


Date: May 21, 2020  
To: Board of Directors  
From: Rosalind Medina, Chief Financial Officer   
Subject: April 2020 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through April 30, 2020. Enrollment information also includes the official state count through the month of March 2020 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 2018-19 and 2019-20.

**Table 1**

General Fund Comparison for the fiscal period ended	April 30, 2019	April 30, 2020	Variance Higher/(lower)
Beginning Fund Balance	\$ 32,969,307	\$ 39,945,306	\$ 6,975,999
Revenue	326,940,447	308,649,504	(18,290,943)
Other Financing Sources	31,390	90,568	59,178
<b>Total Resources Available</b>	<b>359,941,144</b>	<b>348,685,378</b>	<b>(11,255,766)</b>
Expenditures	303,740,273	317,877,381	14,137,108
Other Financing Uses	-	-	-
<b>Total Use of Resources</b>	<b>303,740,273</b>	<b>317,877,381</b>	<b>14,137,108</b>
Ending Fund Balance	\$ 56,200,871	\$ 30,807,997	\$ (25,392,875)

## **REVENUES**

- General fund revenues and other financing sources as of April 30, 2020 were \$308,740,072. This was \$18,231,766 (-5.6%) less 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. Due to legislative changes in the state's allocation formula, the district will only be allowed to collect a portion of that for the first half of the 2019-2020 school year. That amount increased starting in January 2020, when Tacoma Public Schools was able to begin collecting the full voter approved amount. Due to the legislative change, local tax revenues decreased \$12,163,137 (-21.1%) compared to this time last 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 decreased \$1,012,241 (-18.7%) compared to this time last year. This variance is the result of the following:

- \$455,542 decrease in investment earnings
- \$217,605 decrease from tuition collected from foreign exchange students due to less participating students as well as some students only participating for half the school year
- \$203,587 decrease in revenue from unassigned local support
- \$94,809 decrease in proceeds from the sale of supplies & services from both general and field trip fundraising
- 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. In addition to these two sources, the Legislature has included a hold-harmless provision budgeted at \$7.8 million to the Tacoma district for the 2019-20 school year. Tacoma qualified for this provision because local tax revenue, under the new funding structure for the calendar year 2019, is less than what the district would have received under prior formulas. In calendar year 2020, the district will no longer be eligible for this due to changes in the allocation calculation which allows the district to collect at the higher tax amount.

Revenue in this category decreased \$7,574,028 (-4.1%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue decreased \$4,381,371 from last year at this time. The district received a one-time hold-harmless provision of \$12 million paid in full in September of last year. Although the district is budgeted to receive \$7.8 million in hold-harmless funding in the 2019-20 school year, it will be distributed in monthly installments throughout the year.
  - LEA revenue decreased \$3,192,391 due to an increase in the assessed values in Tacoma, which no longer qualifies the district to receive LEA funding
  - The remaining difference is due to smaller variances in several other programs
- **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 \$962,623 (+1.8%) compared to this time last year. This variance was the result of the following:

- \$1,166,901 increase in Special Education revenue due to a projected increase in resident student FTE as well as an increase in the Special Education Basic Education Allocation (BEA) rate
- \$288,494 increase in Transitional Bilingual revenue
- \$247,033 decrease in Learning Assistance revenue due to a timing difference in when the funds were received

- \$235,959 decrease in revenue received from special & pilot programs
- 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 \$1,294,559 (+6.0%) compared to this time last year. This variance was the result of the following:

- \$837,356 increase in funding for the Head Start program
- \$511,649 increase in total Nutrition Services funding
- \$254,901 increase in Title I, Part A revenue which provides financial assistance to local schools with high numbers of children from low-income families
- \$194,434 decrease in school improvement support
- \$179,492 decrease in supplemental Special Education funding due to a timing difference of when funds were received compared to last year
- 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 \$255,410 (-16.4%) compared to this time last year. This variance was the result of the following:

- \$255,410 decrease in revenue from other districts for Special Education services for non-resident FTE due to a decrease in non-resident enrollment.

