

Date: February 22, 2021
To: Board of Directors
From: Rosalind Medina, Chief Financial Officer
Subject: January 2021 Unaudited Financial Report



This report provides a brief summary of the general fund financial operations through January 31, 2021. Enrollment information also includes the official state count through the month of January 2021 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 January 31 for fiscal years 2019-20 and 2020-21.

Table 1

General Fund Comparison for the fiscal period ended	January 31, 2020	January 31, 2021	Variance Higher/(lower)
Beginning Fund Balance	\$ 39,945,306	\$ 36,893,527	\$ (3,051,779)
Revenue	174,555,823	175,622,295	1,066,472
Other Financing Sources	69,685	113,527	43,841
Total Resources Available	214,570,814	212,629,349	(1,941,466)
Expenditures	196,855,906	187,034,279	(9,821,627)
Other Financing Uses	-	-	-
Total Use of Resources	196,855,906	187,034,279	(9,821,627)
Ending Fund Balance	\$ 17,714,909	\$ 25,595,070	\$ 7,880,160

REVENUES

- General fund revenues and other financing sources as of January 31, 2021 were \$175,735,822. This was \$1,110,314 (+0.6%) 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 \$13,252,360 (+71.5%) 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 \$2,417,260 (-82.4%) compared to this time last year. This variance is the result of the following:

- \$1,185,099 decrease in Nutrition Service sales due to a change in the way meals are being distributed this year as a result of distance learning
- \$501,547 decrease in tuition-based programs such as the foreign exchange program and tuition-based preschool due to a decrease in participation/enrollment
- \$173,847 decrease in investment earnings
- \$130,711 decrease in revenue generated from the sale of supplies and services
- \$98,533 decrease in income from district rentals & leases
- 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 \$4,398,635 (+0.3%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue decreased \$4,611,040 from last year at this time due to a decrease in total student FTE
 - 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 \$5,216,118 (-16.4%) compared to this time last year. This variance was the result of the following:

- \$2,097,623 decrease in Transitional Bilingual revenue due to a timing difference of when funds were received this year versus last year
- \$1,439,159 decrease in Transportation Operations revenue due to an decrease in rider revenue as a result of distance learning
- \$1,413,909 decrease in Special Education revenue due to a decrease of resident FTE from last year
- \$430,158 decrease in Learning Assistance funding
- 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 \$614,828 (-4.8%) compared to this time last year. This variance was the result of the following:

- \$3,134,059 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
 - \$1,192,529 decrease in Head Start support due to a timing difference
 - \$1,159,654 decrease in free, reduced & regular meal reimbursements and Nutrition Services revenue
 - \$663,280 decrease in Title I funding due to a timing difference of when funds were received this year versus last year
 - \$547,168 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 \$484,301 (+43.6%) compared to this time last year. This variance was the result of the following:

- \$484,301 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 January 2020	Percent of Total	Through January 2021	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 18,533,125	10.61%	\$ 31,785,485	18.09%	\$ 13,252,360
Local Non-Tax	2,933,764	1.68%	516,504	0.29%	(2,417,260)
State, General Purpose	106,749,307	61.13%	102,350,682	58.24%	(4,398,625)
State, Special Purpose	31,854,909	18.24%	26,638,791	15.16%	(5,216,118)
Federal, General Purpose	110,913	0.06%	100,904	0.06%	(10,009)
Federal, Special Purpose	12,690,116	7.27%	12,075,288	6.87%	(614,828)
Revenue - Other Districts	1,112,014	0.64%	1,596,315	0.91%	484,301
Revenue - Other Agencies	571,675	0.33%	558,327	0.32%	(13,348)
Revenue - Other Financing	69,685	0.04%	113,527	0.06%	43,842
Total Revenue	\$ 174,625,508	100.00%	\$ 175,735,822	100.00%	\$ 1,110,314

EXPENDITURES

- General fund expenditures through January 31, 2021 were \$187,034,279; this was \$9,821,627 (-5.0%) 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 \$1,218,170 (+1.4%) from this time last year. This variance was the result of the following:

