



Financial Services
1829 Denver West Drive, Bldg. 27
Golden, Colorado 80401-0001
phone: 303-982-6843
fax: 303-982-6826
www.jeffcopublicschools.org/finance

January 29, 2019

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

Directors:

Attached is the Second 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.

On November 6, 2018, the district received tremendous support from our community with the passage of 5A and 5B, a mill levy override and bond authorization. The passage of the \$33 million mill levy override (5A) will help support competitive pay for attracting and retaining high quality teachers, increase school safety and mental health support, expansion of career tech-ed including STEM, updating classroom technology and increasing early childhood education. The \$567 million in authorized bond funding will bring important improvements to schools all across our community.

District staff is currently working with the Board of Education on specific line item budgets for the 5A funds. The new mill levy funds will be received in the spring with property taxes. A 2018/2019 supplemental budget request is planned for February 7 to allow expenditures against the new funding this spring. Detailed information on the budget line items can be found on the district website in Board Docs for the January 16 meeting agenda item. All proposed expenditures have been reviewed by the district's Financial Oversight Committee.

On December 12, the district issued the first phase of the authorized bonds including \$326,490,000 in bonds with a premium of \$50,165,349 to create \$375 million in project funds to start construction. These funds are planned to be expended in three years. The second wave of issuance is planned to occur prior to the final expenditure of the first issuance. School construction project budgets are being established with oversight by the Capital Asset Advisory Committee.

The General Fund revenues and expenditures are within budget for the end of the second quarter. Line items with variances over the benchmark 50 percent are discussed on pages 10 and 11 and are predominantly related to timing. All other funds are also within budget and performing as anticipated. A new fund has been created for the accounting of the bond funds on page 16.

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

Jefferson County Public School
 Top Level Summary by Fund
 Quarter End – December 31, 2018

	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	\$197,169,979	27.17%	\$ 360,169,223	49.67%	(162,999,244)	\$ (45,985,068)
Debt Service	507,138	1.21%	35,983,663	82.11%	(35,476,525)	25,787,507
Capital Reserve	17,564,741	68.90%	27,913,675	67.23%	(10,348,934)	31,731,909
Building Fund	376,655,349	0.00%	1,655,349	0.00%	375,000,000	375,000,000
Grants Fund	19,141,700	46.08%	14,942,878	35.97%	4,198,822	12,975,689
Food Services Fund	12,236,383	48.36%	12,727,940	49.81%	(491,557)	5,131,228
Campus Activity Fund	14,371,909	49.02%	12,322,806	44.61%	2,049,103	13,449,436
Transportation	16,272,202	60.48%	12,050,225	44.79%	4,221,977	4,858,237
Child Care Fund	7,566,012	49.77%	7,379,851	48.27%	186,161	5,430,956
Property Management Fund	1,398,632	51.33%	1,658,891	56.77%	(260,259)	5,494,470
Central Services Fund	1,780,123	51.01%	1,663,740	48.15%	116,383	2,712,366
Employee Benefits Fund	2,780,547	50.10%	3,427,839	51.06%	(647,292)	11,014,184
Insurance Reserve Fund	6,906,060	53.01%	6,972,513	45.64%	(66,453)	6,313,359
Technology Fund	13,906,433	49.81%	13,445,715	45.59%	460,718	12,015,493
Charter Schools	41,966,214	49.96%	42,017,871	48.38%	(51,657)	31,968,509

Cash Management (pages 1–3):

- Cash balances ended the quarter at \$188 million; this was \$7 million less than prior year balance. Cash receipts are up from an increase in the state share equalization.
- Cash disbursements for payroll were up over prior year due to wage increases for staff in FY 2019. 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 and starting construction on three middle schools for 6th grade additions.
- 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. While cash balances are lower than last year, no line of credit will be needed.

General Fund (pages 4–12):

- General Fund revenues plus transfers ended at 27 percent of budget. Revenue was up \$16.8 million from prior year due to the increased funding from the state. Additionally, the district received \$700,000 more mostly driven by tuition for kindergarten and fees collected for 1:1 devices.
- General Fund expenditures were at 50 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 will be needed to reflect the increased revenue and expense from Free Horizon shifting to this fund.

- Fund balance for the General Fund ended the quarter at negative \$46 million compared to prior year of negative \$44 million. This is in line with prior years and lower than the planned benchmark.

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

- The Debt Service Fund majority of property taxes will be collected in the third and fourth quarter. Principal and interest payments on the general obligation bonds were made in December 2018. A supplemental budget adjustment will be needed in the spring for the new 2018 Bond interest payment.
- Capital Reserve Fund spending ended at 67 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 increased the spending above the benchmark. A supplemental budget adjustment will be needed in the spring to reflect the purchase of the Free Horizon building.
- Building Fund – Capital Projects fund has been created with the issuance of \$326 million 2018 Series GO bonds of the \$567 million available. The issuance was structured to also provide premium dollars to the district for a grand total of \$375 million in proceeds for starting the facility projects for the district.

