

**BOARD OF EDUCATION OF JEFFERSON COUNTY, KY
POPULAR ANNUAL FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



**Equal Opportunity/ Affirmative
Action Employer Offering
Equal Educational Opportunities**



The Government Finance Officers Association is the leading advocate for reporting standards and transparency for governments in the United States of America. They maintain a certification program for government reporting to ensure rigorous standards are met. JCPS has received this certification for its Comprehensive Annual Financial Report each year since 2007.

JCPS received certification for its **POPULAR ANNUAL FINANCIAL REPORT** for the second year in a row, most recently for the fiscal year ended June 30, 2018.

REPORT OVERVIEW

GOVERNANCE

<i>Superintendent's Letter</i>	3
<i>Board Members</i>	4
<i>Vision 2020</i>	5

ABOUT JCPS

<i>Current Initiatives</i>	6
<i>Future Budget Priorities</i>	8
<i>JCPS by the Numbers</i>	10

FINANCIAL

<i>Revenue Trends</i>	12
<i>Expense Analysis</i>	16
<i>Summarized Financial Statements</i>	17

To the Citizens of Jefferson County,

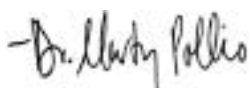
We are fortunate to live in a diverse, vibrant community that supports and appreciates our children's education. From our market share exceeding 80% to the vast amount of community support and volunteer hours we receive, we truly appreciate this partnership with you.

Having a strong community relationship is one of the reasons we are so committed to transparency in all aspects of our finances, educational programs, and program results. This Popular Annual Financial Report (PAFR) is an important part of that commitment. The report focuses on your voice at JCPS, our current initiatives, and an overall analysis of the financial trends from the 2018-2019 school year. Our hope is that this report portrays an understandable description of who we are as a District, how we operate, and what current opportunities we see.

This document highlights key data that is presented in much more detail in our Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in accordance with accounting principles generally accepted in the United States (GAAP). Although the PAFR presents selected information on the same basis of accounting as the CAFR, the PAFR summarizes the financial data, omits many schedules and notes required in the CAFR, and is presented in an unaudited format. Both reports are available on our website at <https://www.jefferson.kyschools.us/departments/business-services-division/financial-services/accounting-services/comprehensive-annual>.

We would like to thank our citizens for your support and encouragement in continuing our journey toward transparency. We are grateful for the wonderful parents and guardians who entrust us with their children every day, our dedicated team members who work diligently to help our students succeed, and our exceptional students who are striving to become college/career-ready. If you have any questions or feedback about this report, please call the JCPS Accounting department at (502) 485-3146 or email eddie.muns@jefferson.kyschools.us.

Respectfully submitted,



Marty Pollio, Ed. D.
Superintendent



Cordelia Hardin
Chief Financial Officer/Treasurer

BOARD MEMBERS 2018-19



DIANE PORTER, CHAIR
DISTRICT 1



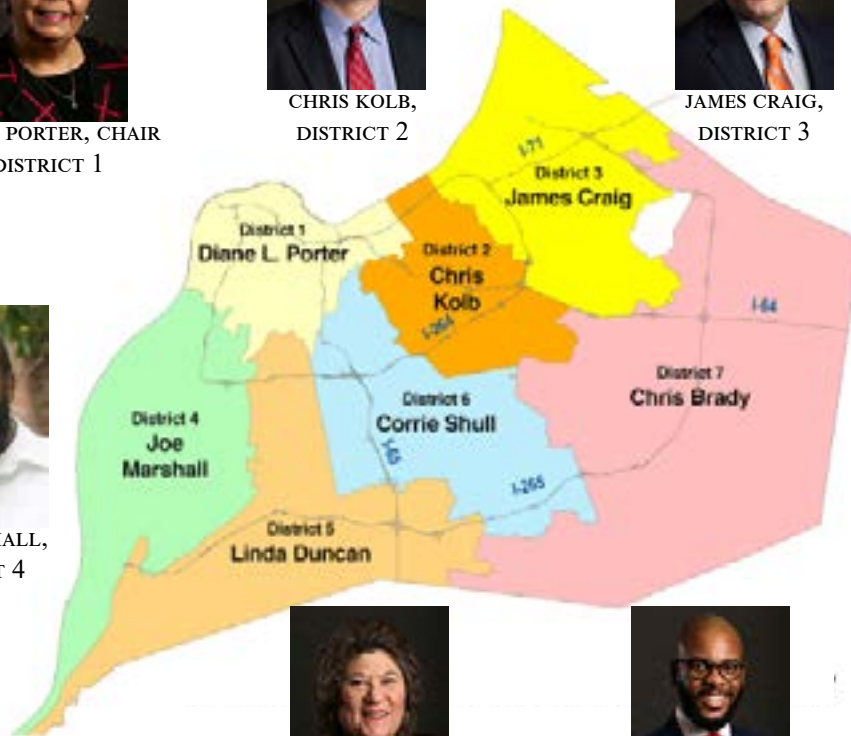
CHRIS KOLB,
DISTRICT 2



JAMES CRAIG,
DISTRICT 3



JOE MARSHALL,
DISTRICT 4



CHRIS BRADY,
DISTRICT 7



LINDA DUNCAN
DISTRICT 5



CORRIE SHULL,
DISTRICT 6

The Jefferson County Board of Education has clearly defined a set of standards and guiding principles for JCPS to follow. These standards are called Vision 2020, and are at the core of every decision and budget allocation at JCPS.

