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September 29, 2017

Members of the Board of Education
1829 Denver West Drive, Building 27
Golden, CO 80401-3120

Directors:

Attached is the Fourth Quarter Financial Report for fiscal year (FY) 2016/2017. 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.

All funds ended the year within their budgeted appropriations and better than planned. The General Fund ended the year with a planned spend down of reserves of $7.8 million. The spend down included an increased capital reserve transfer of $14.5 million to add additional classrooms at two middle schools: Drake and Dunstan for the K-5, 6-8 transition.

As a reminder, the expenditures this year included planned ongoing increases of $22 million and $15.8 million of one-time expenses. The original 2016/2017 Adopted Budget estimated $15.7 million spend down of reserves for the General Fund. As the 2017/2018 budget was being prepared, early analysis indicated that the spend down would be less due to underspend with the early estimate at $6.5 million. The analysis below breaks down the specific areas of underspend that contributed to the better than anticipated year end results:

Additional General Fund Revenue		**Percent of Total General Fund Budgeted Revenues**
Net revenue – Increase in specific ownership tax (SOT), offset by reductions in state funding from students and increased sharing in mill levy with charters. SOT budget was increased for 2017/2018.	$ 3,300,000	0.48%
Total Revenue Variance	$ 3,300,000	0.48%
Savings in Expenditures		**Percent of Total General Fund Budgeted Expenditures/ Transfers**
School budgets – unspent portion of school budgets (assigned in fund balance)	$ 15,000,000	2.10%
Retirement/turnover above 2016/2017 estimate. Increased estimate for 2017/2018.	2,000,000	0.28%
Vacancy savings for 2016/2017	2,000,000	0.28%
Total Expenditure Variance	$ 19,000,000	2.66%
Total Net Revenue & Expenditure Variance	**$ 22,300,000**	**3.13%**

Following are the quarter-end (unaudited) financial results by fund and noted highlights:

Jefferson County Public School
Top Level Summary by Fund
Quarter End – June 30, 2017

	Revenue /Transfers	2016/2017 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2016/2017 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	$686,142,714	100.48%	$693,979,444	97.33%	($7,836,730)	$117,845,468
Debt Service	47,210,881	94.05%	49,182,410	99.97%	(1,971,529)	61,883,147
Capital Reserve	39,173,229	101.63%	61,197,401	92.53%	(22,024,172)	44,932,521
Building Fund	22,166	0.00%	7,724,725	99.92%	(7,702,559)	-
Grants Fund	38,977,506	84.65%	39,879,426	86.61%	(901,920)	8,181,878
Campus Activity Fund	26,296,673	98.50%	26,074,510	99.24%	222,163	11,650,485
Transportation	26,674,195	99.02%	26,664,607	98.99%	9,588	567,600
Food Services Fund	24,886,995	99.04%	24,953,804	99.63%	(66,809)	8,221,491
Child Care Fund	13,362,702	99.72%	13,509,400	99.03%	(146,698)	5,121,260
Property Management Fund	2,415,136	107.82%	2,372,727	96.67%	62,453	5,968,531
Central Services Fund	3,523,271	100.66%	3,209,176	93.09%	314,095	2,357,903
Employee Benefits Fund	5,735,761	102.88%	6,497,305	93.23%	(583,108)	12,740,987
Insurance Reserve Fund	6,380,208	106.96%	7,310,168	93.20%	(879,837)	7,608,352
Technology Fund	28,211,168	101.22%	28,544,208	93.42%	(315,265)	14,541,488
Charter Schools	103,509,935	100.31%	101,056,873	96.51%	2,453,062	33,297,610

Cash Management (pages 1–3):

- Cash balances for the fourth quarter are $348 million. This is an increase of $17 million over the prior year balance. The increase in cash during the fourth quarter is due to property tax collections in June.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Wage increases for staff have been implemented, including one-time compensation increases in October 2016.

General Fund (pages 4–12):

- General Fund revenues are at 100 percent of budget for the quarter. Revenues ended the year slightly higher than the previous year. This is due primarily to increases related to Specific Ownership Tax.
- General Fund expenditures finished the year at 97 percent of budget. Total expenditures are higher than the previous year, primarily due to wage and PERA increases. Board approved compensation increases were made in the first and second quarters. Other expenses that continue to trend higher than the previous year include utilities and instructional materials (Chromebooks).
- Budget to actual expenditures are lower than planned due to retirement and turnover savings and underspend on other lines. As a result of this savings, the planned spend down of reserves was reduced by approximately $22 million dollars.
- Fund balance for the General Fund ended the quarter at $118 million. This is lower than prior year as planned.

Debt Service/Capital Reserve/Capital Projects (pages 14–17):

- The Debt Service Fund received a significant amount of property tax in the fourth quarter. Due to payoff of debt, the mill levy was dropped for the spring tax collection; this was not reflected in the budget which created an unplanned spend down and is flagged to identify the variance. The fund has adequate reserves. Fund Balance at the end of June 2017 will be used to make General Obligation Bond payments in December 2017.
- Capital Reserve Fund spending is at 93 percent of plan at the end of the quarter. Spending is higher than the previous year primarily due to the new K-8 school in Candelas. The fund received additional transfers of $14.5 million from the General Fund in the fourth quarter for additions at Dunstan Middle School and Drake Middle School.
- The Building Fund – Capital Projects is for the 2012 voter approved bond program. The remaining bond funds were spent during the fourth quarter of fiscal year 2017.

