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

Attached is the Fourth Quarter Financial Report for fiscal year 2013/2014. This report includes cash management and investment schedules, 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. **This is a preliminary unaudited report. The audit for FY 2014 will not be complete until November. The numbers are subject to change.**

The General Fund ended the year better than planned with revenues over expenditures of \$11,331,317. Much of the impact of the 3 percent compensation increase was offset with savings from staff turnover. The General Fund adopted budget was amended by the Board with two supplemental appropriations. The first supplemental appropriation transferred \$3 million additional funding for technology infrastructure in support of mobile device readiness and the second supplemental appropriation provided funding for the accelerated purchase of new Math Expressions materials as well as increased appropriation to cover the school spend down of school carry forward balances. District staff remains committed to being accountable and continuing to be a high performing organization.

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

Jefferson County Public School
 Top Level Summary by Fund
 Quarter End – June 30, 2014

| | Revenue | 2013/2014 Y-T-D % of Budget For Revenue | Total Expenses | 2013/2014 Y-T-D % of Revised Budget For Expenses | Net Income | Fund Balance (or net position) |
|--------------------------|---------------|---|-------------------|--|---------------|-----------------------------------|
| General Fund | \$644,380,305 | 100.02% | \$633,048,988 | 98.74% | \$11,331,317 | \$61,297,882 |
| Debt Service | 52,121,133 | 103.22% | 49,896,674 | 99.97% | 2,224,459 | 55,868,733 |
| Capital Reserve | 23,857,976 | 108.76% | 27,930,643 | 91.49% | (4,072,667) | 16,800,332 |
| Building Fund | 383,063 | 310.93% | 27,071,461 | 99.66% | (26,688,398) | 84,902,102 |
| Grants Fund | 53,243,192 | 96.81% | 50,951,555 | 92.64% | 2,291,637 | 5,986,671 |
| Campus Activity Fund | 24,643,702 | 103.07% | 25,055,137 | 96.37% | (411,435) | 10,554,730 |
| Transportation | 22,690,122 | 102.17% | 22,102,305 | 96.10% | 587,817 | 587,817 |
| Food Services Fund | 23,327,298 | 89.81% | 24,059,390 | 93.57% | 732,092 | 6,720,573 |
| Child Care Fund | 16,534,525 | 104.12% | 15,669,252 | 95.54% | 865,273 | 5,665,776 |
| Property Management Fund | 1,936,027 | 110.63% | 1,653,841 | 94.15% | 282,186 | 5,280,698 |
| Central Services Fund | 3,463,973 | 96.13% | 4,091,393 | 94.00% | (627,420) | 1,466,531 |

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

| <i>Continued</i> | Revenue | 2013/2014 Y-T-D % of Budget For Revenue | Total Expenses | 2013/2014 Y-T-D % of Revised Budget For Expenses | Net Income | Fund Balance (or net assets) |
|------------------------|------------|---|-------------------|--|---------------|---------------------------------|
| Employee Benefits Fund | 5,881,303 | 101.40% | 5,993,827 | 92.69% | (112,524) | 14,219,943 |
| Insurance Reserve Fund | 8,110,529 | 105.15% | 9,213,220 | 89.36% | (1,102,691) | 7,382,601 |
| Technology Fund | 24,371,784 | 109.26% | 20,633,376 | 96.07% | 3,738,408 | 11,919,728 |
| Charter Schools | 53,460,038 | 98.09% | 53,908,851 | 98.92% | (448,813) | 15,968,022 |

Cash Management (pages 1–3):

- Cash balances for the fourth quarter ended higher than the prior year. Net cash increased \$18 million in FY 2014 compared to \$15 million in FY 2013. Tax anticipation notes were not issued in FY 2014 to cover cash flow; instead, maturing long term investments were liquidated. The long term investments in Cutwater will remain decreased for FY 2015 to help with liquidity planning. There is a potential FY 2015 need for a short term cash flow loan.
- Cash receipts increased over the prior year primarily from increased state revenues and grant receipts.
- Cash disbursements for payroll and benefits increased over the prior year with the reinstatement of previous salary reductions and additional increased cost of PERA. Capital reserve project disbursements are trending higher than the prior year. Non-compensation costs increased including increases in grant spending (BEST grant for Rocky Mountain Deaf School), school based spending in the campus activity, and other fund expenditures.

