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

Attached is the Third Quarter Financial Report for fiscal year 2015/2016. This report includes cash management and investment schedules 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 for the district are within budget or performing better than planned for the end of the quarter. The General Fund is at 70.5 percent of budget, lower than budgeted when compared to a benchmark of 75 percent. Savings from retirements and turnovers, staff vacancies and staff benefits costs have contributed to lower expenditures than anticipated. These savings have been brought forward to be reprogrammed into the 2016/2017 budget as either an ongoing or one time resource. The state approved the supplemental budget request for 2015/2016 which lowered the current year negative factor. Current proposed school finance for 2016/2017 proposes to leave the negative factor at the same level. At the time of this report, the Capital Reserve Fund, Central Services Fund, Technology Fund, Transportation Fund and Campus Activity Fund have been noted as needing a supplemental budget appropriation for the current year. The reason for the supplemental adjustments is noted below by fund.

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

Jefferson County Public School
Top Level Summary by Fund
Quarter End – March 31, 2016

	Revenue	2015/2016 Y-T-D % of Budget For Revenue	Total Expenses	2015/2016 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	$409,597,027	60.19%	$468,580,023	70.22%	$(58,982,996)	$12,778,126
Debt Service	22,750,234	45.32%	39,924,078	80.21%	(17,173,844)	41,522,406
Capital Reserve	50,986,166	686.31%	17,462,842	63.39%	33,523,324	70,062,230
Building Fund	37,795	30.67%	19,140,861	64.83%	(19,103,066)	12,872,493
Grants Fund	30,155,785	57.76%	26,683,422	51.11%	3,472,363	10,932,766
Campus Activity Fund	18,333,404	71.92%	16,921,126	66.25%	1,412,278	11,882,659
Transportation	21,551,532	81,08%	16,705,680	62.85%	4,845,852	5,556,263

Continued	Revenue	2015/2016 Y-T-D % of Budget For Revenue	Total Expenses	2015/2016 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net assets)
Food Services Fund	20,068,443	78.93%	18,063,000	70.71%	2,005,443	9,325,407
Child Care Fund	9,597,753	77.64%	9,745,233	68.60%	(147,480)	6,103,585
Property Management Fund	1,582,080	74.10%	1,398,786	62.41%	183,294	5,663,825
Central Services Fund	2,661,916	81.65%	2,377,438	74.93%	284,478	1,994,094
Employee Benefits Fund	4,511,584	76.57%	4,926,282	70.54%	(414,698)	13,405,871
Insurance Reserve Fund	4,324,437	74.24%	4,652,616	74.24%	(328,179)	7,239,862
Technology Fund	19,297,420	74.03%	18,730,984	65.94%	566,436	16,068,461
Charter Schools	62,978,372	87.96%	54,979,487	73.96%	7,998,885	36,214,477

Cash Management (pages 1–3):

- Cash balances for the third quarter are $270,344,127. This is an increase over the prior year of $98,061,955. Cash reserves increased with the proceeds from Certificates of Participation in the amount of $48 million and property tax in the third quarter. Cash reserves will continue to increase in the fourth quarter with the collection of property tax revenues. A line of credit was established earlier in the year to cover any cash needs until property taxes were received. The line of credit was not needed and officially closed on April 1, 2016.
- Cash receipts increased over the prior year primarily from increased property tax, specific ownership tax and state revenues.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Licensed staff increases were processed in September.

General Fund (pages 4–12):

- General Fund revenues are at 60 percent of budget for the quarter. Property tax revenues are low for the quarter compared to budget due to the timing of property tax collections which will continue into the fourth quarter. Year-to-date revenues have increased over the prior year in property tax, Specific Ownership Tax, State Share Equalization and All-Day Kindergarten tuition.
- General Fund expenditures are at 70 percent of budget, lower than the quarterly benchmark. Savings from retirements and turnover as well as unfilled vacancies are causing lower actual costs than expected. Total expenditures are higher than the previous year, primarily due to wage increases and additional benefit costs related to PERA increases and Affordable Care Act mandates.
- Fund balance for the General Fund ended the quarter at $12,778,126. Fund balance will continue to grow in the fourth quarter with the collection of property tax receipts. Fund balance also grew in the third quarter due to the January 14, 2016, Board of Education approval to return the prior year $15 million underspend back to the General Fund from the Capital Reserve Fund.

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

- Revenues for the Debt Service Fund increased this quarter with the collection of property taxes. A large majority of property taxes will continue to be collected in the fourth quarter. Interest payments on the general obligation debt will be made in June 2016.

- Capital Reserve Fund spending is at 63 percent of plan at the end of the quarter. Expenditures will increase in the fourth quarter with the start of summer projects. Per Board approval, a decrease in the transfer to Capital Reserve from the General Fund was reduced by $15 million and the issuance of Certificates of Participation (COPs) both took place in the third quarter. A supplemental budget appropriation will be needed to adjust for the new construction funded by the COPs.
- The Building Fund – Capital Projects is for the 2012 voter approved bond program. Expenditures are at 65 percent of budget for the quarter. Due to the start of summer projects, expenditures will increase in the fourth quarter.

