October 1, 2020

Members of the Board of Education
1829 Denver West Drive, Building 27
Golden, CO 80401-3120

Directors:

Attached is the Fourth 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.

All funds ended the year within their budgeted appropriations. The General Fund ended the year with a net gain higher than budget. This was primarily due to applying $21.6M dollars in expenditures from the General Fund to the grant for emergency funds from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act received through the state’s Coronavirus Relief Fund (CRF), per approved state guidelines on the use of CRF funds. Applying these funds resulted in an intentional savings in order to help offset budget reductions in the next fiscal year. Due to the unforeseen events caused by COVID-19, other areas that added to the net gain for the General Fund included utility savings and an increase in school carry forward and 5A Mill Levy carry forward.

District leadership continues to monitor the impacts related to COVID-19, specifically the one-time relief funds and cost implications generated during the pandemic. With the likelihood of state budget pressures and without the continuation of the emergency federal funds for 2021/2022, the district anticipates a large budget shortfall that will require substantial budget reductions.

Colorado state revenue continues to look bleak. With two impactful items on the ballot in November—Gallagher Amendment Repeal (Amendment B) and Proposition 116 (Initiative 306), there is concern the state will not be able to backfill these revenue shortfalls which will have a severe impact to the Jeffco Public Schools budget.

Following are the fourth quarter-end (unaudited) financial results by fund:
Jefferson County Public School
Top Level Summary by Fund
Quarter End – June 30, 2020

<table>
<thead>
<tr>
<th>Fund</th>
<th>Revenue/Transfers</th>
<th>2019/2020 Y-T-D % of Budget For Revenue</th>
<th>Total Expenses/Transfers</th>
<th>2019/2020 Y-T-D % of Revised Budget For Expenses</th>
<th>Net Income</th>
<th>Fund Balance (or net position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$802,324,677</td>
<td>99.91%</td>
<td>$765,368,977</td>
<td>94.18%</td>
<td>36,955,700</td>
<td>$178,022,908</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>71,573,852</td>
<td>102.96%</td>
<td>74,509,713</td>
<td>99.99%</td>
<td>(2,935,861)</td>
<td>76,551,507</td>
</tr>
<tr>
<td>Capital Reserve Fund</td>
<td>28,696,995</td>
<td>102.19%</td>
<td>17,710,629</td>
<td>80.28%</td>
<td>10,986,366</td>
<td>44,500,274</td>
</tr>
<tr>
<td>Building Fund</td>
<td>7,011,152</td>
<td>103.11%</td>
<td>110,830,204</td>
<td>75.60%</td>
<td>(103,819,052)</td>
<td>232,623,849</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>66,940,952</td>
<td>71.42%</td>
<td>63,833,641</td>
<td>68.11%</td>
<td>3,107,311</td>
<td>11,918,339</td>
</tr>
<tr>
<td>Food Services Fund</td>
<td>24,754,730</td>
<td>83.06%</td>
<td>24,718,275</td>
<td>96.68%</td>
<td>36,455</td>
<td>5,074,167</td>
</tr>
<tr>
<td>Campus Activity Fund</td>
<td>22,263,362</td>
<td>80.94%</td>
<td>21,908,066</td>
<td>79.87%</td>
<td>355,296</td>
<td>12,476,007</td>
</tr>
<tr>
<td>Transportation</td>
<td>27,180,278</td>
<td>98.58%</td>
<td>27,182,364</td>
<td>98.59%</td>
<td>(2,086)</td>
<td>656,428</td>
</tr>
<tr>
<td>Child Care Fund</td>
<td>17,488,829</td>
<td>80.73%</td>
<td>18,461,481</td>
<td>88.70%</td>
<td>(972,652)</td>
<td>4,284,936</td>
</tr>
<tr>
<td>Property Management Fund</td>
<td>2,158,590</td>
<td>71.74%</td>
<td>2,191,614</td>
<td>73.97%</td>
<td>(33,024)</td>
<td>5,852,104</td>
</tr>
<tr>
<td>Central Services Fund</td>
<td>2,696,710</td>
<td>74.65%</td>
<td>3,414,671</td>
<td>92.09%</td>
<td>(717,961)</td>
<td>1,782,863</td>
</tr>
<tr>
<td>Employee Benefits Fund</td>
<td>6,755,317</td>
<td>102.77%</td>
<td>6,449,645</td>
<td>81.11%</td>
<td>305,622</td>
<td>11,529,710</td>
</tr>
<tr>
<td>Insurance Reserve Fund</td>
<td>8,218,676</td>
<td>105.43%</td>
<td>10,438,065</td>
<td>90.53%</td>
<td>(2,219,389)</td>
<td>4,172,945</td>
</tr>
<tr>
<td>Technology Fund</td>
<td>29,392,630</td>
<td>98.80%</td>
<td>29,906,569</td>
<td>93.00%</td>
<td>(513,939)</td>
<td>11,333,889</td>
</tr>
<tr>
<td>Charter Schools</td>
<td>122,305,950</td>
<td>133.20%</td>
<td>112,514,339</td>
<td>114.50%</td>
<td>9,791,611</td>
<td>38,938,917</td>
</tr>
</tbody>
</table>

