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# Financial Oversight Committee

## Memo to Board of Education, May 3, 2023

Based on discussions in recent meetings, the Financial Oversight Committee offers the following conclusions and recommendations as part of its advisory role to the Jeffco Public Schools Board of Education.

### CONCLUSIONS

- The committee is pleased to see that school consolidations have produced recurring operating savings, consistent with or higher than the original projections of \$12 million across schools and departments for FY24.
- The committee specifically recognizes school principals at all grade levels who have worked hard to adjust their budgets in light of shrinking enrollment, producing substantial year-over-year savings going into FY24; the committee knows this work is very difficult given the overall resource constraints on all schools.
- The committee appreciates that the emerging FY24 budget could close a significant portion of the \$32.5 million general fund budget deficit, consistent with the committee's recommendations from November 2022; further, the committee recognizes that the multi-year perspective is very important as the district faces annual reductions to its funded count.
- The committee understands that there are certain mandatory expenditure increases for next year that are controlled by market rates and therefore unavoidable such as utility prices. The committee also understands the potential that these expenditures may be increasing at rates higher than revenue.
- The committee recognizes that the facility disposition process has just started and continues to evolve, as new information and feedback emerges. As such, the committee understands the importance of approaching the process with flexibility as the system adapts to continuously improve and align with the goals and desired outcomes throughout its development.

### RECOMMENDATIONS

- The FOC recommends that the district develop **guiding principles for the property disposition process**. These guiding principles should include how the Board will consider both financial returns from these properties to support the district's long-term sustainability and other community wide and/or non-financial benefits.
- The FOC recommends that the property disposition committee assist in **establishing measurable milestones for the property disposition process** so that members of the public can see how the district is progressing against its plans.
- The FOC recommends that the district continue to **engage community members** in the property disposition process.
- The FOC recommends that the Board direct staff to develop a **multi-year financial capital plan** that articulates the dollars necessary to meet the ongoing and annual capital maintenance and purchases, particularly for facilities.

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# Financial Oversight Committee

## Memo to Board of Education, March 9, 2023

Based on discussions in recent meetings, the Financial Oversight Committee offers the following conclusions and recommendations to the Jeffco Public Schools Board of Education:

### CONCLUSIONS

- The committee has reviewed and discussed the district's plan to remove \$30 million in expenditures in the FY24 budget, including the new departmental budgeting process framed according to activities to stop, activities to start and activities to continue but re-evaluate over time.
- The committee understands that the district is considering deferring \$10m of the planned \$23.8m in capital transfer dollars as part of the FY24 budget, with the plan and intention that such funds would be sourced instead through the sale or lease of vacant district properties either within the FY24 fiscal year or the FY25 fiscal year. The committee recognizes that the district intends to transfer the deferred \$10m in the FY26 fiscal year if and only if such funds are not sourced through the sale or lease of district properties prior to FY26.
- The committee has reviewed and discussed the district's current reserve balance targets, as articulated in district policy DAB.
- The committee reviewed the purpose of reserves, including cushioning the district against state revenue changes, building a runway to adjust to realized enrollment declines, creating flexibility to take advantage of one-time opportunities and supporting overall district financial health.
- The committee recognizes that the district's unassigned reserves grew from \$88 million in June 2019 to \$139 million in June 2022. Much of this growth was from one-time pandemic relief funds that were used to offset general fund dollars in supporting ongoing district programming and instruction.

### RECOMMENDATIONS

- The FOC recommends that the district continue to identify opportunities to trim ongoing expenditures as part of the FY24 budget process and also think through potential adjustments in future years as well. The FOC generally supports the \$30 million reduction plan presented by district staff.
- Through a majority vote, the FOC recommends that the district maintain the same minimum target for unassigned reserves in the general fund. Namely, the FOC recommends that the Board adopt "4% of annual operating expenditures" as the minimum expectation for **unassigned** reserves in the general fund and articulate this target in EL-15.
- The FOC recommends that the district apply the same 4% minimum target for unassigned reserves in the other funds currently identified in DAB, specifically the child care, property management, central services, employee benefits, insurance reserve and technology funds. However, the FOC intends to further review whether higher reserve targets are necessary in any of these funds, especially the employee benefits fund given the district's recent introduction of a self-insured health plan through Aetna.
- The FOC notes that policy consistency can be valuable in a moment where the district's finances are in flux and that future price volatility may continue to create unexpected draws on district reserves (e.g., significant increases in utility rates that are trending higher than expected in the current fiscal year).
- The FOC recommends that the Board consider adopting a schedule to review and revise reserve targets in a regular manner (no specific timing recommendation was identified).