- \$3,514,060 increase in regular salaries due to negotiated salary increases, including +3.1% increase for teachers
- \$1,317,568 decrease in certificated substitute pay
- \$713,289 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 \$3,003,739 (-9.5%) from this time last year. This variance was the result of the following:

- \$1,238,444 decrease in extra-work pay
 - \$565,205 decrease in regular salaries
 - \$521,023 decrease in classified substitute pay
 - \$503,295 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 \$3,075,125 (-6.3%) 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 \$2,436,373 (-26.9%) compared to this time last year. This variance was the result of the following:

- \$1,966,476 increase in purchases made in response to COVID-19 and the shift to remote learning including laptop purchases for student distribution
- \$1,193,414 decrease in textbooks & materials due to a new math curriculum adoption made in 2019-20
- \$1,001,624 decrease in general district-wide supplies & materials
- \$915,310 decrease in total district-wide food costs
- \$576,367 decrease in software purchases including a software component of the math curriculum adoption made last year
- \$338,908 decrease in fuel charges
- \$140,754 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 decreased \$2,313,031 (-13.2%) compared to this time last year. This variance was the result of the following:

- \$2,926,356 decrease in pupil transportation costs including the base rate paid to First Student, bus passes provided to students and contracted transportation services for other programs such as McKinney-Vento
 - \$2,809,386 decrease in general district-wide purchased services, including contracts for some in-person services that were not able to be utilized for part of the school year
 - \$2,273,015 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
 - \$999,626 increase in purchases made in response to COVID-19 and the shift to remote learning including software licensing
 - \$626,521 increase in general software licensing
 - \$339,575 decrease in repairs
 - \$231,394 increase in district-wide utilities
 - 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 \$258,136 (-88.0%) compared to this time last year. This variance is due to a reduction in district-wide staff and student travel.

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 January 2020	Percent of Total	Through January 2021	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 89,130,370	45.28%	\$ 90,348,540	48.31%	\$ 1,218,170
Classified Salaries	31,685,405	16.10%	28,681,666	15.33%	(3,003,739)
Employee Benefits	48,838,673	24.81%	45,763,548	24.47%	(3,075,125)
Supplies and Materials	9,071,898	4.61%	6,635,525	3.55%	(2,436,373)
Contractual Services	17,503,296	8.89%	15,190,265	8.12%	(2,313,031)
Local Mileage & Travel	293,376	0.15%	35,240	0.02%	(258,136)
Capital Outlay	332,889	0.17%	379,495	0.20%	46,606
Total Expenditures	\$ 196,855,906	100.00%	\$ 187,034,279	100.00%	\$ (9,821,627)

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 January the district is at 5.19%. 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.

