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October 28, 2014

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

Attached is the First Quarter Financial Report for fiscal year 2014/2015. 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 General Fund ended the quarter lower than planned for both revenue and expenditures. Revenues are low due to the timing of property tax, and expenditures are low due to the delayed compensation increase for licensed employees. The FY 2015 General Fund budget contains an \$18.2 million placeholder for compensation increases. In addition, \$12.8 million in non-compensation increases were budgeted for the current fiscal year which includes increased funding for math and literacy instruction and the continued implementation of mobile device readiness. District staff continues to monitor their respective budgets and operate within these 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, 2014

	Revenue	2014/2015 Y-T-D % of Budget For Revenue	Total Expenses	2014/2015 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	\$85,203,273	12.97%	\$149,496,940	22.85%	\$(64,293,667)	\$(2,995,784)
Debt Service	94,874	.18%	175	0.00%	94,699	55,963,433
Capital Reserve	4,672,463	24.52%	6,773,464	35.82%	(2,101,001)	14,699,331
Building Fund	40,684	33.02%	23,434,892	48.94%	(23,394,208)	61,507,894
Grants Fund	7,456,176	12.85%	5,394,312	9.30%	2,061,864	8,048,535
Campus Activity Fund	8,387,994	34.45%	5,250,429	21.52%	3,137,565	13,692,295
Transportation	6,180,574	23.49%	5,233,229	19.89%	947,345	1,535,162
Food Services Fund	5,338,517	21.45%	5,054,169	20.10%	284,348	7,004,921
Child Care Fund	4,379,773	25.96%	3,308,320	19.95%	1,071,453	6,737,227
Property Management Fund	391,141	21.29%	394,286	18.70%	(3,145)	5,277,553
Central Services Fund	655,551	20.11%	738,137	22.42%	(82,586)	1,383,945

<i>Continued</i>	Revenue	2014/2015 Y-T-D % of Budget For Revenue	Total Expenses	2014/2015 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net assets)
Employee Benefits Fund	1,360,223	23.67%	1,890,742	28.67%	(530,519)	13,689,424
Insurance Reserve Fund	1,445,256	23.88%	1,542,744	18.40%	(97,488)	7,285,113
Technology Fund	6,165,547	23.61%	5,352,516	22.53%	813,031	12,732,759
Charter Schools	16,507,282	25.91%	12,813,310	21.24%	3,693,972	19,662,964

Cash Management (pages 1–3):

- Cash balances decreased in the first quarter and will continue to decrease until property tax funding comes in the spring. The total cash balance is \$21 million higher in FY 2015 compared to FY 2014. A line of credit will be used to cover potential cash flow shortages in February instead of liquidating long term investments or issuing tax anticipation notes (TAN's). The long term investments in Cutwater are not as liquid as the prior year thus, for the amount needed, a line of credit is more economical than issuing TAN's.
- Cash receipts increased over the prior year primarily from increased state revenues.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Capital reserve project disbursements are lower due to less funding for projects. Non-compensation costs increased with the new math curriculum purchases and timing of purchased food payments.

General Fund (pages 4–10):

- General Fund revenue is lower than budget due to the timing of property tax revenues. State funding increased over the prior year but is down overall with the timing of exceptional student funding. Specific ownership tax continues to grow over prior years.
- General Fund expenditures are at 23 percent of budget. Planned compensation increases which include retro pay and one time stipends for licensed staff will be made in the second quarter. Transfers for bus purchases and information technology capital were moved from the Capital Reserve Fund to their respective funds, and Colorado Preschool Program (CPP) funding is now directly received to the child care fund.
- Fund balance for the General Fund decreased to \$(2,995,784) with the use of reserves for the quarter end. This is due to the timing of property tax receipts. The Board of Education policy for reserves is budgeted to be maintained for FY 2015 and undesignated reserves to grow over the prior year. The positive growth in fund balance was crucial in both the Moody's rating improvement and having no financial warning indicators from the state auditor's office.