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## Financial Oversight Committee

### Memo to Board of Education, November 2, 2022

Based on discussions in recent meetings, the Financial Oversight Committee offers the following conclusions and recommendations to the Jeffco Public Schools Board of Education:

#### CONCLUSIONS

- The committee strongly supports the Phase I work of Regional Opportunities for Thriving Schools (“ROfTS”) because the committee agrees that schools can provide better learning and growth opportunities for students when the schools are operating at a minimum scale. While Phase I is currently focused on the Elementary level, Middle School and High School also require analysis and possible action in the near term (i.e., Phase II of ROfTS) using a similar process with transparent and defined criteria.
- The committee supports the future work of Regional Opportunities for Thriving Schools in the coming years; this work will enable the implementation of the Jeffco Thrives strategic plan and also create economies of scale and an optimal education plan that in turn reduces expenditures. School consolidations will, first and foremost, improve learning opportunities by ensuring resources are available to all students. Additionally, consolidations will help address a portion of the general fund budget shortfall by reducing investment in certain “per site” personnel and services.
- The committee reviewed and discussed the underlying assumptions for the cost savings projections of \$8-\$12 million for the Phase I school consolidations. We understand this number will be refined as more information becomes available.
- The committee reviewed the staff’s multi-year budget projection (as presented September 15<sup>th</sup> to the Board) and recognizes that the current year budget deficit of \$32.5 million in FY23 increases to \$60 million in FY25, even including the potential for annual cost savings of about \$9.5 million relating to phase one consolidations. The increasing deficit relates to the predictable and expected loss of funded enrollment count due to the five-year average of enrollment.
- The committee began a conversation about the potential merits of the district obtaining advisory services from a municipal advisor regarding the multi-year capital and operating plan.

#### RECOMMENDATIONS

- To support multi-year financial planning, the FOC recommends that the Board revisit the current target for unassigned reserves of 4% in the general fund (policy DAB), and collaborate with the FOC to establish a target for reserves that adequately sustains the district’s operations and financial health. Any future conclusions or recommendations from this collaboration may supersede and/or supplement the FOC’s prior recommendation for reserves made January 8, 2019.
- The FOC recommends that the district reduce \$50-\$55 million in budgeted general fund expenses over a two-year period, subject to review and revision when/if a revised target for reserves is established.
- The FOC recommends that the district consider multiple approaches to reducing future budgeted expenses, such as: 1) reducing personnel and non-personnel expenses proportionately across all aspects of the district in amounts beyond the existing \$8-\$12 million range of savings for Phase I consolidations,

2) ensuring that future compensation increases do not exceed projected revenue increases, and 3) selling or leasing surplus school buildings as a mechanism to replace/supplant planned transfers to the capital reserve fund from the general fund.



## **Financial Oversight Committee**

### **Memo to Board of Education, March 9, 2022**

Based on the conversations at the January 25<sup>th</sup> and February 22<sup>nd</sup> meetings, the Financial Oversight Committee offers the following conclusions and recommendations to the Jeffco Public Schools Board of Education:

#### **CONCLUSIONS**

- After hearing from the Superintendent in both meetings regarding the strategic planning work for the district, the FOC concludes that the work will set the priorities to in turn guide the budgeting and financial planning work. The FOC is supportive of the strategic planning process.
- The FOC particularly supports the efforts to define a vision for a thriving school and then to use that vision to guide decisions about schools and services to students and families.
- The second quarter results are as expected, with some continued underspend relating to labor shortages.
- The FOC has twice discussed and reviewed Moss Adams Recommendation #3 regarding a financial audit (part a) and a performance audit (part b) for the bond program. The FOC tends to believe that the existing GAAP compliant independent financial statements audit for the whole district satisfies the need for a financial audit, though they would like an opinion from bond counsel. See recommendations below.
- The FOC supports the district's plan to develop thorough communication tools and materials that explain how bond funds inclusive of the bond premium, interest earned and capital transfer dollars have been spent aligned to the original scope of work as well as priorities that have emerged since the original issue.