Cash Management (pages 1–3):

- Cash balances ended the year at $434 million; this is an increase of $55 million over the 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 related to COVID-19 and increases for Exceptional Children’s Education Act (ECEA) Special Education (SPED) revenue.
- Cash disbursements are up over prior year due to compensation increases. Capital reserve projects are down compared to prior year based on prior year spending for 6th grade expansion/transition and the construction on three middle schools for 6th grade additions. 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. The district has received a higher amount than prior year and will not need assistance to cover FY 2020/2021. Specific ownership tax collection and delinquent property taxes are being monitored due to the pandemic.

General Fund (pages 4–12):

- General Fund revenues plus transfers ended close to 100 percent of budget. Revenue was up $33.6 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. COVID-19 impacts included decreases for athletic participation fees and outdoor lab.
• General Fund expenditures ended at 94 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. The Food Service Fund also received a transfer this year of $3.9 million to cover the loss related to COVID-19.

• Fund balance for the General Fund ended the quarter at $178 million. This amount is better than prior year for the same quarter.

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

• The Debt Service Fund received property taxes this quarter and is at 103 percent of budget which is higher than the same time last year. Expenditures ended the year on plan. The next interest and principal payments on the general obligation (GO) debt will be in December 2020; the fund has adequate fund balance to cover the payments.

• Capital Reserve Fund ended the year with a net income of $10,986,366. Revenues are up over the prior year due to the sale of Hoyt Street for $2.2 million. Expenditures ended at 80 percent of budget as work shifted in the fourth quarter to bond projects. This year's expenditures include the load payoff of 581 Conference Place for $5,585,000. The fund ended the year with adequate fund balance of $44.5 million.

• Building Fund/Capital Projects Fund was created with the issuance of $375 million from 2018 Series GO bond proceeds and premium. Spending began in January 2019. Current year interest revenue is at 103 percent of plan. Timing of work and expenditures do not always line up in the same reporting period. Expenditures are at 76 percent of plan due to delays in construction work related to asbestos abatement.

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. The Grant Fund received $40,317,319 from the economic stimulus bill CARES Act. Upon receipt of these funds, the district spent half of the proceeds to prepare for remote learning, restart planning, and the purchase of personal protective equipment (PPE).

• The Food Services Fund ended the quarter with a net income of $36,455 compared to a net loss last year of $585,073. The fund experienced a significant drop in revenues due to COVID-19 even though Grab & Go meals were provided throughout the fourth quarter. In order to offset the operating loss in the fund, a transfer from the General Fund of $3.9 million was needed. The fund has adequate reserves at the end of fiscal year 2020.

• Campus Activity Fund revenues and expenditures were lower than previous year due to cancelled activities related to COVID-19 and the shift of expenditures for 1:1 devices now being purchased from 5A mill levy override funds in the General Fund. COVID-19 school activity closures and corresponding refunds began to hit at the end of March and continued through the fourth quarter.

