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

Attached is the Second 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 General Fund is performing better than plan and prior year for the end of the quarter. 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 are 47 percent of the General Fund revenues. The October student one day count was lower than the prior year by approximately 242 full time enrollments (FTE). The charter school FTE grew 377, and the district managed schools lost 619 FTE. The impact from the loss of FTE will be reflected in the General Fund as less state equalization funding and a lower share of the mill levy overrides. The 2016/2017 budget assumed a 500 student loss for FTE in the current year. Adjustments to school budgets and other line item savings are anticipated to help offset this loss of funding.

Following are the quarter-end (unaudited) financial results by fund and noted highlights:

Jefferson County Public School
 Top Level Summary by Fund
 Quarter End – December 31, 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	\$184,628,051	27.04%	\$338,641,737	48.48%	\$(154,013,686)	\$(28,331,488)
Debt Service	346,629	0.69%	40,302,286	81.92%	(39,955,657)	23,899,019
Capital Reserve	11,540,774	50.33%	28,645,601	43.88%	(17,104,827)	49,851,866
Building Fund	14,421	0.00%	5,135,866	77.02%	(5,121,445)	2,581,114
Grants Fund	17,363,279	37.71%	14,680,070	31.88%	2,683,209	11,767,007
Campus Activity Fund	12,636,675	47.34%	11,036,635	42.57%	1,600,040	13,028,362
Transportation	16,245,547	60.31%	11,142,263	41.36%	5,103,284	5,661,296
Food Services Fund	12,789,021	50.90%	11,676,132	46.62%	1,112,889	9,401,190
Child Care Fund	6,594,245	51.32%	6,370,090	48.66%	224,155	5,492,113
Property Management Fund	1,141,832	50.97%	1,385,004	56.43%	(243,172)	5,662,906
Central Services Fund	1,801,386	51.47%	1,542,805	44.68%	258,581	2,302,389
Employee Benefits Fund	2,754,981	49.42%	3,329,217	47.77%	(574,236)	12,749,859

Our Mission: To provide a quality education that prepares all children for a successful future.

<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)
Insurance Reserve Fund	3,126,979	52.42%	3,219,123	41.04%	(92,144)	8,396,045
Technology Fund	13,547,206	48.61%	14,584,680	47.73%	(1,037,474)	13,819,279
Charter Schools	63,891,247	82.50%	55,769,769	74.31%	8,121,478	38,966,025

Cash Management (pages 1–3):

- Cash balances for the second quarter are \$189 million. This is an increase of \$33 million over the prior year balance. This increase is due to underspend from fiscal year 2015/2016. Cash reserves will continue to decrease until property tax collections increase in the third and fourth quarter.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Wage increases for staff have been implemented, including one-time compensation increases in October 2016.

General Fund (pages 4–12):

- General Fund revenues are at 27 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 decreased over the prior year as a result of decreased student enrollment at neighborhood schools.
- General Fund expenditures are at 48 percent of budget. Total expenditures are higher than the previous year, primarily due to wage and PERA increases. Board approved compensation increases were made in the first quarter and second quarter. Other expenses that are trending higher than the previous year include utilities and instructional materials.
- Fund balance for the General Fund ended the quarter with a deficit of \$28 million. This is typical for second quarter and will rebound with property tax collections starting in the third quarter.

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

- 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 debt were made in December 2016.
- Capital Reserve Fund spending is at 44 percent of plan at the end of the quarter. Spending is higher than the previous year primarily due to the new K-8 school in Candelas.
- The Building Fund – Capital Projects is for the 2012 voter approved bond program. Expenditures are at 77 percent of budget for the quarter due to the high volume of summer projects. The remaining bond funds will be spent by the end of fiscal year 2017.

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 running higher than expenditures 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 lower than prior year for the same quarter from a decrease in State Transportation Revenue. Expenditures are running at 41 percent of budget primarily due to a savings in spending on vehicle parts and supplies as well as the timing of fuel invoices.

