

Date: February 9, 2021

To: Board of Directors

From: Rosalind Medina, Chief Financial Officer 

Subject: December 2020 Unaudited Financial Report

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

Table 1

General Fund Comparison for the fiscal period ended	December 31, 2019	December 31, 2020	Variance Higher/(lower)
Beginning Fund Balance	\$ 39,945,306	\$ 36,893,527	\$ (3,051,779)
Revenue	138,465,743	148,323,569	9,857,826
Other Financing Sources	56,630	87,818	31,189
Total Resources Available	178,467,679	185,304,914	6,837,235
Expenditures	153,278,528	150,448,101	(2,830,427)
Other Financing Uses	-	-	-
Total Use of Resources	153,278,528	150,448,101	(2,830,427)
Ending Fund Balance	\$ 25,189,151	\$ 34,856,813	\$ 9,667,661

REVENUES

- General fund revenues and other financing sources as of December 31, 2020 were \$148,411,387. This was \$9,889,014 (+7.1%) 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 \$13,209,701 (+71.7%) 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 \$2,195,984 (-83.7%) compared to this time last year. This variance is the result of the following:

- \$958,273 decrease in Nutrition Service sales due to a change in the way meals are being distributed this year as a result of distance learning
- \$453,289 decrease in tuition-based programs such as the foreign exchange program and tuition-based preschool due to a decrease in participation/enrollment
- \$217,583 decrease in revenue from unassigned local support
- \$150,842 decrease in investment earnings
- 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 \$217,888 (+0.3%) compared to this time last year. This variance was the result of the following:

- LEA increased \$212,415 due to a hold-harmless LEA payment
- 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 \$1,193,745 (-5.1%) compared to this time last year. This variance was the result of the following:

- \$1,129,466 decrease in Transportation Operations revenue due to an decrease in rider revenue as a result of distance learning
- \$166,783 decrease in Special Education revenue due to a projected decrease of 365 resident FTE from last year
- \$142,755 increase in funding received for 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 decreased \$609,302 (-6.5%) compared to this time last year. This variance was the result of the following:

- \$4,269,003 increase in funding provided through the Coronavirus Aid, Relief, Economic Security Act (CARES Act), Elementary and Secondary School Emergency Relief Fund (ESSER) and other community services to help offset some of the revenue the district will not receive due to COVID-19
- \$2,816,427 decrease in free, reduced & regular meal reimbursements
- \$762,912 decrease in Title I funding due to a timing difference of when funds were received this year versus last year
- \$586,043 decrease in Head Start support due to a timing difference
- \$518,990 decrease in USDA commodities
- 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 \$368,151 compared to this time last year. This variance was the result of the following:

- \$368,151 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

Revenue and Other Financing Sources Comparison by Year					
Revenue Source	Through December 2019	Percent of Total	Through December 2020	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 18,427,015	13.30%	\$ 31,636,716	21.32%	\$ 13,209,701
Local Non-Tax	2,623,755	1.89%	427,771	0.29%	(2,195,984)
State, General Purpose	82,985,568	59.91%	83,203,456	56.06%	217,888
State, Special Purpose	23,562,231	17.01%	22,368,486	15.07%	(1,193,745)
Federal, General Purpose	62,746	0.05%	78,975	0.05%	16,229
Federal, Special Purpose	9,424,004	6.80%	8,814,702	5.94%	(609,302)
Revenue - Other Districts	1,195,223	0.86%	1,563,374	1.05%	368,151
Revenue - Other Agencies	185,202	0.13%	230,089	0.16%	44,887
Revenue - Other Financing	56,630	0.04%	87,818	0.06%	31,188
Total Revenue	\$ 138,522,373	100.00%	\$ 148,411,387	100.00%	\$ 9,889,014

EXPENDITURES

- General fund expenditures through December 31, 2020 were \$150,448,101; this was \$2,830,427 (-1.9%) 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 \$909,442 (+1.3%) from this time last year. This variance was the result of the following:

- \$2,803,650 increase in regular salaries due to negotiated salary increases, including +3.1% increase for teachers
- \$1,087,237 decrease in certificated substitute pay
- \$603,403 decrease in extra-work 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 \$2,366,031 (-9.3%) from this time last year. This variance was the result of the following:

- \$1,016,905 decrease in extra-work pay
- \$444,685 decrease in classified substitute pay
- \$388,102 decrease in overtime pay
- \$372,532 decrease 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 decreased \$1,100,112 (-2.9%) compared to this time last year. This variance is a result of the implementation of the Washington State School Employees Benefits Board and a change in the accrual accounting process for health care benefits.