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

Revenue in this category increased \$431,115 (+89.4%) compared to this time last year. This variance was the result of the following:

- \$275,216 increase in grants funded by the City of Tacoma

- \$161,543 increase in revenue for the Early Childhood Education and Assistance Program (ECEAP)
- The remaining variance is due to smaller variances in several other programs

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

**Table 2**

<u>Revenue and Other Financing Sources Comparison by Year</u>						
Revenue Source	Through	Percent	Through	Percent	Variance higher/(lower)	
	April 2019	of Total	April 2020	of Total		
Local Taxes	\$ 57,794,317	17.68%	\$ 45,631,180	14.78%	\$ (12,163,137)	
Local Non-Tax	5,416,375	1.66%	4,404,134	1.43%	(1,012,241)	
State, General Purpose	187,154,015	57.24%	179,579,987	58.17%	(7,574,028)	
State, Special Purpose	52,934,623	16.19%	53,897,246	17.46%	962,623	
Federal, General Purpose	228,436	0.07%	224,012	0.07%	(4,424)	
Federal, Special Purpose	21,557,251	6.59%	22,851,810	7.40%	1,294,559	
Revenue - Other Districts	1,372,954	0.42%	1,147,544	0.37%	(225,410)	
Revenue - Other Agencies	482,476	0.15%	913,591	0.30%	431,115	
Revenue - Other Financing	31,390	0.01%	90,568	0.03%	59,178	
<b>Total Revenue</b>	<b>\$ 326,971,837</b>	<b>100.00%</b>	<b>\$ 308,740,072</b>	<b>100.00%</b>	<b>\$ (18,231,766)</b>	

**EXPENDITURES**

- General fund expenditures through April 30, 2020 were \$317,877,381; this was \$14,137,108 (+4.7%) more than this time last year.

**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 \$3,300,159 (+2.4%) from this time last year. This variance was the result of the following:

- \$2,942,542 increase in regular salaries due negotiated salary increases, including +3.0% increase for teachers
- \$848,925 increase in optional days (extra work activities, outside of the normal work day)
- \$410,677 decrease in extra work for extra pay
- 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 decreased \$304,401 (-0.6%) from this time last year. This variance was the result of the following:

- \$637,710 decrease in extra work for extra pay
- \$246,220 increase in regular salaries
- 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 \$4,873,127 (+6.8%) compared to this time last year. This variance is a result of an increase in health care and retirement rates for the 2019-20 school year as well as the implementation of the Washington State School Employees Benefits Board that occurred in January.

- **Supplies and materials** consist of expenditures for supplies, instructional materials, and equipment costing less than \$5,000.

Expenditures in this category increased \$1,624,303 (+15.6%) compared to this time last year. This variance was the result of the following:

- \$1,682,552 increase in textbooks purchased for the Curriculum & Instruction K-12 Math program
- \$858,721 decrease in supplies & materials including purchases made last year for district-wide science and health curriculum
- \$596,234 increase in software purchases, including a software component of the recent math curriculum adoption
- \$178,056 increase in subscription costs, including IT security services
- 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 \$4,773,326 (+15.7%) compared to this time last year. This variance was the result of the following:

- \$1,845,273 increase in the transportation base rate paid to First Student

- \$1,775,314 increase in total district-wide utilities
- \$1,080,144 increase in various district-wide contracted services including those used for the Special Education program
- \$382,056 increase in general liability insurance
- \$325,163 increase in contracted transportation including services provided for McKinney-Vento
- \$275,034 decrease in district-wide freight costs
- \$217,126 decrease in consulting services
- \$212,192 increase in election costs used to cover the 2020 bond measure
- 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 April 2019</b>	<b>Percent of Total</b>	<b>Through April 2020</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Certificated Salaries	\$ 139,472,378	45.92%	\$ 142,772,537	44.91%	\$ 3,300,159
Classified Salaries	50,398,717	16.59%	50,094,316	15.76%	(304,401)
Employee Benefits	72,076,374	23.73%	76,949,501	24.21%	4,873,127
Supplies and Materials	10,424,796	3.43%	12,049,099	3.79%	1,624,303
Contractual Services	30,362,241	10.00%	35,135,567	11.05%	4,773,326
Local Mileage & Travel	456,435	0.15%	393,219	0.12%	(63,216)
Capital Outlay	549,332	0.18%	483,141	0.15%	(66,191)
<b>Total Expenditures</b>	<b>\$ 303,740,273</b>	<b>100.00%</b>	<b>\$ 317,877,381</b>	<b>100.00%</b>	<b>\$ 14,137,108</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 at year-end to be 5% of budgeted general fund revenues less other financing sources, and for the month of April the district is at 6.54%. 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, 2019 and April 30, 2020. 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**

