

Date: December 10, 2020

To: Board of Directors

From: Rosalind Medina, Chief Financial Officer 

Subject: October 2020 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through October 31, 2020. Enrollment information also includes the official state count through the month of October 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 October 31 for fiscal years 2019-20 and 2020-21.

Table 1

General Fund Comparison for the fiscal period ended	October 31, 2019	October 31, 2020	Variance Higher/(lower)
Beginning Fund Balance	\$ 39,945,306	\$ 36,893,527	\$ (3,051,779)
Revenue	76,547,061	85,920,198	9,373,137
Other Financing Sources	18,311	58,878	40,567
Total Resources Available	116,510,678	122,872,603	6,361,925
Expenditures	78,948,755	78,143,845	(804,910)
Other Financing Uses	-	-	-
Total Use of Resources	78,948,755	78,143,845	(804,910)
Ending Fund Balance	\$ 37,561,923	\$ 44,728,758	\$ \$7,166,834

REVENUES

- General fund revenues and other financing sources as of October 31, 2020 were \$85,979,076. This was \$9,413,704 (+12.3%) 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. Due to legislative changes in the state's allocation formula, the district was only 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. Because the district is now permitted to collect the entire voter-approved amount this year, local tax revenues increased \$10,277,346 (+67.2%) 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 \$1,242,362 (-86.9%) compared to this time last year. This variance is the result of the following:

- \$514,789 decrease in Nutrition Service sales due to a change in the way meals are being distributed this year as a result of distance learning
 - \$352,874 decrease in tuition-based programs such as the foreign exchange program and tuition-based preschool due to a decrease in participation/enrollment
 - \$111,938 decrease in revenue from unassigned local support
 - \$86,600 decrease in investment earnings
 - 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 decreased \$708,608 (-5.5%) compared to this time last year. This variance was the result of the following:

- \$619,385 decrease in Transportation Operations revenue due to an decrease in rider revenue as a result of distance learning

- \$92,083 decrease in Special Education revenue due to a projected decrease of 349 resident FTE from last year
 - 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 \$795,573 (+50.5%) compared to this time last year. This variance was the result of the following:

- \$1,792,135 increase from funding received for COVID-19 related expenditures
 - \$835,226 decrease in free, reduced & regular meal reimbursements
 - \$448,055 decrease in USDA commodities
 - \$402,635 increase in supplemental Special Education funding
 - 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 increased \$159,126 compared to this time last year. This variance was the result of the following:

- \$159,126 increase in revenue from other districts for Special Education services for non-resident FTE. This variance reflects a difference in the timing of when revenue was collected last year compared to this year.

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 October 2019	Percent of Total	Through October 2020	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 15,288,898	19.97%	\$ 25,566,244	29.74%	\$ 10,277,346
Local Non-Tax	1,429,714	1.87%	187,352	0.22%	(1,242,362)
State, General Purpose	45,487,020	59.41%	45,558,292	52.99%	71,272
State, Special Purpose	12,891,920	16.84%	12,183,312	14.17%	(708,608)
Federal, General Purpose	26,803	0.04%	20,512	0.02%	(6,291)
Federal, Special Purpose	1,574,141	2.06%	2,369,714	2.76%	795,573
Revenue - Other Districts	(159,126)	(0.21%)	-	0.00%	159,126
Revenue - Other Agencies	7,691	0.01%	34,772	0.04%	27,081
Revenue - Other Financing	18,311	0.02%	58,878	0.07%	40,567
Total Revenue	\$ 76,565,372	100.00%	\$ 85,979,076	100.00%	\$ 9,413,704

EXPENDITURES

- General fund expenditures through October 31, 2020 were \$78,143,845; this was \$804,910 (-1.0%) less 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 \$663,263 (+1.9%) from this time last year. This variance was the result of the following:

- \$1,468,116 increase in regular salaries due to negotiated salary increases, including +3.1% increase for teachers
 - \$362,378 decrease in extra-work pay
 - \$348,861 decrease in certificated substitute salaries
 - 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 \$662,588 (-5.3%) from this time last year. This variance was the result of the following:

- \$423,924 decrease in extra-work pay
- \$207,702 decrease in classified substitute salaries
- \$194,768 increase in regular salaries due negotiated salary increases, including +4.6% for custodians, +3.6% for security and +3.1% for office professionals and professional-technicals
- \$175,883 decrease in overtime pay
- 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 decreased \$2,630,477 (-12.5%) compared to this time last year. This variance is a result of the implementation of the Washington State School Employees Benefits Board.