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

Expenditures in this category decreased \$2,001,255 (-25.5%) compared to this time last year. This variance was the result of the following:

- \$1,881,400 increase in purchases made in response to COVID-19 and the shift to remote learning including laptop purchases for student distribution
- \$1,271,857 decrease in textbooks & materials due to a new math curriculum adoption made in 2019-20
- \$850,899 decrease in general district-wide supplies & materials
- \$729,826 decrease in total district-wide food costs
- \$581,238 decrease in software purchases including a software component of the math curriculum adoption made last year
- \$233,639 decrease in fuel charges
- \$111,063 decrease in subscription amounts
- 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 \$1,812,067 (+16.9%) 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
- \$1,163,063 decrease in pupil transportation including the base rate paid to First Student, bus passes provided to students and contracted transportation services for other programs such as McKinney-Vento
- \$1,009,921 decrease in general district-wide purchased services, including contracts for in-person services that were not able to be utilized this school year

- \$880,129 increase in purchases made in response to COVID-19 and the shift to remote learning including software licensing
- \$823,119 increase in general software licensing
- \$488,755 increase in district-wide utilities
- \$208,961 decrease in repairs
- \$134,084 decrease in election costs due to charges made last year for the 2019-20 levy election
- The remaining variance is due to smaller variances in several other programs

➤ **Local Mileage and Travel** consists of expenditures for local mileage and extended travel for both district staff and students.

Expenditures in this category decreased \$179,509 (-87.6%) compared to this time last year. This variance is due to a reduction in district-wide staff and student travel.

➤ **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 \$94,971 (+35.7%) compared to this time last year. This variance was the result of the following:

- \$98,671 in equipment, including the purchase of a 3D anatomy visualization and virtual dissection table at Wilson HS
- 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 December 2019	Percent of Total	Through December 2020	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 71,124,716	46.40%	\$ 72,034,158	47.88%	\$ 909,442
Classified Salaries	25,428,074	16.59%	23,062,043	15.33%	(2,366,031)
Employee Benefits	37,679,960	24.58%	36,579,848	24.31%	(1,100,112)
Supplies and Materials	7,856,458	5.13%	5,855,203	3.89%	(2,001,255)
Contractual Services	10,718,161	6.99%	12,530,228	8.33%	1,812,067
Local Mileage & Travel	204,817	0.13%	25,308	0.02%	(179,509)
Capital Outlay	266,342	0.17%	361,313	0.24%	94,971
Total Expenditures	\$ 153,278,528	100.00%	\$ 150,448,101	100.00%	\$ (2,830,427)

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 December the district is at 7.06%. 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 December 31, 2019 and December 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