<b>Fund Balance Comparison by Year</b>					
Fund Balance Descriptions for the fiscal period ended	April 2019	Percent of Revenue	April 2020	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,294,404	0.93%	\$ 4,333,231	0.92%	\$ 38,827
Committed to Debt and Fiscal Management	-	0.00%	-	0.00%	-
Committed to Encumbrances	213,631	0.05%	207,939	0.04%	(5,692)
Committed to Contingencies	1,000,000	0.22%	1,000,000	0.21%	-
<b>Total Debt &amp; Fiscal Management Fund Balance</b>	<b>\$ 5,508,035</b>	<b>1.19%</b>	<b>\$ 5,541,170</b>	<b>1.18%</b>	<b>\$ 33,134</b>
Restricted for Carryover	\$ 1,060,151	0.23%	\$ 1,365,592	0.29%	\$ 305,440
Restricted for Debt Service	425,906	0.09%	218,832	0.05%	(207,074)
Assigned to Carryover	1,050,624	0.23%	1,754,146	0.37%	703,522
Assigned to Curriculum & Instruction	2,083,677	0.45%	3,157,779	0.67%	1,074,102
Assigned to Future Operations	7,600,551	1.65%	4,393,592	0.93%	(3,206,959)
<b>Restricted or Assigned Fund Balance</b>	<b>\$ 12,220,909</b>	<b>2.65%</b>	<b>\$ 10,889,941</b>	<b>2.31%</b>	<b>\$ (1,330,969)</b>
<b>Total Nonspendable, Restricted, Committed and Assigned Fund Balance</b>	<b>\$ 17,728,944</b>	<b>3.85%</b>	<b>\$ 16,431,110</b>	<b>3.49%</b>	<b>\$ (1,297,835)</b>
Unassigned Fund Balance	\$ 22,684,632	4.92%	\$ (3,621,523)	-0.77%	(26,306,155)
Unassigned for Minimum FB Policy	\$ 15,787,294	3.42%	\$ 17,998,409	3.82%	2,211,115
<b>Total Unassigned Fund Balance</b>	<b>\$ 38,471,927</b>	<b>8.34%</b>	<b>\$ 14,376,886</b>	<b>3.05%</b>	<b>\$ (26,306,155)</b>
<b>Total Fund Balance</b>	<b>\$ 56,200,871</b>	<b>12.19%</b>	<b>\$ 30,807,997</b>	<b>6.54%</b>	<b>\$ (25,392,874)</b>
<b>Revenue less other financing</b>	<b>\$ 461,049,431 *</b>		<b>\$ 470,791,586 **</b>		

