



Building Bright Futures

September 25, 2013

website: <http://www.jeffcopublicschools.org/finance/index.html>

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 Fourth Quarter Financial Report for fiscal year 2012/2013. 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. **This is a preliminary unaudited report. The audit for FY 2013 will not be complete until November. The numbers are subject to change.**

All funds ended the year within budget and in compliance with state and federal regulation. On March 7, 2013, the Board approved the first of two planned supplemental appropriations to the 2012/2013 Adopted Budget. This first supplemental was a result of the 2012 voter-approved mill levy override (MLO) that resulted in an additional \$39 million of operating funds beginning in spring of 2013. The 2012/2013 Adopted Budget, appropriately, did not include MLO funding. \$9.9 million of the anticipated \$39 million MLO revenues was appropriated (expenditures) for one-time expenditure in the 2012/2013 General Fund budget.

A second supplemental appropriation was approved by the Board on May 30, 2013. This supplemental appropriation included expenditure increases for expenditure fluctuations discussed with the Board. Following are the quarter-end (unaudited) financial results by fund and noted highlights:

Jefferson County Public School
 Top Level Summary by Fund
 Year End – June 30, 2013

	Revenue	2012/2013 Y-T-D % of Budget For Revenue	Total Expenses	2012/2013 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net assets)
General Fund	\$631,867,706	100.06%	\$617,955,694	98.96%	\$13,912,012	\$49,966,565
Debt Service	134,943,620	99.95%	157,331,871	99.99%	(22,388,251)	53,644,274
Capital Reserve	22,848,568	93.26%	29,354,606	94.84%	(6,506,038)	20,872,999
Capital Projects	116,898,120	99.94%	5,307,620	65.53%	111,590,500	111,590,500
Grants Fund	43,355,068	94.28%	42,560,707	92.55%	794,361	3,695,034
Campus Activity Fund	22,870,840	95.76%	22,810,219	94.64%	60,621	10,966,165
Transportation	21,586,277	98.13%	21,586,277	95.94%	-	-
Food Services Fund	24,704,794	95.97%	24,588,376	96.13%	116,418	7,452,665
Child Care Fund	14,695,668	99.70%	14,253,323	96.68%	442,345	4,800,503
Property Management Fund	1,796,862	105.38%	1,298,134	68.14%	498,728	4,998,512
Central Services Fund	3,698,218	104.83%	3,480,387	90.40%	217,831	2,093,951

<i>Continued</i>	Revenue	2012/2013 Y-T-D % of Budget For Revenue	Total Expenses	2012/2013 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net assets)
Employee Benefits Fund	6,490,388	100.93%	6,383,140	88.69%	107,248	14,332,467
Insurance Reserve Fund	7,817,226	103.90%	7,885,817	87.82%	(68,591)	8,485,292
Technology Fund	20,220,477	98.50%	20,232,278	96.56%	(11,801)	8,181,320
Charter Schools	66,587,395	88.78%	71,832,965	95.78%	(5,245,570)	16,468,011

Cash Management (pages 1–3):

- The end of year operating cash balance is \$223 million, compared to \$208 million the prior year. \$63 million in tax anticipation notes (TAN's) was issued in November to alleviate cash flow shortages prior to the receipt of property tax revenues in the spring.
- Total cash receipts have increased over the prior year due to the new mill levy override (MLO) approved by voters in 2012. TAN's proceeds were higher than the prior year due to spend down of reserves. TAN's were repaid in June. Disbursements for payroll were lower than the prior year due to timing of the 3 percent wage reduction and FTE reductions. Capital reserve project disbursements are down with less funding for capital projects in 2012/2013. Operating cash does not include bond proceeds and disbursements.

