

Date: November 28, 2022

To: Board of Directors

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

Subject: July 2022 Unaudited Financial Report

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

Table 1

General Fund Comparison for the fiscal period ended	July 31, 2021	July 31, 2022	Variance Higher/(lower)
Beginning Fund Balance	\$ 36,893,527	\$ 56,066,371	\$ 19,172,845
Revenue	408,584,119	442,268,927	33,684,808
Other Financing Sources	260,491	232,946	(27,546)
Total Resources Available	445,738,137	498,568,244	52,830,107
Expenditures	422,210,624	465,670,691	43,460,068
Other Financing Uses	-	-	-
Total Use of Resources	422,210,624	465,670,691	43,460,068
Ending Fund Balance	\$ 23,527,513	\$ 32,897,552	\$ 9,370,038

REVENUES

- General fund revenues and other financing sources as of July 31, 2022 were \$442,501,872. This was \$33,657,262 (+8.2%) 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 \$1,269,156 (+1.8%) 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 \$2,627,440 (+212.2%) compared to this time last year. This variance is the result of the following:

- \$827,010 increase in tuition-based programs such as the foreign exchange program and tuition-based preschool
 - \$537,407 increase in unassigned local support
 - \$469,957 increase in revenue collected from the usage of district facilities as well as rentals & leases
 - \$383,264 increase in revenue from the sale of goods & supplies
 - \$227,696 increase in revenue collected from timber sale
 - \$130,590 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 \$871,863 (+0.4%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue increased \$1,177,651 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 \$3,485,052 (+5.1%) compared to this time last year. This variance was the result of the following:

- \$3,311,358 increase in Transportation Operations revenue
- \$372,741 decrease in Learning Assistance funding
- \$298,395 increase in Special Education funding
- \$174,493 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 \$395,390 (-51.8%) 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 \$25,234,265 (+75.6%) compared to this time last year. This variance was the result of the following:

- \$15,200,894 increase in revenue associated with relief for the COVID-19 pandemic (Elementary and Secondary School Emergency Relief Fund [ESSER], Coronavirus Aid, Relief, and Economic Security Act [CARES] and State And Local Fiscal Recovery Fund [SLFRF])
- \$7,687,738 increase in total free, reduced, and regular meal reimbursement
- \$2,020,814 increase in Title I revenues
- \$755,172 decrease in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding
- \$524,150 increase in supplemental Special Education funding
- 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 increased \$605,746 (+37.7%) compared to this time last year. This is due to a increase in funds collected from private foundations.

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 July 2021	Percent of Total	Through July 2022	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 71,977,689	17.61%	\$ 73,246,845	16.55%	\$ 1,269,156
Local Non-Tax	1,235,387	0.30%	3,862,827	0.87%	2,627,440
State, General Purpose	230,294,079	56.33%	231,165,942	52.24%	871,863
State, Special Purpose	67,758,166	16.57%	71,243,218	16.10%	3,485,052
Federal, General Purpose	763,720	0.19%	368,330	0.08%	(395,390)
Federal, Special Purpose	33,396,813	8.17%	58,631,078	13.25%	25,234,265
Revenue - Other Districts	1,552,812	0.38%	1,539,488	0.35%	(13,324)
Revenue - Other Agencies	1,605,453	0.39%	2,211,199	0.50%	605,746
Revenue - Other Financing	260,491	0.06%	232,946	0.05%	(27,545)
Total Revenue	\$ 408,844,610	100.00%	\$ 442,501,872	100.00%	\$ 33,657,262

EXPENDITURES

- General fund expenditures through July 31, 2022 were \$465,670,691; this was \$43,460,068 (+10.3%) 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 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 \$16,819,485 (+8.2%) from this time last year. This variance was the result of the following:

- \$14,027,034 increase in regular salaries due to negotiated salary increases, including +5.0% increase for teachers
- \$1,799,624 increase in salaries paid to certificated employees for work performed outside their normal work period or assignment
- \$1,573,190 increase in certificated substitutes
- 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 \$11,134,293 (+17.3%) from this time last year. This variance was the result of the following:

- \$8,805,421 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
- \$2,252,542 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 \$3,205,524 (+3.1%) 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 \$4,584,669 (+38.1%) compared to this time last year. This variance was the result of the following:

- \$2,608,934 increase in general district-wide supplies including new and replacement athletic & ASB equipment
 - \$2,207,162 increase in total district-wide food costs
 - \$1,136,803 decrease in textbooks & materials including the purchase of new math and literacy curriculum in 2020-21
 - \$628,763 increase in fuel charges
 - The remaining variance 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 \$4,316,054 (+11.9%) compared to this time last year. This variance was the result of the following:

- \$4,213,993 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
- \$708,496 decrease in various district-wide contracted services
- \$477,295 increase in district-wide utility payments
- \$183,282 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 \$3,260,118 (+1,149.5%) compared to this time last year. This variance was the result of the following:

- \$2,321,678 increase in building construction expenses
- \$815,598 increase in equipment including the purchase of rotary mowers and 3D anatomy visualization and virtual dissection tables for the CTE program
- \$120,301 increase in the purchase of vehicles including two cargo vans for the nutrition services program
- 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 July 2021	Percent of Total	Through July 2022	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 205,445,121	48.66%	\$ 222,264,606	47.73%	\$ 16,819,485
Classified Salaries	64,339,707	15.24%	75,474,000	16.21%	11,134,293
Employee Benefits	103,590,435	24.54%	106,795,959	22.93%	3,205,524
Supplies and Materials	12,025,599	2.85%	16,610,268	3.57%	4,584,669
Contractual Services	36,422,038	8.63%	40,738,092	8.75%	4,316,054
Local Mileage & Travel	104,104	0.02%	244,030	0.05%	139,926
Capital Outlay	283,619	0.07%	3,543,737	0.76%	3,260,118
Total Expenditures	\$ 422,210,624	100.00%	\$ 465,670,691	100.00%	\$ 43,460,068

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 July the district is at 5.97%. 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 July 31, 2021 and July 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.

Memo to Board of Directors
Subject: July 2022 Unaudited Financial Report
November 28, 2022
Page 9

Table 4

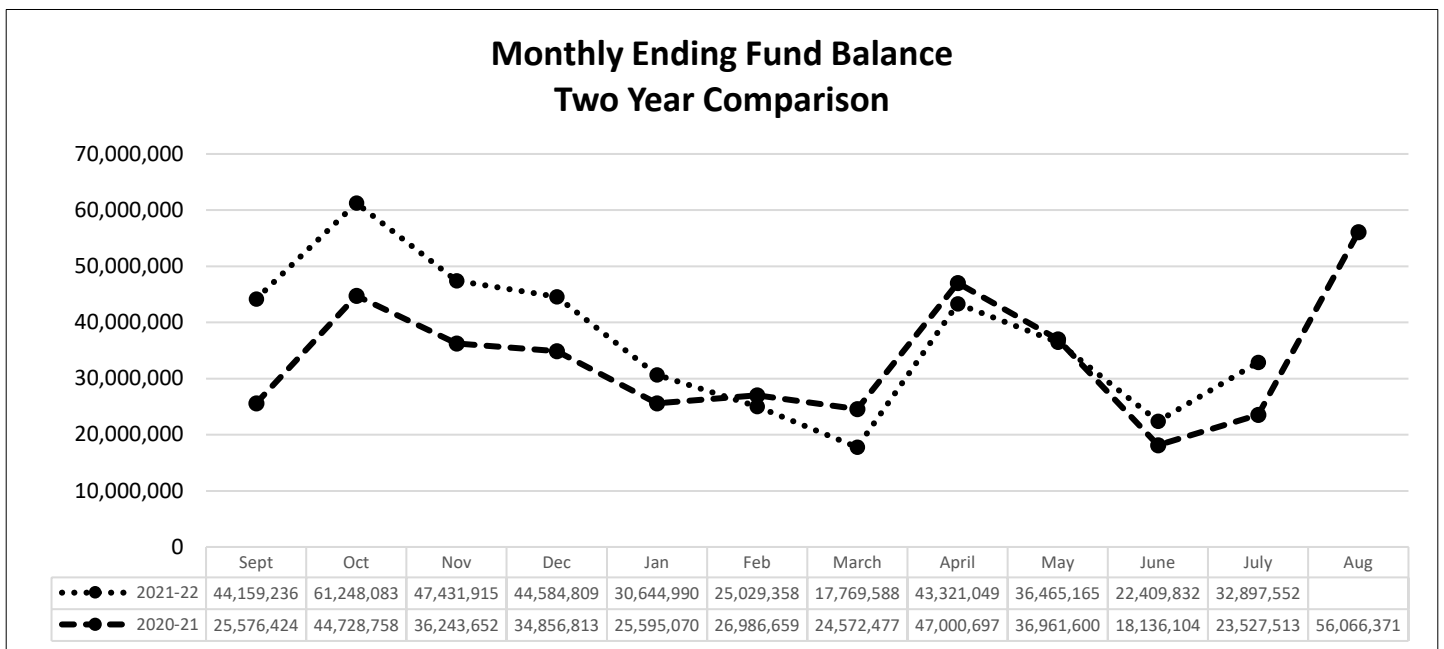
Fund Balance Comparison by Year					
Fund Balance Descriptions for the fiscal period ended	July 2021	Percent of Revenue	July 2022	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,837,911	1.05%	\$ 5,058,037	0.92%	\$ 220,126
Committed to Debt and Fiscal Management	-	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%	-
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	\$ (13,202,786)	-2.86%	\$ (6,424,682)	1.17%	6,778,104
Unassigned for Minimum FB Policy	\$ 17,727,880	3.85%	\$ 21,177,326	3.84%	3,449,446
Total Unassigned Fund Balance	\$ 4,525,094	0.98%	\$ 14,752,644	2.68%	\$ 6,778,104
Total Fund Balance	\$ 23,527,513	5.10%	\$ 32,897,552	5.97%	\$ 9,370,039
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 July, total cash on hand was \$53,081,307 and daily expenditures amounted to \$1,379,648 per day which when used in the formula [cash on hand / daily expenditures] equates to 38.47 days of cash on hand.

