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October 26, 2015

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

Directors:

Attached is the First 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.

The 2015/2016 Adopted Budget includes General Fund revenue increases from state funding and additional expenditures in compensation and non-compensation items. The major expenditure changes include \$3.2 million for increased PERA contributions, \$3 million of increased health care costs from the Affordable Care Act and \$8.7 million of compensation increases. Compensation increases were processed in September 2015 for licensed staff as compared to November for the prior year. As a reminder, the all-day kindergarten financial activity was moved from the Child Care Fund to the General Fund with the implementation of student based budgeting. The General Fund budget is also forecasting a spend down in school carry forward balances for the fiscal year of \$3 million.

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

Jefferson County Public School  
 Top Level Summary by Fund  
 Quarter End – September 30, 2015

	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	\$88,661,137	13.03%	\$156,323,915	22.91%	\$(67,662,778)	\$4,098,344
Debt Service	109,582	0.22%	200	0.00%	109,382	55,978,116
Capital Reserve	5,851,226	26.09%	10,176,839	36.94%	(4,325,613)	32,213,293
Building Fund	11,293	9.16%	12,961,075	43.90%	(12,949,782)	19,025,777
Grants Fund	8,861,179	16.97%	5,161,394	9.89%	3,699,785	11,160,188
Campus Activity Fund	8,222,505	32.25%	5,230,403	20.48%	2,992,102	13,462,483
Transportation	6,162,343	23.18%	5,457,276	20.53%	705,067	1,309,478
Food Services Fund	5,513,451	21.68%	5,114,247	20.02%	399,204	7,719,168
Child Care Fund	2,804,118	22.68%	2,839,731	20.00%	(35,613)	6,215,452
Property Management Fund	410,500	19.23%	427,527	20.94%	(17,027)	5,263,671
Central Services Fund	793,248	24.33%	725,994	22.88%	67,254	1,776,870

<i>Continued</i>	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)
Employee Benefits Fund	1,455,042	24.69%	1,977,939	28.32%	(522,897)	13,297,672
Insurance Reserve Fund	1,425,732	24.48%	1,432,657	18.51%	(6,925)	7,561,116
Technology Fund	6,233,618	23.92%	5,845,313	20.58%	388,305	15,890,330
Charter Schools	19,163,577	26.76%	15,555,302	20.92%	3,608,275	31,823,867

**Cash Management (pages 1–3):**

- Cash balances are higher than the prior year due to underspend from retirement and turnover savings. The \$15 million transferred to the Capital Reserve Fund for a new school building has not been used in the first quarter and remains in reserves. Cash reserves will continue to decrease until property tax revenues begin to increase in March. The District will use a line of credit to cover any potential cash shortages in February. A line of credit was issued in the prior year but never drawn upon.
- Cash receipts increased over the prior year primarily from increased state revenues.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Capital reserve project disbursements are lower due to less funding for projects. Non-compensation disbursement from central offices and schools was higher than the prior year.

**General Fund (pages 4–12):**

- General Fund revenues have increased over the prior year. English Language funding was received earlier for the current year. All-day kindergarten tuition revenue is now in the General Fund. Revenues are low compared to budget due to the timing of property tax collections.
- General Fund expenditures are at 23 percent of budget. The first quarter of the fiscal year usually lags in some areas due to low activity in July and August. Planned compensation increases which include retro pay and one-time stipends for licensed staff were made in September whereas prior year compensation increases were in November. The first quarter is too early to estimate retirement turnover or vacancy savings, especially with compensation changes occurring in September. This analysis will occur in the second quarter.
- Fund balance for the General Fund ended the quarter at \$4,098,344. Fund balance will continue to decrease throughout the second quarter and will begin to rebuild in third quarter with property tax receipts.