#### **RECOMMENDATIONS**

- As the district launches the strategic planning work, the FOC recommends that the district engage students, parents and community members in the process.
- Noting that the district has budgeted for a deficit spend in the general fund for FY22, the FOC recommends that the district explore ways to reduce cost through various measures including adjusting the district's footprint. Necessary adjustments should be a priority in the district's strategic plan.
- The FOC recommends that the district obtain an opinion from bond counsel to confirm whether the existing GAAP compliant independent financial audit meets the ballot language to conduct an annual financial audit of the bond program.



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## Financial Oversight Committee

October 26, 2021

The committee received an update on the 4<sup>th</sup> quarter report, and an update regarding the current enrollment projections for the 2021/2022 school year. Based on the information provided to the committee,

### CONCLUSIONS

- Fourth Quarter results were promising. As an example, the Food Service ended better than anticipated. The committee would like to recognize the dedication and hard work of the food service team. Staff ensured meals continued to be served to students and community during what was a very challenging year. In addition, the committee recognizes the extraordinary challenges that the district faced in the prior year and how staff worked to provide the best services as possible.
- The committee discussed ESSER III dollars and the need for these funds to be used in a way that directly supports students' ability to catch up from the learning loss related to the pandemic. Using these dollars thoughtfully and addressing staffing concerns without creating a cliff in the future will be key to support the students and their growth.
- The committee expressed concerns around staffing shortages in key service positions. Ensuring the board and district leadership are intentional in addressing these concerns will be difficult during a time in which enrollment and thus funding is decreasing.
- From the staff presentation, the committee noted that enrollment has declined about 7,650 in total students over the past five years, and about 73% of this decline occurred in the past two years. This trend is concerning for future financial sustainability.
- The committee supports the district in reviewing and potentially updating the board policies regarding consolidation, closures, and small schools. Broad based community engagement will be necessary to measure how community priorities should be addressed in these difficult conversations.

### RECOMMENDATIONS

- The Financial Oversight Committee recognizes that the current budget may not be sustainable going forward due to ongoing expenditures that exceed revenues and that one-time funds, reserves and state funding based on averages are covering deficit spending. The financial situation is unsustainable.
- The FOC recommends that the Board and Superintendent direct staff to learn more about why students are leaving the district to develop solutions to address their concerns. Special focus should be paid to the 5,500 students who have left in the last two years. The district will need to focus on creating thoroughly researched enrollment projections to manage to the new reality.
- With declining enrollment trends and the reliance on one-time funds from federal stimulus grants to cover ongoing expenditures, FOC recommends that the district continues to identify savings through efficiencies, and consider a forecast that incorporates economies of scale that may have to include school closures and/or consolidations, review of current practices, and engaging the community around the fiscal health of the district.



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## Financial Oversight Committee

August 24, 2021

### Part 1

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The committee reviewed and discussed the applications and resumes of two candidates interested in serving on the Financial Oversight Committee (FOC) to fill two vacancies.

#### CONCLUSIONS

- The applicants were qualified based on meeting the criteria established for serving on the FOC that included experience/expertise in governmental accounting, financial accounting, business management, large/complex organizations and internal controls, as well as service to Jeffco Public Schools and residency in Jefferson County.
- It was agreed that both applicants would fill the needs of the committee.

#### RECOMMENDATIONS

- The FOC recommends that the Board of Education appoint Jessica Keene and Christine Havlin to the Financial Oversight Committee.

### Part 2

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The committee received an update and recap of the revenue and expenditure assumptions in the 2021/2022 Adopted Budget along with an update on the status of negotiations with the bargaining groups.

