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October 30, 2018

Members of the Board of Education
 1829 Denver West Drive, Building 27
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Directors:

Attached is the First Quarter Financial Report for fiscal year (FY) 2018/2019. This report includes cash management, investment and comparative analysis schedules for the General Fund, as well as narrative and comparative schedules for all other district funds. The appendices include staffing reports, performance indicators and a guide to understanding the content within the General Fund expense descriptions.

The 2018/2019 Adopted Budget includes increases in General Fund revenue from state funding and expenditure increases in compensation, school budget increases, and other board directed items. The final legislated School Finance Act increased the state formula for funding by 3.4 percent inflation, providing the district with new funding of \$33.5 million (excluding charters portion). In addition, there is an estimated increase in revenue from specific ownership tax. The student population was expected to decline in 2018/2019 with an estimated decrease of 700 students for district managed schools, thus reducing total new revenue for the district to \$27.7 million. Factors contributing to lower enrollment consist of affordable housing, economy and low birth-rates. Responsive to community values, the district was able to provide salary increases for staff and additional funding to schools in support of the identified Board goals for recruiting and retaining staff and improving student achievement. All of this translates into an overall 4 percent increase over prior year; yet still lower than the amount being withheld through the state budget stabilization factor. The ongoing, cumulative impact of the reduction due to the budget stabilization factor debilitates the capacity to address student needs and improve outcomes.

The analyses below breaks down the specific areas of underspend that contributed to the better than anticipated quarter end results.

Following are the first quarter-end (unaudited) financial results by fund:

Jefferson County Public School
 Top Level Summary by Fund
 Quarter End – September 30, 2018

	Revenue /Transfers	2018/2019 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2018/2019 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	\$ 91,768,088	12.65%	\$ 173,470,656	23.92%	\$(81,702,568)	\$ 35,311,608
Debt Service	172,571	0.41%	75	0.00%	172,496	61,436,528
Capital Reserve	11,627,525	45.61%	18,565,825	44.72%	(6,938,300)	35,142,543
Grants Fund	8,128,864	19.57%	4,599,106	11.07%	3,529,758	12,306,626
Food Services Fund	4,517,384	17.86%	5,764,068	22.56%	(1,246,684)	3,157,678
Campus Activity Fund	9,158,883	31.24%	6,106,683	22.11%	3,052,200	14,452,532

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	Revenue /Transfers	2018/2019 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2018/2019 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
Transportation	\$ 6,175,904	22.95%	\$ 5,899,421	21.93%	\$ 276,483	\$ 912,744
Child Care Fund	3,362,156	22.12%	3,218,157	21.05%	143,999	5,388,794
Property Management Fund	649,844	23.85%	626,266	21.43%	23,578	5,778,307
Central Services Fund	806,529	23.11%	770,404	22.30%	36,125	2,632,109
Employee Benefits Fund	1,382,016	24.90%	1,999,321	29.78%	(617,305)	11,044,171
Insurance Reserve Fund	2,934,049	22.52%	4,950,813	32.41%	(2,016,764)	4,363,049
Technology Fund	6,995,763	25.06%	6,557,449	22.23%	438,314	11,993,088
Charter Schools	22,502,649	24.63%	19,344,960	21.33%	3,157,689	35,177,851

Cash Management (pages 1–3):

- Cash balances ended the quarter at \$272 million; this was \$26.5 million less than prior year balance. Revenue is down due to timing of receiving exceptional child revenue earlier in prior year.
- Cash disbursements for payroll were up over prior year due to wage increases for staff in FY 2019. Overall benefits increased over the prior year with the additional PERA rate increase. Capital reserve projects were up over prior year for 6th grade expansion/transition and timing payments for projects completed last fiscal year.
- Cash balances will be monitored to ensure they are adequate to cover the cash flow low point in February/March until property taxes are received in the spring. While cash balances are lower than last year, no line of credit is anticipated to be needed.

General Fund (pages 4–12):

- General Fund revenues plus transfers ended at 13 percent of budget. Revenue was \$15.2 million down from prior year due to delayed timing of receiving the exceptional child revenue which was received in first quarter last year. This revenue is \$13.4 million. Additionally, the district received \$1 million less than prior year from specific ownership tax (SOT) and \$1.1 million less in revenues from state over prior year due to shift from local revenue and decreases in enrollment.
- General Fund expenditures were at 24 percent of budget with transfers included. Total expenditures ended higher than the previous year, primarily due to compensation costs, instructional costs for the sixth grade transition, and technology devices for 1:1 device readiness.
- Fund balance for the General Fund ended the quarter at \$35 million. This was lower than prior year and higher than the planned benchmark.

Debt Service/Capital Reserve (pages 14–16):

- Minimal activity occurs in the first and third quarter for this fund. The next payment for principal and interest on the general obligation debt will be in December 2018.
- Capital Reserve Fund spending ended at 45 percent of plan. Timing of projects last year for middle school additions along with the purchase of Free Horizon Montessori's old building increased the spending above the benchmark.

Grants Fund/Campus Activity/Transportation (pages 17–21):

- Activity in the Grants Fund changes from year to year with grants ending, new grants received and changes in awards. Colorado Department of Education (CDE) awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year as they are incurred causing revenue to be higher than expenditures. The fund ended the year with net income of \$3,529,758 which is a decrease over the prior year. Detailed expenditure changes can be reviewed on page 17 of the Quarterly Report.