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

Expenditures in this category decreased \$967,494 (-17.7%) compared to this time last year. This variance was the result of the following:

- \$1,501,417 increase in purchases made in response to COVID-19 and the shift to remote learning including laptop purchases for student distribution
- \$1,124,899 decrease in textbooks & materials due to a new math curriculum adoption made in 2019-20
- \$581,217 decrease in software purchases including a software component of the math curriculum adoption made last year
- \$252,951 decrease in general supplies & materials
- \$243,520 decrease in total district-wide food costs
- 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 \$2,804,202 (+58.3%) compared to this time last year. This variance was the result of the following:

- \$2,281,064 increase in the district's general liability insurance due to a timing difference of when payments were made to the WA Risk Management Pool this year vs last year
- \$852,178 increase in district-wide utilities
- \$823,442 decrease in the transportation base rate paid to First Student
- \$528,025 increase in software licensing
- \$194,706 increase in COVID-19 related contracts including alternative education services provided through online resources
- 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

Expenditure and Other Financing Uses Comparison by Year					
Expenditure Objects	Through October 2019	Percent of Total	Through October 2020	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 35,002,252	44.34%	\$ 35,665,515	45.64%	\$ 663,263
Classified Salaries	12,507,277	15.84%	11,844,689	15.16%	(662,588)
Employee Benefits	21,042,515	26.65%	18,412,038	23.56%	(2,630,477)
Supplies and Materials	5,472,122	6.93%	4,504,628	5.76%	(967,494)
Contractual Services	4,808,457	6.09%	7,612,659	9.74%	2,804,202
Local Mileage & Travel	85,084	0.11%	12,478	0.02%	(72,606)
Capital Outlay	31,047	0.04%	91,838	0.12%	60,791
Total Expenditures	\$ 78,948,755	100.00%	\$ 78,143,845	100.00%	\$ (804,910)

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 October the district is at 9.07%. 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

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requirements. The accounts are frequently reviewed in relation to board policies and GAAP requirements.

Table 4 shows a comparison of fund balance as of October 31, 2019 and October 31, 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

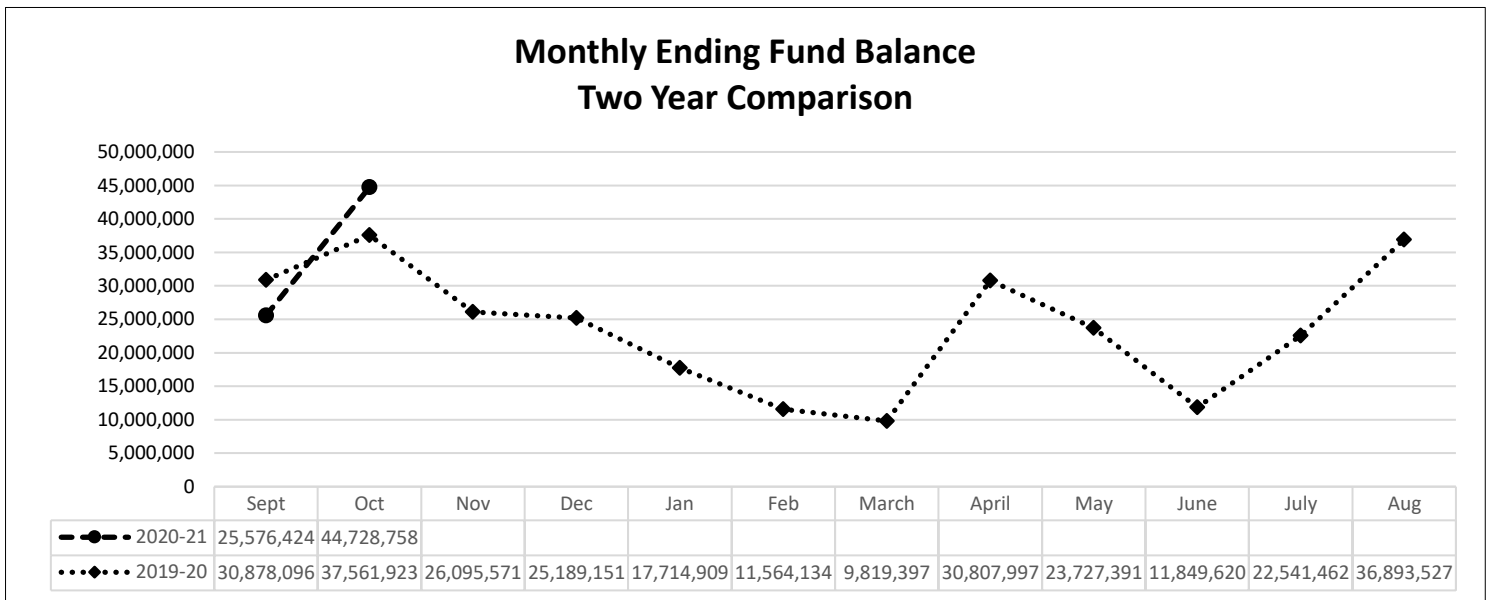
Fund Balance Comparison by Year					
Fund Balance Descriptions for the fiscal period ended	October 2019	Percent of Revenue	October 2020	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,333,231	0.93%	\$ 4,837,911	0.98%	\$ 504,681
Committed to Debt and Fiscal Management	-	0.00%	-	0.00%	-
Committed to Encumbrances	207,939	0.04%	1,104,130	0.22%	896,191
Committed to Contingencies	1,000,000	0.21%	1,000,000	0.20%	-
Total Debt & Fiscal Management Fund Balance	\$ 5,541,170	1.18%	\$ 6,942,041	1.41%	\$ 1,400,871
Restricted for Carryover	\$ 2,084,993	0.45%	\$ 2,071,834	0.42%	\$ (13,159)
Restricted for Debt Service	323,798	0.07%	218,832	0.04%	(104,966)
Assigned to Carryover	2,218,341	0.47%	2,392,398	0.48%	174,057
Assigned to Curriculum & Instruction	3,157,779	0.68%	2,179,295	0.44%	(978,484)
Assigned to Future Operations	4,393,592	0.94%	5,198,019	1.05%	804,427
Restricted or Assigned Fund Balance	\$ 12,178,503	2.60%	\$ 12,060,378	2.44%	\$ (118,126)
Total Nonspendable, Restricted, Committed and Assigned Fund Balance	\$ 17,719,673	3.79%	\$ 19,002,419	3.85%	\$ 1,282,745
Unassigned Fund Balance	\$ 1,843,840	0.39%	\$ 7,998,459	1.62%	6,154,618
Unassigned for Minimum FB Policy	\$ 17,998,409	3.85%	\$ 17,727,880	3.59%	(270,529)
Total Unassigned Fund Balance	\$ 19,842,250	4.24%	\$ 25,726,339	5.21%	\$ 6,154,618
Total Fund Balance	\$ 37,561,923	8.03%	\$ 44,728,758	9.07%	\$ 7,166,835
Revenue less other financing	\$ 467,772,128	*	\$ 493,398,422	**	