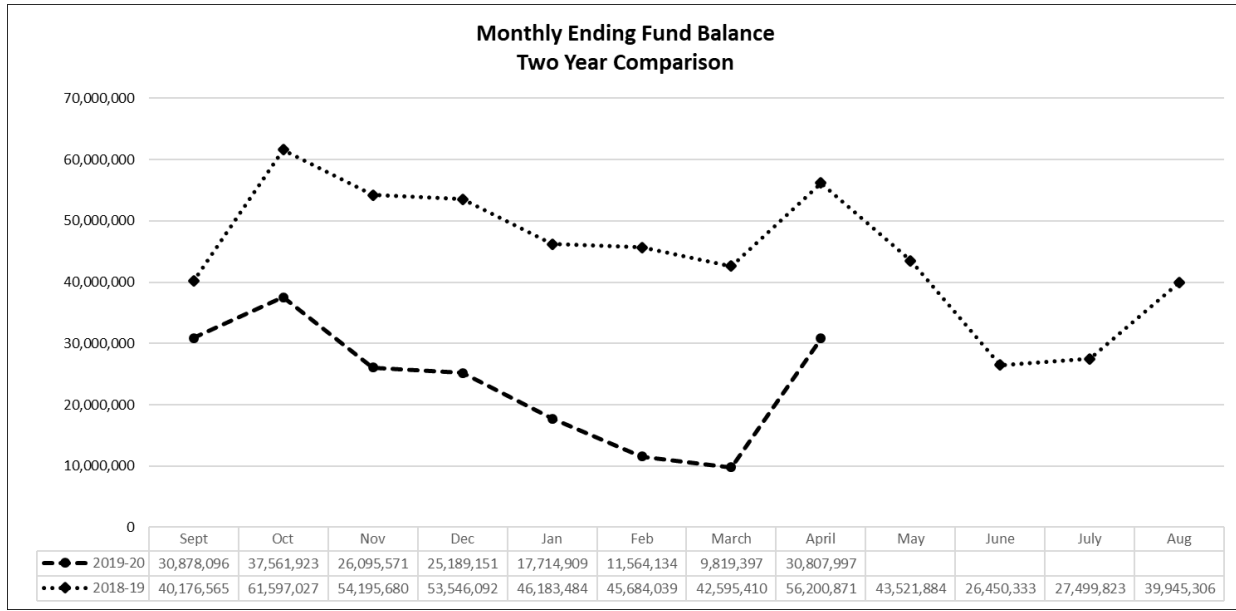
\*2018-19 total actual revenue less other financing sources as of August 31, 2019

\*\*2019-20 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 \$59,730,989 and daily expenditures amounted to \$1,275,915 per day which when used in the formula [cash on hand / daily expenditures] equates to 46.81 days of cash on hand.

**Table 6** displays a comparison of cash on hand records through the period ending April 30 for fiscal years 2018-19 and 2019-20.

**Table 6**

<b><u>Cash Balance Comparison by Year</u></b>				
	<b>April 2019</b>	<b>April 2020</b>	<b>Variance higher/(lower)</b>	
230 - Cash with Key Bank	\$ (493,766)	\$ (150,962)	\$	342,805
240 - Cash with Treasurer	18,902,461	31,637,504		12,735,043
241 - Warrants Outstanding	(3,102,129)	(1,495,083)		1,607,047
45x - Investments	59,650,656	29,739,529		(29,911,127)
<b>Total Cash on Hand</b>	<b>\$ 74,957,221</b>	<b>\$ 59,730,989</b>	<b>\$</b>	<b>(15,226,232)</b>
<b>Avg Daily Balance</b>	<b>\$ 2,498,574</b>	<b>\$ 1,991,033</b>	<b>\$</b>	<b>(507,541)</b>
<b>Days Cash on Hand</b>	<b>59.82</b>	<b>46.81</b>		<b>(13.00)</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 28,159 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 2020. Actual enrollment counts are through March 2020 and due to changes to the learning model for the remainder of the school year because of COVID-19, the remainder of the year will use projected numbers based on criteria from OSPI. The projected annual adjusted average is currently 202 FTE more than the budgeted average.