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

Table 6

<u>Cash Balance Comparison by Year</u>				
	July 2021	July 2022	Variance higher/(lower)	
230 - Cash with Key Bank	\$ 91,097	\$ (179,740)	\$ (270,838)	
240 - Cash with Treasurer	1,867,616	714,856	(1,152,760)	
241 - Warrants Outstanding	(1,593,227)	(464,079)	1,129,148	
45x - Investments	44,115,123	53,010,270	8,895,147	
Total Cash on Hand	\$ 44,480,609	\$ 53,081,307	\$ 8,600,698	
Avg Daily Balance	\$ 1,434,858	\$ 1,712,300	\$ 277,442	
Days Cash on Hand	33.12	38.47	5.36	

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 July 2022. The projected annual adjusted average is currently 879 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	24,725	(1,066)
	* Oct - 21	25,791	25,117	(674)
	* Nov - 21	26,008	25,104	(904)
	* Dec - 21	25,997	25,076	(921)
	* Jan - 22	25,936	25,040	(896)
	* Feb - 22	25,766	24,954	(812)
	* Mar - 22	25,752	24,793	(959)
	* Apr - 22	25,643	24,698	(945)
	* May - 22	25,614	24,663	(951)
	* Jun - 22	25,525	24,569	(956)
	Average	25,782	24,874	(908)
	Running Start	411	402	(10)
	TCC Fresh Start	152	101	(51)
	Reengagement	198	150	(48)
	Goodwill	24	8	(16)
	Alternative Learning Experience	1,414	1,567	153
	Adjusted Average	27,982	27,103	(879)
Actual data through July 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

