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October 31, 2019

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) 2019/2020. 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 2019/2020 Adopted Budget includes revenue increases in the General Fund from state funding and expenditure increases for compensation, school budgets, and other board directed items as detailed in the Financial Section of the Adopted Budget to support improving student achievement.

The final legislated School Finance Act increased by 2.7 percent inflation and a $100 million reduction for the statewide budget stabilization (BS) factor. In addition, it provided full funding for full day kindergarten, providing the district with new funding of $36.9 million (after the pass through to district charter schools). For 2019/2020 the BS factor reduced funding by $572 million statewide with Jeffco's portion reduced by $52 million. The ongoing, cumulative impact of the reduction due to the BS factor debilitates school district's capacity to address student needs and improve outcomes. For Jeffco in 2019/2020, a slight drop in enrollment and shift of students to charter schools resulted in an estimated decrease of 250 students for district-managed schools, bringing the total new revenue for the district to $34.3 million.

The analyses below breaks down the specific areas of underspend that contributed to the better than anticipated quarter end results. Funds that need a supplemental budget appropriation or are being monitored for potential need have been highlighted.

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

Jefferson County Public School
Top Level Summary by Fund
Quarter End – September 30, 2019

	Revenue /Transfers	2019/2020 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2019/2020 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	$ 112,924,864	14.23%	$ 186,443,746	23.27%	(73,518,882)	$ 67,548,326
Debt Service Fund	356,979	0.51%	0	0.00%	356,979	79,844,347
Capital Reserve Fund	8,273,514	32.00%	3,775,738	22.95%	4,497,776	38,011,684
Building Fund	1,824,071	26.82%	23,077,057	15.74%	(21,252,986)	315,189,915

	Revenue /Transfers	2019/2020 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2019/2020 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
Grants Fund	$ 11,960,520	27.24%	$ 5,491,323	12.51%	$ 6,469,197	$ 15,280,225
Food Services Fund	4,754,533	19.17%	5,572,022	22.25%	(817,489)	4,220,223
Campus Activity Fund	8,458,785	30.86%	5,767,049	21.07%	2,691,736	14,812,447
Transportation Fund	6,380,749	23.26%	5,894,046	21.48%	486,703	1,145,217
Child Care Fund	5,041,059	24.24%	3,831,100	18.47%	1,209,959	6,467,547
Property Management Fund	552,841	19.31%	606,010	20.53%	(53,169)	5,831,959
Central Services Fund	719,418	20.04%	804,978	21.76%	(85,560)	2,415,264
Employee Benefits Fund	1,550,357	24.77%	2,159,572	27.16%	(609,215)	10,614,873
Insurance Reserve Fund	1,887,905	24.91%	2,002,575	18.01%	(114,670)	6,277,664
Technology Fund	7,581,309	26.50%	6,872,382	22.04%	708,927	12,556,755
Charter Schools Fund	11,960,520	27.24%	5,491,323	12.51%	6,469,197	15,280,225

Cash Management (pages 1–3):

- Cash balances ended the quarter at $319 million; this was $48 million more than prior year balance. Cash receipts are up from an increase in the state share equalization, additional mill levy overrides from the passage of 5A, additional grant funding, and timing of the ECEA SPED revenue.
- Cash disbursements for payroll were up over prior year due to wage increases for staff in FY 2018/2019 along with the additional compensation included in March from the 5A mill levy override funds. Overall benefits increased over the prior year with the additional PERA rate increase. Capital reserve projects were down for the same quarter compared to prior year based on prior year spending for 6th grade expansion/transition, starting construction on three middle schools for 6th grade additions, and the purchase of 581 Conference Place, the prior Free Horizon Montessori building. Other non-compensatory operating expenses are down districtwide for spend down of school carry forward.
- Cash balances are monitored daily to ensure they are adequate to cover the cash flow low point in February/March until property taxes are received in the spring. No resource is anticipated to cover the low months between February/March for FY 2019/2020.

General Fund (pages 4–12):

- General Fund revenues plus transfers ended at 14 percent of budget. Revenue was up $20 million from prior year due to the increased funding from the state and local taxes and timing of the ECEA revenue receipted this year.
- General Fund expenditures were at 23 percent of budget with transfers included. Total expenditures ended higher than previous year, primarily due to compensation costs. This also includes a transfer to the Child Care Fund to cover 5A compensation increases, staff obtaining licensure for preschool, and funds for expansion of the preschool program.
- Fund balance for the General Fund ended the quarter at $68 million. This amount is better than prior year same quarter.
- See page 3 for monitoring interest and specific ownership tax (SOT).

Debt Service Fund/Capital Reserve Fund (pages 13–16):

- 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 2019.
- Capital Reserve Fund revenues are up for the $2 million sale of the Hoyt property while spending ended at 23 percent of plan and down compared to same time last quarter. Lower expenditures this year are due to the additional projects that occurred in the prior year including construction of three additional middle schools and the purchase of Free Horizon Montessori's old building.
- Building Fund/Capital Projects Fund was created with the issuance of $375 million 2018 Series GO bond proceeds and premium. Spending began in January 2019. Current year revenue is better than plan due to higher than anticipated interest yields. Timing of work and expenditures do not always line up in the same reporting period. While expenditures are down compared to plan, work is on budget and moving forward.