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. The major grants from the prior year that ended were BEST grants for charter schools.
- Campus Activity Fund revenues are tracking above the previous year and are currently at 72 percent of plan. However, expenditures are tracking very close to the prior year. The timing of events, activities and fundraising impact the collection of revenues and related expenditures. A supplemental budget appropriation may be needed to cover year end expenditures resulting from increased revenues from fees for math expression workbooks.
- Transportation Fund revenues are higher from increases in state transportation funding and fees. Expenditures are higher from compensation and benefit increases, but the fund is experiencing savings related to fuel costs. Bus purchases will be made in the fourth quarter. A supplemental budget adjustment will be requested for additional funds to security.

Enterprise Funds (pages 22–26):

- The Food Services Fund is performing well through the third quarter. The fund continues to see a slight downturn in sales compared to the previous year but has managed costs appropriately to accommodate changes in sales.
- The Child Care Fund has a net loss of $(147,480) for the quarter. The all-day kindergarten tuition programs moved to the General Fund in the current year. The schools are continuing to spend down reserves built in prior years for kindergarten. Reserves for this activity are planned to be zeroed out by the end of the year.
- The Property Management Fund has net income of $183,294 for the quarter. Revenues are slightly below the previous year. Expenditures are below benchmarks due to the timing of facility master plan expense which will be completed in the fourth quarter.

Internal Service Funds (page 27–31):

- The Central Services Fund has net income of $284,478 for the quarter, higher than the prior year. The printing department had increased revenues from printing jobs for start of school related to Math Expression workbooks. A supplemental budget appropriation may be needed to cover the additional expenses from the additional print jobs for math expressions.
- The Employee Benefits Fund had a loss of $(414,698) for the quarter; a loss has been budgeted for the year reflecting the use of one time funds dedicated for employee wellness programs. Dental and vision claims are trending higher than the previous year due to enhanced services provided by the plans.
- The Insurance Reserve Fund has a net loss of $(328,179) for the quarter end. Claim costs are running higher than the previous year from storm and workers' compensation claims. The fund has adequate reserves for claims coverage.

- The Technology Fund has net income of $566,436 for the quarter end. Salary expenses continue to be low due to unfilled positions. Expenses related to Mobile Device Readiness are expected to increase during the fourth quarter. A supplemental budget appropriation may be needed to cover the write off of the classroom dashboard project.

Charter Schools (pages 32–34):
- Two Roads Charter School entered into a capital lease to purchase their building for $4,620,000.

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

<u>Facilities:</u>
In January 2016, the Board of Education directed facilities to prepare a District Wide Facility Master Plan to be completed by the end of March. The plan was completed on time and will be presented to the Board of Education and the public in April. The design work at the Candelas K-8 and Phase II of Sierra Elementary is proceeding and both projects are on schedule. Certificates of Participation were issued in March to finance the two schools. Numerous construction projects funded by the 2016 capital program have been bid during the third quarter and will be ready for construction starting at the end of the school year.

<u>Hiring and Staffing:</u>
Colorado's unemployment rate is reported to be at 3 percent, and Colorado is tied for the fourth lowest unemployment rate in the nation. This is impacting the district's ability to hire for substitute positions such as substitute teachers, custodians and bus drivers. Because the district relies on substitutes to cover when on-going employees cannot be at work, these substitute groups are critical. In addition, entry level positions are routinely hard to recruit and fill during strong economic times. The budget limitations have created pent up salary demand on the part of on-going employees and may have contributed to the turnover trends seen over the past two years with an increase in resignations across all three broad categories of employees: administrative, teachers and classified. Recruiting remains strong for some categories of employees, but there are specialty areas that continue to see smaller applicant pools and have unfilled positions; management positions requiring specialty skills, nurses, special education special service providers, dual language teachers, and math teachers are a few of these positions.

<u>Health Care Reform:</u>
The district issued over 11,000 1095C ACA reporting tax forms in March; that file will be submitted by June to the IRS. Programming refinements to comply with the regulations of the Affordable Care Act (ACA) are ongoing. Benefit plan changes necessary to comply with changing ACA regulations will take place in July. Due to ongoing measurement periods to identify employees who qualify for coverage based on hours worked and the requirement to hold coverage throughout a stability period, it is difficult to accurately predict the additional cost these regulations have added.

<u>2016/2017 Budget Development:</u>
The budget office and district leadership, in partnership with school staff and communities, have implemented student-based budgeting (SBB) at schools for the 2015/2016 budget. Extensive support is being provided to assist principals and school secretaries with the transition to this new budgeting structure. SBB will result in increased funding equity, school autonomy and transparency. Early feedback from principals has been positive on the SBB budget model.

The 2016/2017 budget development process is wrapping up. Principals have finished meeting with their staff and accountability groups and taken their priorities into consideration as they allocated their SBB budgets for 2016/2017. In parallel to SBB, the budget office has launched phase one of the new budgeting process for departments called Budgeting for Outcomes (BFO). The four departments who participated are Security, Facilities, Custodial and Educational Research and Design.

The proposed legislation for the School Finance Act increases the state formula by 1.2 percent for inflation and estimates an overall district decline of 17 students for Jeffco. As calculated by the Colorado Department of Education, the district will receive an increase in state funding of $8.9 million or $111 per pupil. This total funding includes $1.7 million for charter schools that flows through the district to the individual charters. The net increase for the General Fund from state funding will be $7.2 million for 2016/2017. District staff will continue to monitor the School Finance Act that will wrap up in the spring.

The district remains in sound financial condition. We 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

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Chief Financial Officer