


Date: December 2, 2020  
To: Board of Directors  
From: Rosalind Medina, Chief Financial Officer   
Subject: September 2020 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through September 30, 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 September 30 for fiscal years 2019-20 and 2020-21.

**Table 1**

General Fund Comparison for the fiscal period ended	September 30, 2019	September 30, 2020	Variance Higher/(lower)
Beginning Fund Balance	\$ 39,945,306	\$ 36,893,527	\$ (3,051,779)
Revenue	31,105,922	29,750,770	(1,355,152)
Other Financing Sources	500	30,255	29,755
<b>Total Resources Available</b>	<b>71,051,728</b>	<b>66,674,552</b>	<b>(4,377,177)</b>
Expenditures	40,173,632	41,098,128	924,496
Other Financing Uses	-	-	-
<b>Total Use of Resources</b>	<b>40,173,632</b>	<b>41,098,128</b>	<b>924,496</b>
Ending Fund Balance	\$ 30,878,096	\$ 25,576,424	\$ (5,301,674)

## **REVENUES**

- General fund revenues and other financing sources as of September 30, 2020 were \$29,781,025. This was \$1,325,397 (-4.3%) less than this time last year.

### **Highlights:**

- **Local non-tax** revenue consists of student lunch receipts, sales from vocational programs, tuition for summer school, interest earned from the investment of available cash, and several other small sources.

Revenue in this category decreased \$694,382 (-84.7%) compared to this time last year. This variance is the result of the following:

- \$312,185 decrease in tuition-based programs such as the foreign exchange program and tuition-based preschool due to a decrease in participation/enrollment
  - \$197,893 decrease in Nutrition Service sales due to a change in the way meals are being distributed this year as a result of distance learning
  - 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 decreased \$278,429 (-1.2%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue decreased \$278,429 from last year at this time due to a decrease in total student FTE
- **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 \$429,245 (-6.4%) compared to this time last year. This variance was the result of the following:

- \$324,524 decrease in Transportation Operations revenue due to an decrease in rider revenue as a result of distance learning
- \$190,125 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 decreased \$126,563 (-42.1%) compared to this time last year. This variance was the result of the following:

- \$169,706 decrease in Title IA funding which provides financial assistance to schools with high percentages of children from low-income families due to a timing difference of when funds will be received
- 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 \$170,037 compared to this time last year. This variance was the result of the following:

- \$170,037 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>					
<b>Revenue Source</b>	<b>Through September 2019</b>	<b>Percent of Total</b>	<b>Through September 2020</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Local Taxes	\$ -	0.00%	\$ -	0.00%	\$ -
Local Non-Tax	820,150	2.64%	125,768	0.42%	(694,382)
State, General Purpose	23,424,911	75.31%	23,146,482	77.72%	(278,429)
State, Special Purpose	6,733,474	21.65%	6,304,229	21.17%	(429,245)
Federal, General Purpose	-	0.00%	-	0.00%	-
Federal, Special Purpose	300,854	0.97%	174,291	0.59%	(126,563)
Revenue - Other Districts	(170,037)	(0.55%)	-	0.00%	170,037
Revenue - Other Agencies	(3,429)	(0.01%)	-	0.00%	3,429
Revenue - Other Financing	500	0.00%	30,255	0.10%	29,755
<b>Total Revenue</b>	<b>\$ 31,106,422</b>	<b>100.00%</b>	<b>\$ 29,781,025</b>	<b>100.00%</b>	<b>\$ (1,325,397)</b>

**EXPENDITURES**

- General fund expenditures through September 30, 2020 were \$41,098,128; this was \$924,496 (+2.3%) 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 \$796,365 (+4.6%) from this time last year. This variance was the result of the following:

- \$792,018 increase in regular salaries due to negotiated salary increases, including +3.1% increase for teachers
- \$89,774 decrease in certificated substitute salaries
- \$88,841 increase in optional days (extra work activities, outside of the normal work day)
- 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 \$692,316 (-11.8%) from this time last year. This variance was the result of the following:

- \$417,588 decrease in regular salaries due to a decrease in hours worked for some positions such as bus drivers and paraeducators as a result of remote learning
- \$86,304 decrease in classified extra-work
- 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 \$2,732,492 (-23.0%) 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 \$132,765 (-4.1%) compared to this time last year. This variance was the result of the following:

- \$1,441,360 increase in purchases made in response to COVID-19 and the shift to remote learning including laptop purchases for student distribution
- \$851,513 decrease in software purchases including a software component of the math curriculum adoption made last year
- \$455,172 decrease in general supplies & materials and textbooks
- \$281,904 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 \$3,716,960 (+191.0%) 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
- \$723,855 increase in district-wide utilities
- \$703,871 increase in software licensing
- \$179,985 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**

<b><u>Expenditure and Other Financing Uses Comparison by Year</u></b>					
<b>Expenditure Objects</b>	<b>Through September 2019</b>	<b>Percent of Total</b>	<b>Through September 2020</b>	<b>Percent of Total</b>	<b>Variance higher/(lower)</b>
Certificated Salaries	\$ 17,161,548	42.72%	\$ 17,957,913	43.70%	\$ 796,365
Classified Salaries	5,886,664	14.65%	5,194,348	12.64%	(692,316)
Employee Benefits	11,877,935	29.57%	9,145,443	22.25%	(2,732,492)
Supplies and Materials	3,260,282	8.12%	3,127,517	7.61%	(132,765)
Contractual Services	1,945,970	4.84%	5,662,930	13.78%	3,716,960
Local Mileage & Travel	17,668	0.04%	4,094	0.01%	(13,574)
Capital Outlay	23,566	0.06%	5,882	0.01%	(17,684)
<b>Total Expenditures</b>	<b>\$ 40,173,632</b>	<b>100.00%</b>	<b>\$ 41,098,128</b>	<b>100.00%</b>	<b>\$ 924,496</b>

**FUND BALANCE**

Fund balance is the excess of assets of a governmental unit over its liabilities (i.e., beginning fund balance plus revenues, less expenditures and transfers, equals ending fund balance). In accordance with Government Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definition* are as follows: Nonspendable, Restricted, Committed, Assigned or Unassigned. Funds that are designated for a specific purpose are placed in fund balance accounts per the Board's Debt and Fiscal Management Policy 6015 and generally accepted accounting principles (GAAP). The Debt and Fiscal Management Regulation targets the fund balance to be 5% of budgeted general fund revenues less other financing sources, and for the month of September the district is at 5.18%. 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 September 30, 2019 and September 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**