General Fund (pages 4–10):

- General Fund revenues increased 2 percent over the prior year. State funding and specific ownership tax revenue reflect the largest increase. Revenues are 100 percent of budget for the end of the quarter.
- General Fund expenditures also increased 2 percent over the prior year. The 3 percent compensation increase resulting from restoration of prior year reductions and PERA increase to employees are offset by the savings in staff turnover when comparing year-to-year actuals. Overall expenditures are 99 percent of budget.
- Fund balance for the general fund increased to \$61,297,882. The Board of Education policy for reserves has been restored. The reserves have not been within board policy since fiscal year 2009/2010. As a result, the Fiscal Health indicators issued by the State Auditor’s office are anticipated to be positive for fiscal year 2013/2014.


Debt Service/Capital Reserve/Capital Projects (pages 12–15):

- The majority of property tax revenue for the Debt Service Fund was received in the fourth quarter. The fund balance will be used to make the December principal and interest payments on the general obligation debt.
- Capital Reserve project spending picked up in the fourth quarter as school ended and major work began. The fund finished the year as planned.
- The Capital Projects fund is for the 2012 voter approved bond program. Similarly to capital reserve, major work initiatives started in June. Expenditures were slightly under budget for the year.

Grants Fund/Campus Activity/Transportation (pages 16–19):

- Grants Fund revenues and expenditures increased over the prior year. The majority of the increase is from BEST grants for charter schools. See page 16 for changes in grant spending from year to year.
- The Campus Activity Fund revenues and expenditures are higher than the prior year. The timing of events, activities, and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenue and expenditures are up over the prior year primarily due to the transport of special education students and supplies.

Enterprise Funds (pages 20–24):

-  Food Services Fund revenue and expenses are lower than the prior year with less participation and one less serving day. Due to lower participation, the fund spent down \$(732,092) in fund balance for the year, which required a budget supplemental appropriation. Program changes will be made next year if participation does not increase.
- The Child Care Fund has net income of \$865,273 for the quarter. All centrally operated programs have improved over the prior year.
- The Property Management Fund had net income of \$282,186 for the quarter. Revenue and expenses are up from the prior year. Expenses increased with the facilities master planning process.

Internal Service Funds (page 25–29):

- The Central Services Fund has a net loss of \$(627,420) for the quarter. The adopted budget included a planned transfer to the Technology Fund for project cost sharing.
- The Employee Benefits Fund has a loss of \$(112,524) for the quarter. The group life insurance model changed for the current fiscal year, going to full premium coverage. The fund has a planned spend down of reserves for the year.
- The Insurance Reserve Fund has a net loss of \$(1,102,691) for the quarter end. Expenditures for the fund are higher than the prior year. Several property event claims occurred during the year increasing claim cost and there was a negative adjustment to the incurred but not reported (IBNR) estimate.
- The Technology Fund has net income of \$3,738,408 for the quarter end. Expenditures are below plan from hiring delays and timing on projects. An additional \$3 million transfer from the General Fund was approved as part of the April supplemental appropriation to support infrastructure for the accelerated rollout of the Mobile Device Readiness project.

Charter Schools (pages 30–32):

- Four charter schools have yellow flags for the quarter end.
- Two Roads HS and Rocky Mtn. Deaf School were not borrowing at the end of the quarter. Mountain Phoenix and Collegiate Academy are borrowing within the approved loan amounts for the quarter end.

ON THE RADAR:

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

Fourth Quarter Facilities Update:

- Building Maintenance – Retirements continue to have an impact on the staffing of the Building Maintenance Department. Open positions are being filled with internal and

external candidates. The Central Area Shop group leader vacancy has been filled. An aggressive preventative maintenance program combined with completed 2012 Bond work has allowed deferred maintenance work to be done by internal staff and external contractors in the amount of nearly \$1.3 million completed in FY 2014. This is beyond the normal maintenance work performed and includes carpet, toilet partitions, exterior painting, parking lot sealing and playground equipment.