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

- The Debt Service fund had minimal activity for the quarter. Principal and interest payments on general obligation debt will be made in December. Property taxes in the spring will rebuild the balance for future debt payments.
- Capital Reserve project expenditures are higher than the quarterly benchmark of 25 percent due to summer projects. The Jefferson and Alameda articulation building changes were started in the summer for opening this fall. Work continues on the Stein and Stevens sites.
- The Building Fund – Capital Projects is for the 2012 voter approved bond program. Expenditures were also high in this construction fund due to the volume of summer work projects.

**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 and expenditures are slightly lower than the prior year. The timing of events, activities and fundraising impacts the collection of revenues and related expenditures.
- The Transportation Fund revenues were lower from increasing part time riders versus full time. Expenditures are higher from compensation increases.


**Enterprise Funds (pages 22–26):**

- Food Services Fund had one more serving day in the current quarter compared to the prior year. The federal reimbursable meal rate was increased over the prior year by three cents.
- The Child Care Fund has a net loss of \$(35,613) 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 a net loss of \$(17,027) for the quarter. The first quarter revenue usually trends lower due to minimal activity in July and August.

**Internal Service Funds (page 27–31):**

- The Central Services Fund has a net income of \$67,254 for the quarter, higher than the prior year. The printing department had increased revenues from printing jobs for start of school.
- The Employee Benefits Fund has a loss of \$(522,897) for the quarter; a loss has been budgeted for the year reflecting the use of one time funds dedicated for employee wellness programs. First quarter claim costs are usually higher with licensed staff having more claims in the summer.
- The Insurance Reserve Fund has a small loss of \$(6,925) for the quarter end. Claim costs are running higher than planned from storm and auto claims. The fund has adequate reserves for claims coverage.
- Technology Fund has net income of \$388,305 for the quarter end. Salary expenses continue to be low due to unfilled positions. Major IT projects include Classroom Dashboard and Mobile Device Readiness.

**Charter Schools (pages 32–34):**

-  Rocky Mountain Deaf School is flagged due to a potential for short term borrowing. The school did have \$62,092 in cash at the end of the quarter. The excess cost billing rate is expected to be approved by the Colorado Department of Education in December.
- Collegiate Academy formally closed their loan with the District.

**ON THE RADAR:**

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

Facilities:

In September, the Board of Education authorized and provided funding for a K-6 elementary school to be constructed on the Candelas property in north Arvada. The Planning and Property department requested qualifications from architects, interviewed four firms and selected Hord, Coplan, Macht to design the school. Planning and Property continues to monitor enrollment growth in the north and

northwest portions of the county. All District buildings are being assessed to update the condition database of the facilities.

Hiring and Staffing:

Colorado's unemployment rate is 4 percent according to September reports; ranked 10<sup>th</sup> lowest in the nation. This is impacting the District's ability to hire for some substitute positions such as substitute teachers, custodians and bus drivers. Because the District relies on substitutes to fill in 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, math teachers, are a few of these positions.

Health Care Reform:

With the implementation of the national Affordable Care Act (ACA), Jeffco is implementing complicated requirements that will expand who is eligible for health care, require tracking of work hours on a regular basis to ensure that those eligible receive an offer of health coverage based on actual hours worked, and require detailed reports to be submitted to the federal government. The district began implementing these provisions of ACA effective July 1, 2015, and programming continues. In addition, as we review various cases to ensure compliance, we will be recommending some business practices changes to ensure we can provide on-going administration of the requirements. Changes were already implemented to ensure a consistent definition of benefits eligibility across all employee groups. We expect full implementation to increase overall program costs but it is too early to estimate impacts for the current year. Early projected cost increases for implementation of ACA were estimated to total over \$8 million. To date, the district has budgeted \$4 million and estimates an additional \$4 million annually in ongoing cost increases.

2016/2017 Budget Development:

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 new budget model.

The 2016/2017 budget development process has begun with staff planning and modeling changes to the SBB format. District budget staff is also monitoring information and forecasts from the state to anticipate changes for next year's budget; early information is not positive for K-12 school funding. Research and training for staff continues in order to provide enhancements for the budget process for departments.

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  
Chief Financial Officer