



Financial Services

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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 2015/2016. This report includes cash management, 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 94.5 percent of budget, lower than budgeted when compared to a benchmark of 100 percent. Savings from retirements and turnovers, staff vacancies, benefit costs, and favorability in fuel, natural gas and water have contributed to lower expenditures than anticipated. A portion of these savings have been brought forward to be reprogrammed into the 2016/2017 budget as either an ongoing or one time resource.

The Proposed Budget for 2016/2017 estimated the current year to end with \$29 million in revenue over expenditures. This estimate included the \$15 million transfer back from Capital Reserve and current year retirement and vacancy savings. Actual revenues were higher than expenditures by \$53.9 million. The increase is a result of:

Additional Revenue		Percent of Total General Fund Budgeted Revenues
Specific Ownership Tax	\$ 2,900,000	0.43%
Interest	266,000	0.04%
Billings to Charter Schools	666,000	0.10%
Misc (Rebates, indirect costs)	300,000	0.04%
State categoricals	1,169,000	0.17%
State funding	990,000	0.15%
	\$ 6,291,000	0.92%
Savings in Expenditures		Percent of Total General Fund Budgeted Expenditures/Transfers
School budgets (assigned)	\$ 7,800,000	1.24%
Central budgets (unassigned)	4,200,000	0.67%
Transportation (fuel)	2,100,000	0.33%
Utilities	2,200,000	0.35%
Sick/Personal payouts	1,200,000	0.19%
Unemployment costs	330,000	0.05%
	\$ 17,830,000	2.83%
Total Revenue & Expenditures	\$ 24,121,000	3.83%

These savings (excluding school budgets) will be reviewed to determine which can be built into future budgets for ongoing or one time purposes as directed by the Board of Education. Some savings, such as utilities and fuel would be deemed one time.

Cash Management (pages 1–3):

- Operational cash balances for the fourth quarter increased over the prior year as a result of savings from underspend. 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 March 16, 2016.
- Cash receipts increased over the prior year primarily from increased property tax. Grants receipts decreased from the prior year due to the BEST grant ending for Rocky Mountain Deaf School.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases.

General Fund (pages 4–12):

- General Fund revenues ended the fiscal year above plan by \$4 million. However, year-to-date revenues have increased by \$25 million over the prior year primarily due to an increase in property tax, Specific Ownership Tax and the transfer of All-Day Kindergarten tuition into the fund.
- General Fund expenditures ended the fiscal year \$34 million lower than plan at 95 percent of budget. The savings incurred as a result of lower actual costs than expected primarily from salaries, unfilled vacancies and retirements, lower expenditures than anticipated by schools and other one-time favorability in utility rates for natural gas and water. 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 year at \$125,462,202. This balance increased over prior year primarily due to lower costs driven by retirement and turnover savings on salaries, unfilled vacancies and favorable utility and fuel costs.
- School Carry Forward increased by \$7.5 million for the 2016/2017 school year, opposite of what was budgeted, a decrease of \$3 million.
- One-time planned expenditures of \$15.4 million have been assigned to reflect the 2016/2017 Adopted Budget.

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

- Property taxes collected in the spring will be used to make the December principal and interest general obligation payments. Interest payments on the general obligation debt were made in June 2016.
- Capital Reserve Fund spending is at 89 percent of plan at the end of the year. Spending increased in the fourth quarter due to summer projects. Higher than anticipated revenues for both Fees in Lieu and interest contributed to a favorable percentage to budget for revenues. Per Board approval, a decrease in the transfer to Capital Reserve from the General Fund was reduced by \$15 million, and the issuance of COPs both took place during the fiscal year.
- The Building Fund – Capital Projects is for the 2012 voter approved bond program. Expenditures increased in the fourth quarter as planned due to the high volume of projects performed in the summer. The fund ended the year at 82 percent of budget for expenditures. All projects are budgeted to be completed in fiscal year 2016/2017.

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

- Grants Fund activity changes occur 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. Overall revenue was down over \$9 million from prior year while revenue remained favorable to expenses for the year. Changes to individual grants are detailed on page 18 of the quarterly.
- Campus Activity Fund revenues are tracking above the previous year and are currently at 102 percent of plan, while expenditures are tracking lower than plan at 96 percent of budget and lower than prior year. The timing of events, activities and fundraising impact the collection of revenues and related expenditures. A supplemental budget appropriation was given in the fourth quarter to cover year end expenditures resulting from increased revenues from fees for math expression workbooks.
- Transportation Fund revenues are higher from increases to state transportation funding. Expenditures were lower than anticipated from savings in salaries and benefits and fuel. The planned transfer from the General Fund was reduced \$2.4 million, leaving fund balance equal to inventory.