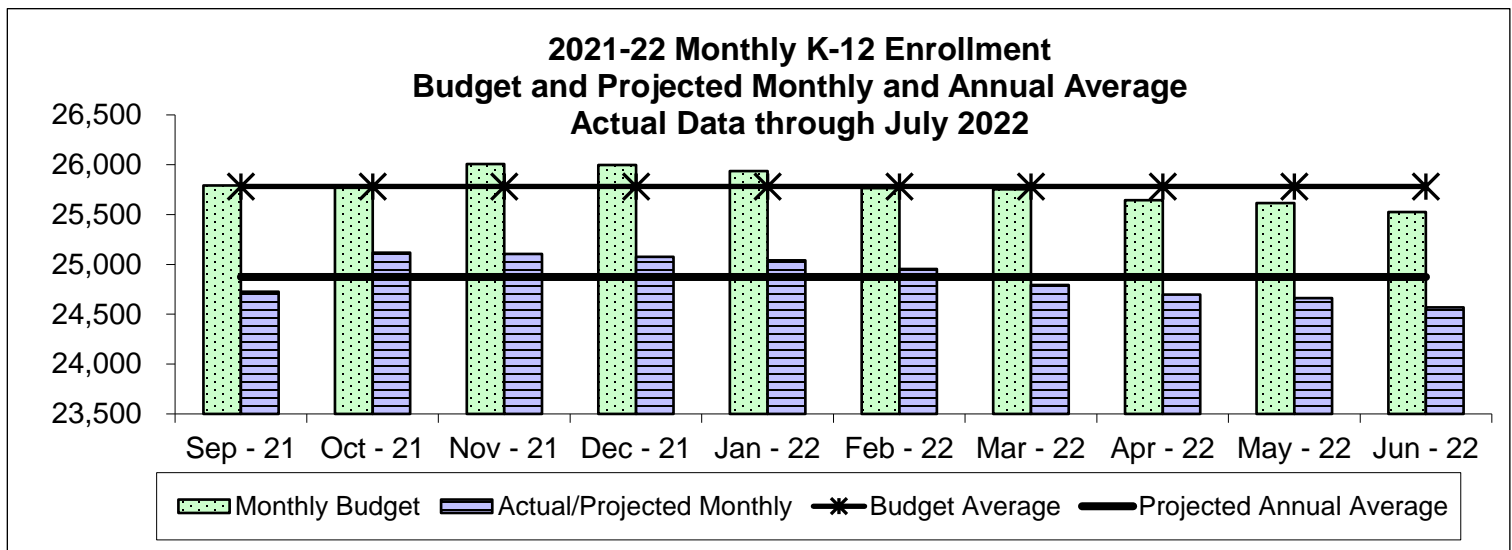


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2020-21 and 2021-22, and the variance between projected and budgeted average FTE for 2021-22.

Memo to Board of Directors
Subject: July 2022 Unaudited Financial Report
November 28, 2022
Page 14

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 696 FTE;
- Middle schools (grades 6-8) decreased by 621 FTE;
- High schools (grades 9-12) decreased by 235 FTE;
- Running Start (college level courses) decreased by 28 FTE;
- TCC Fresh Start decreased by 30 FTE;
- Reengagement Center increased by 22 FTE;
- Goodwill did not change;
- ALE (Alternative Learning Experience) increased by 1,567 FTE

The combined variances result in an average decrease of 21 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	61	(181)
Grade 1	2,090	2,150	1,914	(176)	(236)
Grade 2	2,110	2,127	1,947	(163)	(181)
Grade 3	2,010	1,941	1,992	(18)	52
Grade 4	2,079	1,905	1,893	(187)	(13)
Grade 5	2,124	1,917	1,912	(212)	(5)
Elementary	12,348	12,216	11,653	(696)	(564)
Grade 6	2,086	1,984	1,931	(154)	(53)
Grade 7	2,196	2,015	1,925	(271)	(90)
Grade 8	2,242	2,090	2,047	(195)	(43)
Middle School	6,523	6,089	5,903	(621)	(186)
Grade 9	2,130	2,218	2,158	28	(61)
Grade 10	2,032	2,006	1,977	(54)	(28)
Grade 11	1,841	1,683	1,652	(189)	(32)
Grade 12	1,550	1,569	1,531	(19)	(38)
High School	7,553	7,477	7,319	(235)	(158)
Running Start	430	411	402	(28)	(10)
TCC Fresh Start **	132	152	101	(30)	(51)
Reengagement Center **	128	198	150	22	(48)
Goodwill **	8	24	8	0	(15)
Alternative Learning Experience	0	1,414	1,567	1,567	153
Grand Total *	27,123	27,982	27,103	(21)	(879)
Actual data through July 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	10,656
Salaries - Certificated Employees - 2XXX	2,622,399
Salaries - Classified Employees - 3XXX	1,634,271
Benefits and Payroll Taxes - 4XXX	1,463,063
Supplies, Instructional Resources - 5XXX	2,261,323
Purchased Services - 7XXX	2,957,572
Travel - 8XXX	0
Capital Outlay - 9XXX	2,321,678
Totals by Object	\$13,270,963

Expenditures are from September 1 - July 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.