*2019-20 total actual revenue less other financing sources as of August 31, 2020

**2020-21 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 October, total cash on hand was \$61,600,546 and daily expenditures amounted to \$1,195,023 per day which when used in the formula [cash on hand / daily expenditures] equates to 51.55 days of cash on hand.

Table 6 displays a comparison of cash on hand records through the period ending October 31 for fiscal years 2019-20 and 2020-21.

Table 6

<u>Cash Balance Comparison by Year</u>				
	October 2019	October 2020	Variance higher/(lower)	
230 - Cash with Key Bank	\$ 78,531	\$ (4,571)	\$ (83,102)	
240 - Cash with Treasurer	19,758,325	26,050,256	6,291,931	
241 - Warrants Outstanding	(4,140,010)	(471,516)	3,668,494	
45x - Investments	33,299,626	36,026,377	2,726,751	
Total Cash on Hand	\$ 48,996,472	\$ 61,600,546	\$ 12,604,074	
Avg Daily Balance	\$ 1,580,531	\$ 1,987,114	\$ 406,583	
Days Cash on Hand	39.17	51.55	12.38	

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 28,286 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 October 2020. The projected annual adjusted average is currently 901 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 - 20	27,737	26,910	(827)
	* Oct - 20	27,737	26,846	(891)
	Nov - 20	27,720	26,862	(858)
	Dec - 20	27,710	26,852	(858)
	Jan - 21	27,646	26,790	(856)
	Feb - 21	27,472	26,622	(850)
	Mar - 21	27,458	26,608	(850)
	Apr - 21	27,345	26,498	(847)
	May - 21	27,315	26,469	(846)
	Jun - 21	27,221	26,378	(843)
Average		27,536	26,684	(853)
Running Start		326	452	126
TCC Fresh Start		139	140	1
Reengagement		198	106	(92)
Goodwill		29	2	(27)
Alternative Learning Experience		58	-	(58)
Adjusted Average		28,286	27,385	(901)
* Actual data through October 2020				

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 2021. 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