Grants Fund/Campus Activity/Transportation (pages 18–21):

- Grants Fund activity changes from year to year with grants ending, new grants received or changes in awards. Detailed expenditure changes can be reviewed on page 18 of the Quarterly Financial Report. The spenddown of carryforward $901,920 was not identified in the budget process in early spring and therefore requires yellow flag. The fund has adequate reserves.
- Campus Activity Fund revenues and expenses are running higher than the previous school year. The timing of events, activities and fundraising impact the collection of revenues and related expenditures. The ending fund balance is slightly higher than the previous year at $11.6 million.
- Transportation Fund revenues ended the quarter at 99 percent of budget. They are running lower than prior year for the same quarter from a decrease in State Transportation Revenue. Expenditures also ended the year at 99 percent of budget primarily due to a savings in spending on vehicle parts and supplies as well as fuel. Overall expenditures increased over the previous year due to capital equipment and bus purchases in the fourth quarter.

Enterprise Funds (pages 22–26):

- The Food Services Fund ended the year with an unplanned net loss of $66,809. Decreases in Federal/State reimbursable meals and fourth quarter equipment purchases contributed to this loss. This fund is flagged and will continue to be monitored through next year.
- The Child Care Fund has a net loss of $146,698 for the quarter compared to a net loss of $983,107 for the same quarter last year due to spend down of all-day kindergarten. Revenues are up over the prior year due to tuition increases, an additional preschool classroom, and a new School Age Enrichment program. Revenues and expenditures both finished the year slightly below plan, but overall spend down of fund balance ended the year better than planned.
- The Property Management Fund ended the year better than plan with net income of $62,453 for the quarter. Rental income is higher than the previous year and ended the year at 108 percent of budget. Expenditures are below budget but higher than the prior fiscal year. The planned transfers of $400,000 to reimburse schools for community use and the $250,000 to the Capital Reserve Fund to cover the additional wear and tear to school facilities contributed to the decrease in net income over the previous year.

Internal Service Funds (page 27–31):

- The Central Services Fund has net income of $314,095 for the quarter. As a result, the fund ended better than plan.
- The Employee Benefits Fund had a loss of $583,108 for the year; a loss that was budgeted to reflect the use of one time funds dedicated for employee wellness programs and excess dental

reserves. Revenues are lower than the previous year due a decrease in performance money received from Kaiser. Claims expenses are slightly higher than the previous year due to group life death claims.

- The Insurance Reserve Fund has a net loss of $879,837 for the quarter end. Claim costs are running higher than the previous year from two property claims that were incurred in first quarter. The claims expense also reflects an increase of $687,909 for incurred but not reported (IBNR) which represents an estimate for outstanding claims based on actual trends in losses.
- The Technology Fund ended the year better than plan with a loss of $315,265. Salary expenses continue to be slightly below budget due to unfilled positions. Delays in IT projects also contributed to underspend in expenses for the fund. Revenues ended the year slightly above plan. Overall the fund is performing better than budget.

Charter Schools (pages 32–34):

- All charter schools have positive operating cash through fourth quarter.
- A new charter school, Great Work Montessori, met their conditional approval prior to the April 1 deadline and will be opening in the fall of FY 2017/2018.
- Rocky Mountain Academy Evergreen submitted a revised budget with two rounds of cuts to reduce the operating deficit; the budget reflects the new reductions and planned spend down of reserves to cover this loss. The school ended the year favorable to plan by $50K. They will look at future cuts to operating costs once they have their October 1 counts. The FY 2017/2018 budget is planned with a $100K spend down of reserves. This school will continue to be montitored until the budget is balanced.

ON THE RADAR

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

<u>Facilities Update</u>

Three Creeks K-8 school at the Candelas development received a certificate of occupancy in June and was open for the start of school. Phase II of the Sierra Elementary School was within budget and at approximately 90 percent complete; furnishings were ordered and delivered in June 2017. The existing Sierra building is scheduled for demolition in the first quarter. Upon removal, the reclamation of the site will continue with increased parking and new playgrounds. Sierra also opened on schedule for the beginning of school. The capital projects were underway for the 2017 summer construction period and were both on schedule and on budget.

Design work for the additions to Drake and Dunstan Middle Schools is proceeding. The work is scheduled to bid in October with construction work scheduled to be completed for August 2018 openings. Funding for improvements that will support the K-5, 6-8 grade reconfiguration program has been allocated from the FY 2018 Capital Transfer. These funds will be used for minor remodels, furniture needs and planning efforts at other middle schools to support the program.

<u>Hiring and Staffing</u>

Compensation increases for Jeffco staff included steps, levels, and a 2 percent cost-of-living increase. Jeffco's ability to fund the 2 percent COLA was predicated on repurposing existing budgets. Even so, the district did not keep pace with competitor districts who were able to offer a 2.8 percent COLA. Even with extensive efforts to offer competitive salaries, the district struggles to hire entry level positions in transportation, food services and custodial services. Contractual limitations on the amount of experience the district can honor when hiring licensed educators makes it particularly challenging to hire special service providers.

Benefits

Open enrollment for FY 2017/2018 was completed for district staff. There were some changes to next year's benefit package. The district consolidated to one medical provider, Kaiser, and increased, for the first time since 2003, the employer paid share from $515 a month to $529.

2017/2018 Budget Development

The 2017/2018 budget development process was completed and presented to the Board of Education for adoption on June 1, 2017. The process incorporated several components of community engagement including community town halls, an interactive online community engagement tool and input from school-level and district-level accountability committees. Planning for development of 2018/2019 is currently underway. The budget department has teamed with district leadership and principals on the 6th grade transition to middle school, and work is currently underway to revise the student based budgeting format to ensure a successful transition for this upcoming year. With the first full year of budgeting for outcomes complete, the budget office continues to provide support to staff as well as 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