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Members of the Board of Education  
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Directors:

Attached is the Second Quarter Financial Report for fiscal year (FY) 2019/2020. 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 2019/2020 revised budget was adopted by the Board of Education on October 10, 2019, changes from previously adopted budget included an additional 1 percent cost of living adjustment (COLA) for all bargaining groups for a total of 2.5 percent, and a \$3 million longevity pay (0.68 percent) for the Jefferson County Education Association (JCEA).

General Fund expenditures are slightly below plan for the end of the quarter at 48 percent. General Fund reserves are negative due to the timing of property tax receipts, which are received in the spring. However, operating cash on hand is sufficient to cover the shortfalls when cash balances are at their lowest. Property taxes appear negative for the district as charter schools are funded property tax revenue before receipt in the spring.

Two large estimates are made each year when setting the budget. Student enrollment changes and savings from retirement and turnover. This year's enrollment included expansion of funding for full day kindergarten. The final October student count was lower than planned for the district and charter schools. However, other changes within the school finance formula offset the enrollment shifts. In addition, the estimate for retirement and turnover savings for 2019/2020 was accurate. Therefore, no budget adjustments will be needed for the current year for either of these estimates.

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

Jefferson County Public School  
 Top Level Summary by Fund  
 Quarter End – December 31, 2019

	Revenue /Transfers	2019/2020 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2019/2020 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	\$ 203,041,953	25.35%	\$ 387,391,869	48.10%	(184,349,916)	\$ (43,282,708)
Debt Service Fund	974,955	1.40%	59,708,188	80.13%	(58,733,233)	20,754,135
Capital Reserve Fund	14,354,646	55.46%	13,950,605	84.67%	404,041	33,917,949
Building Fund	3,208,821	47.19%	36,168,661	24.67%	(32,959,840)	303,483,061
Grants Fund	\$ 20,293,570	45.24%	\$ 15,670,505	34.94%	\$ 4,623,065	\$ 13,434,093
Food Services Fund	12,671,872	51.09%	13,040,078	51.01%	(368,206)	4,669,506
Campus Activity Fund	13,048,199	47.61%	12,122,899	44.20%	925,300	13,046,011

	Revenue /Transfers	2019/2020 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2019/2020 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
Transportation	17,406,424	63.13%	13,781,451	49.98%	3,624,973	4,283,487
Child Care Fund	10,085,804	48.49%	8,568,779	41.17%	1,517,025	6,774,613
Property Management Fund	1,297,903	45.34%	1,617,086	54.58%	(319,183)	5,565,945
Central Services Fund	1,633,456	45.50%	1,976,482	53.31%	(343,026)	2,157,798
Employee Benefits Fund	3,124,095	49.91%	3,670,453	46.16%	(546,358)	10,677,730
Insurance Reserve Fund	3,815,000	50.29%	4,637,269	41.67%	(822,269)	5,570,065
Technology Fund	14,976,238	51.95%	13,443,278	42.80%	1,532,960	13,380,788
Charter Schools	52,148,795	56.88%	47,645,702	50.53%	4,503,093	33,650,399

**Cash Management (pages 1–3):**

- Cash balances ended the quarter at \$206 million; this was \$18 million more than prior year balance. Cash receipts are up from an increase in the state share equalization, additional mill levy overrides from the passage of 5A, additional grant funding, and timing of the Exceptional Children’s Education Act (ECEA) Special Education (SPED) revenue.
- Cash disbursements for payroll were up over prior year due to wage increases as approved through the Revised Adopted Budget approved on October 10. Overall benefits increased over the prior year with the additional Public Employees’ Retirement Association (PERA) rate increase. Capital reserve projects were down for the same quarter compared to prior year based on prior year spending for 6<sup>th</sup> grade expansion/transition, starting construction on three middle schools for 6<sup>th</sup> grade additions, and the purchase of 581 Conference Place, the prior Free Horizon Montessori building. Other non-compensatory operating expenses are up districtwide for software and equipment purchases related to the 5A 1:1 device.
- 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. No resource is anticipated to be needed for FY 2019/2020.

