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

Attached is the Third 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.

For the end of the third quarter, the General Fund continues to show conservative spending at 73 percent of budget. A supplemental budget and resolution was approved by the Board on April 24, 2014, to incorporate all known budget adjustments, the majority of which is driven by additional revenues or accounting reclassifications. The Food Service Fund has been yellow flagged due to continuing low participation and an unplanned need to spend down fund balance. The General Fund budget for 2013/2014 included the increased revenue from the 2012 voter approved mill levy override and additional state funding from the School Finance Act as well as increased expenditures for the reinstated furlough days and other spending decisions as outlined in the Adopted Budget. District management remains committed to adhering to the budget and conducting business within these financial parameters.

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

Jefferson County Public School
 Top Level Summary by Fund
 Quarter End – March 31, 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	\$376,970,778	58.51%	\$464,396,418	73.16%	\$(87,425,640)	\$(37,459,075)
Debt Service	20,967,323	41.52%	38,643,237	77.42%	(17,675,914)	35,968,360
Capital Reserve	17,771,762	81.01%	19,120,550	62.63%	(1,348,788)	19,524,211
Building Fund	303,219	246.12%	10,409,303	38.32%	(10,106,084)	101,484,416
Grants Fund	30,884,474	80.30%	26,941,331	70.04%	3,943,143	7,638,177
Campus Activity Fund	17,640,374	74.40%	16,693,195	69.89%	947,180	11,913,345
Transportation	18,688,786	84.92%	16,536,484	75.14%	2,152,302	2,152,302
Food Services Fund	18,792,559	72.35%	18,258,559	71.01%	534,000	7,986,665
Child Care Fund	13,284,627	90.37%	11,487,525	76.57%	1,797,102	6,597,605
Property Management Fund	1,400,294	80.02%	1,257,831	83.49%	142,463	5,140,975
Central Services Fund	2,649,451	73.52%	3,165,204	68.77%	(515,753)	1,578,198

<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	4,333,042	74.71%	4,634,987	71.68%	(301,945)	14,030,522
Insurance Reserve Fund	5,619,694	72.86%	5,761,793	69.33%	(142,099)	8,343,193
Technology Fund	15,899,299	81.30%	15,150,702	75.84%	748,597	8,929,917
Charter Schools	40,366,395	78.38%	39,150,178	76.02%	1,216,217	17,634,022

Cash Management (pages 1–3):

- Cash balances for the third quarter have begun to rebound with property tax collections. The current year is \$59 million lower than the prior year due to tax anticipation notes (TAN's) not being issued. Strategically planned increases in reserves from the mill levy override bolstered cash balances eliminating a 2013/2014 need for TAN's and avoided issuance costs for TAN's. Cash balances will continue to grow through the fourth quarter.
- 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 are up only 1 percent over the prior March. State funding and specific ownership tax revenue has increased. Total revenues remain low compared to budget due to the timing of property tax revenue.
- General Fund expenditures have increased 1 percent over the prior year. The 3 percent compensation increase resulting from restoration of prior year reductions and PERA increase to employees is offset by the savings in staff turnover when comparing year-to-year actuals. Overall expenditures are 73 percent of budget, favorable compared to a 75 percent benchmark. A supplemental budget appropriation was approved to repurpose funds in support of the Mobile Device Readiness (MDR) project. The expense budget line will be decreased and the transfer line increased with a net zero impact to the fund. Additional appropriation adjustments to the transfer lines were approved for child care, campus and transportation.


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

- Property tax revenue for the Debt Service Fund has also begun to flow in for the third quarter with the majority still to be collected in the fourth quarter. Interest payments on the general obligation debt will be made in June 2014.
- Capital Reserve project spending has continued in the third quarter remaining below the 75 percent benchmark for third quarter. The fund is projected to finish the year as planned and will be closely monitored in case a budget appropriation should be needed to accommodate any accelerated timing on projects.
- The Capital Projects fund is for the 2012 voter approved bond program. Expenditures for the fund are at 38 percent of budget, lower than normal due to the timing of the start of projects. Many of these projects will run throughout the school year.

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

- Grants Fund revenues and expenditures increased over the prior year. Please 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. A supplemental budget appropriation and resolution was approved for the increase in expenditures related to student activities.
- Transportation Fund revenue and expenditures are up over the prior year primarily due to the transport of special education students and supplies. A supplemental budget appropriation was approved for the increase in these expenditures.

