2021	Percent of Total	Through April 2022	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 65,781,620	21.15%	\$ 65,905,511	20.44%	\$ 123,891
Local Non-Tax	921,044	0.30%	2,737,779	0.85%	1,816,735
State, General Purpose	170,902,660	54.96%	171,250,352	53.11%	347,692
State, Special Purpose	46,072,013	14.82%	49,982,559	15.50%	3,910,546
Federal, General Purpose	666,972	0.21%	282,889	0.09%	(384,083)
Federal, Special Purpose	23,799,720	7.65%	29,556,428	9.17%	5,756,708
Revenue - Other Districts	1,560,959	0.50%	1,512,532	0.47%	(48,427)
Revenue - Other Agencies	1,023,768	0.33%	1,111,105	0.34%	87,337
Revenue - Other Financing	231,576	0.07%	115,749	0.04%	(115,827)
Total Revenue	\$ 310,960,334	100.00%	\$ 322,454,903	100.00%	\$ 11,494,570

EXPENDITURES

- General fund expenditures through April 30, 2022 were \$335,200,226; this was \$34,347,062 (+11.4%) 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 \$11,865,366 (+8.2%) from this time last year. This variance was the result of the following:

- \$9,789,207 increase in regular salaries due to negotiated salary increases, including +5.0% increase for teachers
- \$1,652,457 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 \$8,287,726 (+17.9%) from this time last year. This variance was the result of the following:

- \$6,201,059 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
- \$2,056,486 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 \$2,195,271 (+3.0%) 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 \$3,098,434 (+33.7%) compared to this time last year. This variance was the result of the following:

- \$2,870,355 increase in general district-wide supplies including new and replacement athletic & ASB equipment
- \$896,602 decrease in textbooks & materials including the purchase of new math and literacy curriculum in 2020-21
- \$781,739 increase in total district-wide food costs
- \$543,316 increase in fuel charges
- \$458,920 decrease in purchases made in response to COVID-19 and the shift to remote learning last year including laptop purchases for student distribution
- \$258,547 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 \$7,631,485 (+30.2%) compared to this time last year. This variance was the result of the following:

- \$4,485,882 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
- \$1,575,565 increase in various district-wide contracted services
- \$921,299 increase in district-wide utility payments
- \$721,178 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 \$1,174,240 (+499.2%) compared to this time last year. This variance was the result of the following:

- \$816,461 increase in other equipment including the purchase of rotary mowers and 3D anatomy visualization and virtual dissection tables for the CTE program
- \$192,493 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

<u>Expenditure and Other Financing Uses Comparison by Year</u>					
Expenditure Objects	Through April 2021	Percent of Total	Through April 2022	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 145,618,755	48.40%	\$ 157,484,121	46.98%	\$ 11,865,366
Classified Salaries	46,218,087	15.36%	54,505,813	16.26%	8,287,726
Employee Benefits	74,277,539	24.69%	76,472,810	22.81%	2,195,271
Supplies and Materials	9,183,976	3.05%	12,282,410	3.66%	3,098,434
Contractual Services	25,259,579	8.40%	32,891,064	9.81%	7,631,485
Local Mileage & Travel	59,978	0.02%	154,518	0.05%	94,540
Capital Outlay	235,249	0.08%	1,409,489	0.42%	1,174,240
Total Expenditures	\$ 300,853,163	100.00%	\$ 335,200,226	100.00%	\$ 34,347,062

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 April the district is at 7.86%. 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 April 30, 2021 and April 30, 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.