**General Fund (pages 4–12):**


- General Fund revenues plus transfers ended at 25 percent of budget. Revenue was up \$6 million from prior year due to increased funding from state share equalization, exceptional child revenue and local taxes with a slight offset from the reduction of full day kindergarten tuition now that it is fully funded from the state.
- General Fund expenditures ended at 48 percent of budget with transfers included. Total expenditures ended higher than previous year, primarily due to compensation costs. This also includes a transfer to the Child Care Fund to cover 5A compensation increases, staff obtaining licensure for preschool, and funds for expansion of the preschool program.
- Fund balance for the General Fund ended the quarter at \$(43) million. This amount is better than prior year same quarter.
- See page 3 of the Quarterly Report for monitoring interest and specific ownership tax (SOT).

**Debt Service Fund/Capital Reserve Fund (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 (GO) bonds were made in December 2019. The next interest payments on the general obligation debt will be in June 2020.

- Capital Reserve Fund revenues are down compared to prior year due to the debt proceeds of \$5.6 million received in second quarter last year for 581 conference place. This was slightly offset by the \$2 million sale of the Hoyt property this year. Overall spending is at 85 percent of plan and down compared to the same time last quarter. Lower expenditures this year are due to the additional projects that occurred in the prior year including construction of three additional middle schools and the purchase of Free Horizon Montessori's old building. Projects are continuing to wind down and efforts focused on the bond fund. A supplemental appropriation for the payoff of 581 conference place may be needed, the fund will be monitored.
- Building Fund/Capital Projects Fund was created with the issuance of \$375 million 2018 Series GO bond proceeds and premium. Spending began in January 2019. Current year revenue is at 47 percent of plan. Timing of work and expenditures do not always line up in the same reporting period. Expenditures are at 25 percent of plan and anticipated to end the year at \$112 million. The \$146 million expenditure budget was aggressive and also included the \$7 million north transportation center that was purchased in prior year and caused spending outside of the budget. With a month or two of weather delays, the bond fund is operating within budget for projects and per plan.

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

- Activity in the Grants Fund changes from year to year with grants ending, new grants received and changes in awards. This year, the district received a new full day kindergarten grant as well as the additional funding for school turnaround leaders resulting in over \$2 million. Additionally, the Colorado Department of Education (CDE) generally awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year. The fund ended the quarter with net income of \$4,623,065 and is up over the prior year. Detailed expenditure changes can be reviewed on page 17 of the Quarterly Report.
-  • The Food Services Fund ended the quarter with more revenue than prior year driven mostly by an increase in meal prices and a shift into à la carte items, one extra serving day compared to last year, and an increase in participation in the federal reimbursable lunch program. Overall expenditures were at 51 percent of budget and up over prior year due to increased compensation. The fund ended the quarter with a net loss of \$368,206 compared to prior year net loss of \$524,989. This fund will continue to be monitored for adequate reserve coverage until the fund is self-sustainable.
- Campus Activity Fund revenues and expenditures were lower than previous year due to timing of collection of student activities, fundraising and the shift of expenditures for 1:1 devices now being purchased from the General Fund from 5A mill levy override funds. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues and transfer ended the quarter at 63 percent of budget and are in line with prior years. Expenditures ended the quarter at 50 percent of budget and were higher than prior year mostly due to early bus purchases this year.


Enterprise Funds (pages 22–24):

- The Child Care Fund had a net income of \$1,517,224 for the quarter compared to last year's net income of \$169,347. Revenues were up over the prior year mostly due to the increased General Fund transfer to cover the roll out of preschool and compensation cost increases from the 5A funds and tuition increases. Additionally, before and after school programs realized a 6 percent tuition increase while preschool remained flat. Services were expanded to one

additional school for before/after care and three schools (Dutch Creek, Hutchinson, and Colorow) with five additional classrooms. Expenses are higher than last year due to the increased costs to support the additional classrooms/programs and compensation increases.

- The Property Management Fund ended the quarter with a net loss of \$319,183. Building rental revenue and expenditures are down over prior year mostly due to four high schools each losing one customer; two churches, an outside band program and a decline in sports due to delay in field construction. Overall total scheduled hours are up for the schools (billable and non-billable). The fund is anticipated to operate within the planned budget and will be monitored for any future variances.