• Transportation Fund revenues ended the year above budget and are up from prior year due State Transportation revenues and the Regional Air Quality grant that must be used for clean diesel buses. There was a downturn in revenues for field trips and out of district transportation related to COVID-19. Expenditures ended the year at 99 percent of budget and were higher than prior year due to bus purchases.
Enterprise Funds (pages 22–24):

- The Child Care Fund had a net loss of $972,652 for the year compared to last year’s net income of $12,793. Transfers were up over the prior year due to the increase in the General Fund transfer to cover the expansion of preschool and compensation cost increases from the 5A funds. Despite a 6 percent tuition increase for School Age Enrichment programs, the overall tuition is lower due to programs being closed for the fourth quarter due to COVID-19. Preschool also experienced a significant drop in tuition due to COVID-19 closures. Services were expanded this fiscal year to one additional school for before/after care and three schools (Dutch Creek, Hutchinson and Colorow) with five additional classrooms for preschool. Expenses are higher than last year due to the increased costs to support the additional classrooms/programs and compensation increases. This fund did finish the year with adequate reserves of $4,284,936.

- The Property Management Fund ended the year with a net loss of $33,024. Building rental revenues and expenditures are down compared to the same quarter last year primarily as a result of closing facilities related to COVID-19. Due to the loss of rental revenue in the fourth quarter, the transfer to the General Fund was decreased by $200,000. All other transfers were made as planned. The fund ended the year with an adequate fund balance of $5,852,104.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the year with a net loss of $717,961 compared to the planned net loss of $117,807 and prior year net loss of $95,159. Revenue is at 75 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 and building closures as a result COVID-19. Expenditures are down over the prior year and tracking at 92 percent of budget. The fund has adequate fund balance of $1,782,863 to end the fiscal year. The fund will continue to be monitored throughout fiscal year 2020/2021 where appropriate purchasing and fee adjustments will be made.

- The Employee Benefits Fund ended the year with a net income of $305,622. The fund ended the year better than plan due to a decrease in claims expense in the fourth quarter. Revenues are up over the same time last year due to increased participation and slight increase in premiums. Current reserves in the fund are at $11,529,710.

- The Insurance Reserve Fund had a net loss of $2,219,389 for the quarter. Revenues and expenditures are both down over prior year same quarter due to the May 2017 hail storm. While the revenue and expenditures for the hail storm are finished, the large premium increase resulting from statewide losses will continue. In addition, please refer to Appendix C on claim history. Claims for worker’s compensation injuries are running about $600,000 higher than the prior year. The fund ended the year with reserves of $4,172,945.

- The Technology Fund ended the year with a net loss of $513,939. Overall, revenues ended the year slightly below plan. Expenses for the year are at 93 percent of budget and higher than prior year mostly due to filling vacant positions, wireless access point purchases and district-wide phone replacements. The fund ended the year with strong reserves of $11,333,889.
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 and a portion of the schools fund balance 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 that is now completed.
- Addenbrooke Classical Academy issued new debt of $25,285,000 to refund their 2016 debt and purchase a new building.
- The Colorado Department of Education (CDE) and State Board of Education approved Rocky Mountain Deaf School’s daily tuition rate in February 2020; the school does not bill other districts until the rate is approved and is working to bill/collекt from other districts at this time.

ON THE RADAR

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

Facilities Update

The addition and renovation of Alameda International Jr./Sr. HS is under construction, the auditorium renovation will be complete in September. Columbine High School interior work will finish in August, Green Mountain HS interior work will finish in August (except for the kitchen modification which will finish in September). Arvada High School interior renovation is complete; the auxiliary gym addition will finish by the end of September. Conifer HS interior work will finish in August, foundation for auxiliary gym under way. Work at the Kendrick Lakes ES replacement including interior framing, HVAC and electrical, exterior walls and roof are in place and exterior finishes are being applied; building occupancy is scheduled for January 2021. The addition to Three Creeks was finished in May 2020; and the addition and renovation to Wilmot Elementary School will be complete in September 2020. Construction of artificial turf and all-weather tracks are complete at Columbine and Pomona HS; turf is in place at Standley Lake HS. Concrete for track is in place at A-West; and tennis court and track concrete is in place at Green Mountain HS. Grading for track and field is underway at Golden HS. All track and field work will be complete in October. The application of the track surface at Conifer HS is complete.