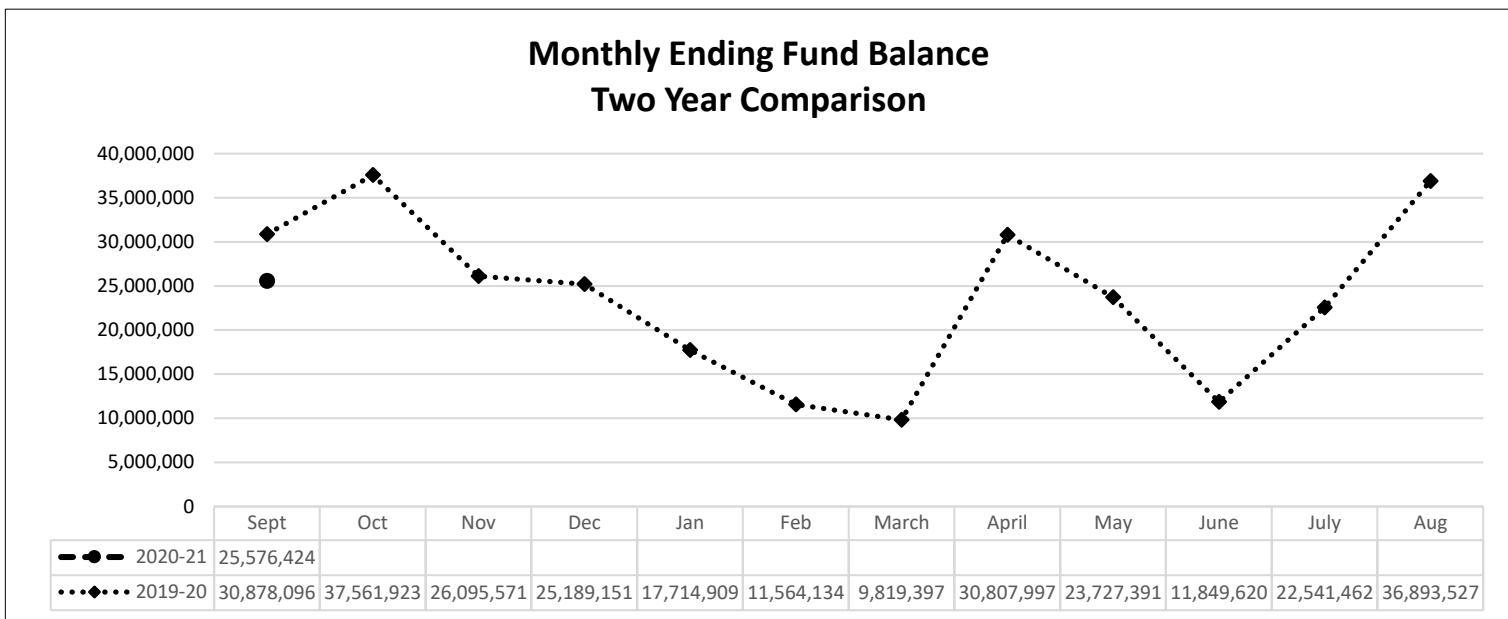
<b>Fund Balance Comparison by Year</b>					
<b>Fund Balance Descriptions for the fiscal period ended</b>	<b>September 2019</b>	<b>Percent of Revenue</b>	<b>September 2020</b>	<b>Percent of Revenue</b>	<b>Variance higher/(lower)</b>
Nonspendable - Inventory & Prepaid Items	\$ 4,333,231	0.93%	\$ 4,837,911	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%	-
<b>Total Debt &amp; Fiscal Management Fund Balance</b>	<b>\$ 5,541,170</b>	<b>1.18%</b>	<b>\$ 6,942,041</b>	<b>1.41%</b>	<b>\$ 1,400,871</b>
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
<b>Restricted or Assigned Fund Balance</b>	<b>\$ 12,178,503</b>	<b>2.60%</b>	<b>\$ 12,060,378</b>	<b>2.44%</b>	<b>\$ (118,126)</b>
<b>Total Nonspendable, Restricted, Committed and Assigned Fund Balance</b>	<b>\$ 17,719,673</b>	<b>3.79%</b>	<b>\$ 19,002,419</b>	<b>3.85%</b>	<b>\$ 1,282,745</b>
Unassigned Fund Balance	\$ (4,839,986)	-1.03%	\$ (11,153,876)	2.26%	(6,313,889)
Unassigned for Minimum FB Policy	\$ 17,998,409	3.85%	\$ 17,727,880	3.59%	(270,529)
<b>Total Unassigned Fund Balance</b>	<b>\$ 13,158,423</b>	<b>2.81%</b>	<b>\$ 6,574,004</b>	<b>1.33%</b>	<b>\$ (6,313,889)</b>
<b>Total Fund Balance</b>	<b>\$ 30,878,096</b>	<b>6.60%</b>	<b>\$ 25,576,424</b>	<b>5.18%</b>	<b>\$ (5,301,673)</b>
<b>Revenue less other financing</b>	<b>\$ 467,772,128</b>	*	<b>\$ 493,398,422</b>	**	

\*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 September, total cash on hand was \$42,855,281 and daily expenditures amounted to \$1,369,938 per day which when used in the formula [cash on hand / daily expenditures] equates to 31.28 days of cash on hand.

**Table 6** displays a comparison of cash on hand records through the period ending September 30 for fiscal years 2019-20 and 2020-21.



**Table 6**

<b>Cash Balance Comparison by Year</b>				
	<b>September 2019</b>	<b>September 2020</b>	<b>Variance higher/(lower)</b>	
230 - Cash with Key Bank	\$ 196,173	\$ (82,236)	\$	(278,410)
240 - Cash with Treasurer	5,506,660	1,632,399		(3,874,261)
241 - Warrants Outstanding	(4,771,983)	(452,529)		4,319,454
45x - Investments	44,600,210	41,757,648		(2,842,562)
<b>Total Cash on Hand</b>	<b>\$ 45,531,060</b>	<b>\$ 42,855,281</b>	<b>\$</b>	<b>(2,675,779)</b>
<b>Avg Daily Balance</b>	<b>\$ 1,517,702</b>	<b>\$ 1,428,509</b>	<b>\$</b>	<b>(89,193)</b>
<b>Days Cash on Hand</b>	<b>34.00</b>	<b>31.28</b>		<b>(2.72)</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 28,286 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**

