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April 23, 2019

Members of the Board of Education
 1829 Denver West Drive, Building 27
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Directors:

Attached is the Third Quarter Financial Report for fiscal year (FY) 2018/2019. 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.

For the end of the third quarter, the General Fund continues to show slightly better than anticipated trends with spending at 74 percent of budget including transfers. Revenues are low due to the timing of property tax with the majority to be collected in fourth quarter. The appropriation of the \$30 million mill levy override (5A) was partly implemented in March to support competitive pay for attracting and retaining high quality teachers, increase school safety and mental health support, expansion of career tech-ed including STEM, and funding a roll out plan for 1:1 devices. Expenditures are higher than prior year mostly due to the additional compensation approved with the 2018/2019 Adopted budget.

The (5B) \$375 million in project funds began supporting our facilities construction projects and additionally paying down over \$13 million of charter general obligation debt. These funds are planned to be expended in three years.

The analyses below breaks down the specific areas of underspend that contributed to the better than anticipated quarter end results. Funds that need a supplemental budget appropriation or are being monitored for potential need have been highlighted.

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

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

	Revenue /Transfers	2018/2019 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2018/2019 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	\$ 450,114,723	59.57%	\$550,737,589	74.16%	(100,622,866)	\$ 17,352,354
Debt Service	29,081,557	69.20%	35,984,813	82.11%	(6,903,256)	54,360,776
Capital Reserve	23,627,714	92.69%	34,633,363	85.47%	(11,005,649)	33,356,137
Building Fund	378,457,389	0.00%	18,414,599	0.00%	360,042,790	360,042,790
Grants Fund	28,698,650	69.08%	25,865,492	62.26%	2,833,158	11,610,025
Food Services Fund	18,509,965	73.15%	19,026,270	74.46%	(516,305)	5,106,480

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	Revenue /Transfers	2018/2019 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2018/2019 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
Campus Activity Fund	18,694,836	63.77%	17,619,800	63.79%	1,075,036	12,525,369
Transportation	21,427,618	79.64%	18,431,131	68.50%	2,996,487	3,632,747
Child Care Fund	12,061,961	75.32%	11,457,938	73.27%	604,023	5,848,818
Property Management Fund	2,056,990	75.49%	2,247,456	76.91%	(190,466)	5,564,263
Central Services Fund	2,633,155	75.45%	2,521,801	72.99%	111,354	2,707,337
Employee Benefits Fund	4,173,482	75.20%	5,094,420	75.88%	(920,938)	10,740,538
Insurance Reserve Fund	8,522,151	65.42%	8,815,632	57.70%	(293,481)	6,086,331
Technology Fund	20,982,296	75.16%	20,124,559	68.24%	857,737	12,412,512
Charter Schools	78,308,967	93.23%	78,320,496	90.18%	(11,529)	32,008,637

Cash Management (pages 1–3):

- Cash balances ended the quarter at \$254 million; this was \$2 million less than prior year balance. Cash receipts are up from an increase in the state share equalization and additional mill levy overrides from the passage of 5A.
- Cash disbursements for payroll were up over prior year due to wage increases for staff in FY 2019 along with the additional compensation included in March from the 5A mill levy funds. Overall benefits increased over the prior year with the additional PERA rate increase. Capital reserve projects were up over prior year for 6th grade expansion/transition and starting construction on three middle schools for 6th grade additions. Other non-compensatory operating expenses are up district wide which also includes an additional \$3M for the May 2017 hail storm.
- 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. While cash balances are lower than last year, no line of credit was needed.

General Fund (pages 4–12):


- General Fund revenues plus transfers ended at 60 percent of budget. Revenue was up \$36 million from prior year due to the increased funding from the state and additional mill levy overrides from the passage of 5A.
- General Fund expenditures were at 74 percent of budget with transfers included. Total expenditures ended higher than previous year, primarily due to compensation costs, instructional costs for the 6th grade transition and technology services for 1:1 device readiness. Free Horizon transitioned from a charter school to a school of innovation. The school budget is now in the General Fund of the district. A supplemental budget appropriation will be needed to reflect Free Horizon shifting to this fund.
- Fund balance for the General Fund ended the quarter at \$16 million. Fund balance will continue to grow in the fourth quarter with the collection of property tax receipts.