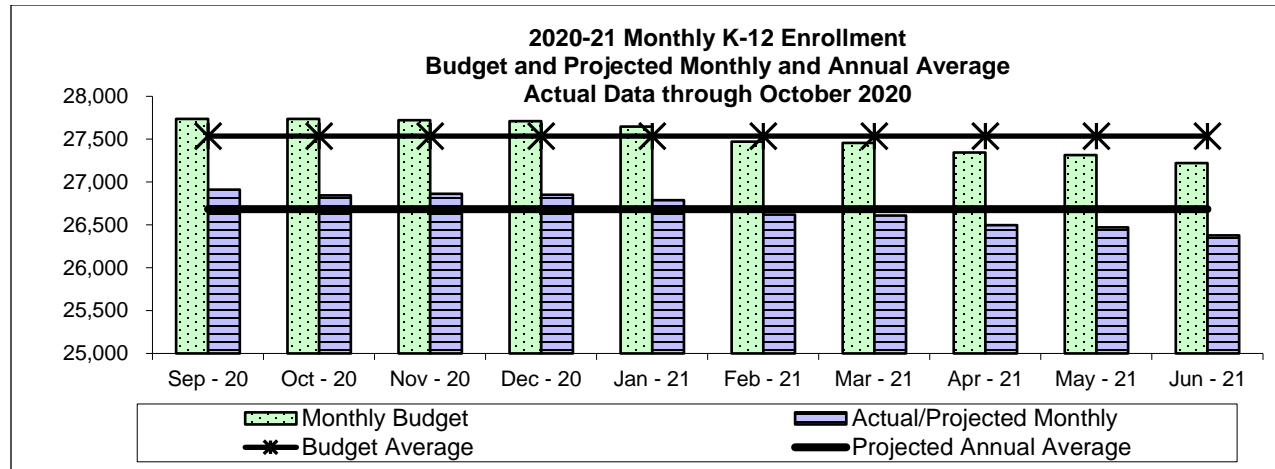


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2019-20 and 2020-21, and the variance between projected and budgeted average FTE for 2020-21.

The projected average for 2020-21 enrollment varies from 2019-20 actual enrollment as follows (**Table 9, Column (D)**):

- Elementary schools (grades K-5) decreased by 921 FTE;
- Middle schools (grades 6-8) decreased by 138 FTE;
- High schools (grades 9-12) increased by 129 FTE;
- Running Start (college level courses) increased by 119 FTE;
- TCC Fresh Start decreased by 9 FTE;
- Reengagement Center decreased by 87 FTE;
- Goodwill decreased by 21 FTE;
- ALE (Alternative Learning Experience) decreased by 63 FTE

The combined variances result in an average decrease of 991 student FTE from the previous year.

Table 9

K-12 Annual Average FTE Enrollment Two Year Comparison					
	(A) 2019-20 Actual	(B) 2020-21 Budget	(C) 2020-21 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten	2,236	2,212	1,964	(272)	(248)
Grade 1	2,269	2,193	2,142	(127)	(51)
Grade 2	2,190	2,217	2,140	(50)	(78)
Grade 3	2,226	2,145	2,041	(185)	(104)
Grade 4	2,246	2,170	2,106	(140)	(64)
Grade 5	2,282	2,202	2,134	(147)	(68)
Elementary	13,449	13,140	12,527	(921)	(613)
Grade 6	2,292	2,178	2,128	(163)	(50)
Grade 7	2,304	2,251	2,217	(86)	(34)
Grade 8	2,151	2,292	2,263	112	(29)
Middle School	6,747	6,721	6,609	(138)	(113)
Grade 9	2,099	2,199	2,159	60	(40)
Grade 10	2,129	2,048	2,020	(110)	(28)
Grade 11	1,670	1,902	1,829	159	(73)
Grade 12	1,520	1,526	1,540	20	14
High School	7,419	7,675	7,548	129	(127)
Running Start	333	326	452	119	126
TCC Fresh Start **	149	139	140	(9)	1
Reengagement Center **	193	198	106	(87)	(92)
Goodwill **	23	29	2	(21)	(27)
Alternative Learning Experience	63	58	0	(63)	(58)
Grand Total *	28,376	28,286	27,385	(991)	(901)
Actual data through October 2020					

** 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, several Federal relief acts have been established through the Department of Education, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Elementary and Secondary School Emergency Relief Fund (ESSER). 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	26,506
Salaries - Certificated Employees - 2XXX	685
Salaries - Classified Employees - 3XXX	1,145
Benefits and Payroll Taxes - 4XXX	185
Supplies, Instructional Resources - 5XXX	1,501,417
Purchased Services - 7XXX	194,706
Travel - 8XXX	-
Capital Outlay - 9XXX	-
Totals by Object	\$1,724,644

Expenditures are from September 1 - October 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.