



Financial Oversight Committee

October 6, 2020

The Financial Oversight Committee (FOC) received updated information on the status 5A mill levy override funds as part of the review of the 4th Quarter Financial Report for the period ending June 30, 2020.

CONCLUSIONS

- The committee reviewed a spreadsheet covering 5A Mill Levy Override funding from page C-5 of the appendix in the 4th Quarter Financial Report
- The review included line item detail of budgeted and actual expenditures by category.
- Staff discussed the challenges for spending the funds as planned due to issues from COVID-19 that resulted in some categories having underspend. The carry forward for those funds will be spent, and expenditures will be back on track for FY 2021.

RECOMMENDATIONS

- Based on the review, the FOC concluded that the budgeted and actual expenditures of 5A funds as presented were spent in accordance with the requirements and intent of the ballot language and current Board-directed expenditure percentages by category.



Financial Oversight Committee

August 4, 2020

At the August meeting, the Financial Oversight Committee received an update on the financial status of the district for 2019/2020, impacts of the COVID-19 pandemic and an update on future budget planning.

CONCLUSIONS

- Due to the COVID-19 pandemic, the state of Colorado is experiencing budget challenges that will likely continue for several years resulting in anticipated revenue reductions and budget deficits for the district.
- Impacts from COVID-19 related expenses were offset by one-time funding for 2019/2020 from the CARES Act to be distributed through two sources: CRF funds through the governor's office which the district has received and ESSER funds to come directly from the federal government.
- The \$36 million of CRF one-time funding allowed the district to apply over \$20 million in allowable costs for 2019/2020. This resulted in a budget savings in 2019/2020 that will be carried forward to 2020/2021 to help offset the anticipated budget deficit.
- If the district does not receive CARES Act funding for 2020/2021, the anticipated budget shortfall will increase by \$42 million.
- Determination of operational costs for the 2020/2021 school year are challenging due to the unknowns of how school will look for the coming year. The Restart Plan is fluid and several questions remain as to how students will be counted and how funding will be determined if students opt to temporarily attend remotely due to the pandemic. Student count variances could result in revenue reductions if CDE requires that all students attending remotely be classified as virtual students.
- Planning for transportation and food services costs for the coming year are two areas that are highly difficult to estimate with so many unknowns about how school will be conducted and what changes may be needed and/or what impacts occur due to outbreaks and shifting attendance by students.

RECOMMENDATIONS

Due to the financial uncertainty as a result of the COVID-19 pandemic, the FOC recommends:

- that financial risks be weighed when considering the use of one-time funds to cover long-term expenditures since the district is likely facing a budget deficit for the next several years; and
- that the district start budget reduction planning as early as possible in the fall with a process that includes a community engagement plan.



Financial Oversight Committee

December 3, 2019

At the December meeting, the Financial Oversight Committee reviewed the 2018/2019 Comprehensive Annual Financial Report and Annual Audit with district staff and auditors from the independent audit firm of CliftonLarsonAllen.

CONCLUSIONS

- The Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2019, and annual audit was completed in November 2019.
- Responsibilities for the independent audit firm according to Generally Accepted Auditing Standards (GAAS), includes expressing opinions on whether financial statements are in conformity with US GAAS in all material respects, performing audit in accordance with required auditing standards, communicating significant matters related to the audit, consideration of internal controls, and designed to obtain reasonable assurance about whether statements are free of material misstatement.
- Responsibilities for the district cover preparation and fair presentation of financial statements in accordance with generally accepted accounting principles, including the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.
- The scope of engagement for the annual audit commits the independent audit firm to issue an opinion on the financial statements (pages 32 through 80 of the CAFR), to conduct a single audit of a major federal program (for 2019 IDEA) and to provide required communications.
- Upon completion of the audit, CliftonLarsonAllen (CLA) issued the Independent Auditors' Report with a clean, unmodified opinion. No material weaknesses were identified.
- One finding, a significant deficiency in internal control over financial reporting with regard to recording of a prepaid information technology subscription services expense, resulted in prepaid expenses being understated while expenditures were overstated by \$720K. The district agreed with the finding and it was corrected in the current year. Internal processes were enhanced, and stringent training was conducted. CLA acknowledged the willingness of district staff to correct the financial statements and believes the changes to internal controls are comprehensive for future treatment.