**Table 7**

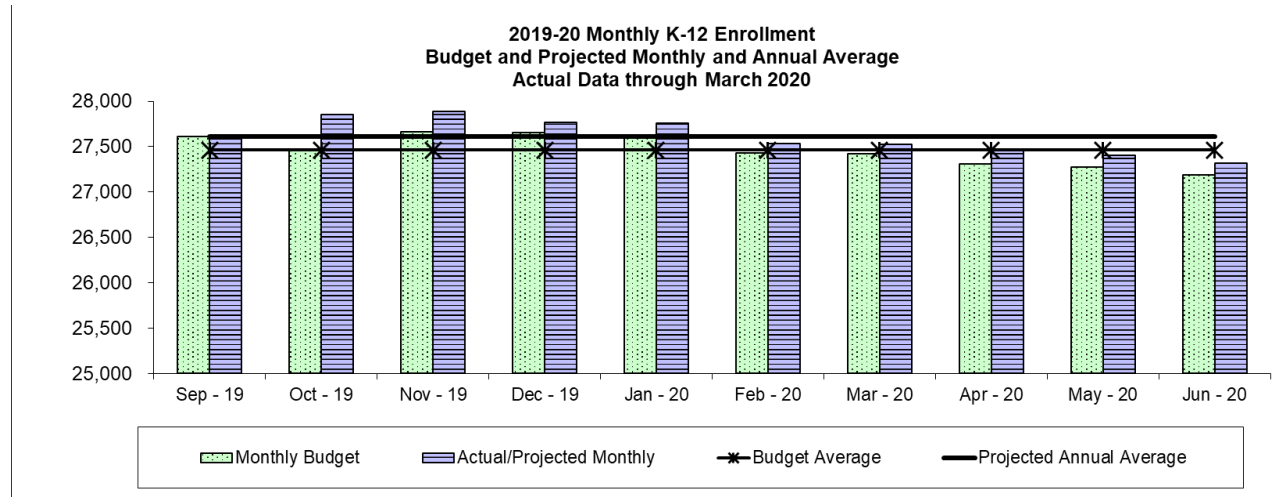
<b>Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment</b>				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 19	27,616	27,625	9
	* Oct - 19	27,462	27,850	388
	* Nov - 19	27,665	27,892	227
	* Dec - 19	27,657	27,768	111
	* Jan - 20	27,595	27,756	161
	* Feb - 20	27,430	27,538	108
	* Mar - 20	27,418	27,525	107
	Apr - 20	27,307	27,468	161
	May - 20	27,279	27,403	124
	Jun - 20	27,189	27,316	127
<b>Average</b>		27,462	27,614	152
Running Start		293	333	40
TCC Fresh Start		183	146	(36)
Reengagement		149	183	34
Goodwill		31	22	(9)
Alternative Learning Experience		41	63	22
<b>Adjusted Average</b>		28,159	28,361	202
<b>Actual data through March 2020</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 2020. 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 2018-19 and 2019-20, and the variance between projected and budgeted average FTE for 2019-20.

The projected average for 2019-20 enrollment varies from 2018-19 actual enrollment as follows (**Table 9, Column (D)**):

- Elementary schools (grades K-5) decreased by 153 FTE;
- Middle schools (grades 6-8) increased by 165 FTE;
- High schools (grades 9-12) increased by 42 FTE;
- Running Start (college level courses) increased by 43 FTE;
- TCC Fresh Start decreased by 22 FTE;
- Reengagement Center increased by 30 FTE;
- Goodwill decreased by 8 FTE;
- ALE (Alternative Learning Experience) increased by 31 FTE;

The combined variances results in an average increase of 128 student FTE from the previous year.

**Table 9**

<b>K-12 Annual Average FTE Enrollment Two Year Comparison</b>					
	(A) 2018-19 Actual	(B) 2019-20 Budget	(C) 2019-20 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten	2,248	2,272	2,236	(12)	(36)
Grade 1	2,202	2,178	2,269	67	90
Grade 2	2,228	2,108	2,190	(38)	81
Grade 3	2,256	2,142	2,226	(30)	84
Grade 4	2,288	2,152	2,246	(42)	94
Grade 5	2,380	2,204	2,282	(99)	77
<b>Elementary</b>	<b>13,602</b>	<b>13,057</b>	<b>13,449</b>	<b>(153)</b>	<b>391</b>
Grade 6	2,346	2,257	2,292	(54)	35
Grade 7	2,188	2,300	2,304	116	4
Grade 8	2,049	2,184	2,151	103	(32)
<b>Middle School</b>	<b>6,582</b>	<b>6,740</b>	<b>6,747</b>	<b>165</b>	<b>6</b>
Grade 9	2,187	2,127	2,099	(88)	(28)
Grade 10	1,925	2,137	2,129	205	(8)
Grade 11	1,754	1,744	1,670	(84)	(74)
Grade 12	1,511	1,655	1,520	9	(136)
<b>High School</b>	<b>7,377</b>	<b>7,664</b>	<b>7,419</b>	<b>42</b>	<b>(245)</b>
Running Start	290	293	333	43	40
TCC Fresh Start **	168	183	146	(22)	(36)
Reengagement Center **	152	149	183	30	33
Goodwill **	29	31	22	(8)	(9)
Alternative Learning Experience	32	41	63	31	22
<b>Grand Total *</b>	<b>28,233</b>	<b>28,159</b>	<b>28,361</b>	<b>128</b>	<b>202</b>
Actual data through March 2020					

\*\* Open Doors - 1418 Programs

**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.