Debt Service/Capital Reserve (pages 13–16):

- Revenues for the Debt Service Fund increased this quarter with the collection of property taxes. A large majority of property taxes will continue to be collected in the fourth quarter. Interest payments on the general obligation debt will be made in June 2019. A supplemental appropriation is needed for the new interest payment on the Series 2018 bonds.

- Capital Reserve Fund spending ended at 85 percent of plan. Timing of projects over the summer for middle school additions and the start of construction for three additional middle schools; along with the purchase of Free Horizon Montessori's old building increased the spending above the benchmark. A supplemental budget adjustment will be needed in the spring to reflect the purchase of the Free Horizon building.
- Building Fund – Capital Projects fund has been created with the issuance of \$375 million 2018 Series GO bond proceeds and premium. Spending has begun this quarter with the first \$13.5 million paying off charter debt obligations. A supplemental budget will be needed to establish the fund budget.

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

- Activity in the Grants Fund changes from year to year with grants ending, new grants received and changes in awards. 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 throughout the year as they are incurred causing revenue to be higher than expenditures. The fund ended the quarter with net income of \$2,833,158 which is an increase over the prior year. Detailed expenditure changes can be reviewed on page 17 of the Quarterly Report. This fund is being monitored for a potential supplemental appropriation due to compensation increases and summer spending.
-  • The Food Services Fund ended the quarter with less revenue than prior year driven mostly by a decrease in participation in the federal reimbursable lunch program and less serving days than prior year based on the school calendar and unplanned closures. The revenue which was slightly offset by an increase of \$.06 on the federal reimbursable rate on all meals sold and ala carte sales. Overall expenditures were down from same time last year with a reduction of purchased food. Commodities create both revenue and expense line items generating a zero impact to the bottom line and are at 88 percent of the total amount awarded for the year. This fund is planned to have a spenddown of reserves of \$248,749 this year and is tracking to spend down more. The fund ended the quarter with a net loss of \$516,305 compared to prior year net loss of \$191,977. A price increase is projected for next year. This fund will continue to be monitored for adequate reserve coverage and will need a supplemental appropriation for the additional spend down of reserves.
- Campus Activity Fund revenues and expenditures were lower than previous year from timing of collection of student activities and fundraising. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues ended the quarter at 89 percent of budget which is in line with prior years. The fund was lower than prior year due to less state transportation revenue and decreases in field trips and external charges. Expenditures ended the quarter at 69 percent of budget but were higher than prior year due to annual compensation increases, capital equipment purchases, and increased cost of fuel (rate increase).

Enterprise Funds (pages 22–24):


- The Child Care Fund had a net income of \$604,023 for the year compared to last year's net income of \$653,025. Revenues were up over the prior year due to tuition increases, three additional classrooms at existing sites, and the transition for Free Horizon Montessori School's before/after school program into this fund. Expenses are higher than last year due to the increased costs to support the additional classrooms, compensation increases which include the 5A monies, and addition of Free Horizon Montessori. A supplemental appropriation is needed for this fund for parity pay.