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Table 4

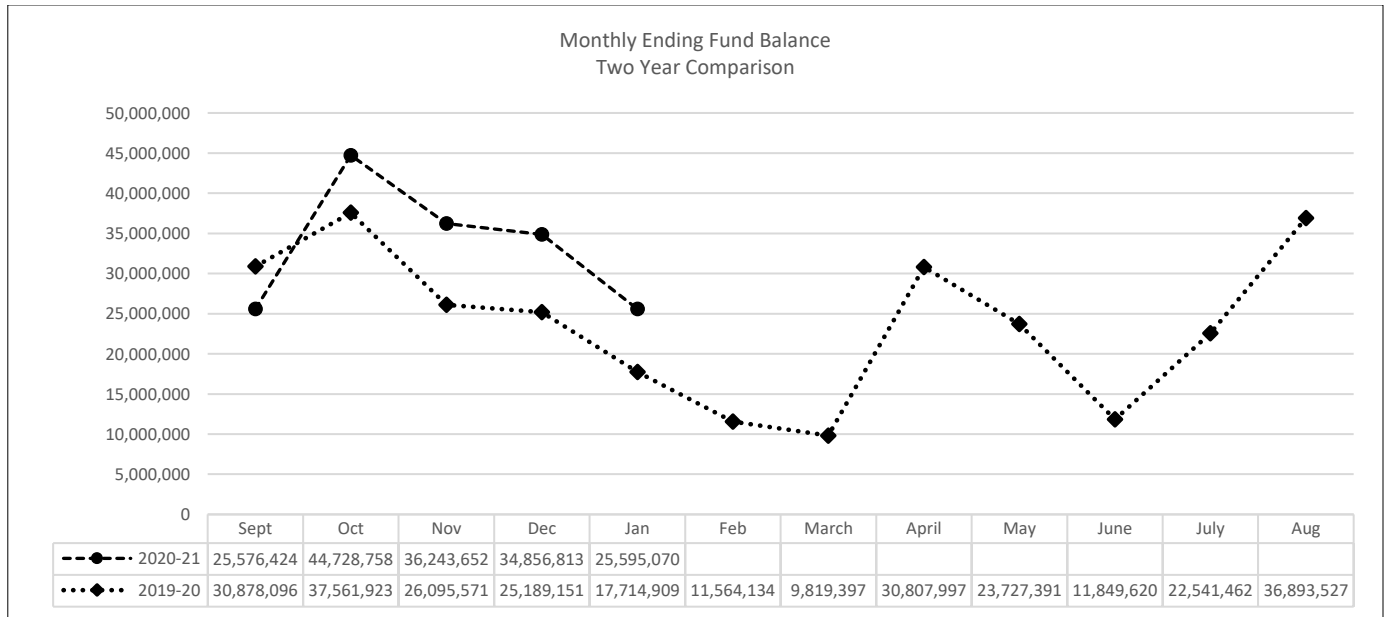
Fund Balance Comparison by Year					
Fund Balance Descriptions for the fiscal period ended	January 2020	Percent of Revenue	January 2021	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,333,231	0.93%	\$ 4,837,911	0.98%	\$ 504,681
Committed to Debt and Fiscal Management	-	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	\$ (18,003,174)	-3.85%	\$ (11,135,230)	-2.26%	6,867,945
Unassigned for Minimum FB Policy	\$ 17,998,409	3.85%	\$ 17,727,880	3.59%	(270,529)
Total Unassigned Fund Balance	\$ (4,765)	0.00%	\$ 6,592,650	1.34%	\$ 6,867,945
Total Fund Balance	\$ 17,714,909	3.79%	\$ 25,595,070	5.19%	\$ 7,880,161
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 January, total cash on hand was \$48,881,525 and daily expenditures amounted to \$1,180,199 per day which when used in the formula [cash on hand / daily expenditures] equates to 41.42 days of cash on hand.

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

Table 6

<u>Cash Balance Comparison by Year</u>				
	January 2020	January 2021	Variance higher/(lower)	
230 - Cash with Key Bank	\$ 47,524	\$ (55,291)	\$ (102,815)	
240 - Cash with Treasurer	6,391,422	1,292,276	(5,099,146)	
241 - Warrants Outstanding	(6,277,848)	1,139,394	7,417,242	
45x - Investments	34,846,454	46,505,145	11,658,691	
Total Cash on Hand	\$ 35,007,553	\$ 48,881,525	\$ 13,873,972	
Avg Daily Balance	\$ 1,129,276	\$ 1,576,823	\$ 447,547	
Days Cash on Hand	24.90	41.42	16.51	

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 January 2021. The projected annual adjusted average is currently 1,097 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	26,498	(1,148)
	Feb - 21	27,472	26,331	(1,141)
	Mar - 21	27,458	26,317	(1,141)
	Apr - 21	27,345	26,209	(1,136)
	May - 21	27,315	26,180	(1,135)
	Jun - 21	27,221	26,089	(1,132)
Average		27,536	26,480	(1,057)
Running Start		326	451	125
TCC Fresh Start		139	143	4
Reengagement		198	111	(87)
Goodwill		29	5	(24)
Alternative Learning Experience		58	-	(58)
Adjusted Average		28,286	27,189	(1,097)