#### CONCLUSIONS

- The final legislated School Finance Act included 2 percent for inflation and a statewide buy down of the Budget Stabilization Factor with Jeffco's share at \$56.9 million, including charters. Jeffco also received \$8 million as a result of HB 21-1164 for Total Program Mill Levy Tax Credit; those funds are being treated as a one-time increase due to passage of HB 21-0852 that proposes using these funds for school finance starting in fiscal year 2023. The district received a \$1 million increase in Special Education (SPED) funding which will become part of the categoricals that will increase going forward. Passage of HB 21-1325 initiates a school finance study over the next two years to evaluate the funding formula.
- The 2021/2022 Adopted Budget includes a budget deficit that is being balanced using district reserves. One-time funds from federal stimulus grant funding is expected to offset some one-time expenditures.
- The budgeted revenue includes an assumption that the district will regain a third of the student loss that occurred during the pandemic based on student counts prior to COVID. Early enrollment projections are concerning. If the enrollment target is not met, the district will experience a revenue reduction in the current year that will need to be covered.
- Negotiations were not final when the budget was adopted, thus, the Adopted Budget includes a compensation placeholder of \$58 million for all funds. If the JESPA agreement is approved by the Board on September 2, 2021, a \$3.2 million supplemental budget appropriation will be needed to cover the

market driven compensation increase that raises the minimum hourly rate to \$15 for all JESPA employees.

- Federal stimulus grant funding from ESSER and CARES have helped offset existing budgeted expenditures by freeing up funds in the General Fund that can be charged to the grant. This temporary one-time funding has helped the district avoid additional reductions.
- ESSER I will be audited as part of the annual financial audit currently underway. ESSER II funding applications have been submitted and the district is reviewing expenditures from fiscal year 2021 to be applied to the grant.
- The application deadline for ESSER III has been extended to December. The process will include a community engagement plan headed by the Chief Student Success Officer. Discussions are ongoing with metro CFOs with regard to the recommended spend down of funds.

## **RECOMMENDATIONS**

- The Financial Oversight Committee recognizes that the current budget may not be sustainable going forward due to ongoing expenditures that exceed revenues and that the budget deficit is being temporarily covered by one-time funds and use of reserves.
- Without additional new revenue, the use of temporary one-time funding and use of reserves will not be sustainable to cover ongoing expenditures.
- With uncertainties around the sustainability of state funding for education, declining revenues for the district, uncertain enrollment trends, and the current practice of relying on temporary one-time funds from federal stimulus grants to cover ongoing expenditures, FOC recommends that the district look beyond efficiencies and consider a forecast that incorporates reductions that may have to include school closures and/or consolidations, larger class sizes and additional reductions in services.





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## Financial Oversight Committee

June 1, 2021

The Financial Oversight Committee received updates on the status of legislation pertaining to school finance, changes in assumptions to the district's proposed 2021/2022 budget, and the status of compensation discussions with the employee associations.

### CONCLUSIONS

- The district continues to monitor the proposed School Finance Act that currently includes 2 percent inflation, a statewide student enrollment decline, and a \$572 million buy down of the budget stabilization factor statewide, and a one time at risk allocation of \$77M; if passed, these changes could result in an increase for the district for 2021/2022.
- Legislative Council cautions that sustainability of the buy down to the budget stabilization factor for 2022/2023 will be challenging for the state.
- Legislation relating to an additional allocation for special education (SPED) funding statewide resulted in an estimated ongoing increase of \$1 million for Jeffco Public Schools.
- The district estimates it will receive \$8 million in one-time funds from passage of SB21-1164 for the Mill Levy Tax Credit; however, pending legislation could utilize the Mill Levy Tax Credit funds starting in fiscal year 2023.
- The district identified an estimated \$24 million in expenditures that can be moved from the General Fund to the Elementary and Secondary School Emergency Relief (ESSER) grant to free up one-time dollars in the General Fund that can be dropped to the bottom line.
- Assumptions in the current proposed 2021/2022 budget presented in May assumed \$26.2 million in ongoing funds and \$11.8 million in onetime funds from use of ESSER and third quarter savings.
- Following the status of current legislation, an analysis of third quarter financial results eliminating the reduction in estimated revenue for specific ownership tax (SOT) and the support for other funds, the revised proposed assumptions for 2021/2022 budget will assume an estimated \$34.7 million in ongoing funds for the district and \$41 million in onetime funds.
- In May, the Board voted to support moving forward with a commitment to purchase literacy resources using one-time funds; an estimated expenditure of \$2 million is being proposed for 2021/2022 to support 21 schools with the balance of the original estimate of \$17.2 million for a five-year commitment to be evaluated going forward.
- Negotiations with the district's employee bargaining groups are ongoing. The district continues to work with the negotiating teams to identify priorities and evaluate availability of sustainable funds to address those priorities.