RECOMMENDATIONS

- The FOC commended the district on the unmodified, clean opinion for the annual audit and acknowledged that the district's financial team is doing good work and is very competent.



Financial Oversight Committee

September 3, 2019

The Financial Oversight Committee received an update on the outcome of employee negotiations, the status of the 2018/2019 budget, and proposed changes to the 2019/2020 Adopted Budget.

CONCLUSIONS

- Revisions to the 2019/2020 Adopted Budget are necessary to resolve the previous assumption for the use of \$3.5M in reserves that is no longer necessary due to sufficient 2018/2019 underspend that could be reallocated to cover the \$3.5M previously budgeted to come from reserves.
- Additionally, staff was tasked to find \$9M to fulfill the agreement with employee associations for a 1 percent COLA and \$3M in longevity pay.
- Revenues from interest and specific ownership taxes came in higher than anticipated and estimates were revised to cover the remainder of the \$9M to balance the budget. The pros and cons of using such revenues due to their volatility were discussed.
- Staff confirmed that revenues will be monitored for any fluctuation to allow for adjustments/reductions as needed. Staff further noted that district reserves are adequate to cover a shortfall in 2019/2020 with time for adjustments/reductions as needed for ongoing years.
- Other areas to be monitored for potential revenue impacts will be estimated enrollment loss, estimated savings from retirement and turnover, and changes to state funding.

RECOMMENDATIONS

- The FOC acknowledges they are comfortable with the 2019/2020 Revised Budget changes as presented.
- In addition, they recognize the risk of including estimated revenue from interest and specific ownership tax to balance the budget but feel both items are easily monitored and that reserves are adequate to absorb any variance in 2019/2020.



Financial Oversight Committee

May 7, 2019

The committee received an update on the district's receipt of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program and the Colorado Department of Education (CDE) on the acceptance of the prior year audit (GY 2018) and financial submission via the data pipeline.

CONCLUSIONS

- The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and attainment represents a significant accomplishment.
- GFOA's mission is to advanced excellence in state and local government financial management. The organization develops best practice and policy statements in the areas of accounting; auditing and financial reporting; budgeting and financial policies; debt management; capital planning; pension and employee benefits administration; treasury and investment management. In addition, the GFOA informs members about federal legislation, regulations, judicial actions and policies that affect public finance functions.
- The finance team that puts together the Comprehensive Annual Financial Report (CAFR) included Kathleen Askelson, Chief Financial Officer; Dr. Stephanie Corbo, Finance Director; Lisa Anderson, Controller; and Christie Cromwell, Accounting Tech. Along with the Certificate of Achievement, Askelson received an individual Award of Financial Reporting Achievement.
- The district has received this award continually since 1983.
- Each year the district receives annual notification from CDE on the acceptance of the prior year audit and financial submission via the data pipeline that includes any findings.
- CDE acknowledges that the data pipeline submission is not a small task and requires a significant amount of time and effort. CDE commended the district for providing required data and documentation in a timely manner and advised that no formal response was needed.
- CDE advised that after review of the FY 17-18 Single Audit, there were no findings. The district addressed questions identified in the review with regard to expenditures in excess of appropriations reported by Rocky Mountain Deaf School, Rocky Mountain Academy, Addenbrooke Classical Academy and Golden View Classical Academy; the charter schools will receive a separate review letter from CDE.
- The district confirmed to CDE that it is, and will continue to be, in full compliance with the financial transparency reporting requirements.

RECOMMENDATIONS

- The FOC acknowledges that the district's receipt of the GFOA Certificate of Achievement for Excellence in Financial Reporting is evidence of the Jeffco's strong financial team and its commitment to go above and beyond the minimum requirements of generally accepted accounting principles to prepare the comprehensive annual financial report in the spirit of transparency and full disclosure.
- Further, FOC acknowledges that the district submitted and completed the data pipeline/audit to CDE within the required timeframe and with no findings. The four charter schools with expenditures in excess of appropriations will receive a separate letter from CDE. In addition, there were no findings with the single audit.