- The Food Services Fund ended the quarter with more revenue than prior year driven mostly by increased commodity value received to date, the shift into à la carte from reimbursable meals continues and the timing of revenue recognition improved up to 3 additional days earlier this quarter. Overall, this quarter had two less serving days than prior year that impact revenue which was slightly offset by an increase of \$.06 on the federal reimbursable rate on all meals sold. Overall expenditures were higher than prior year in compensation increases ending at 23 percent of budget. This fund will continue to be monitored for adequate reserve coverage.
- Campus Activity Fund revenues and expenditures were higher than previous year same quarter mostly due to collection of fees primarily due to 1:1 devices and increased school activity fees. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues ended the year at 23 percent of budget. The fund was lower than prior year due to less state transportation revenue and field trips. Expenditures were higher than prior year due increased contracted student transportation for various needs.

Enterprise Funds (pages 22–24):



- The Child Care Fund had a net income of \$143,999 for the year compared to last year's net income of \$281,242. Revenues were up over the prior year due to tuition increases and three additional classrooms at existing sites. Expenses are higher than last year due to the increased costs to support the additional classrooms and compensation increases. Overall the fund is operating better than planned.
- The Property Management Fund ended the quarter with a net income of \$23,578. Building rental revenue is up over prior year as building rental billable hours increased by 5 percent. Expenses are in line with budget and prior year.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with net income of \$36,125. Revenue and expenditures are up over prior year due to increased activity over the prior year same quarter. Fund is operating as planned.
- The Employee Benefits Fund ended the quarter with a loss of \$617,305. This planned loss continues to use reserves from prior years on the self-insurance plans for vision and dental.
- The Insurance Reserve Fund had a net income of \$438,314 for the quarter. Revenues are down over prior year same quarter due to \$2 million of insurance recoveries received first quarter last year. Expenditures are up in claim losses continuing from the May 2017 hail storm work. This trend will continue throughout the year.
- The Technology Fund ended the quarter with a loss of \$2,986,712. Overall revenues are in line with the planned benchmark and higher than prior year and the planned benchmark due to receiving funds for teacher match, website support and salary increases. E-Rate revenue remains under review. Expenses for the quarter are below prior year due to higher

depreciation expense last year. Contracted services is up due to three major projects: reimplementation of PeopleSoft Recruiting, Food Service Software implementation and Grad Guidelines.

Charter Schools (pages 30–32):

- The district now has 16 charter schools.
- Free Horizon Montessori School is being accounted for in the charter fund for first quarter while the district is working to convert them into the general fund. This will occur next quarter.
-  • Rocky Mountain Academy Evergreen (RMAE) ended FY 2018 better than planned and has increased students for FY 2019 by 40 FTE. This has allowed the school to submit a balanced budget for the year which covers TABOR; first quarter results show that revenues are in excess of expenditures. The school will be removed from "yellow" flagged status starting next quarter.
-  • Doral Academy is under observation and "yellow" flagged until its revised budget is submitted and results start to reflect change. The fund is being observed as the school does not have enough in reserves to the make its January 2019 balloon principal payment of \$310,000. The school is in the process of having this refinanced to push the payment outside of the current fiscal year.

ON THE RADAR

In addition to the attached reports, following is an update on processes, system improvements and current issues in finance:

Facilities Update

Construction of additions to Drake and Dunstan Middle Schools (MS) was completed on time and budget, opening in August for the 2018/2019 school year. Renovation projects to Arvada K-8, Bell MS, Oberon MS, Manning, Carmody and Everitt were also completed on schedule and opened in August for the 2018/2019 school year supporting the district's 6-8 grade reconfiguration initiative. Other construction projects are finished with funding from the FY 2018 Capital Program. Design work at Creighton, Ken Caryl and Summit Ridge Middle Schools is complete; the Creighton and Ken Caryl MS bid in August with both projects on budget, Summit Ridge MS in September. All three are planned to open for the 2019/2020 school year. The final roof repairs from the May 2017 hail storm were completed for the start of the 2018/2019 school year. The work is funded by insurance proceeds and managed by the Construction Management department.

2018/2019 Budget Development

District budget staff continues to work with principals and district leadership as the first quarter comes to an end. District leadership continues to partner to align Student Based Budgeting (SBB) and Budgeting for Outcomes (BFO) with the strategic plan. Staff is working on collecting data on the results of allocated dollars in the 2017/2018 school year, including innovation funds as well as the school improvement funds. Presentation of the results will be given to the BOE as well as guide the 2019/2020 budget development process as it continues to move forward.

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Staff continues to follow proposed legislative changes as they relate to school finance, continues to network and engage in best practices for school budgeting through the Alliance for Excellence in School Budgeting, and continues to partner with district leadership in the transition of the 6th grade to middle school.

The district remains in sound financial condition and will continue to spend conservatively and diligently monitor economic variables.

This will certify that the information contained herein is an accurate and fair representation of the district's financial status as of the date shown.

A handwritten signature in black ink that reads "Kathleen Askelson". The signature is written in a cursive style with a large initial 'K' and a long, sweeping underline.

Kathleen Askelson
Chief Financial Officer