## **RECOMMENDATIONS**

Based on the conclusions above and given the significant increase in the revenue forecast since the committee's recommendation in March, the FOC recommends:

- removing the committee's previous recommendation to use \$30 million in reserves to address district expenditures and compensation increases;
- keeping district reserves in the 8 to 17 percent range as per Government Finance Officers Association Best Practices;
- discussing all priorities within the district; and
- using forecasting tools to assist in evaluating priorities and developing the budget.



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## Financial Oversight Committee

March 2, 2021

The Financial Oversight Committee received an economic update from Brian Hicks with Jones Financial and a budget update that included information on proposed reductions and use of reserves.

### CONCLUSIONS

- Economic indicators show an anticipated strong rebound this year contingent on vaccines. The economy is bouncing back faster than anticipated, and there is a lot of capital and potential for growth. Unemployment in Colorado continues to improve but has only gained about one third of the job loss it experienced and is expected to fall out of top ten for employment growth in the country. The rate of population growth in Colorado is expected to be lower for the first time since 2003. Interest rates are expected to remain low, and there is some concern about inflation. Most experts anticipate a dramatic increase in national output as a result of pent up demand for goods. How all of this will translate to impacts for the state's budget and school finance are unknown and uncertain; school finance typically lags by one to two years.
- School finance is unique compared to what is happening in the business world primarily due to how it is funded and the uncertainties and unreliability of state funding which is not something the district can control or predict.
- Although the property tax base is relatively stable in Jefferson County, the amount required to be backfilled by the state per the School Finance Act is uncertain and changes each year. This impacts the ability to do forward planning.
- As a result of pressures on the state's budget from the pandemic induced recession, there is uncertainty surrounding the sustainability of the proposal from the Governor in November to buy down the budget stabilization factor which reduces the amount of funding that school districts are entitled to receive per the School Finance Act. The March forecast from the state will be key but funding estimates remain uncertain until school finance is decided which will most likely be when the legislation session ends in May. Long term funding from the state for K-12 education remains uncertain.
- The district experienced significant enrollment loss in the current year due to the pandemic which reduced the amount of per pupil funding the district received from the state. A Hold Harmless bill will provide some help in the current year directly related to enrollment loss; however, the budget impacts for next year still remain.
- Due to reduced activity and the inability to collect fees in areas such as food and nutrition services, child care and preschool, transportation, and facility rentals, revenues are down in the current year that will require, in some cases, use of General Fund monies.
- Feedback from the community engagement process confirmed that the number one priority with regard to reductions is to keep them as far as possible from the classroom and student experience and to make reductions at the central level first.

- Many options for covering the shortfall were evaluated, and the district used its Budgeting for Outcomes process to identify \$11.33 million in reductions at the central level. Many supports for schools is provided at the central level, so although these costs are not included in SBB, central cuts can have varying impacts to schools but do not affect the SBB dollars that schools manage directly.
- In addition to the \$11.33 million in reductions, the district is recommending a \$30 million spend down in reserves, leaving a shortfall of \$12.67 million.
- To make the most impact to offset the budget shortfall, the district could look at some level of adjustment to the SBB budget, Educational Research and Design, and Furlough Days although none of these choices are popular.
- The possible use of bond premium dollars could be considered to offset the reduction to the annual capital transfer; however, the concern is that historically restoration of reductions that impact on-going dollars are difficult to reinstate due to several factors including need, change of Board priorities, and reliance on state funding.
- Use of reserves in 2021/2022 will allow the district time to explore efficiencies in the areas of school closures/consolidations, transportation and bell to bell changes.
- The assumption in the current year of a \$13 million spend from the General Fund to cover shortfalls in Food Service and Child Care Funds could shift.
- Jeffco's reserves when compared to other metro area school districts are healthy with Jeffco ranking the sixth.
- For a perspective when looking at reserves balances, monthly expenditures from the General Fund only for salaries is \$50 million per month on average and \$62 million per month for expenditures.
- Given what is known now, the district's revenue forecast assumes a flat projection for the next three years.