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 is projecting to spend down \$1,000,000 in fund balance for the year, which required a budget resolution. Program changes will be made next year if participation does not increase.
- The Child Care Fund has net income of \$1,797,102. All central operated programs have improved over the prior year. The Red Rocks program has a net loss for the quarter due to billing changes and timing of receipts. A supplemental budget appropriation was approved for the kindergarten program to cover the increase in costs related to higher enrollment and additional programs.
- The Property Management Fund had net income of \$142,643 for the quarter. Revenue and expenses are up from the prior year. A supplemental budget appropriation was approved for the additional expense related to the facilities master planning process.

Internal Service Funds (page 25–29):

- The Central Services Fund has a net loss of \$(515,753) 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 \$(301,945) 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 of \$(666,300).
- The Insurance Reserve Fund has a net loss of \$(142,099) for the quarter end. Expenditures for the fund are higher than the prior year. Several property event claims occurred during the year increasing claim costs. A supplemental budget appropriation was approved to cover the increased claims and any negative adjustment to the incurred but not reported (IBNR) estimate.
- The Technology Fund has net income of \$748,597 for the quarter end. Expenditures are slightly above plan reflecting accelerated work on data governance. An additional \$3,000,000 transfer from the General Fund was approved as part of the April supplemental appropriation to support 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. A supplemental budget appropriation was approved to include the additional costs from student enrollment growth.

ON THE RADAR:

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

Third Quarter Facilities Update:

- Building Maintenance – Retirements are having a significant impact on the staffing of the Building Maintenance Department. Open positions are being filled with internal and external candidates. The vacancies have not had a detrimental impact on the operation of the department. The reorganization implemented in the second quarter continues to run smoothly.
- Site Maintenance – Site maintenance is working with Risk Management to obtain reimbursement from FEMA that will help offset some of the expense from the 2013 flooding, primarily at Mount Evans Outdoor Lab School. In 2013, Site Maintenance instituted field restoration programs at Bell and Ken Caryl Middle Schools, these fields have been successfully restored and returned to the schools for exterior use. 2014 restoration projects include Alameda HS football field and Green Mountain ES playground. Site Maintenance and Energy Management are working with Denver Water in reviewing and adjusting the 2013 Irrigation Water Budgets. In addition, joint funded pilot programs are being explored that would reduce water usage. Phase I of the upgrade of irrigation controllers at four high schools is complete.
- Environmental Services – Environmental Services continues to work with Risk Management to obtain reimbursement from FEMA that will help offset expenses incurred as a result of the 2013 flooding as well as develop preventative measures at Mt. Evans Outdoor Lab School that would minimize a future flood event.
- 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 nearly complete. Approximately \$19 million will be spent in FY 2014/2015. The 2012 Capital Bond has significantly reduced the Priority One and Two needs allowing Capital Transfer funds to be allocated toward Site, Exterior and Interior improvements. These improvements will include playground equipment, paving, exterior painting, interior classroom furnishings and other Priority Three items. Also included will be projects that will involve energy/utility saving measures and measures intended to reduce operational/maintenance expenses.

In November 2012, voters approved a \$99 million capital renewal bond package. At the end of the third quarter, 23 projects at 51 sites were complete or in the close-out process. 37 projects at 123 sites, including charters, and valued at \$48.6 million are scheduled for construction in summer 2014 and have been bid, are under contract and ready to start pending the end of the school year.

Construction work, funded by 2014 General Fund Capital Transfer Allocation, is scheduled for the summer of 2014 and have been bid, contracts awarded and scheduled to proceed once school is finished. The value of the work is approximately \$27.7 million.

The 2013/2014 Enrollment Projection Report and the 2013/2014 Summary of Findings have been delivered to Cabinet for review.

In January, the district selected Ian Clampert as Energy Manager, prior to joining the district, Ian was Energy Manager at Naval Station San Diego. International instability and severe weather in Colorado has had a significant impact upon the natural gas budget. Natural gas prices have increased about 35% over the same period in 2013.

- Custodial Services – Steve Farmer, Director of Custodial Services announced his retirement effective April 30. Tony Arnold currently Custodial Supervisor was selected as Steve’s successor effective May 1. Custodial Services is prepared to begin its second year of summer team cleaning by articulation area.

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 with the core (emergency responder, Unity/voice mail system, etc.) has been awarded to ISC to complete the remaining central UC work (voice messaging and emergency responder). This work will occur during the next two quarters with an anticipated completion of June 30, 2014.

Twelve sites remain for cutover to the new environment and for handset deployment. Estimated completion for phone placement in the schools is May 29, 2014.

Federal ERATE revenues primarily fund the new phone system as well as IT reserves. The project will be completed on time and under the budgeted amount of \$8.8 million.

Project Status	% Complete
Total Sites	92%
High Schools	100%
Middle Schools	90%
Elementary Schools	87%
Pre-Schools	100%
Other District Sites	100%

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 will be pushed to the next quarter. The 2014 test schedule will, therefore, be revised to include items not tested during the October/December timeframe.