Enterprise Funds (pages 22–26):

- The Food Services Fund has net income of \$1,112,889 for second quarter. Overall the fund is performing very well and is running revenues at 58 percent of budget and expenditures lower at 47 percent of budget.
- The Child Care Fund has net income of \$224,155 for the quarter compared to a net loss of \$(322,788) for the same quarter last year. Revenues are up over the prior year due to tuition increases, an additional preschool classroom, and a new program. Expenditures are down compared to prior year with the move of All Day Kindergarten to the General Fund for the current fiscal year.
- The Property Management Fund has a planned spend down of fund balance and net loss of \$(243,172) for the quarter. Rental income is higher than the previous year and running at 51 percent of budget. Expenditures are comparable to the prior fiscal year. The net loss is driven by a planned transfer of an additional \$200,000 for a total of \$400,000 to reimburse schools for community use of their facilities. In addition to the school transfer, a quarterly transfer of \$62,500 to capital reserve fund to cover the additional wear and tear to school facilities for repairs and maintenance from the increased use.

Internal Service Funds (page 27–31):

- The Central Services Fund has net income of \$258,581 for the quarter. Both revenues and expenditures are slightly higher than the previous year and running in line with budget.
- The Employee Benefits Fund had a loss of \$(574,236) 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 in the prior year. Claims expense is higher than the previous year due to Vision claims.
- The Insurance Reserve Fund has a net loss of \$(92,144) for the quarter end. Claim costs are running higher than the previous year from two property claims that were incurred in first quarter. The fund has adequate reserves for claims coverage.
- The Technology Fund has a net loss of \$(1,037,474) 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):

- All charter schools have positive operating cash through second quarter.
- This quarter, Lincoln Academy issued debt of \$1,350,000; to date they have put in place \$750,000 of building improvements.
- Rocky Mountain Deaf School received their Excess Cost Billings allowing them to replenish operating cash and repay the district from first quarter.
- Rocky Mountain Academy Evergreen submitted a revised budget with cuts to reduce the operating deficit; they are expecting to spend down reserves to cover this loss by ~\$100k per quarter for the rest of the year. The school is expected to submit a balanced budget for 2017/2018 school year.

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

The northwest K-8 facility at the Candelas site remains on schedule and within budget with the project 50 percent complete. Phase II of the Sierra Elementary School is under construction. The project is on schedule and within budget. Both the northwest K-8 and Sierra projects will open for the beginning of the 2017/2018 school year. Design work associated with the 2017 capital program is ongoing with projects scheduled to bid in February and March 2017.

Environmental Services has gathered samples and completed tests for lead in drinking water at all Jeffco schools. To date approximately 7,650 samples have been taken and results received of which 7,084 were below the recommended 15 parts per billion threshold. Most of the retesting at those locations where fixtures were replaced is complete. The estimated cost for the lead testing and fixture replacement remains approximately \$250,000. Communication Services continues to coordinate questions from the schools and community and post test results on the district website.

Hiring and Staffing:

The primary staffing season for Jeffco Public Schools starts in about six weeks. It is during this spring and summer timeframe that positions for the upcoming school year are posted and filled. With the failure of 3A, Jeffco has no specific funding that can provide market-driven compensation increases for Jeffco staff. For district teacher vacancies, this is particularly challenging. The district will continue to partner with Jeffco's Board of Education to problem solve budget challenges to ensure Jeffco can pay competitive wages to its employees.

Health Care Reform:

Until clarification regarding repeal of the Affordable Care Act (ACA) has been issued, the district will continue to comply with ACA provisions.

2017/2018 Budget Development:

The 2017/2018 budget development process has begun. Principals have been planning for the 2017/2018 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) budgets. All departments are currently participating in Budgeting for Outcomes. Departments have submitted business plans, and the budget office is currently reviewing with district leadership. District budget staff continues to observe and evaluate legislation and forecasts from the state to anticipate changes for the 2017/2018 budget. Currently, the governor's proposal for K-12 school funding does not look positive, with a proposed increase to the negative factor to \$876 million statewide of which \$80 million is Jeffco's share. The state continues to face budget difficulties including TABOR refunds, shortfall in current required 6.5 percent statutory reserve, required transfers to capital construction and transportation, and most recently the \$135 million shortfall from residential assessment rates. The forecast for 2017/2018 will continue to change, and the district will continue to monitor and report the impact of these changes to the Board of Education.

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