- Site Maintenance – 2014 athletic field restoration projects include Alameda HS football field, as well as, multipurpose fields at Oberon MS, Mandalay MS, Evergreen MS, and Red Rocks ES. A sand playfield is currently being converted to a turfed, multipurpose sports field at Green Mountain ES. A noxious weed program has been implemented by the department and is being led by a State-certified herbicide applicator. All areas of ornamental and sports turf in the District now receive routine services. Completed playground projects at Dutch Creek ES and Bergen Meadow ES. Working with Energy Management Site Maintenance applied for and received a \$238,000 grant from Denver Water for installation of new irrigation controllers at a number of high school and middle school sites. Estimated savings as a result of these controllers is \$85,000 per year. Capital funds have been allocated for 2015 to continue improvements to school irrigation systems.
- Environmental Services – Environmental Services (ES) continues to document materials and chemicals at schools, this is entered into a district wide database. ES also is monitoring construction and hazardous materials as well as issues, such as mold, that result from water intrusion. ES applied for a Natural Disaster Grant from Colorado Department of Public Health and Environment for work at Mt. Evans Outdoor Exploratory Lab School for sanitary sewer improvements and a wastewater treatment facility. The grant is valued at \$835,000. These improvements will compliment work being performed under the FEMA grant covering the damage the site experienced in the 2013 Flood.
- Facility Service Desk – The Facility Service Desk (FSD) continues to be managed by the director of Central Services and is implementing new business processes and expanding the use of Asset Lifecycle Management (ALM). ALM and the Computerized Maintenance Management System (CMMS) have been operational since July 2011. Key initiatives related to process improvement include: development of Key Performance Indicators (KPI's), documentation of the work order work flow, accounting processes, reporting, and completing training documentation that includes both process and step-by-step instruction on the use of ALM. These initiatives continued throughout 2012/2013 and will continue into the 2013/2014 fiscal year. Phase 1 and Phase 2 of technician time and labor entry has been implemented. Modifications will allow time and labor to post directly to work orders enabling daily posting of labor costs. Additional projects have been prioritized and will be implemented in the summer of 2014.
- Annual Capital Planning and District-Wide Facilities Master Plan – Capital Transfer Allocation: The Plan for the 2015 Allocation is complete, consultants selected, project managers assigned and school notification process started. Nearly \$19 million will be spent in FY 2015.

As a result of the voter approved 2012 Bond, Priority One and Two deficiencies have been significantly reduced allowing Capital Transfer and Maintenance and Operations funds to be allocated toward Site, Exterior and Interior improvements. These improvements include playground equipment, paving, exterior painting, interior classroom furnishings and other 'Priority Three' items. 2015 Projects will also involve energy/utility saving measures intended to reduce operational/maintenance expenses.

In November 2012, voters approved a \$99 million capital renewal bond package. Work scheduled for the summer of 2014 is tracking per schedule and no disruption

to fall school events is anticipated. The value of the work is approximately \$44 million.

Construction work, funded by 2014 General Fund Capital Transfer Allocation, is also tracking per schedule and no disruption to fall school events is anticipated. The value of the work is approximately \$25.7 million.

- Energy Management – Moderate temperatures and a fairly wet spring reduced both electrical and water usage, which helped to offset the natural gas budget overage. The cost of natural gas has stabilized at about 10 percent above a year ago. We have been advised by Xcel Energy, our primary electrical supplier, that rates will increase 5 percent in 2015 and 2-3 percent annually for the foreseeable future. 2015 projects include two pilot LED lighting projects at an elementary and middle school, de-stratification fans at two high schools, and window tinting at two high schools. Irrigation system modernization will also take place at several locations.
- Custodial Services – Custodial Services completed its' second year of 'Team Cleaning' by Articulation Area, the process was smoother than last year. Tom Beston formerly North Field Coordinator was promoted to Supervisor, filling the position held by Tony Arnold who was named Director. Mark Strelow, formerly the Alameda High School Facility Manager was promoted to North Field Coordinator, filling the position held by Tom Beston.

Technology Phone System:

The initial Unified Communications (UC) contract was awarded to CenturyLink (formerly Qwest Communications) in 2010 to install a Cisco UC platform that replaces the district's 20-year-old analog phone system. A request for proposal (RFP) to complete the remaining work (emergency responder) was awarded to ISC. This work will occur during the next two quarters with an anticipated completion of December 2014.

All sites have been cutover to the new environment, handsets deployed and the voice mail system was migrated over the summer.

Federal ERATE revenues has primarily funded the new phone system as well as IT reserves. It is projected that the project will be completed on time and under the budgeted amount of \$8.8 million by the end of the calendar year 2014.

