JEFFCO PUBLIC SCHOOLS

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

Attached is the Fourth 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 General Fund ended the year with a net gain higher than budget due to the following factors:

- FY 2018/2019 $30 million mill levy override (5A) approved by the voters in November 2018 was received in the spring and not fully budgeted. A new reserve line for this revenue has been established to track any carry forward (unspent funds). The end of year balance is $11.6 million. Please see appendix C for details on expenditures of 5A funds.
- Specific ownership tax revenues are higher than budget by $9 million. This revenue continues to trend higher than budget for the last few years. The budget line for FY 2019/2020 was increased by $9 million.
- Interest revenues were $2 million better than budget. This line item was also increased for the FY 2019/2020 budget year.

The (5B) 2018 bond issuance of $375 million began supporting facilities construction projects and paying down charter school debt. Out of the $45 million spent, $20 million was spent on charter schools. The 2018 bond funds are planned to be expended in three years.

Three funds ended the year outside of budgetary compliance:

1. The actual expenditures for the Building Fund were $5 million higher than budget. The purchase of the new site for North Transportation was originally planned to be completed in FY 2019/2020 with no specific site designated. A site became available in late spring that was deemed a benefit for the district to purchase and offered at a below list price. Budget staff will work closely with the construction department to project expenditures accurately for the budget appropriation in the future.
2. The Food Service Fund revenues were lower than projected, resulting in a greater spend down of fund balance than appropriated. The additional closures that impacted revenue were not accounted for in the budget estimates. Any impacts to revenues from school serving days will be factored in for future estimates.
3. The Central Services Fund was $2,120 over the appropriated budget and spent down fund balance from lower revenues by $95,159. The budget team will work closely with the program manager to include any changes in timing for expenditures and accurately reflect revenue estimates for the future.

It is anticipated these funds will be noted by the external auditors for these compliance issues as well as by the Colorado Department of Education (CDE).

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 – June 30, 2019

	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	$ 768,924,207	101.77%	$ 745,832,219	99.61%	$ 23,091,988	$ 141,067,208
Debt Service Fund	69,872,575	99.18%	51,649,239	99.99%	18,223,336	79,487,368
Capital Reserve Fund	31,980,046	102.90%	41,178,660	87.42%	(9,198,614)	33,513,907
Building Fund	381,344,087	100.00%	44,901,186	112.88%	336,442,901	336,442,901
Grants Fund	43,169,251	100.45%	43,135,090	99.21%	34,161	8,811,028
Food Services Fund	23,545,744	93.05%	24,130,817	94.44%	(585,073)	5,037,712
Campus Activity Fund	27,711,225	94.52%	27,040,847	96.16%	670,378	12,120,711
Transportation Fund	26,840,895	99.75%	26,818,642	99.67%	22,253	658,514
Child Care Fund	15,434,118	99.24%	15,770,645	98.64%	(336,527)	4,908,268
Property Management Fund	3,024,057	104.59%	2,893,658	96.89%	130,399	5,885,128
Central Services Fund	3,361,976	95.28%	3,457,135	100.06%	(95,159)	2,500,824
Employee Benefits Fund	6,055,712	101.39%	6,493,100	91.27%	(437,388)	11,224,088
Insurance Reserve Fund	12,699,112	95.51%	12,686,590	83.04%	12,522	6,392,334
Technology Fund	28,141,601	100.09%	27,848,548	94.43%	293,053	11,847,828
Charter Schools Fund	116,543,402	95.45%	117,773,539	110.04%	(1,230,137)	29,147,306

Cash Management (pages 1–3):

- Cash balances ended the quarter at $379 million; this was $32 million more than prior year balance. Cash receipts are up from an increase in the state share equalization and additional mill levy overrides from the passage of 5A.
- 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 up over prior year 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 up districtwide for spend down of school carry forward and 1:1 device purchases.
- 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 was needed for low cash months and is anticipated that none will be needed for FY 2019/2020.