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

- The Debt Service Fund balance will be used to make principal and interest payments on the general obligation debt in December 2014.
- Capital Reserve project spending is higher than the normal quarterly benchmark from accelerating work while school was not in session. The fund will require a supplemental budget adjustment to appropriate project balances for multiyear projects.
- The Capital Projects Fund is for the 2012 voter approved bond program. The majority of construction work takes place in the summer as reflected by the expenditures.

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

- Grants Fund revenues are higher than expenditures from the READ Act grant that comes to the district up front rather than as a reimbursement grant. Details on individual grant changes are on page 16 of the quarterly.
- The Campus Activity Fund revenues and expenditures are relatively unchanged compared to the prior year. The timing of events, activities, and fundraising impact the collection of revenues and related expenditures.
- The Transportation Fund transfer increased for special education costs and the relocation of budget from the Capital Reserve Fund to purchase buses.


Enterprise Funds (pages 20–24):

-  Food Services Fund revenue increases are being outpaced by increases in purchased food costs. Participation has increased for the quarter; however, continued changes will be needed to offset the growing expenses and end the year as planned.
- The Child Care Fund increased net income over the prior year from increased programs.
- The Property Management Fund has a loss of \$(3,145) for the quarter. Revenue from stadium rental was lower for the current quarter due to timing of payments.

Internal Service Funds (page 25–29):

- The Central Services Fund has a net loss of \$(82,586) for the quarter. The loss is from the slow summer months. Copier demand increased with the start of school.
- The Employee Benefits Fund has a loss of \$(530,519) for the quarter. Claims for dental and vision trend higher over the summer.
- The Insurance Reserve Fund has a net loss of \$(97,488) for the quarter end. The Safety and Emergency Management department transferred to the General Fund for FY 2015. The loss on the write-off of vehicles is creating the quarterly loss.
- The Technology Fund has net income of \$813,031 for the quarter end. Salary expenses are low due to unfilled positions.

Charter Schools (pages 30–32):

-  Three charter schools have yellow flags for the quarter end.
- Rocky Mtn. Deaf School is borrowing at the end of the quarter. The excess cost billing rate is pending approval from the Colorado Department of Education. Mountain Phoenix and Collegiate Academy are not borrowing at the quarter end. Two Roads Charter school has closed their loan with the District.

ON THE RADAR:

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

Licensed Compensation:

The FY 2015 compensation plan approved by the Board will be implemented in November 2014. Adjustments to base pay, retro payments and one-time stipends are included in this implementation. Individuals who have filed grievances pertaining to evaluations will be paid accordingly once that process is complete. The estimated dollar amount from changes in evaluations could range from \$300,000 to \$500,000. This increase is projected to be covered by current year savings in salary lines.

First 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 preventative maintenance program continues to be beneficial with deferred maintenance work performed by internal staff and external contractors instead of capital programs funding this work. A mentorship program has been implemented to train and educate technicians to become future group leaders.
- Site Maintenance – A cooler and wetter summer resulted in improved and healthier landscaping in ornamental areas and the athletic fields at schools. The moderate weather also reduced the consumption and the cost associated with irrigation. Capital funds have been allocated for 2015 to continue the conversion of school irrigation to water consumption efficient automated systems.
- Environmental Services – Environmental Services (ES) completed the documentation of materials and chemicals at schools, this has been entered into a district-wide database. ES continues to monitor construction and hazardous materials as well as issues, such as mold, that result from water intrusion. ES received an \$835,000 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. These improvements will complement work completed 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). 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 will continue through FY 2015. Additional projects have been prioritized and will be implemented in the summer of 2014, including working with Building Maintenance in the development of their Mentorship Program.
- 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, schools notified and design work in progress.
 - As a result of the voter approved 2012 Bond, Priority One and Two deficiencies have been significantly reduced allowing Capital Transfer, Maintenance and Operations Funds to be allocated toward site, exterior and interior improvements. Improvements started in FY 2014 will continue in FY 2015 and include playground equipment, paving, exterior painting, interior classroom furnishings, as well as 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 was completed on schedule with no disruption to fall school events.
 - Construction work, funded by 2014 General Fund Capital Transfer Allocation, was completed on schedule with no disruption to fall school events.
- Energy Management – Moderate temperatures and a wet summer reduced both electrical and water usage, which helped to keep costs below the utility budget. Design

work for two 2015 projects that include LED lighting projects at an elementary and middle school has started along with LED parking lot lighting at a number of sites.