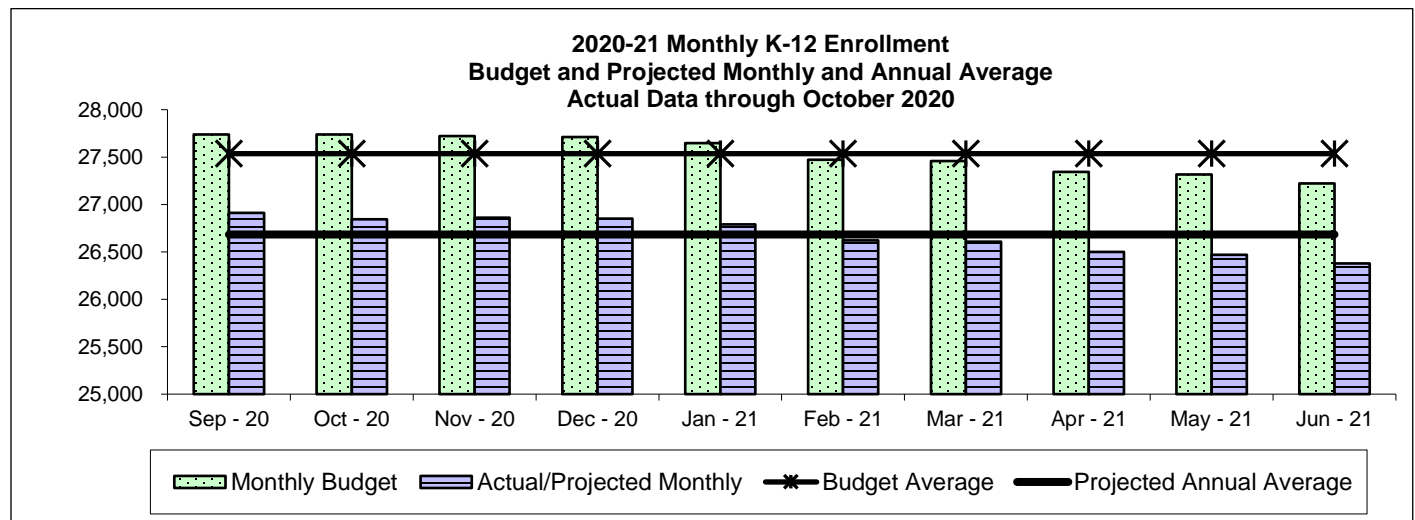
<b>Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment</b>				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 20	27,737	26,910	(827)
	* Oct - 20	27,737	26,846	(891)
	Nov - 20	27,720	26,862	(858)
	Dec - 20	27,710	26,852	(858)
	Jan - 21	27,646	26,790	(856)
	Feb - 21	27,472	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)
<b>Average</b>		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)
<b>Adjusted Average</b>		28,286	27,385	(901)
<b>* Actual data through October 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 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**

<b>K-12 Annual Average FTE Enrollment Two Year Comparison</b>					
	(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)
<b>Elementary</b>	<b>13,449</b>	<b>13,140</b>	<b>12,527</b>	<b>(921)</b>	<b>(613)</b>
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)
<b>Middle School</b>	<b>6,747</b>	<b>6,721</b>	<b>6,609</b>	<b>(138)</b>	<b>(113)</b>
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
<b>High School</b>	<b>7,419</b>	<b>7,675</b>	<b>7,548</b>	<b>129</b>	<b>(127)</b>
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)
<b>Grand Total *</b>	<b>28,376</b>	<b>28,286</b>	<b>27,385</b>	<b>(991)</b>	<b>(901)</b>
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**

<b>Expenditures by Object</b>	<b>Amount of Expenditures</b>
Debit/Credit - 0XXX/1XXX	17,563
Salaries - Certificated Employees - 2XXX	-
Salaries - Classified Employees - 3XXX	623
Benefits and Payroll Taxes - 4XXX	(51)
Supplies, Instructional Resources - 5XXX	1,441,360
Purchased Services - 7XXX	179,985
Travel - 8XXX	-
Capital Outlay - 9XXX	-
<b>Totals by Object</b>	<b>\$1,639,480</b>

*Expenditures are from September 1 - September 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.