General Fund (pages 4–12):

- General Fund revenues plus transfers ended at 102 percent of budget. Revenue was up $65 million from prior year due to the increased funding from the state and local taxes, additional mill levy overrides from the passage of 5A, higher interest earnings and the transition of Free Horizon Montessori into the district managed schools.
- General Fund expenditures were at 100 percent of budget with transfers included. Total expenditures ended higher than previous year, primarily due to compensation costs, instructional costs for the 6th grade transition and technology services for 1:1 device readiness. Free Horizon transitioned from a charter school to a school of innovation. The school budget is now in the General Fund of the district. A supplemental budget appropriation was needed to reflect the expenditures for 5A and Free Horizon shifting to this fund.
- Fund balance for the General Fund ended the quarter at $141 million. A new assigned line has been established to track any unspent 5A funds, for FY 2018/2019 the balance was $11.6 million. Unassigned fund balance increased $15 million from the prior year or 1.28 percent. Unassigned fund balance is 12.8 percent of total expenditures for the end of FY 2018/2019.

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

- Revenues for the Debt Service Fund increased this quarter with the collection of property taxes and interest revenue with higher than planned yields. Interest payments on the general obligation debt were made in June 2019. A supplemental appropriation was needed for the new interest payment on the Series 2018 bonds.
- Capital Reserve Fund spending ended at 87 percent of plan. Timing of projects over the summer for middle school additions and the start of construction for three additional middle schools, along with the purchase of Free Horizon Montessori's old building, were the major projects for the fiscal year. A supplemental budget adjustment was needed in the spring to reflect the purchase of the Free Horizon 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 paying off charter debt obligations and district and charter capital projects. A supplemental budget was needed to establish the fund budget. This fund is yellow flagged for operating outside of the appropriated budget but has adequate fund balance.

Grants Fund/Campus Activity Fund/Transportation Fund (pages 17–22):

- 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 late awards for new state funded grants. 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. These new grants resulted in over $1 million of new awards received late in the year. The fund ended the quarter with net income of $34,161 which is down 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 less revenue than prior year driven mostly by a decrease in participation in the federal reimbursable lunch program and less serving days than prior year based on the school calendar and unplanned closures. The revenue which was slightly offset by an increase of $.06 on the federal reimbursable rate on all meals sold and ala carte sales. Overall expenditures were down from same time last year

with a reduction of purchased food. This fund had a resolution to spend down reserves of $305,697 this year. The fund ended the quarter with a net loss of $585,073 compared to prior year net loss of $914,890. This fund will continue to be monitored for adequate reserve coverage.

- Campus Activity Fund revenues and expenditures were lower than previous year from timing of collection of student activities and fundraising. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues ended the quarter at 100 percent of budget and are in line with prior years. Expenditures ended the quarter at 100 percent of budget and were higher than prior year due to annual compensation increases, capital equipment purchases and increased cost of fuel.

Enterprise Funds (pages 23–25):

- The Child Care Fund had a net income of $12,793 for the year compared to last year's net income of $123,538. Revenues were up over the prior year due to tuition increases, three additional classrooms at existing sites, and the transition for Free Horizon Montessori School's before/after school program into this fund. Expenses are higher than last year due to the increased costs to support the additional classrooms, compensation increases which include the 5A monies, and the addition of Free Horizon Montessori. A supplemental appropriation was needed for this fund for parity pay.
- The Property Management Fund ended the quarter with a net income of $130,399. Building rental revenue is up over prior year with the new addition of Rocky Mountain Chefs college culinary course offered at Warren Tech's campus in the evening and before and after school programs. Expenses are higher than prior year mostly due to compensation increases for staff. The fund received a supplemental appropriation for compensation increases and additional building rental revenue.

Internal Service Funds (page 26–30):

- The Central Services Fund ended the quarter with net loss of $95,159. Revenue is down over prior year due to a decrease in volume in part from the new Paper Cut system. Expenses are up over budget and prior year due to the new Paper Cut system and compensation increases. This fund is yellow flagged for operating outside of the appropriated budget but has adequate fund balance.
- The Employee Benefits Fund ended the quarter with a loss of $437.388. 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. The fund received a supplemental appropriation due to increased participation, expenses related to 2nd MD and increased claims.
- The Insurance Reserve Fund had a net income of $12,522 for the quarter. Revenues are up over prior year same quarter due to insurance recoveries received for the May 2017 hail storm. Expenditures are down in claim losses from cycling over prior year hail storm work. Total hail claim is ~$11.9 million (property and fleet).
- The Technology Fund ended the quarter with a net income of $293,053. Overall revenues are in line with the planned benchmark and higher than prior year due to receiving funds for teacher match, website support and salary increases. Expenses for the year are higher than prior year mostly due to compensation increases.