- The Property Management Fund ended the quarter with a net loss of \$190,466. Building rental revenue is up over prior year with the new addition of Rocky Mountain Chefs college culinary course offered at Warren Tech's campus in the evening. Expenses are lower than budget and higher than prior year due to compensation increases for staff. The fund is being monitored for a potential supplemental appropriation for compensation increases.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with net income of \$111,354. Revenue is down over prior year due to a decrease in the volume of copies. Expenses are slightly up due to increased supply costs and under budget at 73 percent. Fund is operating as planned.
- The Employee Benefits Fund ended the quarter with a loss of \$920,938. This planned loss continues to use reserves from prior years on the self-insurance plans for vision and dental to keep premiums flat for employees. The fund is being monitored for a potential supplemental appropriation due to increased participation, expenses related to 2nd MD and increased claims.
- The Insurance Reserve Fund had a net loss of \$293,481 for the quarter. Revenues are up over prior year same quarter due to insurance recoveries received for the May 2017 hail storm. Expenditures are up in claim losses continuing from the May 2017 hail storm work. This trend will continue throughout the year. We are anticipating another ~\$2 million in revenue for insurance recoveries. Total Hail claim is ~\$11.6 million (property & fleet). This fund is being monitored for a supplemental appropriation due to the increases in cost for insurance coverage.
- The Technology Fund ended the quarter with a net income of \$857,737. Overall revenues are in line with the planned benchmark and higher than prior year due to receiving funds for teacher match, website support and salary increases. Expenses for the quarter are below prior year due to higher depreciation expense last year. Salaries and benefits are down through the quarter due to unfilled vacancies.

Charter Schools (pages 30–32):

- The district has 16 charter schools.
- All 5A Mill Levy revenue was funded to the charter schools on April 1. Each school has the autonomy with their board to make decisions on spending those funds within the intended purpose.
- With the passing of 5B for bond proceeds, four charter schools were able to take advantage of debt redemption. Woodrow Wilson and Compass Montessori Golden were able to completely pay off their outstanding general obligation debt and Two Roads and Rocky Mountain Academy of Evergreen were able to pay down a significant portion of their debt. Many other charter schools have started and are working with the project manager for facility improvements. We are waiting for updated budgets from these schools.
- All charter schools have a positive cash for the quarter.
-  Great Work Montessori School is currently yellow flagged for monitoring year end projections. The third quarter run rate, which included grant expenditures in the schools general fund and a lower than expected tuition collection rate, identified a potential variance from planned activity that projected the school to have a cash shortage to cover expenditures and TABOR at year end. District and the Schools admin team worked together to identify a plan of action that includes revenue collections, donations and moving expenditures off the general fund onto the schools start up grant to eliminate the need of an unexpected use of pooled cash.

ON THE RADAR

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

Facilities Update

Additions to Creighton, Ken Caryl and Summit Ridge Middle Schools are under construction. Creighton is approximately 95 percent complete; Ken Caryl is on schedule with interior work started; and weather has had an impact on the Summit Ridge project but progress is being made to get back on schedule. All three support the K-5, 6-8 transition and are scheduled to open for the 2019/2020 school year.

Design work is underway for additions and renovations to Alameda, Arvada, Columbine and Green Mountain High Schools. Design work for the replacement of Kendrick Lakes ES is underway also. Several other projects including playgrounds, paving, athletic fields, furnishings, security and technology upgrades are underway with construction to start in June. The district is negotiating the acquisition of a 10 acre site that will relocate the North Area Transportation Facility and the North and North-Central Maintenance Shops. All of this work is a part of the 2018 Capital Improvement Plan and funded in part by the 2018 Bond.

2019/2020 Budget Development

The 2019/2020 budget development process continues to progress toward adoption. The Board of Education provided preliminary direction for staff to set placeholders in the proposed budget for compensation increases reflecting costs for steps, levels and quartile changes for all staff, \$1.5 million mandated increases brought forth by Cabinet, and the 2019/2020 5A increases brought to the Board in March. The budget department will present the Proposed Budget to the Board of Education on Thursday, May 2, 2019.

District budget staff continues to observe and evaluate legislation and forecasts from the state to anticipate changes for the 2019/2020 budget. The governor's proposal for K-12 school funding continues to hold with a proposed decrease to the budget stabilization factor of \$77 million statewide and inflation of 2.7 percent and fully funding full day kindergarten. However, at the time of this report, the School Finance Act has not been completed. District staff will continue to monitor the state legislation and will report any changes to the Board in May.

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