Table 4

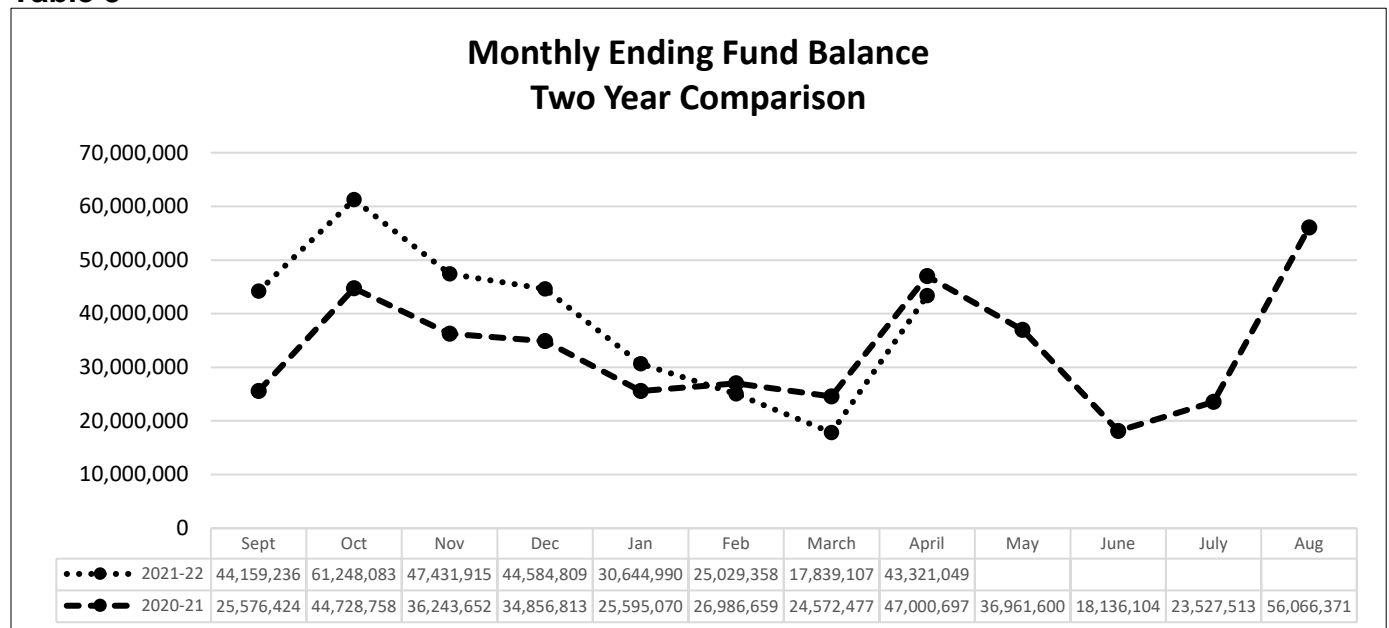
<u>Fund Balance Comparison by Year</u>					
Fund Balance Descriptions for the fiscal period ended	April 2021	Percent of Revenue	April 2022	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items Committed to Debt and Fiscal Management	\$ 4,837,911	1.05%	\$ 5,058,037	0.92%	\$ 220,126
Committed to Encumbrances	-	0.00%	-	0.00%	-
Committed to Contingencies	1,104,130	0.24%	310,128	0.06%	(794,002)
	1,000,000	0.22%	1,000,000	0.18%	-
Total Debt & Fiscal Management Fund Balance	\$ 6,942,041	1.51%	\$ 6,368,165	1.16%	\$ (573,877)
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)
Restricted or Assigned Fund Balance	\$ 12,060,378	2.62%	\$ 11,776,744	2.14%	\$ (283,635)
Total Nonspendable, Restricted, Committed and Assigned Fund Balance	\$ 19,002,419	4.12%	\$ 18,144,908	3.29%	\$ (857,512)
Unassigned Fund Balance	\$ 10,270,397	2.23%	\$ 3,998,815	0.73%	(6,271,582)
Unassigned for Minimum FB Policy	\$ 17,727,880	3.85%	\$ 21,177,326	3.84%	3,449,446
Total Unassigned Fund Balance	\$ 27,998,277	6.07%	\$ 25,176,141	4.57%	\$ (6,271,582)
Total Fund Balance	\$ 47,000,696	10.19%	\$ 43,321,049	7.86%	\$ (3,679,647)
Revenue less other financing	\$ 461,049,431	*	\$ 550,909,806	**	

*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 April, total cash on hand was \$70,276,079 and daily expenditures amounted to \$1,442,820 per day which when used in the formula [cash on hand / daily expenditures] equates to 48.71 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

<u>Cash Balance Comparison by Year</u>				
		April 2021	April 2022	Variance higher/(lower)
230 - Cash with Key Bank	\$	5,658	\$ 813,747	\$ 808,089
240 - Cash with Treasurer		30,091,559	29,937,690	(153,869)
241 - Warrants Outstanding		(998,279)	(443,310)	554,969
45x - Investments		40,122,648	39,967,953	(154,695)
Total Cash on Hand	\$	69,221,586	\$ 70,276,079	\$ 1,054,493
Avg Daily Balance	\$	2,307,386	\$ 2,342,536	\$ 35,150
Days Cash on Hand		51.53	48.71	(2.82)

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 April 2022. The projected annual adjusted average is currently 880 FTE less than the budgeted average.

Table 7

Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 21	25,791	24,723	(1,068)
	* Oct - 21	25,791	25,118	(673)
	* Nov - 21	26,008	25,112	(896)
	* Dec - 21	25,997	25,076	(921)
	* Jan - 22	25,936	25,046	(890)
	* Feb - 22	25,766	24,951	(815)
	* Mar - 22	25,752	24,806	(946)
	* Apr - 22	25,643	24,699	(944)
	May - 22	25,614	24,672	(942)
	Jun - 22	25,525	24,586	(939)
Average		25,782	24,879	(903)
Running Start		411	405	(6)
TCC Fresh Start		152	101	(52)
Reengagement		198	144	(54)
Goodwill		24	9	(15)
Alternative Learning Experience		1,414	1,564	150
Adjusted Average		27,982	27,101	(881)
Actual data through April 2022				