Charter Schools Fund (pages 31–33):

- The district has 16 charter schools. FY 2018/2019 changes include Free Horizon Montessori as a School of Innovation in the General Fund and Golden View Classical Academy moving to the Charter School Institute (CSI).
- All 5A mill levy override revenue was funded to the charter schools on April 1, 2019. Each school has the autonomy with their Board to make decisions on spending those funds within the election parameters. All unused funds from FY 2018/2019 will be assigned for future one-time use by each school's Board of Education (BOE).
- With the passing of 5B for bond proceeds, four (4) charter schools were able to take advantage of debt redemption. Woodrow Wilson and Compass Montessori Golden were able to completely pay off their outstanding general obligation debt, and Two Roads and Rocky Mountain Academy of Evergreen were able to pay down a significant portion of their debt. Many other charter schools have started and are working with the project manager for facility improvements. Jefferson Academy has also utilized their portion of bond funds towards an expansion and auditorium.
- All charter schools have positive cash flow for the quarter.
- Great Work has been removed from yellow flag status as they were able to meet operating costs and TABOR at year end. District staff and the school administration team partnered to identify a plan that included revenue collection for tuition, donations and moving expenditures off the General Fund that were claimed by the schools start up grant.

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>

Additions to Creighton, Ken Caryl and Summit Ridge Middle Schools are complete and were operational for the start of the 2019/2020 school year. All three support the K-5, 6-8 transition and were funded through district reserves.

The district sold the 2001 Hoyt Street property in Lakewood to the Firefly Autism Group. The sale price was $2.2 million.

Design work continues for additions and renovations to Alameda, Arvada, Columbine and Green Mountain High Schools. Construction at Arvada High School is scheduled to begin October 1. Construction at the other high school sites will begin in the first quarter of 2020. Final drawings for the Kendrick Lakes Elementary School replacement will be released September 30 with bids due October 31. Bond projects completed to date include playground improvements at eight sites, paving replacements to six locations, and reroofing of two high schools and three elementary schools. Artificial turf and all-weather tracks are being installed at seven high schools and one middle school; weather issues have delayed the completion of all the fields until October. All furnishings were replaced at one K-8 and one middle school. On-going security and technology projects include classroom locks, interior cameras, safety glass replacement, site lighting and fire alarm replacements at numerous schools.

The district completed the acquisition of a 10 acre site that includes a 100,000 SF building that will serve as the new location for the North Area Transportation Facility and the North and North-Central Maintenance Shops. Consultants and contractors are being selected for design work scheduled to begin in the fourth quarter of 2019. Work completed and planned are part of the 2018 Capital Improvement Plan and funded, in part, by the 2018 bond.

FY 2019/2020 Budget and FY 2020/2021 Budget Development

The 2019/2020 budget was completed and presented to the BOE for adoption on June 6, 2019. The budget included a 1.5 percent COLA increase assumption that resulted in a $3.5 million planned use of General Fund reserves until savings could be identified to cover the expenditure. After finalizing the payroll and salary accruals for FY 2018/2019, ongoing savings were identified to be repurposed and cover the additional expenditures. At the time of the adopted budget, the Board ratified an agreement with the Jeffco Educational Support Professionals Association (JESPA); however, the Jefferson County Education Association (JCEA) did not conclude negotiations at the time of the adopted budget. On August 17, 2019, both the district and JCEA were able to reach an agreement that added an additional 1 percent COLA to the existing 1.5 percent assumption and added $3 million for longevity pay for eligible JCEA employees. The increased COLA and longevity pay increased FY 2019/2020 expenditures by $9 million. The budget lines for specific ownership tax and interest were increased $8 million and $1 million, respectively, to cover these expenditures as those revenue lines have increased as seen in these yearend results. The budget office continues to work on the FY 2019/2020 Revised Budget which will be presented to the BOE on October 10, 2019.

Planning for development of FY 2020/2021 budget is currently underway. The budget department in partnership with district leadership and principals continues to evaluate student based budgeting, monitoring of small schools, and providing supports for budgeting for outcomes for all departments and other funds. The district continues to partner with the Government Finance Officers Association engaging 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