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November 6, 2013

Members of the Board of Education  
 Dr. Cynthia Stevenson, Superintendent of Schools  
 1829 Denver West Drive, Building 27  
 Golden, CO 80401-3120

Directors:

Attached is the First 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.

The first quarter results reflect all funds are within appropriated budgets and trending as anticipated. 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 current School Finance Act as well as increased expenditures for the reinstated furlough days and other spending decisions as outlined in the Adopted Budget. The 2013/2014 Adopted Budget does not include any assumptions regarding the recent election. As usual, district management is 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 – September 30, 2013

	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)
General Fund	\$92,476,459	14.35%	\$148,014,399	23.32%	\$(55,537,940)	\$(5,571,375)
Debt Service	96,736	00.19%	200	00.00%	96,536	53,740,810
Capital Reserve	5,949,219	27.12%	11,828,801	38.75%	(5,879,582)	14,993,417
Building Fund	65,402	33.33%	5,510,240	20.29%	(5,444,838)	106,145,662
Grants Fund	8,387,620	21.81%	4,574,725	11.89%	3,812,895	7,507,929
Campus Activity Fund	8,364,369	35.28%	5,197,873	21.76%	3,166,496	14,132,661
Transportation	5,363,387	24.37%	5,241,848	23.82%	121,539	121,539
Food Services Fund	4,887,352	18.82%	4,568,306	17.77%	319,046	7,771,711
Child Care Fund	3,957,563	26.92%	3,110,044	20.73%	847,519	5,648,022
Property Management Fund	391,816	22.39%	334,740	22.22%	57,076	5,055,588
Central Services Fund	722,138	20.04%	990,823	21.53%	(268,685)	1,825,266

<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	1,400,419	24.15%	1,781,625	27.55%	(381,206)	13,951,261
Insurance Reserve Fund	1,868,391	24.22%	2,025,649	24.38%	(157,258)	8,328,034
Technology Fund	4,694,330	24.00%	5,259,251	26.33%	(564,921)	7,616,399
Charter Schools	13,718,368	26.64%	12,350,267	23.98%	1,368,101	17,785,906

Cash Management (pages 1–3):

- Cash balances for the end of the quarter are at \$157 million, \$5 million higher than the prior year. The cash balance decreased through the quarter due to the timing of property tax revenues, which are received primarily in the spring.
- Cash receipts are at the same level as last year due to timing of special education and grant funding. Cash disbursements have increased over the prior year with salary increases, PERA increases and capital reserve project increases.

General Fund (pages 4–10):

- General Fund revenues are up from the prior year due to increased specific ownership tax revenue and special education revenue. Total revenues as a percent of budget are at 14.35 percent due to the timing of property tax collections.
- General Fund expenditures are lower compared to the prior year by \$585,542. Net salaries and benefits are lower from less teacher allocation driven mainly by enrollment decreases. Utility expenses are down compared to the prior quarter by \$328,000 and instructional purchases for start of school are up \$269,000. Expenditures as a percent of budget are below the benchmark 25 percent for the quarter.

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

- The Debt Service Fund has minimal activity for the first quarter. The revenue for this fund, property tax, comes in the spring. Principal and interest payments for the general obligation debt of \$38,640,088 will be made December 15, 2013.
- Capital Reserve Fund expenditures were at 39 percent of budget for the end of the quarter. First quarter expenditures run higher due to the large amount of work being done in the summer months (July and August).
- The Capital Projects fund is for the 2012 voter approved bond program. Expenditures for the fund are at 20 percent of budget, lower than normal due to the late start of projects waiting on election results. Many of these projects will run throughout the school year.

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

- Grants Fund revenue is increased over the prior year with the up-front receipt of two grants for \$3.2 million. Please see page 16 for changes in grant spending from year to year.
- The Campus Activity Fund is tracking very close to last year's quarter end and is under budget. The timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund expenditures are up from the prior year due to increased services for special education students.

Enterprise Funds (pages 20–24):

- Food Services Fund net income is up over the prior year by \$116,623. Revenues and expenditures are lower as a result of lower participation.
- The Child Care Fund has net income of \$847,519. 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.
- The Property Management Fund had net income of \$57,076 for the quarter. Revenue from building rentals is higher than the prior year.