Disaster Recovery Project (DR):

Information Technology remains committed to ensuring system availability. Recovery processes are tested regularly to confirm existing system practices and assumptions. There are 31 applications/services that are included in the DR process for testing this fiscal year. The first "minor" disaster recovery drill for the 2013/2014 fiscal year was conducted on October 30, 2013. One-third of the scheduled tests were completed successfully the remaining items had to be deferred due to conflicting project schedules and were to the next quarter. The remaining DR tests were conducted on the following dates:

- Minor tests on April 23, 2014
- Major tests on June 25, 2014

Classroom Dashboard: Information Technology partners closely with the Educational Research and Design team in support of innovative instructional efforts. This technology tool will consolidate data from multiple instructional systems into one dashboard and utilize instructional analytics to recommend just-in-time learning strategies and resources for teachers. The project team is currently developing a phased timeline for rolling out the product and will publish once this has been completed. With new leadership in ERD, project resources and expectations are under review. Human capital and turnover in technology presents timeline and resource risk to the project. Timelines may be delayed to ensure overall success of the project.

Mobile Device Readiness (MDR) initiative: In addition, early planning and implementation work was completed in support of the district's Mobile Device Readiness (MDR) initiative. This is anticipated to be a multi-year project to enhance the network infrastructure needed to enable the use of thousands of mobile devices that will be used in support of instruction. Ninety-seven District sites had been migrated to the new wireless platform since the project began in the fall of 2012. The project has been accelerated to have all of the remaining elementary schools on the new hardware by the end of the calendar year 2014. This decision was primarily due to the increased demand at the elementary school level as well as the assessments scheduled for the spring of 2015. The total cost of the Meraki wireless upgrade is expected to be between \$5.5 million and \$6 million. The overall program (core equipment, fiber network, wireless improvements, etc.) is expected to cost \$22 million over 5 years and was part of the BOE supplemental request last fiscal year. Metrics are being developed around Bring Your Own Devices (BYOD) usage and will be provided when available.

- 97 sites upgraded through the end of the fourth quarter (65 percent complete)
- 52 sites remaining
- 60 sites were upgraded over the summer and will be cutover to the new environment by the end of October

Data Governance:

The Data Governance teams met in various configurations during the fourth quarter.

Sixteen (16) policies have been presented to the Technology Data Privacy Advisory Committee and are currently under review.

Some of the projects that are underway and will be supporting tools/systems for District enterprise data governance are listed here:

- School Master project – continue work on developing a tool to coalesce school critical information (school attributes and critical staff data) in a usable, normalized standard for the Classroom Dashboard project, as well as school transparency, and will promote data quality and consistency for information about all Jeffco schools. Target implementation is for fall 2014.
- Staff provisioning integration – work continues with the realignment of HR data fields and sources for consistent information that is shared with downstream systems through integration messaging; used for provisioning user security rights in the Jeffco Enterprise systems, based on the job information and responsibilities defined in the Enterprise Human Resources application. Test plans are in process.
- Software Evaluation Request Form project – providing a tool for teachers to submit their requests to purchase and use instructional software. The evaluation form will contain a list of questions for the requestor and will be automatically routed to various departments for review. The review process will ensure software is evaluated against a consistent set of security measures. Results from the process will be used to ensure parents and staff have the appropriate information to maintain student data privacy. Testing in process, go live the first week of September.

Health Care Reform:

With the implementation of the national Affordable Care Act (ACA), Jeffco is implementing complicated requirements that will expand who is eligible for health care; require tracking of work hours on a regular basis to ensure that those eligible receive an offer of health coverage based on actual hours worked; and require detailed reports to be submitted to the federal government. The District will implement these provisions of ACA effective July 1, 2015, and has negotiated changes with the associations to implement a consistent definition of benefits eligibility across all employee groups. We expect full implementation to increase overall program costs. Early projected cost increases that have been included in out-year projections are over \$8 million in ongoing cost increases.

Special Education:

Special Education expenditures in the General Fund continued to escalate in 2013/2014. This was due to the increase in students with intensive needs, beyond the district's services, who are placed into facilities outside of the district (POODS). The yearend expense was \$4.8 million. Transportation costs also continued to increase due to special education needs. ERD staff is currently evaluating cost containment strategies for this growing expense.

2015/2016 Budget Development:

District budget staff has begun planning for the rollout of student-based budgeting (SBB). This implementation will require district wide system change. SBB will result in increased funding equity, school autonomy and transparency. The 2015/2016 budget process will again tap the thinking and skills of the district's SPAC. Additional information will be presented and input sought from school accountability committees. A website with timelines and updates will be established in November 2014.

The district remains in sound financial condition. We will continue to spend conservatively and to 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.



Lorie B. Gillis
Chief Financial Officer



Kathleen Askelson
Interim Chief Financial Officer