The remaining DR test events are tentatively scheduled for the following dates:

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

Twenty applications/services are Level 4 and 5 and are not part of the testing schedule due to having a low priority within the organization.

Technology:

Information Technology is continuing to partner closely with Educational Research and Design in support of innovative instructional efforts. Work is near completion for the visual design of the Classroom Dashboard. 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. 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. Fifty-three district sites have been migrated to the new wireless platform (Meraki) since the project began in the fall of 2012. The project has been accelerated by approximately 12 months to have all of the remaining elementary schools on the new hardware. This decision was primarily due to the increased demand in the primary level as well as the assessments scheduled for the spring of 2015. The overall cost of the Meraki wireless upgrade portion of MDR is expected to be between \$5.5 million and \$6 million.

Data Governance:

The Data Governance teams met in various configurations 28 times in the third quarter, the outcomes were; expanded team, identified the core team (IT directors and key stakeholders), data stewards and coordinators. Sixteen (16) policies have been reviewed, updated, written and sent to Cabinet for review. Eight policies have been approved and posted to BoardDocs. Nine core business units have updated the Data Inventory list of critical and master data sets, identifying the system of record, business owner, stakeholders, up/down-stream systems, sensitivity, criticality and regulation requirements—work is still continuing. The Purchasing contract addendum has been updated and reviewed, and is still being considered for changes regarding the finer points of FERPA compliance language. The IT Exec Director of Data Governance has been engaged and assumed overall leadership of the roadmap, data inventory worksheets. The director has also participated in the design and decision making for related projects that are currently underway to develop system tools that will aid in data governance.

Additional awareness/training

- Talking points for staff and awareness video published and distributed the week of April 28, 2014.

Concurrent projects underway that will be supporting tools/systems for enterprise data governance:

- School Master project – 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. Targeted implementation July 2014.
- Staff provisioning integration – 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. Target implementation May 2014.

- Software Evaluation Request Form project – providing a tool for teachers (most frequent users) to submit their requests for software use (Apps that can be purchased and implemented for use in the classroom as instructional tools). The evaluation form will contain a list of questions for the originator and will be routed to responsible stakeholders for their input of subsequent questions, review and approval. The form completion will follow prescribed decision gates for the approvals prior to purchase and implementation, as designed by the IT Manager of Information Security. Targeted implementation is August 2014
- Student Fees communication tool – a new method for school financial secretaries to send consistent, current information to parents about student fees. The output will be in the form of PDF and/or email (on request). Parents that provide their email address through Jeffco Connect will receive an email that notifies them when student fees have been paid, or at other times deemed appropriate by the school; the email content will contain a link to Jeffco Connect that the parent can use to log in, and review the student fee information. The email will not contain specific content about the students, fees or payments, only the message that advises parents to review their student's fee information online. Parents that do not provide the email will receive the student fee information in the form of the PDF statement, hand delivered to the student or parent, or via mail. Targeted implementation is July 2014.

Internal Revenue Service (IRS) Audit:

Financial services received notification from the IRS of an upcoming audit. The first audit meeting is scheduled for May 12, 2014, and will review years 2011 through 2013. The focus of this audit will be to follow-up on the previous findings from an audit conducted from 2008 through 2009 covering the years 2004, 2005 and 2006. The scope of the original audit was quite large and reviewed all payroll and accounts payable activity as well as numerous other financial records. The finding from the prior audit involved payments to individuals as independent contractors (1099 vendors) that the IRS deemed should be employees. The settlement amount owed by the district was \$40,093. This follow up audit scope is smaller and district staff is not anticipating major issues since implementing the IRS recommendations from the first audit.

Health Care Reform:

With the implementation of the national Affordable Care Act, 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. While regulations are still in the process of being defined, we expect full implementation to increase overall costs to program, manage, and implement Affordable Care Act provisions. Early projected cost increases that have been included in out-year projections are over \$8 million in ongoing costs.

Special Education:

Special Education expenditures in the General Fund continue to escalate in 2013/2014. This is 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 budget for 2013/2014 was increased by \$1 million to \$3.5 million, and it is anticipated that the actual costs for 2013/2014 will exceed the budgeted amount again this year. Increased costs will be covered by educational research and design repurposed funds.

2014/2015 Budget Development:

The budget development process, as directed by the Board, is being facilitated via a Strategic Planning Advisory Council Subcommittee. The budget development calendar, including opportunities for public input is posted on the district's website. Additionally, budget presentations have been provided at multiple Board meetings, SPAC, and Financial Oversight Committee meetings.

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