



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

October 31, 2017

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 (FY) 2017/2018. 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 2017/2018 Adopted Budget includes increases in General Fund revenue from state funding and expenditure increases in compensation and non-compensation items. The final legislated School Finance Act increased the state formula for funding by 2.8 percent inflation, providing the district with new funding of \$16.5 million (excluding charters). Repurposing and reduction in central budgets were also incorporated into the assumptions to balance the 2017/2018 budget; this allowed the district to provide salary increases for staff and additional funding to schools to support the identified Board goals for recruiting and retaining staff, improving student achievement and being responsive to community values.

The analysis below breaks down the specific areas of underspend that contributed to the better than anticipated year end results:

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, 2017

| | Revenue /Transfers | 2017/2018 Y-T-D % of Budget For Revenue | Total Expenses/ Transfers | 2017/2018 Y-T-D % of Revised Budget For Expenses | Net Income | Fund Balance (or net position) |
|--------------------------|-----------------------|---|---------------------------------|--|-----------------|--------------------------------------|
| General Fund | \$ 106,801,165 | 15.31% | \$ 164,388,860 | 23.56% | \$ (57,587,695) | \$60,257,772 |
| Debt Service | 81,571 | 0.18% | 0 | 0.00% | 81,571 | 61,964,718 |
| Capital Reserve | 5,684,195 | 23.61% | 10,235,807 | 21.38% | (4,551,612) | 40,380,909 |
| Grants Fund | 9,116,699 | 20.13% | 4,218,969 | 9.32% | 4,897,730 | 13,079,606 |
| Food Services Fund | 5,957,892 | 22.92% | 5,908,240 | 22.78% | 49,652 | 6,481,644 |
| Campus Activity Fund | 8,748,185 | 32.32% | 6,113,907 | 23.29% | 2,634,278 | 14,284,762 |
| Transportation | 6,198,547 | 23.24% | 5,522,490 | 20.70% | 676,057 | 1,243,656 |
| Child Care Fund | 3,084,355 | 21.80% | 2,846,648 | 18.82% | 237,707 | 5,358,965 |
| Property Management Fund | 505,140 | 17.18% | 689,577 | 21.46% | (184,437) | 5,784,094 |

| | Revenue /Transfers | 2017/2018 Y-T-D % of Budget For Revenue | Total Expenses/ Transfers | 2017/2018 Y-T-D % of Revised Budget For Expenses | Net Income | Fund Balance (or net position) |
|------------------------|-----------------------|---|---------------------------------|--|---------------|--------------------------------------|
| Central Services Fund | \$ 795,023 | 22.40% | \$ 740,063 | 20.82% | \$ 54,960 | \$ 2,412,863 |
| Employee Benefits Fund | 1,358,003 | 22.52% | 1,890,009 | 26.79% | (532,006) | 12,208,983 |
| Insurance Reserve Fund | 3,433,420 | 56.97% | 1,584,231 | 20.70% | 1,849,189 | 9,457,541 |
| Technology Fund | 6,282,249 | 24.08% | 7,152,044 | 24.71% | (869,795) | 13,671,693 |
| Charter Schools | 21,112,285 | 25.66% | 19,709,680 | 24.43% | 1,402,605 | 34,700,214 |

Cash Management (pages 1–3):

- Cash balances for the first quarter are \$298 million. This is an increase of \$28 million over the prior year balance. The increase in cash during the first quarter is due to increases in state equalization, specific ownership tax collections in June, and timing of state revenue received.
- Cash disbursements for payroll and benefits increased over the prior year with Board approved compensation increases and PERA increases. Wage increases for staff have been implemented.
- Cash balances will be adequate to cover the cash flow low point in February/March. No line of credit will be needed.

General Fund (pages 4–12):

- General Fund revenues are at 15 percent of budget for the quarter and in line with prior year same quarter. This percentage to budget will remain low until property tax is received in the third and fourth quarters. Revenues have increased over the prior year due to the timing of state revenues and an increase in school based fees (including child care).
- General Fund expenditures are at 23 percent of budget. Total expenditures are slightly higher than the previous year, primarily due to annual wage and PERA increases. Other expenses that continue to trend higher than the previous year are operations and maintenance due to timing of instructional materials and supplies for campus supervisor and security officer positions.
- Fund balance for the General Fund ended the quarter at \$60.3 million. This is lower than prior year as planned.

Debt Service/Capital Reserve (pages 14–16):

- The Debt Service Fund has little activity in the first quarter. The majority of property taxes will be collected in the third and fourth quarter. Principal and interest payments on the general obligation debt will be made in December 2017.
- Capital Reserve Fund spending is at 22 percent of plan at the end of the quarter. Spending is less than the previous year primarily due to the timing for new construction projects. The fund received additional transfers of \$14.5 million from the General Fund in the fourth quarter for expansions at Dunstan Middle School and Drake Middle School that will continue throughout the year.

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

- Grants Fund activity changes from year to year with grants ending, new grants received or changes in awards. Detailed expenditure changes can be reviewed on pages 17–18 of the Quarterly Financial Report. 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 to throughout the year as they are incurred causing revenue to be

higher than expenditures. The fund was flagged in fourth quarter; this flag was removed as there are adequate reserves, spending is in line with revenue, and the plan is performing as designed.



- The Food Services Fund ended the quarter with revenue higher than prior year and the planned benchmark ending at 26 percent. First quarter continues to experience the decreases in Federal/State reimbursable meals as student purchases shift toward a la cart items. Overall expenditures are higher than prior year but below plan at 23 percent of budget. Operations have worked on utilizing commodities early on in the year which will help to offset purchased food cost in the year.
- Campus Activity Fund revenues are running higher than plan and the previous school year due to tuition increases and collection of fees at the beginning of the school year. The timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues ended the quarter at 20 percent of budget. They are running higher than prior year for the same quarter from an increase in State Transportation Revenue. Expenditures are up above prior year due to increased salary and benefits and below plan at 21 percent of budget.