Internal Service Funds (page 25–29):

- The Central Services Fund has a net loss of \$(268,685), as planned, for the quarter. The fund has planned transfer to the Technology Fund for cost sharing of projects.
- The Employee Benefits Fund has a loss of \$(381,206) for the quarter. The group life insurance model changed for the current fiscal year, going to full premium coverage. Claims expenses are higher for first quarter from more claims during the summer.
- The Insurance Reserve Fund has a net loss of \$(157,258) for the quarter end. Revenue and expenditures for the fund are lower than the prior year; however, several property event claims occurred during the first quarter that have not been reflected in the fund as of quarter end.
- The Technology Fund has a net loss of \$(564,921) reflecting a planned spend down of reserves. Revenues are anticipated to end the year as planned. Expenditures are slightly above plan reflecting accelerated work on data governance and security. IT continues to provide support for key instructional initiatives including the classroom dashboard and CCAP. Investments in technology infrastructure remain critical to provide a secure and stable environment in support of students.

Charter Schools (pages 30–32):

- Four charter schools have yellow flags for the quarter end.
- Mountain Phoenix, Two Roads HS, and Collegiate have approved loans from the district but were not borrowing at the end of the quarter.

**ON THE RADAR:**

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

First Quarter Facilities Update:

- Building Maintenance – The Building Maintenance department is currently undergoing reorganization. The initial plan was put forward in July and calls for the realignment of the service areas and a reduction in the number service zones, from eight to six. The areas served are North, North-Central, Central, South-Central, South and West. Except for West, all areas will have three articulation areas. The plan also calls for two managers. Each will oversee three areas and a district-wide support group and report to the Director of Building Maintenance. The purpose of the reorganization is to provide a higher level of service to the schools and other district assets, provide for better utilization of staff, and a better line of communication to management. The reorganization is to be complete by November 1, 2013. Building Maintenance personnel provided significant support at both Coal Creek K8 and Mt. Evans Outdoor Educational Lab School; both facilities were impacted by the August floods. Coal Creek was without natural gas service for approximately 10 days, maintenance staff coordinated the installation of propane as an alternative fuel source. Domestic hot water was converted from gas to electricity. Gas service has been restored to the site. The propane serves as a

reserve system. Flooding at Mt. Evans caused a significant amount of water and infrastructure damage and threatened the waste water storage system. A breach in the sanitary sewer line caused significant ground and surface water to be introduced into the wastewater system. This nearly caused the wastewater ponds to overtop. Large storage tanks were brought to the site and water from the pond pumped into the tanks to increase the holding capacity of the ponds. Building maintenance staff found and corrected the line breach. The August rains also caused a significant number of roof leaks in the buildings at lower elevations. Staff is working to repair them.

- Site Maintenance – Site Maintenance was also impacted by the flooding, particularly the Mt. Evans site. Most of the road network was damaged as a result of the water. Staff recommended closure of the site for a week to allow heavy equipment to do necessary repairs. Most of the road network has been restored though some wet/muddy areas remain. The 2013/2014 Snow Procedure Plan is developed and ready for implementation.
- Environmental Services – Environmental Services provided both lead and supporting service to the maintenance groups at Mt. Evans and at the schools impacted by roof leaks. Staff closely monitored the wastewater situation at Mt. Evans and developed alternatives that kept the facility operational while staying in compliance with the state water quality guidelines.
- 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 is complete and Phase 2 of technician time and labor entry has been planned and will be implemented in early second quarter of 2013/2014. Modifications will allow time and labor to post directly to work orders enabling daily posting of labor costs. Additional changes are planned for 2013/2014 and will be defined and prioritized during the first quarter of 2013/2014.
- Annual Capital Planning and District Wide Facilities Master Plan – The Annual Capital Planning process was initiated in the fourth quarter and has been completed. Facility Condition Assessments: To maintain the integrity of the facility assessment database, each year approximately one-third of the facilities are evaluated and compared to the original 2009 assessment. This process began in 2010 and the full cycle was completed in August 2013. The cycle will begin again in the fourth quarter of 2013/2014. Below is a recap of the individual components of the Capital Planning that have ongoing tasks. Keeping the facility condition assessment database current and accurate is a continuing process throughout the year which includes on-site assessments and review meetings with maintenance staff. Semi-annual reviews with Building and Site Maintenance staff originally scheduled for October 2013 have been postponed until November due to the Building Maintenance reorganization. Capital Transfer Allocation: Utilizing the current facilities assessment data, staff from the departments of Planning and Construction, Building and Site Maintenance, Information Technology, and Budget developed a list of capital projects to be completed in the summer of 2014. The final list of projects was presented to the Capital Asset Advisory Committee in August 2013. The list contains \$14.5 million in improvements at 31 specific sites and numerous district-wide locations. There is another \$5.7 million in additional improvements such as ADA, hazardous materials, utility saving measures and contingency.