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

- Activity in the Grants Fund changes from year to year with grants ending, new grants received and changes in awards. Colorado Department of Education (CDE) awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year as they are incurred causing revenue to be higher than expenditures. The fund ended the quarter with net income of \$4,198,822 which is an increase over the prior year. Detailed expenditure changes can be reviewed on page 17 of the Quarterly Report. The district grant funding has not been impacted by the federal shut down as the Colorado Department of Education has already received the annual federal grant funding in total.



- The Food Services Fund ended the quarter with more revenue than prior year driven mostly by increased commodity items received to date and the increase into à la carte sales. Overall, through second quarter there was one less serving day than prior year that impacts revenue which was slightly offset by an increase of \$.06 on the federal reimbursable rate on all meals sold. Overall expenditures were higher than prior year in compensation increases and USDA commodities used which was offset by a reduction of purchased food. Commodities create both revenue and expense line items generating a zero impact to the bottom line. Commodities are at 89 percent of the total amount awarded for the year which is expected to result in an increase in purchased foods for the second half of the year. The fund expenditures ended at 50 percent of budget. This fund is planned to have a spenddown of reserves of \$248,749 this year. This fund will continue to be monitored for adequate reserve coverage.
- Campus Activity Fund revenues and expenditures were higher than previous year from collection of fees primarily due to 1:1 devices, the transition of Free Horizon Montessori school into the fund, increased PTA donations, and increased school activity fees. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.

- Transportation Fund revenues ended the quarter at 82 percent of budget which is in line with prior years. The fund was lower than prior year due to less state transportation revenue and decreases in field trips and external charges. Expenditures were higher than prior year due to annual compensation increases, capital equipment purchases, and increased cost of fuel (rate increase).

Enterprise Funds (pages 22–24):

- The Child Care Fund had a net income of \$186,161 for the year compared to last year's net income of \$376,941. 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, and addition of Free Horizon Montessori. Overall the fund is operating better than planned.
- The Property Management Fund ended the quarter with a net loss of \$260,259. Building rental revenue is up over prior year from a 1 percent increase in billable hours and with the new addition of Rocky Mountain Chefs college culinary course offered at Warren Tech's campus in the evening. Expenses are in line with budget and prior year.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with net income of \$116,383. Revenue and expenditures are up over prior year. Fleet Maintenance is up from prior year for hail damage costs on the copier repair vehicle, this will be reimbursed from Risk. Fund is operating as planned.
- The Employee Benefits Fund ended the quarter with a loss of \$647,292. This planned loss continues to use reserves from prior years on the self-insurance plans for vision and dental.
- The Insurance Reserve Fund had a net loss of \$66,453 for the quarter. Revenues are up over prior year same quarter due to insurance recoveries received for the May 2017 hail storm. Expenditures are up in claim losses continuing from the May 2017 hail storm work. This trend will continue throughout the year.
- The Technology Fund ended the quarter with a net income of \$460,718. 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 quarter are below prior year due to higher depreciation expense last year. Contracted services is up due to three major projects.

Charter Schools (pages 30–32):

- The district has 16 charter schools.
- Doral Academy refinanced their \$310,000 balloon payment debt and has been removed from yellow flag status.
- Rocky Mountain Academy of Evergreen (RMAE) end the second quarter with a net income to begin replenishing reserves and has been removed from yellow flag status.
- Free Horizon Montessori School has fully transitioned into the district's funds and is no longer reflected in the Charter Fund.

ON THE RADAR

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

Facilities Update

Additions to Creighton, Ken Caryl and Summit Ridge Middle Schools are under construction. All three support the K-5, 6-8 transition and are on schedule to open for the 2019/2020 school year. A master schedule was developed to support the 2018 Capital Improvement Plan due to the passage of the \$567 million bond issue that was on the November ballot. Consultant interviews took place in December for three of the four high school projects identified in the Plan. Planning and Design will begin in January 2019. Design and construction projects originally part of the FY 2019 capital transfer have been reassigned to the 2018 Capital Improvement Plan and the scope of that work increased.

2019/2020 Budget Development

The 2019/2020 budget development process has begun. Principals have been planning for the 2019/2020 school year by meeting with their staff and accountability groups to develop school priorities and are in the process of allocating their student based budgeting (SBB) budgets. Departments have submitted renewal requests through the budgeting for outcomes (BFO) process, and the budget office is currently reviewing.

A parallel process is taking place for the mill levy dollars of \$30 million (after the charter pass through), approved by the voters in November 2018. BFO forms were filled out for mill levy requests and will be reviewed separate from the forms related to potential new state funding.

District budget staff continues to observe and evaluate legislation and forecasts from the state to anticipate changes for the 2019/2020 budget. Currently, the governor's proposal for K-12 school funding looks optimistic, with a proposed decrease to the budget stabilization factor of \$77 million statewide and inflation of 2.7 percent and fully funding full day kindergarten. The forecast for 2019/2020 will continue to change, and the district will continue to monitor and report the impact of these changes to the Board of Education.

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
Chief Financial Officer