The full text is available at

<https://www.jefferson.kyschools.us/sites/default/files/Vision-2020-Brochure.pdf>

VISION2020

Vision

All Jefferson County Public Schools students graduate prepared, empowered, and inspired to reach their full potential and contribute as thoughtful, responsible citizens of our diverse, shared world.

Mission

To challenge and engage each learner to grow through effective teaching and meaningful experiences within caring, supportive environments.

Focus Areas and Goals

Learning, Growth, and Development

- Deeper Learning

Increasing Capacity and Improving Culture

- Professional Capacity in Teachers and Leaders
- High-Performing Teams

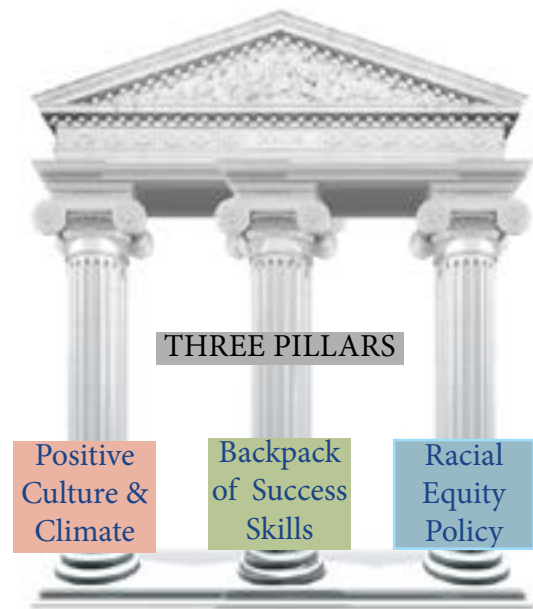
Improving Infrastructure and Integrating Systems

- Infrastructure Improvements
- Communications, Engagement, and Access to Information
- Technology for Learning and Operations
- Access to Public School Choice



CURRENT INITIATIVES

The District is focused on **THREE MAIN PILLARS**: Positive Culture & Climate, the Backpack of Success Skills, and the Racial Equity Policy. In addition to academic achievement, education should also prepare a child to become a productive member of the workforce, to promote the common good in society, to become a responsible citizen, and to aide in reducing inequalities.



POSITIVE CULTURE & CLIMATE: In classrooms throughout JCPS, great accomplishments begin when confident actions are performed by empowered students. Employees must identify and provide individualized resources for students to be their best. JCPS has given every school access to mental health practitioners. All staff must come together to work with a passion for the students we are serving. Below are the student results from the 2018-2019 Comprehensive School Survey:

Positive Culture and Climate	Elementary			Middle			High		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
My school has a caring and supportive environment for students.	91	91	92	77	76	76	76	73	72
I feel my teachers really care about me.	91	92	93	77	75	77	78	76	77
I am very satisfied with JCPS.	89	90	90	74	74	71	57	56	50
I am very satisfied with my school.	88	87	87	72	68	69	71	70	70
I would rather go to this school than any other school.	75	75	75	59	54	56	67	65	66

RACIAL EQUITY POLICY: The District's Commitment to Racial Educational Equity was established to increase access for students of color, strengthen opportunities, and create a more diverse instructional staff in JCPS. This transformative policy outlines a plan to reduce and eliminate disparities while ensuring JCPS provides equitable access to all students. [This Policy](#) is a major step forward in becoming a model school district for reducing achievement gaps.

BACKPACK OF SUCCESS SKILLS: JCPS has launched this initiative where students show how they have become effective communicators, emerging innovators, prepared and resilient learners, globally and culturally competent citizens, and productive collaborators. At the end of key transition points in their education (5th, 8th, and 12th grades), students will have the opportunity to defend what they've learned using the evidence in their virtual backpacks. Engaging every student, every day, in meaningful learning is the goal and the Backpack of Success Skills initiative is the strategy to reach this goal.

Student Data 2019				
Success Skill	Success Skill Items	Elementary	Middle	High
Effective Communicator	My teacher lets me show what I know in different ways (projects, presentations, tests, etc.)	94	89	88
Prepared and Resilient Learner	I set goals and then work to achieve them.	94	85	88
Productive Collaborator	My classmates and I have opportunities to work together on projects.	93	85	89
Globally & Culturally Competent Citizen	I feel comfortable stating my opinion in class even if it disagrees with the opinions of other students.	83	75	78
Emerging Innovator	I have opportunities to design and create new pictures, videos, or written work.	87	78	80



FUTURE BUDGET PRIORITIES

TIME FOR A CALL TO ACTION!