Guaranteed Maximum Price for addition renovation to Jefferson HS will be received in July; Warren Tech South building and additions to Bell and Manning MS will bid in August 2020. Wayne Carle MS and Parmalee additions bid in September. Lumberg ES GMP scheduled for September. Construction of Efficiency and Future Ready renovations to 17 elementary schools is underway to be complete in August; Trailblazer stadium is under construction to be complete in September 2020; playground improvements at nine sites and paving replacements at five locations are under construction to be complete in July and August; 18 locations are receiving LED lighting; a third of the sites are under construction; and reroofing at five elementary and one high school are under construction to be complete in July and August. Numerous schools will receive new furnishings before August 2020. Interior cameras, safety glass replacement, site lighting and fire alarm replacements at multiple schools are continuing as scheduled to be completed by second quarter FY 2021.
2020/2021 Budget Development

The 2020/2021 budget was adopted by the Board of Education on June 17, 2020. The Adopted Budget revenue projections and assumptions were based on information from the state of Colorado School Finance Act, anticipated enrollment changes, and other forecasted fluctuations. The severe economic impact of COVID-19 dramatically changed the outlook of school funding. The Joint Budget Committee (JBC) finalized the School Finance Act bill in June 2020. The bill funds inflation at 1.9 percent and, for Jeffco, increases the budget stabilization factor by $55M. As calculated by the Colorado Department of Education (CDE), Jeffco will receive a decrease in state funding of $(34M), which is a decrease of $(662) per pupil. This total funding includes $(3.4M) loss for charter schools, preschool and innovation schools. In addition, the Board of Education has taken a conservative approach with an estimated decrease in specific ownership (vehicle) tax (SOT) and a decrease in interest revenue. The decrease in SOT and interest is in anticipation of the downturn of the economy. The mill levy override that passed in 2018 is subject to increase by inflation and assumed in the revenue.

The Board of Education had difficult decisions to make and did so with as minimal of an impact as possible to students and employees. The 2020/2021 Adopted Budget assumes that half of the CARES funding will be identified in 2019/2020 year, generating a one-time savings to help offset the revenue loss experienced in 2020/2021. The remaining expenditures for these funds will be identified in the 2020/2021 year. In addition items were identified to make up for the loss of revenue and to avoid any reductions of workforce or programs.

At the time of the adopted budget, negotiations were still underway with the Jefferson County Education Association (JCEA) and the Jeffco Education Support Professional Association (JESPA), independently of one another. These negotiations are ongoing with the intention of reaching agreement on contract language and compensation and benefits. The 2020/2021 Adopted Budget does not currently include any allocation to compensation increases. Should agreements be reached on contract language, compensation, or benefits that impacts the budget, a supplemental or revised budget will be addressed by the district.

Planning for development of FY 2021/2022 budget is currently underway. District leadership continues to monitor the impacts related to COVID-19, specifically the one-time relief funds and cost implications generated during the pandemic. With the likelihood of the state budget pressures and without the continuation of the emergency federal funds for 2021/2022, the district anticipates a large budget shortfall that will require substantial budget reductions. Budget development, including an extensive community engagement plan is currently underway.

The district remains financially-sound and strategic with regard to financial planning and management. However, given the decline in funding for K-12 education and an unbalanced budget using one-time supports given by the state, the Board will have difficult decisions in the future because massive reductions will need to be considered to balance the district’s budget when these one-time funds have been expensed.

Nicole Stewart
Interim Chief Financial Officer