- **2012 Bond** – In November 2012, voters approved a \$99 million capital renewal bond package. In 2014, approximately \$41 million is allocated for construction at 18 specific sites and another 13 district-wide projects.
- **Custodial Services** – Custodial Services revised their methodology for calculating custodial resources. The new formula is based solely upon the square footage of the building to be cleaned. This revision removed student enrollment as a factor allowing for more consistency in the allocation of resources.

**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. The contract with CenturyLink was terminated on June 30, 2013. The manufacturer (Cisco) has been working with Jeffco staff to remediate issues in the core environment. A request for proposal (RFP) will be issued in October to complete the remaining work with the core (emergency responder, Unity/voice mail system, etc.). Equipment installation (switches) has been completed at all district sites, and one site was cutover to the new environment over the summer. Thirty-seven sites remain for cutover to the new environment and handset deployment.

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 with a target completion date of spring 2014.

<b>Project Status</b>	<b>% Complete</b>
Total Sites	76%
High Schools	72%
Middle Schools	42%
Elementary Schools	76%
Pre-Schools	100%
Other District Sites	93%

**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 disaster recovery drill for the 2013/2014 fiscal year is scheduled for October 30, 2013. The remaining test events are tentatively scheduled for the following dates:

- December 16, 2013
- April 23, 2014
- June 25, 2014

Twenty applications/services are Level 4 and 5 and will not be scheduled for testing due to low the priority.

**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 functional requirements 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. Thirty-eight district sites (6 administrative/32 schools) have migrated to the new wireless platform (Meraki) since the project began in the fall of 2012. The cost for phase one is \$1.7 million. Forty-three sites are scheduled to be upgraded through the end of the current school year. The overall cost of the Meraki wireless upgrade is expected to be between \$5.5 million and \$6 million.

#### 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 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 \$7.0 million in ongoing costs.

#### Teacher Compensation Redesign:

District and teacher association representatives have partnered to develop a new teacher pay system. Newly hired teachers, and any teachers who are currently employed and opt in, would be a part of the new pay system. Pay for incoming teachers, new to the profession, would start at a new, higher level, but overall salary credit that teachers receive for education and years of experience would be limited. Instead, teachers would be paid based on completing training pathways that prepare teachers with the specific skills that are demonstrated to impact student achievement. In addition, teachers could compete for roles and other positions in the district that support student achievement and receive additional pay for these roles. Implementation of the new system will require a significant change to the human resources/payroll system in addition to processes that support hiring and pay of licensed staff.

#### Substitute Teachers:

Substitute teachers are a key part of district operations. Unlike many professions, if a teacher is out of the classroom, we must provide a qualified substitute teacher. With the economic recovery, our ability to find an adequate number of qualified substitutes is challenging. In addition, the daily rate of pay is lower than surrounding jurisdictions and may be contributing to a slight increase in our unfilled classrooms. A plan to increase substitute teacher pay and to create incentives to increase the overall number of days substitutes work for Jeffco, will be included as a part of the budget priority setting process.

#### Enrollment:

The official October student count has occurred, and the results are progressing through the review and auditing process to reach final numbers. Preliminary results demonstrate an overall increase in total enrollment for the district from the prior year. This increase reflects a larger than anticipated increase in the student count at charter schools and a continued decrease at in-district neighborhood schools.

#### 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.

2013/2014 Budget Development:

The Proposed Budget was presented to the Board of Education on May 2, 2013, with a second public hearing and budget adoption on May 30, 2013. Although the \$39 million of voter-approved mill levy override (MLO) revenues and improved revenue projections from school finance were positive news, **the majority of revenue improvements was used to mitigate the \$45 million in expenditure reductions previously planned for 2013/2014.** The one-time unplanned revenues (\$39 million MLO) received in 2012/2013 will be used to invest in instructional infrastructure, reinstatement of two instructional days, and security enhancements. Additionally, the planned spend down of reserves will be mitigated with unspent funds.

The 2013/2014 revenue projections incorporate SB260 (the current School Finance Act) with slightly improved revenue projections. The Adopted Budget can be found at:  
<http://www.jeffcopublicschools.org/finance/index.html>

**SB213–Amendment 66**

SB213, or the proposed new School Finance Act, was not incorporated into any revenue or expenditure projections in the 2013/2014 Adopted Budget.

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