With \$1.3 billion of unmet needs and significant investments in our students that are currently being limited by scarce resources, the District is reviewing the **potential for new tax revenue sources or increasing current rates.**

Surrounding districts have recognized this reality by adding new taxes and increasing their tax rates. In fact, **our property tax rates are among the lowest in our region** as shown by the chart to the right:

District	Tax Rate %
Anchorage Independent	98.2
Franklin Independent	96.5
Fayette County	81.0
Oldham County	78.8
Nelson County	77.2
Henry County	74.3
Bullitt County	73.2
Shelby County	73.1
Jefferson County	72.5
Franklin County	71.5

At the same time, our students have **far greater needs** than most of these surrounding districts as illustrated below in the growth of our higher need populations:



OVERARCHING DISTRICT NEEDS:

- \$1.3 billion of facility needs to transform our aging buildings into modern student learning environments.
- \$2.5 million increase needed to our bus replacement allocation to stay on a 14-year replacement schedule
- \$11.5 million to allow for five additional days of teacher professional development to properly support the Backpack of Success Skills and Racial Equity Policy

TO FULFILL THE THREE PILLARS, JCPS MUST:

Ensure students are learning as evidenced by their Backpack of Success Skills – Although this initiative has had tremendous success within the last year of implementation, additional revenue will allow us to expand online testing, blended learning opportunities, and year-round learning through the Backpack League.

Create a Positive Culture and Climate that connects with students in classrooms – For students to perform at their best, they must receive individualized care and mental health support from the best resources available. We would like to expand mental health resources for every school and add a nurse for all Accelerated Improvement Schools. Also, in order to address our teacher shortages, we must develop recruitment programs to employ teachers that will mirror our student population.

Overcome achievement gaps through implementing our Commitment to Racial Equity Policy – After boldly setting our mission to achieve Racial Equity and beginning to address the systematic and implicit inequities in society, we must now capitalize on these actions by focusing on Positive Behavioral Intervention Supports, Restorative Practices, Cultural Trainings, and other school security supports.



JCPS BY THE NUMBERS

Full Time Employees



14,801

Students



97,856

Schools & Education Centers



167



TRANSPORTATION DATA

Buses in Fleet - 904

Bus Compounds - 13

Miles Driven Daily - 100,269

Number of Students Transported Daily - 67,223

TEACHER DATA

6,896 Teachers

83% Teachers with Master's Degree
or Higher

435 National Board
Certified Teachers

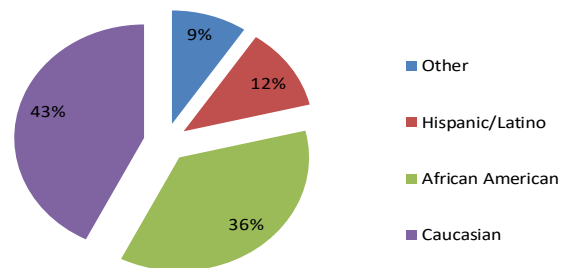


STUDENT DATA

Average Daily Attendance - 93.2 %
English as a Second Language - 8,378
Different Languages - 148
Special Needs - 12,767
Free and Reduced Price Lunch - 68%



Student Demographics



FACILITIES DATA

167 Schools & Education Centers

90 Elementary
22 Middle
18 High
5 Pre-K
3 Multi-Level
15 Special Education
14 State Agency



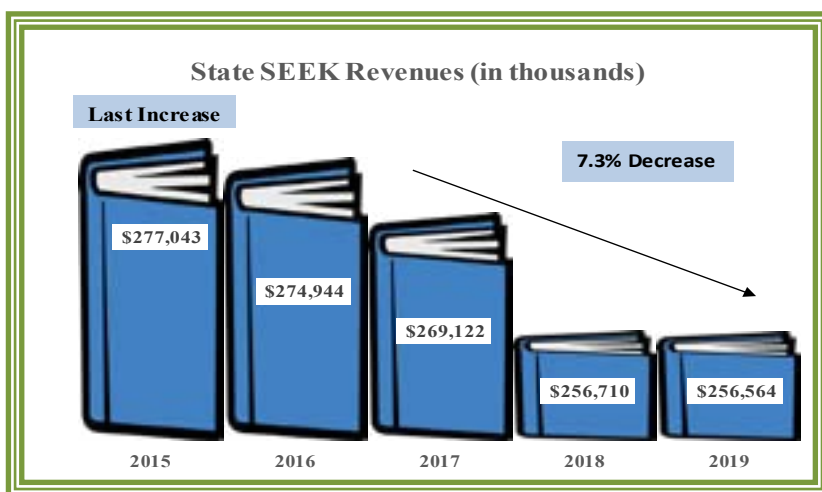
STUDENT ACADEMIC ACHIEVEMENTS

10,949 Advanced Placement Tests Taken
48.9% AP Scores earning college credit
Average ACT Test Score - 18.8
82.3% Graduation Rate
90.7% Successful Transition to Adult Life
\$168 Million College Scholarships Earned