Enterprise Funds (pages 22–24):

- The Child Care Fund has a net income of \$237,707 for the quarter compared to a net income of \$294,588 for the same quarter last year. Revenues are up over the prior year due to tuition increases, an additional preschool classroom, and a new School Age Enrichment program. Expenditures are higher than prior year due to additional staff needed for the classroom and compensation and benefit increases.
- The Property Management Fund ended the quarter with a net loss of \$184,437 for the quarter. Building rates were increased for the start of FY2017/2018 school year. Rental income is tracking lower than the budgeted benchmark at 17 percent compared to prior year at 21 percent due to a 31 percent decline in billable hours. Expenditures are slightly below budget benchmark at 24 percent but higher than the prior fiscal year. The planned transfers for the year are \$700,000 to General Fund, \$250,000 to the Capital Reserve Fund, and \$400,000 to schools to cover the additional wear and tear to school facilities. The first quarter transfer equated to \$237,500.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with net income of \$54,960 for the quarter. Revenue is down over prior year due to a reduction in the cost of color copies from \$.07 to \$.06 that occurred in third quarter last year.
- The Employee Benefits Fund had a loss of \$532,006 for the quarter. Revenues are higher than the previous year but less than the budgeted benchmark ending at 23 percent of budget. Expenditures are in line with last year and at 27 percent of budget. Claim losses are down from prior year for dental claims.
- The Insurance Reserve Fund has a net income of \$1,849,189 for the quarter end. Revenues are up over the prior year due to the insurance company providing a \$2 million retainer to the district to begin work for the May 2017 hail storm. Claim costs are running lower than the previous year because last year two property claims were incurred in first quarter.
- The Technology Fund ended the quarter with a loss of \$869,795. Salary expenses are up over prior year due to compensation and benefit increases. Delays in IT projects from last year are beginning in first quarter for the fiber optic network in the NW Arvada area. Revenues ended the quarter above last year; will continue to monitor the progress of the FCC E-rate funds.

Charter Schools (pages 30–32):

- The district now has 18 charter schools with only one school, Golden View Classical Academy, operating outside of the district financial system.
- Beginning this year, Colorado Department of Education (CDE) has given Rocky Mountain Deaf School the approval to bill their daily tuition rate at the prior year rate and true-up amounts later in the year once approved. This new practice allows the school to have operating cash flow throughout the year. The new billing occurred in time for first quarter.
-  Great Work Montessori has been flagged for monitoring as actual enrollment of 56 is lower than the projected 77 FTE. District staff has been working with the school to get a balanced budget.
-  Rocky Mountain Academy Evergreen submitted a FY 2017/2018 budget with a \$100,000 planned spend down of reserves for 250 FTE. The schools unofficial counts are coming in slightly lower, around 220, and the school is working to identify savings and will be working to appropriate a \$200,000 spend down for the year with continued efforts to drive up enrollment. They are working toward a balanced budget in FY 2018/2019.

ON THE RADAR

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

Facilities Update

Three Creeks, Rose Stein and Sierra Phase II opened on time for the 2017/2018 school year. The 1970 Sierra building demolition is complete. Site reclamation of the site will continue, weather permitting, adding parking and new playgrounds. Thirty-one projects valued at over \$16 million were completed during 2017 summer construction period and were on time and on budget.

Design work for the additions to Drake and Dunstan Middle Schools (MS) is nearly complete. GH Phipps Construction has been selected to provide Construction Management/General Contractor (CM/GC) services for the Drake MS addition. Six contractors submitted bids on October 12, 2017, for the Dunstan MS addition. Both projects are scheduled for completion in July 2018. Funding for \$2 million of improvements to support the K-5, 6-8 grade reconfiguration program has been allocated from the FY 2018 Capital Transfer. The funds will be used for minor additions, renovations, modular relocation, furnishings and playground improvements. More than \$6 million in roof repairs, from the May 2017 hail storm, are scheduled for 2018, roofing consultants are developing bid packages. The projects will be delivered using the CM/GC construction method.

Hiring and Staffing

Hiring quality staff to support our educational mission remains a critical priority for Jeffco. Jeffco Generations (formerly Jeffco 2020) notes that the most important in-school factor for contributing to student success is the teacher. Throughout the first quarter the district wrapped up our hiring and other personnel processing to open schools with quality staff. All told, more than 900 transactions were completed to ensure staff were in place and prepared to welcome students. We continue to be challenged in several hiring areas such as: special education service providers, nurses, content qualified math, and science teachers. The challenges hiring entry level staff for transportation, food services, custodial services, and the trades have continued for the third year in a row. The strong economy makes it difficult to land entry level staff for these departments. Jeffco staff are in the process of developing strategies to address these challenges.

Benefits

Open enrollment for FY 2017/2018 was completed for district staff. The district consolidated to one medical provider, Kaiser, and increased, for the first time since 2003, the employer paid share from \$515 a month to \$529.

2017/2018 Budget Development

District budget staff continues to work with principals and district leadership as the first quarter comes to an end and continues to receive positive feedback as it relates to student based budgeting (SBB) and budgeting for outcomes (BFO). These efforts are designed to align the budget with better school spending practices. Staff is working on collecting data on the results of allocated dollars in the 2016/2017 school year to present to the BOE. These results will help guide the 2018/2019 budget development process as it continues to move forward. Staff continues to follow proposed legislative changes as it relates to school finance, continues to network and engage in best practices for school budgeting through the Alliance for Excellence in School Budgeting, and continues to partner with district leadership in the transition of 6th grade to middle school.

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