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

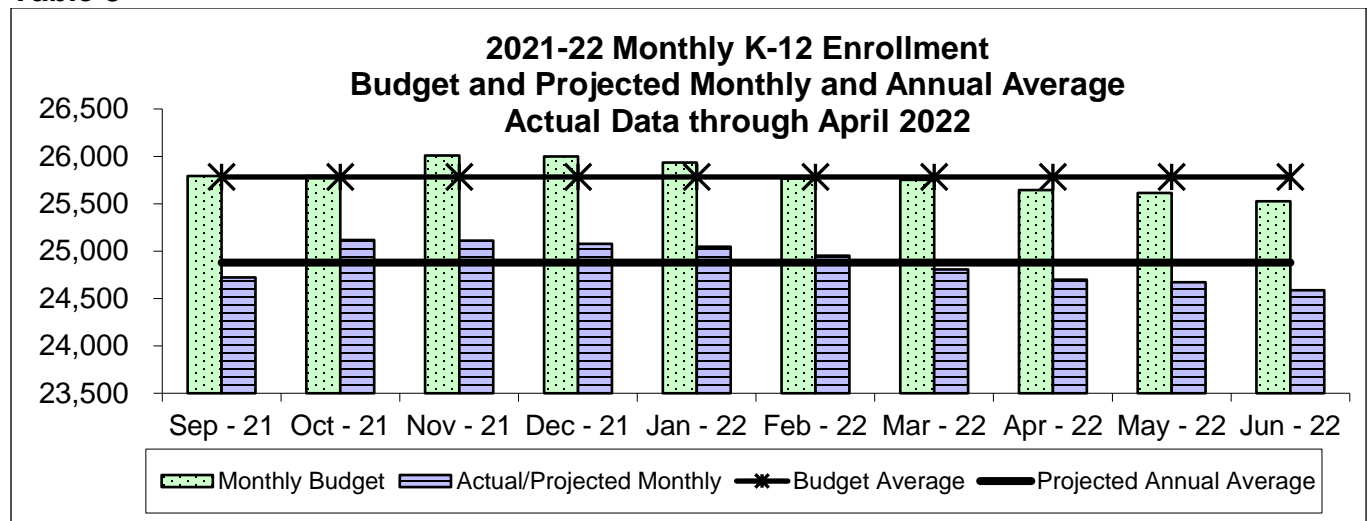


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2020-21 and 2021-22, and the variance between projected and budgeted average FTE for 2021-22.

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 690 FTE;
- Middle schools (grades 6-8) decreased by 618 FTE;
- High schools (grades 9-12) decreased by 238 FTE;
- Running Start (college level courses) decreased by 25 FTE;
- TCC Fresh Start decreased by 31 FTE;
- Reengagement Center increased by 15 FTE;
- Goodwill increased by 1 FTE;
- ALE (Alternative Learning Experience) increased by 1,564 FTE

The combined variances result in an average decrease of 22 student FTE from the previous year.

Table 9

K-12 Annual Average FTE Enrollment Two Year Comparison					
	(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	1,996	62	(180)
Grade 1	2,090	2,150	1,916	(174)	(234)
Grade 2	2,110	2,127	1,947	(163)	(181)
Grade 3	2,010	1,941	1,995	(15)	54
Grade 4	2,079	1,905	1,891	(188)	(14)
Grade 5	2,124	1,917	1,913	(211)	(3)
Elementary	12,348	12,216	11,658	(690)	(558)
Grade 6	2,086	1,984	1,932	(154)	(53)
Grade 7	2,196	2,015	1,927	(269)	(88)
Grade 8	2,242	2,090	2,046	(195)	(43)
Middle School	6,523	6,089	5,905	(618)	(184)
Grade 9	2,130	2,218	2,160	30	(59)
Grade 10	2,032	2,006	1,978	(54)	(28)
Grade 11	1,841	1,683	1,650	(191)	(33)
Grade 12	1,550	1,569	1,528	(23)	(42)
High School	7,553	7,477	7,315	(238)	(162)
Running Start	430	411	405	(25)	(6)
TCC Fresh Start **	132	152	101	(31)	(52)
Reengagement Center **	128	198	144	15	(55)
Goodwill **	8	24	9	1	(15)
Alternative Learning Experience	0	1,414	1,564	1,564	149
Grand Total *	27,123	27,982	27,101	(22)	(880)
Actual data through April 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

Expenditures by Object	Amount of Expenditures
Debit/Credit - 0XXX/1XXX	5,175
Salaries - Certificated Employees - 2XXX	1,686,065
Salaries - Classified Employees - 3XXX	1,048,016
Benefits and Payroll Taxes - 4XXX	957,021
Supplies, Instructional Resources - 5XXX	1,710,741
Purchased Services - 7XXX	2,544,528
Travel - 8XXX	0
Capital Outlay - 9XXX	244,290
Totals by Object	\$8,195,837

Expenditures are from September 1 - April 30

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.