#### Internal Service Funds (page 25–29):

-  The Central Services Fund ended the quarter with a net loss of \$343,026. Revenue is at 46 percent of budget and down over prior year due to a decrease in the copier program from the new Paper Cut print management software system. Expenses are up over prior year mostly due to supplies and compensation increases. This fund has adequate fund balance and will continue to be monitored compared to plan.
- The Employee Benefits Fund ended the quarter with a loss of \$546,358. The planned loss continues to use reserves from prior years on the self-insurance plans for vision and dental to keep premiums low for employees even with the enhanced offerings and slight premium increase. Revenues are up over same time last year due to increased participation and slight increase in premiums. Expenditures are up due to increased claims from participation and enhanced offerings.
- The Insurance Reserve Fund had a net loss of \$822,269 for the quarter. Revenues are at 53 percent of plan and down over prior year same quarter due to insurance recoveries received last year for the May 2017 hail storm. Expenditures are also down in claim losses from cycling over the prior year hail storm work. While the revenue and expenditures for the hail storm are finished, the \$1 million premium increase resulting from statewide losses will continue. In addition, please refer to Appendix C on claim history. Claims for worker's compensation injuries and auto incidents are running higher than the prior year due to early storms. The expenses for these losses have not been reflected in the second quarter results.
- The Technology Fund ended the quarter with a net income of \$1,532,960. Overall, revenues are higher than budget and prior year due to receiving E-rate funds for the Geomax broadband connection which is an infrastructure rebate. Expenses for the year are at 43 percent of budget and slightly lower than prior year mostly due to less contracted services purchased in prior years that are offset by compensation increases this year.

#### Charter Schools Fund (pages 30–32):

- The district has 16 charter schools.
- All charter schools have positive cash flow for the quarter.
- New America School utilized their portion of 5B bond proceeds toward the purchase of their building.
- Jefferson Academy entered into an additional \$6 million of revenue bonds for a total of \$7 million in conjunction with bond proceeds to fund the expansion of their auditorium, campus and parking lot.
- The Colorado Department of Education (CDE) delayed approval for Rocky Mountain Deaf School's daily tuition rate to February 2020; the school does not bill other districts the daily tuition rate for those students until approved; however, Jeffco students have been reimbursed based on the preliminary rate.

## **ON THE RADAR**

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

### Facilities Update

Design work continues on the additions and renovations to Alameda, Columbine and Green Mountain High Schools construction scheduled to start in 2020. Construction of Arvada High School Phase I, third floor renovation, was completed end of December; the contractor has started work on the second floor, Phase II, entire project scheduled for completion by start of school 2020. Bids for the Kendrick Lakes Elementary School replacement were received October 31; groundbreaking was held in mid-December. Artificial turf and all-weather tracks have been completed at Arvada, Chatfield, Conifer, Dakota Ridge, Evergreen, Lakewood and Ralston Valley High Schools and West Jefferson Middle School. The application of the track surface at Conifer High School has been delayed due to snow and cold weather; the application will be completed when the weather moderates.

Design work continues at Conifer and Jefferson High Schools, Warren Tech South building, as well as additions to Bell, Manning and Wayne Carle Middle Schools and Lumberg Elementary School; also improvements to 16 elementary schools and Trailblazer stadium. Other 2018 Capital Improvement Program projects are completing design or in the process of being bid. This work includes playground improvements at nine sites, paving replacements at five locations, and reroofing at five elementary and one high school. Artificial turf and all-weather tracks at five high schools are in design (two are replacement of existing artificial turf) with construction to start first quarter 2020. Thirteen elementary schools are scheduled to receive new furnishings in 2020. The safety and security lock project was completed at the end of 2019. Interior cameras, safety glass replacement, site lighting and fire alarm replacements at numerous schools are continuing as scheduled.

### 2020/2021 Budget Development

The 2020/2021 budget development process has begun. Principals have been planning for the 2020/2021 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) budget. Staff continues to follow the proposed legislative changes; however, with a minimal proposed buy down of the budget stabilization factor, low student growth, and inflation proposed at 1.9 percent, the district prepares to look at potential reductions. Departments have submitted budget reduction proposals using the budgeting for outcomes (BFO) process. The reduction process is currently being worked through the superintendent and cabinet using the BFO process and planned to be presented to the Board of Education (BOE) in March. The BOE will receive updates on the state legislation of the school finance act. The forecast for 2020/2021 will continue to change with the final day for legislators set for May 6, 2020.

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