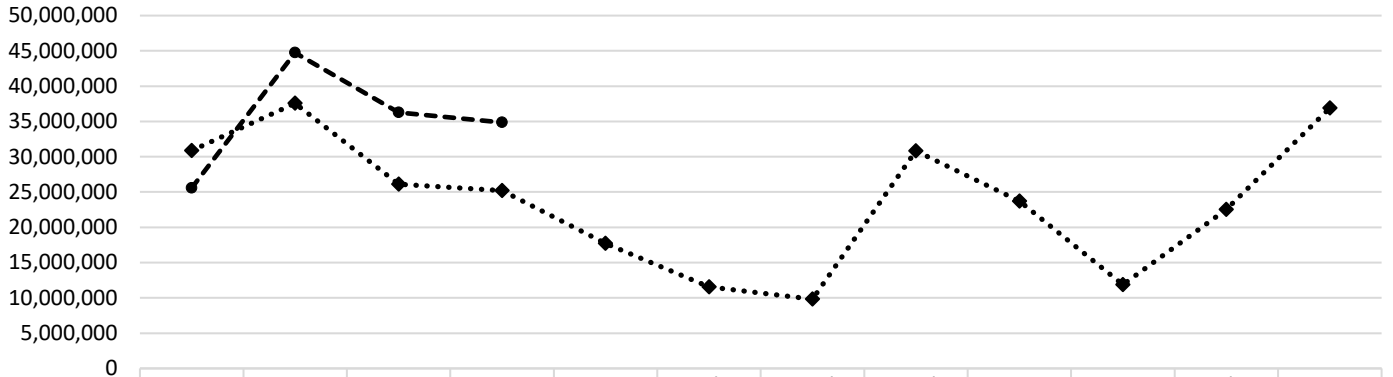
Fund Balance Comparison by Year					
Fund Balance Descriptions for the fiscal period ended	December 2019	Percent of Revenue	December 2020	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,333,231	0.93%	\$ 4,837,911	0.98%	\$ 504,681
Committed to Debt and Fiscal Management	-	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	\$ 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	\$ (10,528,932)	-2.25%	\$ (1,873,486)	-0.38%	8,655,446
Unassigned for Minimum FB Policy	\$ 17,998,409	3.85%	\$ 17,727,880	3.59%	(270,529)
Total Unassigned Fund Balance	\$ 7,469,478	1.60%	\$ 15,854,394	3.21%	\$ 8,655,446
Total Fund Balance	\$ 25,189,151	5.38%	\$ 34,856,813	7.06%	\$ 9,667,662
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

**Monthly Ending Fund Balance
 Two Year Comparison**



	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug
2020-21	25,576,424	44,728,758	36,243,652	34,856,813								
2019-20	30,878,096	37,561,923	26,095,571	25,189,151	17,714,909	11,564,134	9,819,397	30,807,997	23,727,391	11,849,620	22,541,462	36,893,527

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 December, total cash on hand was \$55,213,566 and daily expenditures amounted to \$1,178,150 per day which when used in the formula [cash on hand / daily expenditures] equates to 46.86 days of cash on hand.

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

Table 6

Cash Balance Comparison by Year				
	December 2019	December 2020	Variance higher/(lower)	
230 - Cash with Key Bank	\$ (73,500)	\$ 139,138	\$	212,638
240 - Cash with Treasurer	12,523,801	13,628,693		1,104,892
241 - Warrants Outstanding	(643,966)	(480,446)		163,520
45x - Investments	30,160,856	41,926,181		11,765,325
Total Cash on Hand	\$ 41,967,190	\$ 55,213,566	\$	13,246,376
Avg Daily Balance	\$ 1,353,780	\$ 1,781,083	\$	427,302
Days Cash on Hand	34.96	46.86		11.91

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 December 2020. The projected annual adjusted average is currently 1,037 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	26,927	(810)
	* Oct - 20	27,737	26,859	(878)
	* Nov - 20	27,720	26,730	(990)
	* Dec - 20	27,710	26,656	(1,054)
	Jan - 21	27,646	26,594	(1,052)
	Feb - 21	27,472	26,424	(1,048)
	Mar - 21	27,458	26,410	(1,048)
	Apr - 21	27,345	26,299	(1,046)
	May - 21	27,315	26,269	(1,046)
	Jun - 21	27,221	26,178	(1,043)
Average		27,536	26,535	(1,001)
Running Start		326	457	131
TCC Fresh Start		139	151	12
Reengagement		198	103	(95)
Goodwill		29	3	(26)
Alternative Learning Experience		58	-	(58)
Adjusted Average		28,286	27,249	(1,037)
* Actual data through December 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

