



**Financial Services**  
 1829 Denver West Drive, Building #27  
 Golden, Colorado 80401-3120  
*phone:* 303-982-6843  
*fax:* 303-982-6826  
*web site:* [www.jeffcopublicschools.org](http://www.jeffcopublicschools.org)

October 26, 2016

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 2016/2017. 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 2016/2017 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 1.2 percent inflation and a decline in 17 students district-wide. The net state increase for the General Fund will be \$7.2 million offset by an estimated loss of 500 students. Savings from retirements and repurposed revenues increased total net revenue by \$48.5 million split between one-time and ongoing use. The budget includes a total expenditure increase of approximately \$38.2 million. Of this amount \$22.4 million will be used for on-going purposes such as employee compensation, mental health support and clinic aide hours. The remaining \$15.8 million was one-time items budgeted for the 2016/2017 school year only. These include \$10.4 million for compensation budget one-time payouts and \$5.4 million for non-compensation items such as mental health support, athletics pay, game costs, trainers, officials, fees, equipment, automate choice enrollment, communications website, district-wide Unified Improvement Plan (UIP) support, establish two new campuses, hard to staff schools, human resources technology support for substitute and recruiting, Microsoft licensing, development of identity management system, and Outdoor Labs additional teachers and training.

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, 2016

	Revenue	2016/2017 Y-T-D % of Budget For Revenue	Total Expenses	2016/2017 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	\$100,768,822	14.76%	\$160,269,457	22.95%	\$(59,500,635)	\$66,181,563
Debt Service	98,055	0.20%	225	0.00%	97,830	63,952,506
Capital Reserve	5,792,035	25.68%	12,610,511	19.32%	(6,818,476)	60,138,217
Building Fund	7,947	0.00%	3,676,838	55.14%	(3,668,891)	4,033,668
Grants Fund	7,715,431	16.76%	4,147,591	9.01%	3,567,840	12,651,638
Campus Activity Fund	7,932,683	29.72%	5,551,236	21.41%	2,381,447	13,809,769
Transportation	6,195,750	23.00%	5,168,961	19.19%	1,026,789	1,584,801

<i>Continued</i>	Revenue	2016/2017 Y-T-D % of Budget For Revenue	Total Expenses	2016/2017 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net assets)
Food Services Fund	5,441,637	21.66%	4,695,280	18.75%	746,357	9,034,658
Child Care Fund	2,949,667	22.96%	2,675,118	20.43%	274,549	5,542,507
Property Management Fund	470,672	21.01%	493,327	20.10%	(22,655)	5,883,423
Central Services Fund	821,053	23.46%	739,817	21.45%	81,236	2,125,044
Employee Benefits Fund	1,357,169	24.34%	1,881,452	27.00%	(524,283)	12,799,812
Insurance Reserve Fund	1,514,770	25.40%	1,678,202	21.40%	(163,432)	8,324,757
Technology Fund	6,470,096	23.22%	7,722,429	25.27%	(1,252,333)	13,604,420
Charter Schools	43,511,032	56.19%	34,684,075	46.22%	8,826,957	39,617,505

Cash Management (pages 1–3):

- Cash balances for the first quarter are \$270 million. This is an increase of \$58.5 million over the prior year balance. This increase is due to underspend from fiscal year 2015/2016 and the timing of Special Education funds of \$12.9 million. Cash reserves will continue to decrease until property tax collections increase in the third and fourth quarter.
- Cash receipts increased over the prior year due to the timing of Special Education funds.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Licensed staff increases were processed in September. One-time compensation increases will be in October 2016.

General Fund (pages 4–12):

- General Fund revenues are at 15 percent of budget for the quarter. This percentage to budget will remain low until property tax is received in the third and fourth quarters year-to-date revenues have increased over the prior year due to the timing of state revenues and an increase in All Day Kindergarten fees.
- General Fund expenditures are at 23 percent of budget. Total expenditures are higher than the previous year, partly due to wage and PERA increases. Board approved compensation increases were made in the first quarter. The first quarter is too early to estimate retirement turnover or vacancy savings, especially with compensation changes occurring in September. Expenditures for instructional and office materials for start of school also contributed to higher spending over the previous year.
- Fund balance for the General Fund ended the quarter at \$66.2 million. Fund balance will continue to decrease throughout the second quarter and will begin to grow in the second half of the fiscal year with property tax receipts.

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

- The Debt Service fund has little activity for the 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 2016.
- Capital Reserve Fund spending is at 19 percent of plan at the end of the quarter primarily due to timing of invoices and work for the new K-8 school in Candelas. Expenditures for facility improvements and district utilization are higher than the quarterly benchmark of 25 percent due to summer projects. The spending percentage for new construction will increase over the year with the completion of the new K-8 school.

- The Building Fund – Capital Projects is for the 2012 voter approved bond program. Expenditures are at 55 percent of budget for the quarter due to the high volume of summer 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. Detailed expenditure changes can be reviewed on page 18 of the Quarterly Financial Report.
- Campus Activity Fund revenues are tracking above the quarterly benchmark of 25 percent due to the 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 are higher from increases in field trips. Expenditures are lower due to a decrease in vehicle parts and the timing of fuel invoices.