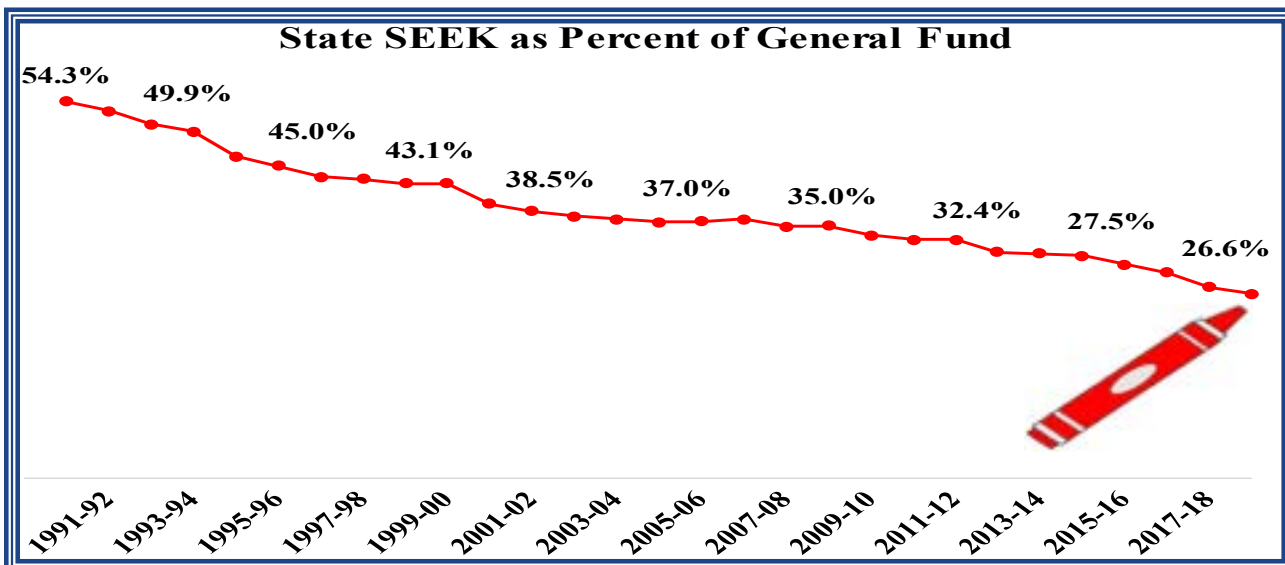
REVENUE TRENDS

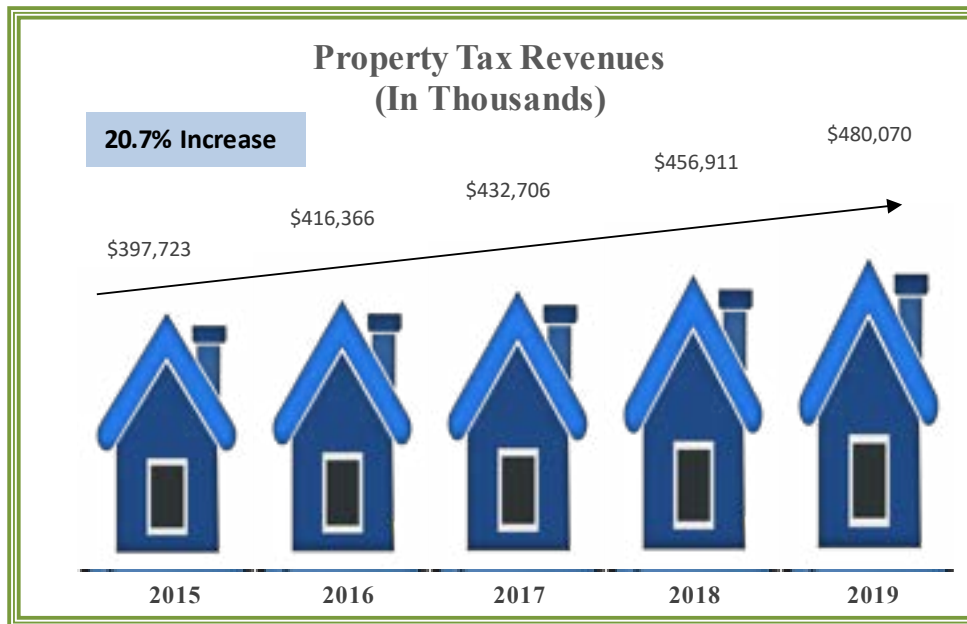
JCPS receives revenue from four major sources: state SEEK (Support Education Excellence in Kentucky), property taxes, occupational taxes, and other state revenues.