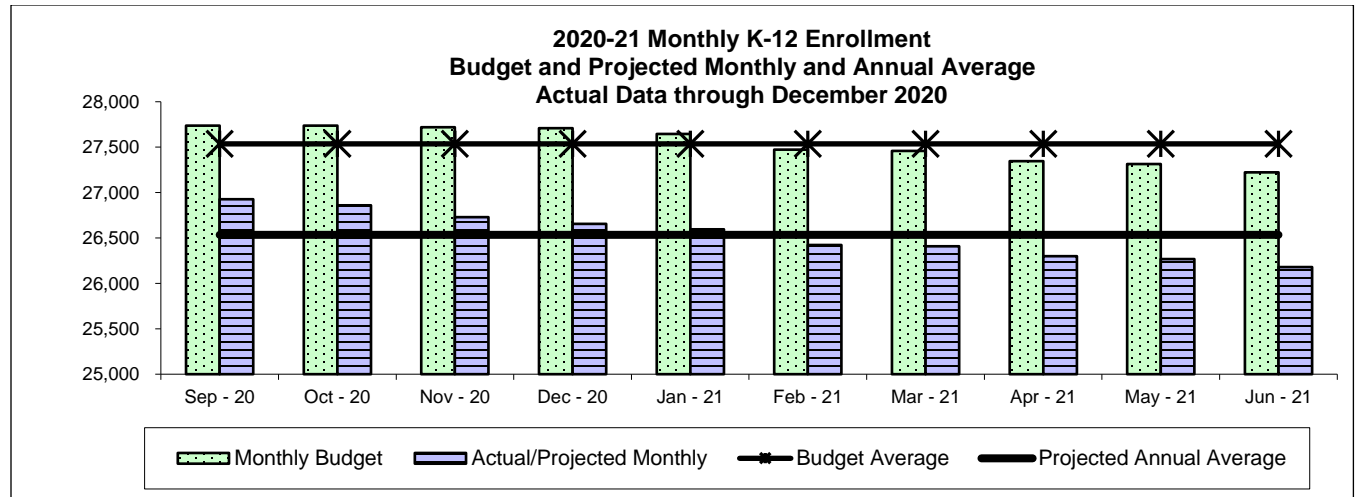


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2019-20 and 2020-21, and the variance between projected and budgeted average FTE for 2020-21.

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 1,068 FTE;
- Middle schools (grades 6-8) decreased by 200 FTE;
- High schools (grades 9-12) increased by 188 FTE;
- Running Start (college level courses) increased by 124 FTE;
- TCC Fresh Start increased by 2 FTE;
- Reengagement Center decreased by 90 FTE;
- Goodwill decreased by 20 FTE;
- ALE (Alternative Learning Experience) decreased by 63 FTE

The combined variances result in an average decrease of 1,127 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	1,908	(328)	(304)
Grade 1	2,269	2,193	2,106	(163)	(87)
Grade 2	2,190	2,217	2,114	(76)	(103)
Grade 3	2,226	2,145	2,029	(198)	(116)
Grade 4	2,246	2,170	2,089	(157)	(81)
Grade 5	2,282	2,202	2,135	(147)	(68)
Elementary	13,449	13,140	12,380	(1,068)	(759)
Grade 6	2,292	2,178	2,105	(187)	(74)
Grade 7	2,304	2,251	2,201	(103)	(50)
Grade 8	2,151	2,292	2,242	91	(50)
Middle School	6,747	6,721	6,547	(200)	(174)
Grade 9	2,099	2,199	2,146	46	(54)
Grade 10	2,130	2,048	2,048	(82)	(0)
Grade 11	1,670	1,902	1,847	177	(55)
Grade 12	1,520	1,526	1,567	47	42
High School	7,419	7,675	7,607	188	(68)
Running Start	333	326	457	124	131
TCC Fresh Start **	149	139	151	2	12
Reengagement Center **	193	198	103	(90)	(95)
Goodwill **	23	29	3	(20)	(26)
Alternative Learning	63	58	0	(63)	(58)
Grand Total *	28,376	28,286	27,249	(1,127)	(1,037)

* Actual data through December 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	42,870
Salaries - Certificated Employees - 2XXX	2,275
Salaries - Classified Employees - 3XXX	3,071
Benefits and Payroll Taxes - 4XXX	914
Supplies, Instructional Resources - 5XXX	1,881,400
Purchased Services - 7XXX	880,221
Travel - 8XXX	-
Capital Outlay - 9XXX	-
Totals by Object	\$2,810,752

Expenditures are from September 1 - December 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.