*** Actual data through January 2021**

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

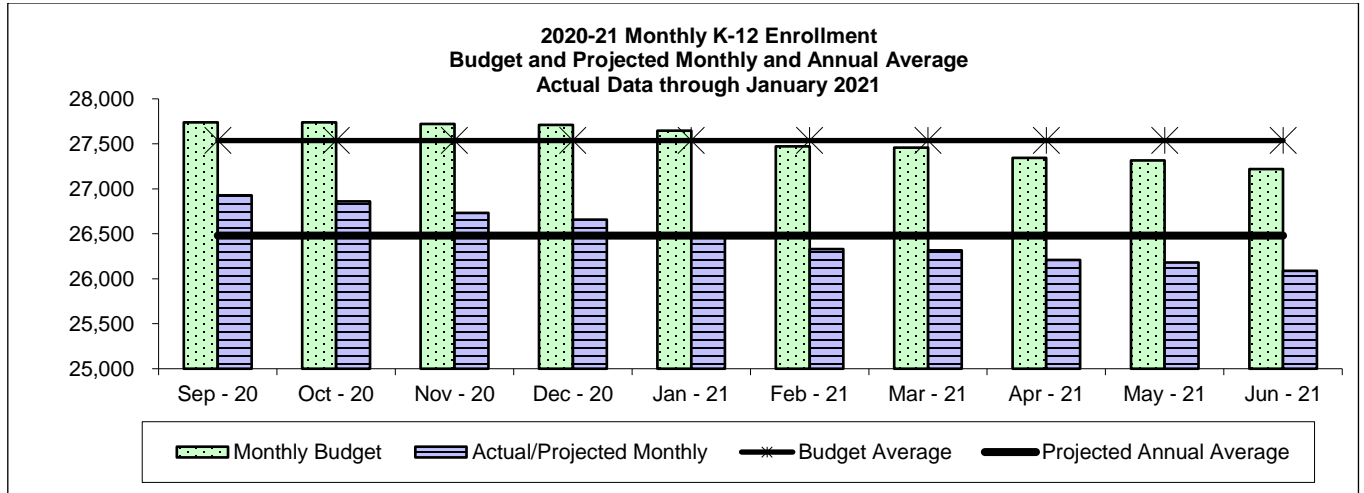


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2019-20 and 2020-21, and the variance between projected and budgeted average FTE for 2020-21.

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 1,078 FTE;
- Middle schools (grades 6-8) decreased by 196 FTE;
- High schools (grades 9-12) increased by 139 FTE;
- Running Start (college level courses) increased by 118 FTE;
- TCC Fresh Start decreased by 6 FTE;
- Reengagement Center decreased by 82 FTE;
- Goodwill decreased by 18 FTE;
- ALE (Alternative Learning Experience) decreased by 63 FTE

The combined variances result in an average decrease of 1,187 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	1,909	(327)	(303)
Grade 1	2,269	2,193	2,104	(165)	(89)
Grade 2	2,190	2,217	2,118	(72)	(100)
Grade 3	2,226	2,145	2,017	(209)	(127)
Grade 4	2,246	2,170	2,087	(159)	(83)
Grade 5	2,282	2,202	2,135	(147)	(67)
Elementary	13,449	13,140	12,370	(1,078)	(769)
Grade 6	2,292	2,178	2,104	(187)	(74)
Grade 7	2,304	2,251	2,202	(102)	(49)
Grade 8	2,151	2,292	2,245	94	(47)
Middle School	6,747	6,721	6,551	(196)	(170)
Grade 9	2,099	2,199	2,146	47	(53)
Grade 10	2,129	2,048	2,048	(81)	0
Grade 11	1,670	1,902	1,828	158	(74)
Grade 12	1,520	1,526	1,535	15	10
High School	7,419	7,675	7,558	139	(117)
Running Start	333	326	451	118	125
TCC Fresh Start **	149	139	143	(6)	4
Reengagement Center **	193	198	111	(82)	(87)
Goodwill **	23	29	5	(18)	(24)
Alternative Learning Experience	63	58	0	(63)	(58)
Grand Total *	28,376	28,286	27,189	(1,187)	(1,097)

* Actual data through January 2021

** 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	57,505
Salaries - Certificated Employees - 2XXX	346,175
Salaries - Classified Employees - 3XXX	3,402
Benefits and Payroll Taxes - 4XXX	135,098
Supplies, Instructional Resources - 5XXX	1,966,632
Purchased Services - 7XXX	999,739
Travel - 8XXX	-
Capital Outlay - 9XXX	-
Totals by Object	\$3,508,551

Expenditures are from September 1 - January 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.