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April 22, 2015

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 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.

For the end of the third quarter, the General Fund continues to show better than anticipated trends with spending at 71 percent of budget. Revenues are low due to the timing of property tax which will be collected in the fourth quarter. Expenditures are low due to compensation savings related to retirements and vacant positions. In November 2014, compensation increases for licensed staff were processed which included salary increases, retroactive payments and one-time stipends. The FY 2015 General Fund Budget contains an \$18.2 million placeholder for compensation increases and \$4.2 million in budgetary savings from retirements and turnover. In addition, \$12.8 million in non-compensation increases was budgeted in FY 2015 for increased math and literacy instruction and the continued implementation of mobile device readiness. District staff continues to monitor 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 – March 31, 2015

	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	\$392,307,782	59.70%	\$468,050,795	71.55%	\$(75,743,013)	\$(14,445,130)
Debt Service	21,420,646	41.20%	39,176,563	78.62%	(17,755,917)	38,112,817
Capital Reserve	14,214,692	74.60%	12,586,010	66.55%	1,628,682	18,429,014
Building Fund	129,708	105.28%	31,471,531	65.73%	(31,341,823)	53,560,279
Grants Fund	36,366,902	62.67%	34,276,292	59.06%	2,090,610	8,077,281
Campus Activity Fund	17,816,307	73.17%	17,036,220	69.82%	780,087	11,334,817
Transportation	21,304,998	80.99%	16,529,799	62.83%	4,775,199	5,363,016
Food Services Fund	20,142,380	80.92%	18,561,547	73.82%	1,580,833	8,301,406
Child Care Fund	13,692,871	81.16%	12,087,671	72.90%	1,605,200	7,270,974
Property Management Fund	1,602,907	87.26%	1,402,980	66.53%	199,927	5,480,625
Central Services Fund	2,516,804	77.20%	2,397,950	72.82%	118,854	1,585,385

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

<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	4,117,776	71.66%	4,648,643	70.49%	(530,867)	13,689,076
Insurance Reserve Fund	4,466,117	73.80%	4,446,482	53.04%	19,635	7,402,236
Technology Fund	19,239,959	73.53%	16,220,504	68.28%	3,019,455	14,939,183
Charter Schools	71,166,936	111.71%	59,278,614	98.26%	11,888,322	27,857,314

Cash Management (pages 1–3):

- The third quarter cash balance is \$172 million, \$33 million higher than the prior year. Cash balances increased this quarter with the collection of property tax receipts. Cash balances will continue to grow with the majority of property tax collections happening in the fourth quarter. The district entered into a line of credit to cover any cash flow shortages in February or March. Cash reserves were adequate; the line was not drawn upon and was closed on March 12, 2015.
- 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 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, purchased food payments and increases in grant spending.

General Fund (pages 4–12):

- General Fund revenues are up 4 percent over the prior year. State funding, property tax and specific ownership tax revenues have increased. Revenues are only at 71 percent of budget due to the timing of property tax receipts.
- General Fund expenditures are at 71 percent of budget. Planned compensation increases which include retro pay and one-time stipends for licensed staff were made in the second quarter. General Fund expenditures are trending below budget due to salary savings related to retirement savings and vacant positions. 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. The refundings for Certificates of Participation (COP) will occur in the fourth quarter. A supplemental appropriation will also be needed to reflect the transaction.
- Fund balance for the General Fund ended the quarter at \$(14,445,130). Reserves are low 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 14–17):


- Revenues for the Debt Service Fund increased this quarter with the collection of property taxes. The majority of taxes will be received in the fourth quarter. Interest payments on the general obligation debt will be made in June 2015. The refinancing of general obligation bonds will be in fourth quarter FY 2015. A supplemental appropriation will be needed for this transaction.
- Capital Reserve Fund expenditures are at 67 percent of plan for the end of the quarter. Expenditures will increase in the fourth quarter with the start of summer projects. Budgeted targets are expected to be met for FY 2015.

- The Capital Projects Fund is for the 2012 voter approved bond program. Expenditures for the fund are at 66 percent of budget due to the majority of construction work taking place in the summer when schools are not in session. A supplemental increase is anticipated for fiscal year 2015 due to changes project timelines.