Enterprise Funds (pages 22–26):

- The Food Services Fund ended the year better than plan with net income of \$968,337. This is primarily due to a decrease in expenditures for both purchased food and salaries.
- The Child Care Fund has a net loss of \$(983,107) for the quarter as expected due to all-day kindergarten tuition programs moving to the General Fund in the current year. The schools have spent down all reserves built in prior years for kindergarten. All other programs have positive net assets at the end of the fiscal year.
- The Property Management Fund has net income of \$425,547 for the quarter. Revenues are slightly below the previous year. Expenses are lower due to the timing for payment of the district's facility master plan which was not paid out of the Property Management Fund this fiscal year.

Internal Service Funds (page 27–31):

- The Central Services Fund has net income of \$334,192 for the quarter. The fund is performing better than plan for both revenues and expenditures. A supplemental budget appropriation was given in the fourth quarter for increased billing revenues and increased costs in paper and printing expenses for the math expression workbooks.
- The Employee Benefits Fund has a loss of \$(496,474) 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, both plans continue to have adequate reserves.
- The Insurance Reserve Fund has net income of \$920,148 for the quarter end. Claim costs are below budget due to a favorable change of \$1.3 million in the incurred but not reported (IBNR), an estimate for outstanding claims based on actual trends in losses.
- The Technology Fund ended the year with a significantly better than planned net loss of \$645,272. More than half of this favorability was due to lower than expected salary expenses that continue to trend low due to vacant positions, depreciation that did not incur, and repairs and maintenance. In the fourth quarter, a supplemental appropriation was given to cover the loss on capital assets for the potential write off of the Loud Cloud project and purchasing of supplies which did not occur thus contributing to the favorable variance.

Charter Schools (pages 32–34):

- Two Roads Charter School entered into a capital lease to purchase their building for \$4,620,000. All charter schools ended the year with positive cash balances.

ON THE RADAR:

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

Facilities:

The 2016 District Facility Master Plan was presented to the public in a series of meetings throughout the district. As a result of the meetings, the plan was refined and a proposed Capital Improvement Program to be financed with general obligation bonds was presented and approved by the Board of Education in June. The northwest K-8 facility at the Candelas site is under construction, on schedule and within budget. Design work continues on Phase II of the Sierra Elementary School, the project will be bid in August 2016. Construction work associated with the 2016 capital program and completion of the 2012 bond projects began in June. The scope consisted of 140 projects at over 100 locations. Environmental Services has been gathering samples and having tests performed for lead in drinking water. The testing began at the end of the school year and is expected to be completed in late September. The estimated cost for the lead testing is \$250,000. Building Maintenance has a program to replace plumbing devices at locations which test above established limits. Communication Services is coordinating questions from the schools and community as well as posting test results on the district website.

Hiring and Staffing:

Colorado's unemployment rate continues to be one of the lowest in the nation, making it challenging to hire for certain positions in the district such as substitute teachers, custodians and bus drivers. Specific compensation decisions approved in the final quarter of the year are positive steps to ensure Jeffco can hire and retain staff, but measurable results will take time to discern. Recruiting challenges continue in a few specific areas such as nurses and special education service providers.

Health Care Reform:

Programming refinements to comply with the regulations of the Affordable Care Act (ACA) are ongoing. 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.

2016/2017 Budget Development:

The budget office and district leadership, in partnership with school staff and communities, implemented student-based budgeting (SBB) at schools for the 2015/2016 school year. Extensive support was provided to assist principals and school secretaries with the transition to this new budgeting structure and is ongoing as the budget office evaluates the model for the next budget cycle. SBB has increased funding equity, school autonomy and transparency. Early feedback from principals has been positive on the SBB budget model.

Working parallel with SBB, the budget office successfully completed phase one of the new budgeting process for departments, Budgeting for Outcomes (BFO). The district was accepted into the Alliance for Excellence in School Budgeting, which provides the district access to tools and networking opportunities surrounding best practices in school budgeting. Early feedback from district leadership has been positive, and the budget office will continue to provide support to staff as the budget office moves into phase two of BFO.

The 2016/2017 budget development process was completed and presented to the Board of Education for adoption on June 2, 2016. The process incorporated several components of community engagement including Board of Education hosted community forums, an interactive online community engagement tool and input from school-level and district-level accountability committees. Planning for development of the 2017/2018 budget to include improving the SBB format and full implementation of BFO district-wide is under way.

The district remains in sound financial condition. The additional reserves will help position the district to weather the uncertainty that remains around state actions for future funding. District leadership will continue to spend conservatively and diligently monitor economic variables as the 2017/2018 legislation for the School Finance Act ramps up.

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