## RECOMMENDATIONS

Based on the conclusions above, the FOC:

- Recommends a slow spend down of reserves due to unknowns of how long the impacts of the recession will last and how long it will take for school finance to recover;
- Agrees that the proposal for a three-year spend down of reserves per the district's recommendation at a rate of \$30 million in 2021/2022, \$20 million in 2022/2023 and \$10 million in 2023/2024 is reasonable and will require reductions in the current year and out years assuming revenue remains flat;
- Agrees that due to limited revenue sources going forward, the district will need to continue to look long term at efficiencies that to save dollars including, but not limited to, the areas of school closures and consolidations, child care and class sizes; and
- Agrees that any unexpected underspend identified in the current year should be dropped to the bottom line to allow the Board flexibility as it considered expenditure decisions.



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## Financial Oversight Committee

November 3, 2020

The Financial Oversight Committee (FOC) received a municipal market environment update from representatives of Robert W. Baird & Co. that covered a snapshot of historical data on interest rates and treasury yields, an overview of municipal bond issuance volume projections, background on tax-exempt and taxable advance refunding, or refinancing, and considerations for preliminary structuring for 2020 general obligation bonds and the potential refunding.

### CONCLUSIONS

- In 2018, voters approved \$567 million in general obligation (GO) bonds to be issued with the parameters of a maximum aggregate debt service of \$997.64 million and maximum annual debt service, not to exceed \$67.4 million.
- The district issued \$326.49 million in December 2018 and structured the financing with a plan to issue the balance of \$240.51 million in late 2020 or early 2021.
- Recently, the district's investment bankers presented an opportunity to issue the remainder of the 2018 voter-approved bonds to take advantage of a favorable market environment and historically low interest rates that have fallen almost 50 percent since the issuance in 2018.
- The bankers also recommended combining the new issuance with a refinancing opportunity for a portion of the district's 2012 Series bonds. While the refinancing will not generate new money for the district, it is being recommended for the benefit of our taxpayers to take advantage of savings in debt repayment obligations and issuance costs.
- Tax-exempt advance refundings were eliminated for municipalities and school districts due to the Tax Cuts and Jobs Act passed in 2017; thus, based on current market conditions, the district may be able to generate interest cost savings through a taxable advance refunding of a portion of its Series 2012 bonds. Due to the IRS rule change and the current market environment, the demand for municipal bonds is high and favorable.
- Spenddown on the current issuance of the Series 2018 Bonds is ahead of the planned schedule estimated for April 2021 due to acceleration of current projects. The district plans to begin Phase II of the capital improvement projects in early 2021, thus, issuance of the remainder of 2018 voter-approved bonds is not mandatory but is a great opportunity for the district to take advantage of historically low interest rates over the next 30 years.
- The total debt service with the proposed Series 2020 Bonds and existing Series 2018 bonds would fall below the allowable maximum aggregate debt service and well under the annual debt service.

- Per district policy, a refunding can be undertaken if interest rates stay low and if it meets the district's debt policy guidelines. Based on current market rates, a refunding could provide approximately \$1.76 million in net present value savings over 5 years with over 4.8 percent in present value savings. District policy has a minimum net present value savings threshold for refunded bonds of 3 percent or above. Currently the district is at 5 percent; the district would not issue the refinancing if that threshold could not be maintained.
- Based on the current market, the true interest cost (TIC) for new money is 2.10 percent and .90 percent for the taxable refunding.
- The 2020 bond structure is consistent with the district's historically conservative debt management practices of a fixed interest rate with a 20-year maturity to minimize the tax impact to taxpayers.
- If the market changes and interest rates are no longer feasible for a refinancing, the issuance and refunding would be structured so the refunding could be removed at no cost.
- While voters provided the authorization to issue the bonds, by law and district policy, the Board of Education as governing body must authorize a bond resolution and relevant documents to approve and initiate the bond issuance and refunding.

## **RECOMMENDATIONS**

- Following the financial overview of the current municipal bond market environment and discussion of timelines and bond structuring, the FOC supports proceeding with the new issuance of the remaining voter-approved 2018 bond authorization and the refunding of a portion of the Series 2012 bonds.



## **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 4<sup>th</sup> 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 4<sup>th</sup> 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.



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## 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.





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## 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.



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## 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.



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## 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.



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## 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.



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## 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.



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## 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.