Grants Fund/Campus Activity/Transportation (pages 18–21):

- Grants Fund revenues and expenditures continue to be higher than the previous year. Details on individual grant changes are on page 18 of the quarterly.
- The Campus Activity Fund revenues are slightly higher than the prior year. Expenditures are higher than the previous year but only at 70 percent of budget. The timing of events, activities and fundraising impacts the collection of revenues and related expenditures. A supplemental budget appropriation may be needed for increased revenues and expenditures.
- The Transportation Fund transfer increased due to special education costs and the relocation of budget from the Capital Reserve Fund to purchase buses. Costs for fuel and special education services are lower than anticipated.


Enterprise Funds (pages 22–26):

-  Food Services Fund revenues for the quarter are higher than the previous year due to increases in both meal prices and participation. Food prices as well as other expenditures will be monitored closely to evaluate changes that may be needed to end the year as planned. A supplemental budget appropriation may be needed due to the increased food costs.
- The Child Care Fund has net income of \$1,605,200. All programs have positive net income except for Red Rocks School Age Child Care who has a small net loss of \$1,865. A supplemental budget appropriation may be needed due to program increases.
- The Property Management Fund has net income of \$199,927 for the quarter. Revenue is higher than the previous year due to stadium concession revenues. Expenditures are below budget benchmarks due to timing of facility master plan expense. A supplemental budget appropriation may be needed from the concession activity.

Internal Service Funds (page 27–31):

- The Central Services Fund has a net income of \$118,854 for the quarter. The fund is expected to meet budget for both revenues and expenses.
- The Employee Benefits Fund has a loss of \$(530,867) for the quarter. Revenues are lower than the previous year due to a decline in participation in the dental and vision programs. Dental and vision claims have increased over the previous year.
- The Insurance Reserve Fund has a net income of \$19,635 for the quarter end. Expenses are lower than the previous year because the Safety and Emergency Management department transferred to the General Fund for FY 2015 and the FEMA work was moved to the Grants Fund.
- The Technology Fund has net income of \$3,019,455 for the quarter end. Salary expenses are low due to unfilled positions.

Charter Schools (pages 32–34):

-  Three charter schools have yellow flags for the quarter end.
- Rocky Mtn. Deaf School is not borrowing at the end of the quarter.
- 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:

### Third Quarter Facilities Update:

- **Building Maintenance** – The Building Maintenance department is fully staffed though two retirements are anticipated in the fourth quarter and two additional by the end of the calendar year. Full staffing increases efficiency while reducing overtime. The preventative maintenance program continues to be beneficial, demonstrated by shops now being below their monthly target of 120 open work orders. The mentorship program is continuing with good participation by technical staff.
- **Site Maintenance** – Implementation of the \$238,000 grant from Denver Water is complete as is the installation of computerized controllers. The systems are operational for the 2015 irrigation season. Site Maintenance working with Energy Management will apply for another Denver Water grant in 2015 for additional controllers. A team dedicated to school athletic fields is in place and field work is starting. The work to convert existing manual school irrigation to water consumption efficient automated systems has bid and construction will begin in June.
- **Environmental Services** – Construction is scheduled to begin for the \$835,000 Natural Disaster Grant from the Colorado Department of Public Health and Environment (CDPHE) for work at Mt. Evans Outdoor Lab School in June. This work consists of sanitary sewer improvements and a wastewater treatment facility. An additional CDPHE grant of \$164,000 was secured in March 2015 to supplement the original grant. These improvements will complement work under the FEMA grant covering the damage the site experienced in the 2013 flood. ES is monitoring the design of improvements to mountain area water/waste water facilities that will be under construction in 2015 as part of the annual Capital Renewal program.
- **Facility Service Desk (FSD)** – The 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. The grant from the Regional Air Quality Council was used to install Zonar, GIS systems on white fleet vehicles and was completed in March. Training in the use of the system has taken place and the system is operational.
- **Annual Capital Planning and District-Wide Facilities Master Plan** – Capital Transfer Allocation: The plan for the 2015 allocation is complete; consultants have been selected, project managers are assigned, schools have been notified and design work is 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 (M & O) Funds to be allocated toward site, exterior and interior improvements. Savings to M & O will continue to fund deferred maintenance improvements and will include interior door hardware, paving sealcoating, exterior painting and a tennis court restoration pilot program at Ralston Valley and Green Mountain High Schools.
  - In November 2012, voters approved a \$99 million capital renewal bond package. 2015 marks the third year of the program and also may be the most challenging from a construction cost perspective. Inflationary pressure along the Front Range is seeing increases of 20 to 30 percent in a number of trades. A lack of trained technicians and labor in general is a contributing factor. Construction Management is committed to completing the scope of work approved by the voters.