Financial Oversight Committee

February 5, 2019

Staff provided an overview of the 2018/2019 second quarter financial report for the period through December 31, 2018, that included a report from the independent auditors on applying agreed-upon procedures.

CONCLUSIONS

- The 2018/2019 second quarter financial covered cash management, investment and comparative analysis schedules for the General Fund as well as narrative and comparative schedules for all other district funds that provide transparency and detail with regard to the district's financial condition.
- The quarterly report on applying agreed-upon procedures from the independent auditors provides additional oversight and a deep dive review of the district's financial reporting and analysis.
- The quarterly independent review by the independent auditors provided a different perspective and fresh look at the district's finances that includes interviews with district management and the district's legal counsel, trends analysis, review of Board and Financial Oversight Committee (FOC) minutes, and identification of funds per the district's flag system that will be monitored or flagged.
- Quarterly reviews by the independent auditors provide an opportunity for the auditors to have a solid understanding of what is occurring at the district throughout the year that the auditors feel is beneficial when conducting the yearend financial audit review and single audit review.

RECOMMENDATIONS

- The FOC supports and appreciates the change for fiscal year 2018/2019 to reinstate the quarterly reviews by the independent audit firm with no change to annual fees.



Financial Oversight Committee

February 5, 2019

The Financial Oversight Committee (FOC) received information on recommendations for use of 5A mill levy override funds and the status of integration of 5A funds into the budget process at the January 8 and February 5 meetings. The information included a summary of and detail for recommendations from Cabinet for use of 5A funds that were prioritized by the categories as defined in the 5A ballot language and by the expenditure percentages as directed by the current Board of Education.

CONCLUSIONS

- The recommendations from Cabinet for use of 5A funds align with the categories and intent of the ballot language and the current Board-directed expenditure percentages by category.
- The process for identifying, submitting and prioritizing funding requests was transparent and broadly considered with input from school and district leadership through the Budgeting for Outcomes process, the community, and the Safety and Security Task Force.
- The 5A funds will not be received until the spring when revenue from property taxes is received.
- Approval of a supplemental budget request for use of approximately \$2.5 million in 5A funds for 2018/2019 would allow the district to begin work in the current fiscal year on the requests as presented.

RECOMMENDATIONS

- The FOC supports the approval of the 5A funding request recommendations by Cabinet and confirms that the recommendations were identified through a transparent and broadly informed process and that the requests align with the categories and intent of the 5A ballot language and the Board-directed expenditure percentages by category.



Financial Oversight Committee

January 8, 2019

Staff reported on the outcome of the bond issuance for \$341.4 million of the \$567 million total authorized by voters in November. The committee received information on criteria and requirements for maintaining reserves per district policy DAB, Fiscal Management – Fund Balance.

CONCLUSIONS

- FOC commended staff on completing the bond sale with an initial issuance of \$341.4 million plus proceeds for a total of \$375 million. The committee recognized the due diligence and pre-emptive work by staff that positioned the district for a December bond sale. They acknowledged the foresight of the finance and underwriting team to recognize the benefits of a December issuance should the bond pass and the decision to begin work and schedule ratings reviews with Moody's and S&P Capital immediately following Election Day. This work, as well as preparing the preliminary offering statement, assured the district was positioned for a December sale ahead of other districts and while market conditions were favorable, thus demonstrating their commitment to being positive stewards of taxpayer dollars.
- As part of the annual budgeting process, the Board evaluates and provides direction for maintaining the district's fund balance.
- A sufficient fund balance in all funds is essential for the district to maintain a strong credit rating of AA or better.
- Recommended reserves balances are based on a percentage of expenditures.
- The Government Finance Officers Association (GFOA) recommended best practice is to maintain reserve levels at a range of 8 to 16 percent of expenditures on an unassigned basis.
- Staff reported that the district fund balance as of June 30, 2018, was at approximately 12 percent, not including TABOR.

RECOMMENDATIONS

- FOC recognizes the competing needs of the district and continues to support the Board making it a priority to maintain reserves to be within the Government Finance Officers Association recommended best practice level of 8 to 16 percent of expenditures on an unassigned basis.