STATE SEEK REVENUES are based on a formula, which has numerous factors including the property assessments. In Jefferson County, assessments generally rise between 1% and 4% each year, meaning that SEEK revenues will drop if the legislature doesn't increase SEEK greater than assessment growth. This is what has happened since 2015, the last time the allocation exceeded assessments.

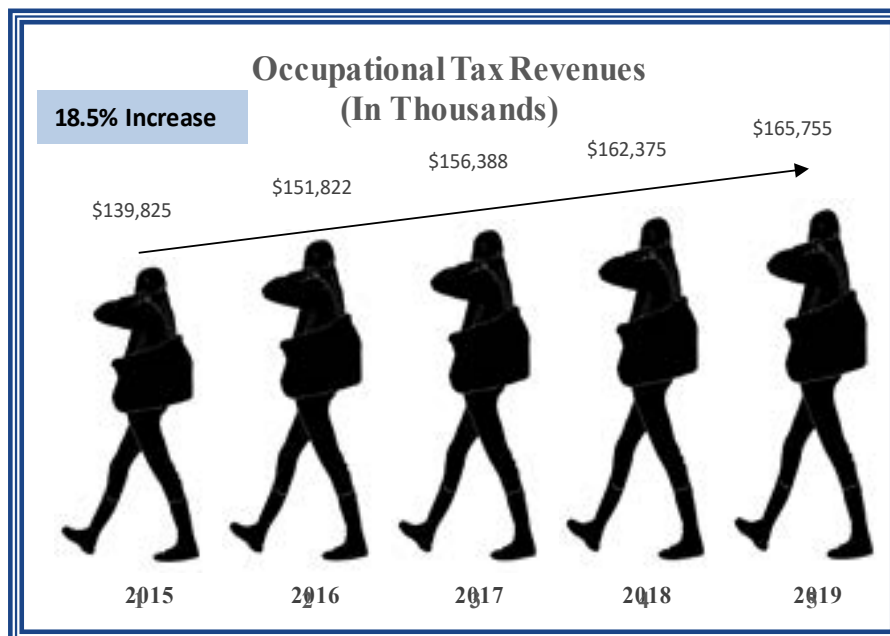


JCPS General Fund revenues received from **STATE SEEK REVENUES** have continually decreased from 54.3% to 26.6% since the beginning of the Kentucky Education Reform Act of 1990.



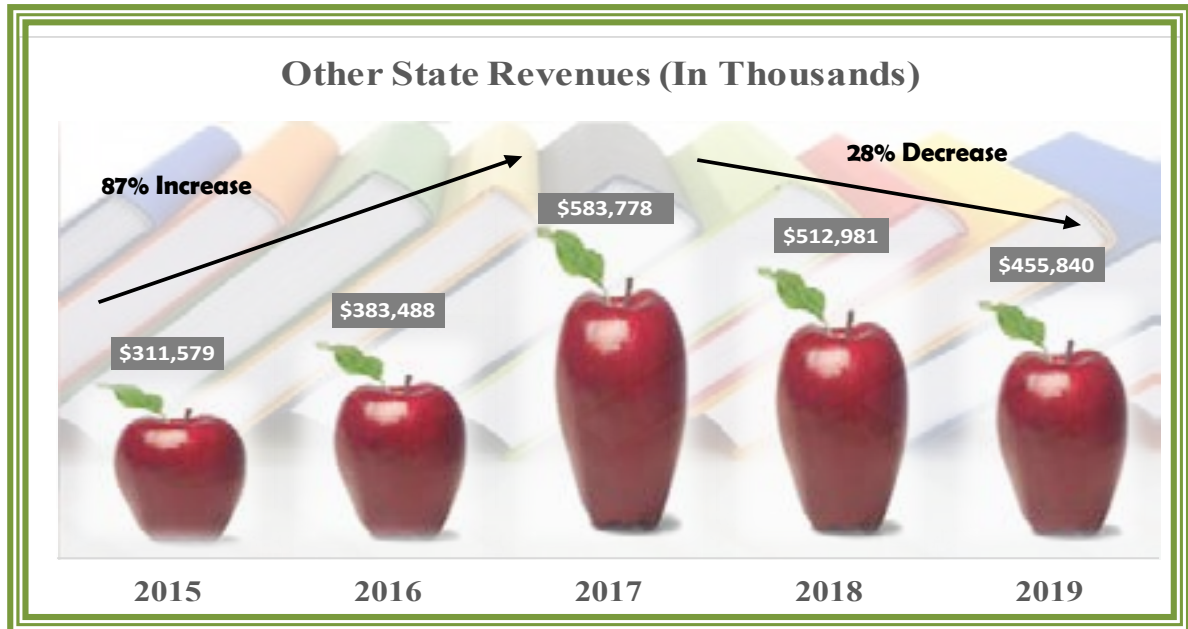


The dwindling state SEEK funds highlight how critical local funding is to JCPS. Our largest revenue source is **PROPERTY TAXES**. The increases above were attributable to assessments growth through 2018, which resulted in revenue increases without raising the tax rate. However, in 2018-19, the property tax rate was raised from 70.4 cents to 72.5.