- The 2014/2015 Annual Enrollment and 2014/2015 Summary of Findings reports are complete and issued. Planning and Property continue to monitor potential enrollment growth in the north and northwest portions of the county and study options to deal with it.
- Energy Management – The continuation of favorable natural gas prices have helped to offset the expense associated with very cold weather experienced in February 2015. A contractor has been selected for electrical upgrades that include interior LED lighting at an elementary and a middle school funded by 2015 Capital Renewal.
- Custodial Services (CS) – CS continues to maintain a low vacant position count. CS is preparing for the annual summer cleaning program through staff articulation area meetings and additional training.

#### Classroom Dashboard:

Information Technology partners closely with the Educational Research and Design (ERD) 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 IT infrastructure team worked closely with the vendor over the last quarter to thoroughly analyze what will be required to reliably support the Classroom Dashboard (CD) application at full scale (150+ schools). That analysis work is now complete and the necessary equipment and staffing adjustments have been incorporated into the long range CD budget.

#### Mobile Device Readiness (MDR) initiative:

This multi-year initiative will enhance the network infrastructure needed to enable the use of thousands of mobile devices 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 that was installed to meet increased demand and in time for the spring 2015. The total cost of the Meraki wireless upgrade is expected to be between \$5.5 million and \$6 million. The overall project (core equipment, fiber network, wireless improvement, etc.) is expected to cost \$22 million over five years and was part of the Board of Education (BOE) supplemental request last fiscal year. Metrics are being developed around “bring your own device” (BYOD).

- Core Network Equipment
  - Edge equipment (firewall, router, IPS and filtering) purchased and implemented over the summer of 2014.
- Fiber Network
  - Fiber design and agreements with the Colorado School of Mines and Front Range GigaPop executed. Fiber ring has been delayed. Revised timeline July-August 2015.
- Wireless
  - All educational, transportation, outdoor labs and administrative sites have been converted to the new Meraki wireless system.
  - As a part of the final architecture conversion, sites are being moved to the new 802.1x networks (authentication into the Jeffco network) to provide enhanced security through individual device authentication.
- Additional support technicians
  - Three additional technicians have been hired, trained and are working with systems.
- Mobile Device Management
  - The mobile device management system for enterprise level device management of iPads was implemented during the summer of 2014; support teams worked over the 2014–15 school year to enroll all student use devices in the new management system.
- Virtual Desktop Infrastructure (VDI)

- Work has commenced to build out test sites in order to determine feasibility of a VDI implementation. Production rollout is tentatively targeted for FY 2016.

Negotiations:

Negotiations with both JCEA and CSEA are in process. Both groups are meeting in public and negotiation meetings are streamed live and recorded. In the case of JCEA, the entire contract is up for negotiations and the teams are working to reimagine a new contract supporting students and schools. CSEA is not a full reopener so each side was able to bring three items, in addition to compensation items. Updates and recordings of the negotiation process are posted on the district's website.

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. Changes were negotiated 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:

Costs associated with supporting students with intensive needs, beyond the district's services who are placed into facilities outside of the district (POODS) are currently tracking below the prior year. With thoughtful planning, and an emphasis on professional learning, district administration has worked with schools to keep students in classrooms. The Colorado Department of Education recalculates the pricing in February and March which can result in higher costs for the remainder of the fiscal year. It is anticipated that these costs will come in below the current year budget of \$4.9 million, but will continue to be closely monitored for the rest of the year.

2015/2016 Budget Development:

The budget office and district leadership, in partnership with school staff and communities, have implemented student-based budgeting (SBB) at schools for the 2015/2016 budget. Extensive support is being provided to assist principals and school secretaries with the transition to a new budgeting structure for 2015/2016. Schools continue to be able to fine tune their budgets through this spring.

The 2015/2016 budget process incorporated several components of community engagement including Board of Education hosted community budget forums, an online community engagement survey and input from school-level and district-level accountability committees. This information, in addition to current state funding forecasts has been presented to the BOE for preparation of adopting the 2015/2016 budget. The proposed budget and first public hearing are schedule for the BOE meeting on May 26, 2015.

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