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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 Second 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.

Second quarter revenues and expenditures are 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. 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 – December 31, 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	\$177,140,457	27.50%	\$307,051,808	48.37%	\$(129,911,351)	\$(79,944,786)
Debt Service	481,947	00.95%	38,640,787	77.42%	(38,158,840)	15,485,434
Capital Reserve	11,997,238	54.69%	14,975,492	49.05%	(2,978,254)	17,894,745
Building Fund	236,282	191.79%	7,234,204	26.63%	(6,997,922)	104,592,578
Grants Fund	19,412,491	50.47%	15,716,979	40.86%	3,695,512	7,390,546
Campus Activity Fund	12,712,134	53.62%	10,715,099	44.86%	1,997,035	12,963,200
Transportation	14,553,605	66.13%	10,855,750	49.33%	3,697,855	3,697,855
Food Services Fund	12,178,939	46.89%	11,425,129	44.44%	753,810	8,206,475
Child Care Fund	8,521,791	57.97%	7,398,154	49.31%	1,123,637	5,924,140
Property Management Fund	864,610	49.41%	649,415	43.10%	215,195	5,213,707
Central Services Fund	1,736,015	48.18%	2,149,702	46.71%	(413,687)	1,680,264

<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	2,831,093	48.81%	3,087,014	47.74%	(255,921)	14,076,546
Insurance Reserve Fund	3,744,768	48.55%	3,827,913	46.06%	(83,145)	8,402,147
Technology Fund	10,120,242	51.75%	10,153,964	50.83%	(33,722)	8,147,598
Charter Schools	26,590,291	51.63%	26,795,289	52.03%	(204,998)	16,212,807

Cash Management (pages 1–3):

- The second quarter cash balance is \$90 million, \$57 million lower than the prior year. Tax anticipated notes (TAN’s) were not issued in the current year due to the strategically planned increase in reserves from the mill levy override. Cash balances are low in the second quarter due to the timing of property tax receipts.
- 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 increases in compensation and 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), campus activity and other fund expenditures.

General Fund (pages 4–10):

- General Fund revenues are up 3 percent over the prior December. 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 less than 1 percent over the prior year. The 3 percent compensation increase and PERA increase to employees is off set by the savings in staff turnover when comparing year-to-year actuals. Overall expenditures are 48 percent of budget, trending similar to the prior year December percent spent.

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

- The Debt Service Fund reflects the December payments for principal and interest for general obligation debt. Property tax revenue for this fund is also received in the spring.
- Capital Reserve project spending has slowed since the first quarter being slightly below the 50 percent benchmark for second quarter.
- The Capital Projects fund is for the 2012 voter approved bond program. Expenditures for the fund are at 26 percent of budget, lower than normal due to the later 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 are tracking very close to 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 transporting 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.
- The Child Care Fund has net income of \$1,123,637. 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 \$215,195 for the quarter. Revenue from building rentals is up from the prior year.

Internal Service Funds (page 25–29):

- The Central Services Fund has a net loss of \$(413,687) for the quarter. The fund budget included a planned transfer to the Technology Fund for cost sharing of projects.
- The Employee Benefits Fund has a loss of \$(255,921) 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 \$(83,145) for the quarter end. Expenditures for the fund are higher than the prior year. Several property event claims occurred during the first quarter that are reflected in the fund as of the second quarter end.
- The Technology Fund has a net loss of \$(33,722) 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):

- Three charter schools have yellow flags and one has a red flag for the quarter end.
- Two Roads HS and Collegiate have approved loans from the district but were not borrowing at the end of the quarter. Rocky Mountain Deaf School was borrowing from the district as they wait for approval for the excess cost billing for students. Mountain Phoenix borrowed beyond the approved loan amount 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:

Second Quarter Facilities Update:

- Building Maintenance – The Building Maintenance department reorganization is complete. The plan has two managers that report to the director of Building Maintenance and oversee three maintenance areas and a district-wide shop (electrical/electronic and structural). The reorganization has gone smoothly with most facilities unaware of the change since, for the most part, they are being serviced by the same technicians. The goal 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 provide a better line of communication to management.
- Site Maintenance – Restoration, due to flooding, at the Mt. Evans Outdoor Educational Lab School is complete. Site maintenance is working with Risk Management to obtain reimbursement from FEMA that will help offset some of this expense. Site maintenance is instituting an aggressive restoration program at various elementary and middle school field sites. The work involves grading, seeding and improved irrigation. Phase I of the upgrade of irrigation controllers at four high schools is in progress.

- Environmental Services – Completed the implementation of a Material Safety Data Sheet (MSDS) and chemical inventory database that catalogs the chemicals stored in Jeffco Schools facilities. Environmental Services is working with Risk Management to obtain reimbursement from FEMA that will help offset expense incurred at Mt. Evans as result of the flooding. End of the fiscal quarter also coincides with the end of calendar year when many permits and licenses expire. Environmental Services worked to insure they remain current.
- 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 implementation began in 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 – 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 work list contains \$14.7 million in improvements at 31 specific sites and numerous district-wide locations. There is another \$5.4 million in additional improvements such as ADA, hazardous materials, utility saving measures and contingency. Consultant selection for this work was completed in the second quarter. Construction manager/general contractor selections for complex projects took place also.

Annual meetings for the development of the 2013-14 Enrollment Projection Report took place in December; the report will be available by the end of January 2014.

The 2013-14 Summary of Findings asset report has been started and will be available by the end of January 2014.

The energy manager position became vacant in the second quarter, solicitation and a first round of interviews took place before the end of 2013. Selection of a candidate will take place in January of 2014.

- 2012 Bond – In November 2012, voters approved a \$99 million capital renewal bond package. At the end of the second quarter, 104 projects at 75 sites were complete or in the close-out process. In 2014, 225 projects at 101 sites, including charters, valued at \$38.6 million are scheduled.
- Custodial Services – Implemented a program that allows students to apply for 4 hour 180 day custodian assistant positions at their high school. This program was developed to relieve some of the stress put on high school custodial crews, with a Tuesday through Saturday person to cover athletic events and a day custodian. Custodial Services is also working with all the facility managers to plan the second year of summer 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.) is in progress. Twenty-six sites remain for cutover to the new environment and for handset deployment. Estimated completion for phone placement is May 29, 2014. The remaining central UC work (voice messaging and emergency responder, etc.) will be migrated during the next two quarters with an anticipated completion of June 30, 2014.

Federal ERATE revenues and reserves are the main funding sources for the new phone system. The project will be completed on time and under the budgeted amount of \$8.8 million with a target completion date of spring 2014.

Project Status	% Complete
Total Sites	86%
High Schools	89%
Middle Schools	66%
Elementary Schools	84%
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 February/March 2014 TBD
- 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 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. Forty-four district sites have been migrated to the new wireless platform (Meraki) since the project began in the fall of 2012. Thirty-six sites are scheduled for upgrades 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. School user demand continues

to drive the need for acceleration of the Meraki rollout.

Data Governance:

The Data Governance committee held over 10 formal meetings during this past quarter. Work continues on data classification as well as refining our purchasing contracts. The Purchasing department and IT are in the process of reviewing existing contracts for statutory requirements (FERPA, COPPA, PPRA). Organizational awareness and training will be communicated to staff during the third quarter. Through the repurposing of existing FTE, a data privacy and security job position has been created to lead data governance work.

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.

Substitute Teachers:

Substitute teachers are a key part of district operations. Unlike many professions, if a teacher is out of the classroom, the district 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.

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.

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