OCCUPATIONAL TAXES are assessed as both a business net profits tax and a payroll tax on Jefferson County residents working in Jefferson County. This makes occupational taxes the most economy-driven revenue source JCPS receives.

OTHER STATE REVENUES are payments the state makes on our behalf for teacher pension benefits and health insurance for our employees. Actuarial assumptions and pension funded levels have caused these revenues to swing drastically as state funding increases are shoring up the pension.



AS A SIDENOTE... JCPS participates in two State pensions: the County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS). Each pension is structured differently, with JCPS paying the employer match for CERS and the State paying the employer match for the KTRS. The KTRS match is recorded as an equal revenue and expense, since the State pays this instead of JCPS. Our budget will continue to be directly affected by increases of the employer match to CERS.



With a well-balanced economy, Jefferson County maintains a stable environment to support Jefferson County Public Schools. Detailed below are the **top ten school taxpayers and principal employers** as well as the unemployment rate compared to the total population of Jefferson County:

Company	2018-19 School Tax Paid	% of Total Revenues
Louisville Gas & Electric	\$12,246,131	2.5%
AT&T	2,021,290	0.4%
Humana	1,778,260	0.4%
Walmart	1,468,730	0.3%
United Parcel Service	1,406,678	0.3%
BT Property	1,396,092	0.3%
Insight	1,260,698	0.3%
Omni	1,087,258	0.2%
Brown-Forman	1,050,597	0.2%
Galt House	1,018,268	0.2%

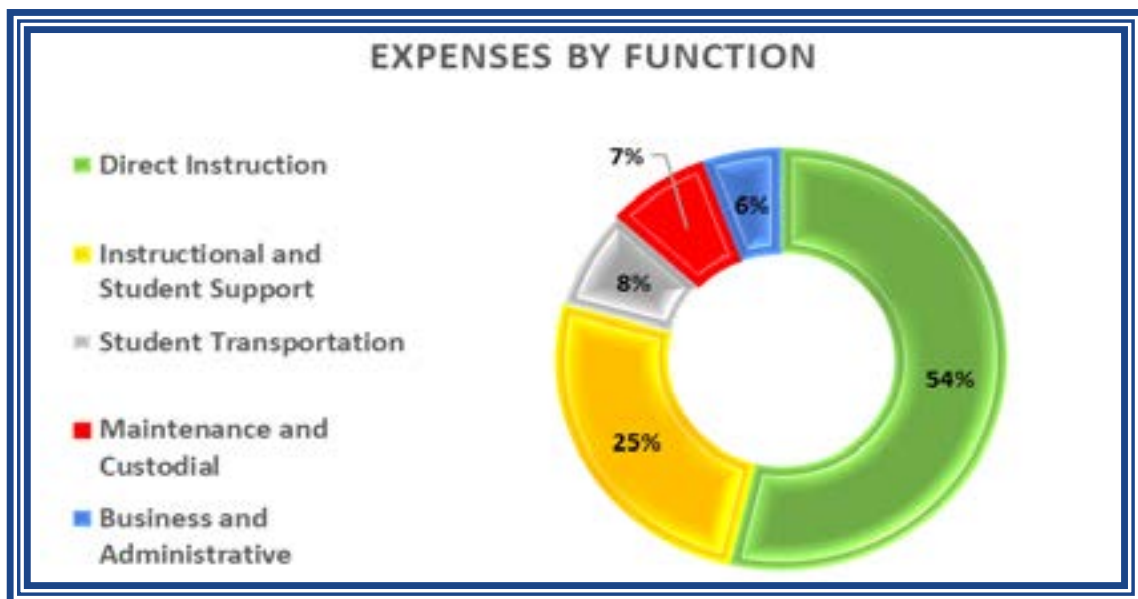
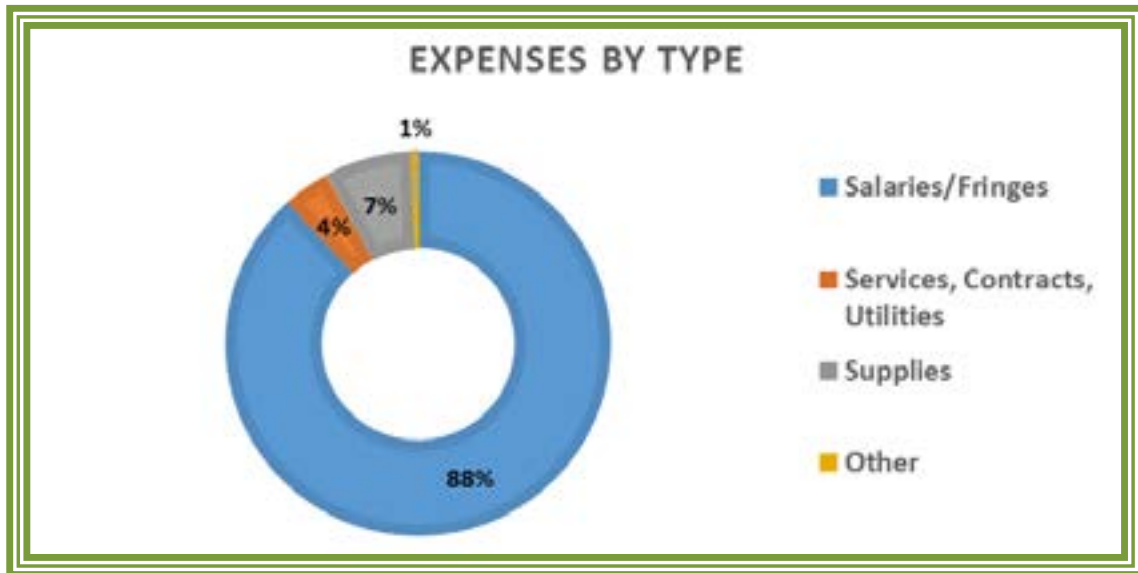
Company	2018 # of Employees	% of JCPS Employees
United Parcel Service	21,233	6.1%
JCPS	14,476	4.0%
Ford Motor Co.	12,600	3.5%
Norton Healthcare Inc.	12,247	3.3%
Humana Inc.	12,000	3.4%
University of Louisville	6,933	1.9%
Amazon.com	6,500	1.8%
Louisville Metro Govt.	6,226	1.7%
Baptist Healthcare System	6,159	1.9%
GE Appliances	6,000	1.6%