Enterprise Funds (pages 22–26):

- The Food Services Fund has higher net income than the previous year for the same quarter. The fund had one less serving day in the current quarter compared to the prior year which is driving down revenues and expenditures.
- The Child Care Fund has net income of \$274,549 for the quarter. Revenues are up over the prior year due to tuition increases and new programs. Expenditures are down because there are no expenses related to All Day Kindergarten for the current fiscal year.
- The Property Management Fund has a net loss of \$(22,655) for the quarter. Rental income is higher than the previous year. Expenditures are comparable to the prior fiscal year.

Internal Service Funds (page 27–31):

- The Central Services Fund has net income of \$81,236 for the quarter, higher than the prior year. Revenues are slightly higher than the previous year and expenditures are comparable to the prior year.
- The Employee Benefits Fund had a loss of \$(524,283) for the quarter; a loss has been budgeted for the year reflecting the use of one time funds dedicated for employee wellness programs and excess dental reserves. Revenues are lower due to a one time refund of \$95,000. Claims expense is lower than the previous year.
- The Insurance Reserve Fund has a net loss of \$(163,432) for the quarter end. Claim costs are running higher than the previous year from property claims. The fund has adequate reserves for claims coverage.
- The Technology Fund has a net loss of \$(1,252,333) for the quarter end. Salary expenses continue to be below budget due to unfilled positions. Large expenditures related to Mobile Device Readiness were accomplished in the first quarter.

Charter Schools (pages 32–34):

- This quarter, Addenbrooke Classical Academy issued debt of \$18,045,000 and Excel Academy refinanced their debt in the amount of \$5,550,000.
- As a result of outstanding excess cost billings, Rocky Mountain Deaf School has negative operating cash at the end of the first quarter. This borrowing will be repaid once the excess cost billings are paid.

## **ON THE RADAR:**

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

### Facilities:

The northwest K-8 facility at the Candelas site remains on schedule and within budget. Phase II of the Sierra Elementary School bid in August, and the BOE approved GH Phipps to provide contractor services. The contractor has mobilized, and is on schedule and within budget. Both the northwest K-8 and Sierra projects will open for the beginning of the 2017/18 school year. Construction work associated with the 2016 capital program and the completion of the 2012 bond program was completed in August 2016 and involved over 200 projects at over 100 sites.

Environmental Services continues to gather samples and have tests performed for lead in drinking water. To date approximately 6,300 samples have been taken and 5,800 results received. The Building Maintenance department has been replacing plumbing devices at those locations exhibiting lead levels above the standard of 15 parts per billion. The testing and retesting is expected to be completed in November. The estimated cost for the lead testing and fixture replacement is approximately \$250,000. 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 prior fiscal 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 district is now in the second year of student-based budgeting (SBB) at schools. Extensive support continues to be provided to assist principals and school secretaries with the new budgeting structure as the budget office evaluates the model for the next budget cycle. SBB has increased funding equity, school autonomy and transparency. Feedback from principals after the first full year of SBB has overall been positive. The budget office will continue to enhance the SBB model based on feedback from schools.

Working parallel with SBB, the budget office successfully completed phase one of the new budgeting process for departments, Budgeting for Outcomes (BFO). The budget office is currently working with district leadership to begin the BFO process for all departments for the 2017/2018 budget cycle. BFO better aligns our processes with the district's strategic plan. Early feedback from district leadership has been positive, and the budget office will continue to provide support to staff as the budget office works through the development process.

### Budget Update on:

Clinic aide hours – All schools have been staffed with bell-to-bell clinic aide time as supported and directed by the BOE. Funds were added directly to each local site through SBB dollars. This is an ongoing cost that will be in place going forward.

Mental Health Support – The BOE approved additional dollars for Social Emotional Learning Specialists. These funds were added to every neighborhood and option middle school in addition to all 7-12s, and K-8s with the exception of Coal Creek K-8. Additional one time funds (\$1M) are being leveraged to enhance our partnership with JCMH as well as provide support/training dollars for the new SEL positions.

District-wide Unified Improvement Plan (DUIP) – Our district's Unified Improvement Plan has been reevaluated by our District Accountability Committee DUIP Subcommittee to confirm the direction of each of our major improvement strategies. Our major improvement strategies include reading to learn, algebraic thinking, supporting students on academic plans, multiple pathways, and continuous improvement. Each of these major improvement strategies has a dedicated work group to ensure progress is being made during the 2016-2017 school year.

Hard to Staff Schools – Eight hard to staff schools are employing funds to address the four categories identified last spring related to improving retention at hard to staff schools in lieu of stipends or additional pay for educators and administrators in these buildings. Tri-annual reviews have been scheduled to review the impact of the funds to inform future decisions in support of recruiting and retaining educators and administrators with a proven ability to address some of our most critical needs schools. Additional hard to staff funds have been used to support five participants in the School Retool program offered through a collaboration between CEI and School Retool.

The 2017/2018 budget development process is currently underway. Budget office staff is modeling possible changes to SBB and beginning the departmental BFO process. 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. District staff is currently 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.

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