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

- Activity in the Grants Fund changes from year to year with grants ending, new grants received and changes in awards. This year, the district received a new full day kindergarten grant as well as the additional funding for school turnaround leaders resulting in over $2 million. Additionally, CDE generally awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year. The fund ended the quarter with net income of $6,469,197 which is up over the prior year. Detailed expenditure changes can be reviewed on page 17 of the Quarterly Report. This fund is being monitored for a potential supplemental appropriation due to compensation increases and summer spending.
- The Food Services Fund ended the quarter with more revenue than prior year driven mostly by an increase in meal prices and a shift into ala carte items offset by the continued decline in participation in the federal reimbursable lunch program. The fund did experience two additional serving days this quarter compared to prior year. Overall expenditures were down compared to budget and for the same quarter last year driven by a reduction of purchased food and commodities that was slightly offset by increased compensation. The fund ended the quarter with a net loss of $817,489 compared to prior year net loss of $1,233,722. This fund will continue to be monitored for adequate reserve coverage.
- Campus Activity Fund revenues and expenditures were lower than previous year due to timing of collection of student activities and fundraising; there was also a shift of expenditures for 1:1 devices now being purchased from the General Fund to the new 5A mill levy override funds. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues and transfer ended the quarter at 23 percent of budget and are in line with prior years. Expenditures ended the quarter at 21 percent of budget and were slightly lower than prior year due to a decrease in diesel fuel and a shift into propane vehicles which is more economical than diesel/gas fuel.

Enterprise Funds (pages 22–24):

- The Child Care Fund had a net income of $1,209,959 for the quarter compared to last year's net income of $88,099. Revenues were up over the prior year mostly due to the increased General Fund transfer to cover the roll out of preschool and compensation cost increases from the 5A funds. Additionally, before and after school programs realized a 6 percent tuition increase while preschool remained flat. Services were expanded to one additional school for before/after care and three schools (Dutch Creek, Hutchinson, Colorow) with five additional classrooms. Expenses are higher than last year due to the increased costs to support the additional classrooms/programs and compensation increases.

- The Property Management Fund ended the quarter with a net loss of $53,169. Building rental revenue and expenditures are down over prior year due to the timing of collections for daycare programs and from the loss of two churches $42,000 annually.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with a net loss of $85,560. Revenue is down over prior year due to a decrease in volume from the new Paper Cut print management software system. Expenses are up over prior year mostly due to compensation increases. This fund has adequate fund balance and has not spent outside of the planned spend down. The fund will continue to be monitored for the additional spend down of reserves compared to plan.
- The Employee Benefits Fund ended the quarter with a loss of $609,215. The planned loss continues to use reserves from prior years on the self-insurance plans for vision and dental to keep premiums flat for employees. Revenues and expenditures are up over same time last year due to increased participation and increased claims, respectively.
- The Insurance Reserve Fund had a net loss of $114,670 for the quarter. Revenues are down over prior year same quarter due to insurance recoveries received last year for the May 2017 hail storm. Expenditures are also down in claim losses from cycling over prior year hail storm work. While the revenue and expenditures for the hail storm have finished, the $1 million premium increase will continue.
- The Technology Fund ended the quarter with a net income of $708,927. Overall, revenues are higher than budget and prior year due to receiving E-rate funds for the Geomax broadband connection which is an infrastructure rebate. Expenses for the year are higher than prior year mostly due to compensation increases.

Charter Schools Fund (pages 30–32):

- The district has 16 charter schools.
- All charter schools have positive cash flow for the quarter.
- The Colorado Department of Education (CDE) approves Rocky Mountain Deaf School's daily tuition rate in December 2019; the school does not bill other districts the daily tuiton rate for those students until this is approved, however, Jeffco students have been reimbursed based on the prelimary rate.

ON THE RADAR

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

Facilities Update

Design work continues on the additions and renovations to Alameda, Arvada, Columbine and Green Mountain High Schools. Construction at Arvada HS is underway on the third floor classroom renovations. Construction at the other three high school sites is scheduled to begin in the first quarter of 2020. Final drawings for the Kendrick Lakes ES replacement were released September 30 with bids due October 31. Artificial turf and all-weather tracks have been completed at Chatfield, Conifer, Dakota Ridge, Evergreen, Lakewood, Ralston Valley High Schools and West Jefferson Middle School. Arvada High School turf and track is scheduled to be complete in November. Tennis courts were replaced at Conifer and Ralston Valley High Schools.

The next phase of major design work has started at Conifer and Jefferson High Schools, Warren Tech South building, as well as additions to Bell, Manning, Wayne Carle Middle Schools and Lumberg ES; also improvements to sixteen elementary schools and Trailblazer stadium. Other 2018 Capital Improvement Program projects scheduled for next year include playground improvements at nine sites, paving replacements at three locations, and reroofing five elementary schools. Three artificial turf and all-weather tracks and two all-weather tracks are being installed at five high schools. Thirteen elementary schools are scheduled to receive new furnishings. The safety and security lock project is on-track for completion by the end of 2019. Interior cameras, safety glass replacement, site lighting and fire alarm replacements at numerous schools are also scheduled.

2019/2020 Budget Development

In late August, the Board ratified an agreement with the Jefferson County Education Association (JCEA) that included step increases to eligible employees, educational achievement level changes to eligible employees, a cost of living increase of 2.5 percent, and implementation of longevity compensation to honor the past pay freezes incurred by JCEA staff. District budget staff continued to make final adjustments to the 2019/2020 Revised Adopted Budget in preparation for the final adoption by the Board that occurred in October 2019. 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 2018/2019 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 2020/2021 budget development process as it continues to move forward.

Staff continues to follow proposed legislative changes as they relate to school finance and continues to network and engage in best practices for school budgeting through the Alliance for Excellence in School Budgeting.

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.

Kathleen Askelson

Kathleen Askelson
Chief Financial Officer