Metro Louisville Unemployment Rate	4.1%
Total Population	812,378

FINANCIAL

EXPENSE ANALYSIS

From the teachers and instructional assistants in the classrooms to the cafeteria workers, bus drivers, administrators, and coaches, we rely on a dedicated and talented team to transform students' lives. The graphs below show what we purchase with our resources, by type and by function:



Our goal in Finance is to provide the funding required to achieve the academic and developmental gains our students require. We strive to maintain a direct focus on Vision 2020 and align our available budget to put Vision 2020 into action.

SUMMARIZED FINANCIAL STATEMENTS

Governmental accounting rules state that we must show both full accrual, District-wide financial statements and modified accrual, fund statements. Below is a representation of what a Statement of Net Position (similar to a Balance Sheet) aims to capture and show the readers of the financial statements:



DISTRICT-WIDE FINANCIAL STATEMENTS—These statements are designed to show the whole financial position, also called “accrual basis” presentation of the District at the end of the fiscal year, including long-term items. These long-term items include capital assets like schools and computers whose use extends into future periods, bonds which will be paid over many years into the future, the cost of sick leave, vacation leave, and pension benefits paid many years from now.

Statement of Net Position – District Wide	2016	2017	2018	2019
Assets				
Current & Other Assets	\$380,141	\$418,575	\$356,918	\$388,939
Capital Assets	724,574	725,626	768,181	744,817
Total Assets (What We Own)	1,104,715	1,144,201	1,125,099	1,133,757
Deferred Outflows of Resources				
	64,222	117,703	184,539	135,094
Liabilities				
Current Liabilities	148,297	170,302	175,905	170,421
Long Term Liabilities	481,147	490,108	440,277	490,746
* Net Post-Employment Benefits Liability	811,255	850,618	958,014	* 947,137
Total Liabilities (What We Owe)	1,440,699	1,511,028	1,574,197	1,608,304
Deferred Inflows of Resources				
	31,111	31,388	64,201	64,405
Available Balance for the Future				
<i>*All figures shown in thousands, rounded (\$)</i>	\$(302,873)	\$(280,512)	\$(328,760)	\$(403,858)

DEFINITIONS OF KEY TERMS:

- **ASSETS** - Any cash on hand, amounts owed to the district, and items owned by the District used in operations with an initial useful life extending beyond one reporting period
- **LIABILITIES** - Amounts that the District owes to employees or other vendors for products or services provided to the District (current is due within 12 months; long-term is due later than 12 months)
- **DEFERRED OUTFLOWS /INFLOWS OF RESOURCES** - Amounts that won't be recognized as either a revenue or expense until the future period to which they are related; these amounts relate to the actuarial assumptions of the Net Post Employment Benefits Liability line item

Much of the deficit can be traced to the Net Post-Employment Benefits Liability* line item (i.e. retirement). These liabilities will be paid off over many years through the higher employer match and additional state support.

Our **DISTRICT-WIDE STATEMENT OF ACTIVITIES** (similar to an Income Statement) also shows an emphasis on pensions and postemployment benefit payments. JCPS' largest revenue source is other state revenues, which is mostly pension and other post-employment benefit expenses paid on our behalf by the state (i.e. on-behalf payments). As our liabilities increase, each expense category increases as well since these expenses are allocated in alignment with other employee costs.