- Custodial Services – Custodial Services completed its second year of “Team Cleaning” by Articulation Area. Custodial Services is revising its site inspection process. If the site meets the district standards, unlike previous years, a second inspection will not take place. If a facility is not in compliance, the custodial management team will work with the school to bring the condition up to the Standards.

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 with an anticipated completion of December 2014.

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.

The final deliverable scheduled for deployment in the second quarter is the infrastructure setup and data gathering for the Cisco Emergency Responder (CER).

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 FY 2015 is scheduled for the week of October 27 and will test the following services: School Messenger, external web site, email, VPN and Schoology.

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 has recently developed and published a phased timeline for rolling out the production in coordination with participating schools. The new leadership in ERD and IT are carefully tracking project resources and timelines.

Mobile Device Readiness (MDR) initiative: This initiative is a multi-year project to enhance the network infrastructure needed to enable the use of thousands of mobile devices used in support of instruction. All educational sites have been migrated to the new wireless platform since the project began in the fall of 2012. All elementary schools are now on the new hardware to meet increased demand and in time for 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 improvement, 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.

- Core Network Equipment
 - Edge equipment (firewall, router, IPS and filtering) purchased and implemented over the summer of 2014. Provides 10gb capacity.

- Fiber Network
 - Fiber design along with agreements with the Colorado School of Mines and Front Range GigaPop executed. Fiber Lightwave equipment purchased. New 10gb resilient fiber ring should be up in November-December 2014 timeframe.
- Wireless
 - All educational and administrative sites have been converted to the new Meraki wireless system.
 - Transportation sites and outdoor labs will be converted by end of the calendar year.
- Additional support technicians
 - Three additional technicians have been hired, trained and are working with systems: two technicians for the Network Support Services team to keep up with the growing number of devices in the schools; and one for the wireless team to help administer the new wireless system.
- Mobile Device Management
 - Software system purchased and implemented summer 2014 for device provisioning and management. Support teams are working through final implementation configurations with iPads and Chromebooks in classrooms.
- Virtual Desktop Infrastructure (VDI)
 - Project team has been identified with kick off meetings taking place in September of this year. Project goals are to roll out a test site for FY 2015 and determine feasibility. VDI implementation to schools tentatively targeted for FY 2016.

Data Governance:

For the first quarter, Information Security, ETS and Purchasing departments reviewed 24 systems using the district's new data privacy and security standards. Five additional systems are currently under review. The review process gathers information about the intended system use, types of information collected by the system, and typical users of the system. The process then focuses on areas such as: data ownership, system roles, encryption, activity logging, configuration management, disaster recovery, and incident response. The data gathered is analyzed ensuring that the correct security measures are consistently applied before they are purchased.

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 continue to be high. 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 current year budget is \$4.9 million and will be closely monitored throughout the year. Transportation costs also continue to increase due to

special education needs. ERD staff is currently evaluating cost containment strategies for this growing expense.

District budget staff and district leadership continue to prepare for the rollout of student-based budgeting (SBB). This implementation will require district-wide system change. SBB will result in increased equity, school autonomy and transparency. Extensive training and communication is underway with tools and supports being developed to assist principals with the transition to a new budgeting structure.

The 2015/2016 budget process will include a third party programmatic review of departmental activity, along with several components of community engagement including Board of Education hosted community budget forums and an online community engagement feedback tool. Input and recommendations will also be sought from internal district groups along with school-level accountability committees. Feedback and recommendations from all sources will be presented to the Financial Oversight Committee and the district's Strategic Planning Advisory Council for their input which will then be elevated to the Board of Education during budget development discussions.

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.



Kathleen Askelson
Interim Chief Financial Officer