Statement of Activities – District-Wide	2016	2017	2018	2019
Resources Received				
Charges for Services	\$5,809	\$5,329	\$4,652	\$4,522
Grants & Contributions	175,828	177,468	178,325	157,810
Taxes (Property, Occupational, Other)	615,984	640,824	672,945	702,497
State Sources (SEEK, Other)	658,432	852,900	769,690	712,404
Interest, Investment & Other Earnings	17,654	22,314	19,852	28,751
Total Revenues	1,473,707	1,698,835	1,645,464	1,605,984
Services Provided				
Instruction	742,295	781,440	848,894	864,510
School Support Services	378,739	454,939	402,047	418,576
Business Support Services	81,828	90,097	70,522	65,848
Plant Operations & Maintenance	110,347	109,198	118,323	118,239
Transportation	89,763	131,588	158,064	124,413
Business-Type Services	69,993	92,757	78,576	72,785
Other (including interest)	16,497	16,455	17,286	16,711
Total Services Provided	1,489,462	1,676,474	1,693,712	1,681,082
Net Position				
Change in Net Position	(15,755)	22,361	(48,248)	(75,098)
Net Position, Beginning of Year	(287,118)	(302,873)	(280,512)	(328,760)
Net Position, End of Year	(302,873)	(280,512)	(328,760)	(403,858)

**All figures shown in thousands, rounded (\$)*

DEFINITIONS OF KEY TERMS:

- **INSTRUCTION** - Direct teaching and learning of students. Our largest expenditure category
- **SCHOOL SUPPORT SERVICES** - Guidance services, nurses, speech, hearing, physical therapy, and psychological services
- **BUSINESS SUPPORT SERVICES** - Operation of the District, financial services division (payroll, purchasing, accounts payable, accounts receivable, and budget), risk management, construction management, internal audit, and the print shop
- **PLANT OPERATIONS & MAINTENANCE** - Custodial services, grounds, and maintenance
- **TRANSPORTATION** - Transporting students to and from school and field trips
- **BUSINESS-TYPE SERVICES** - This category consists of expenditures from the following funds: School Food Service, Adult Education, Enterprise Programs, Tuition Based Preschool, and Day Care Operations
- **OTHER** - Function categories with less than 1% of expenditures (Interest, other instructional support services, etc.)

FUND STATEMENTS differ from the full accrual District-wide financial statements on the preceding pages. Traditionally, governments collect taxes, fees, and assessments on a set calendar each year, and government financial statements have been designed to show the activities within one annual budgeting period, also called “modified accrual” presentation. Accordingly, these statements exclude the large pension and other postemployment benefits liabilities that will be paid in later budgeting periods.

THE GOVERNMENTAL BALANCE SHEET is listed below in a condensed form showcasing the District’s total assets, liabilities and fund balances over the last four fiscal years:

Balance Sheet – Governmental	2016	2017	2018	2019
Assets				
Total Assets (What We Own)	\$485,834	\$530,927	\$477,036	\$489,210
Liabilities				
Total Liabilities (What We Owe)	\$237,321	\$264,074	\$266,370	\$243,185
Fund Balances				
Total Fund Balances (Available for Future)	\$248,513	\$266,853	\$210,666	\$246,025

All figures shown in thousands, rounded (\$)

THE GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE is below listing the District’s total revenues (resources received) and expenses (services provided) over the last four fiscal years:

Statement of Revenues, Expenditures, and Changes in Fund Balance	2016	2017	2018	2019
Resources Received				
Local Sources	625,324	650,871	684,948	706,713
State Sources	512,640	510,061	601,637	603,387
Grants from US Government	95,742	94,967	91,178	79,216
Interest	1,677	2,347	3,284	7,474
Other Sources	16,610	16,260	19,513	18,037
Total Revenues	1,251,993	1,274,506	1,400,560	1,414,827
Services Provided				
Instruction	651,705	659,163	754,518	763,642
School Support Services	290,682	300,131	335,868	341,929
Business Support Services	41,900	43,508	49,830	45,822
Plant Operations & Maintenance	109,857	108,681	118,046	117,438
Transportation	76,843	80,102	89,313	89,192
Building Renovations	54,066	49,014	52,753	54,170
Debt Service	46,717	47,440	50,698	51,720
Other (including interest)	3,308	2,804	2,667	2,850
Total Services Provided	1,275,078	1,290,843	1,453,693	1,466,763
Other Financing Sources (Uses)	54,827	34,677	(3,054)	87,295
Changes in Fund Balance				
Net Change in Fund Balances	31,742	18,340	(56,187)	35,359
Fund Balances, Beginning of Year	216,771	248,513	266,853	210,666
Fund Balances, End of Year	248,513	266,853	210,666	246,025

All figures shown in thousands, rounded (\$)



Jefferson

County

Public

Schools

J

C

P

S

Thank You for your interest in our Popular
Annual Financial Report.

If you have questions or feedback, please
contact us at

(502)485-3146 or
eddie.muns@jefferson.kyschools.us