General Fund (pages 4–10):

- Total revenues for the General Fund are \$37.9 million higher than the prior year. Property and specific ownership taxes are higher than the prior year due to the voter approved mill levy override and an increase in automobile sales tax revenues. State revenue is lower than the prior year due to a slight decline in students. Tuition, fees and other have increased due to a one-time \$750,000 settlement from JP Morgan.
- General Fund expenditures are \$367,902 higher than the prior year. Salary expenditures are lower due to reductions, partially offset by the increase in PERA benefits. The 1 percent payment to employees for cancelled furlough days in April 2013 was paid in the fourth quarter. Other expenditures are up; largely due to out of district placed student costs (please see the note below on special education) and utilities. Total expenditures were 99 percent of plan. The transfer to technology was increased for 2013 to accommodate technology developments and implementation of systems for Information Technology and Educational Research and Design's projects. The capital reserve transfer was increased to cover the roll out of school secured front entries.

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

- The Debt Service Fund reflects the advance refunding of the 2004 and 2006 bonds approved by the Board and completed in September. The district achieved \$5 million in savings from the refunding. The majority of property taxes were received by June 30. Interest payments were made in June for the general obligation debt.
- The Capital Reserve Fund expenditures ended 95 percent of plan for year end. Expenditures in the fund continue to be on emergency projects and warm, safe and dry projects funded by the annual transfer from the General Fund.
- The Capital Projects fund is new and reflects the \$99 million in bond funding and \$17.8 million in bond premium. Construction has begun on projects with higher expenditures anticipated in the summer (first quarter 2014).

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

- The Grants Fund activity continues to be lower than prior years due to the end of ARRA grants. See page 15 for details of material changes in grants.

- The Campus Activity Fund ended the year with revenues and expenditures comparable to the prior year. The timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation fees increased this school year. Ridership has remained stable. Salary and benefit expenses have increased with the support of special education students.

Enterprise Funds (pages 20–24):

- The Food Services Fund net income is down \$1,205,163 from the prior year. The purchased food costs are higher than the prior year as a result of mandates on serving fresh fruit and vegetables.
- The Child Care Fund is performing better than the prior year. Revenues and expenses are higher than the prior year due to new full day kindergarten classrooms and an increase in preschool tuition.
- The Property Management Fund had net income of \$498,728 for the quarter. Revenue from building rentals is higher than the prior year.

Internal Service Funds (page 25–29):

- The Central Services Fund has net income of \$217,831 for the year. The increase in copier activity provided additional revenue for the year.
- The Employee Benefits Fund has net income of \$107,248 for the year. Claim losses for vision and dental were down over the prior year.
- The Insurance Reserve Fund has a net loss of \$(68,591) for the year end. The incurred but not reported estimate for reserves increased over the prior year.
- The Technology Fund has a net loss of \$(11,801) at the end of the year. Throughout the year, Information Technology continued to closely collaborate with instructional leadership in support of multiple initiatives. Additional funding for the Classroom Dashboard, C-CAP and other immediate infrastructure needs was included in the May supplemental appropriation.

Charter Schools (pages 30–32):

- Four charter schools have yellow flags and one has a red flag for year end.
- Rocky Mountain Deaf School and Two Roads are not borrowing at the end of the quarter but continue to be monitored.
- Mountain Phoenix is borrowing but is well within the board approved loan amount.
- Collegiate Academy was approved to borrow up to \$(150,000). Collegiate is not borrowing at the end of the year. However, the school has experienced a significant enrollment decline for 2013/2014.
- New America red flagged for an unapproved borrowing at year end due to a delay in cash payments from the central nonprofit. The payments were received the first week of July.

ON THE RADAR:

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

Facilities Maintenance Program Performance Evaluation:

In the fourth quarter of FY2013 leadership of the Facilities Department changed. Tim Reed is the new Executive Director of Facilities and Construction Management over all seven of the Facilities Divisions including Planning and Property, Design and Construction, Custodial Services, Environmental Services, Building Maintenance, Site Maintenance, and the Facilities Service Desk.

Facilities staff continues to work on process efficiency gains and system changes. The Facility Service Desk (FSD) implemented revised job responsibilities for the technicians and the manager

which enabled them to eliminate three FTEs. 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). ALM and the Computerized Maintenance Management System (CMMS) have been operational since July 2011.

Five key initiatives of the ALM stabilization project are complete. Below is a recap of the initiatives and the respective status.

- Clean-up of all old work orders where labor was not posted—Complete. Labor is now posting to all work orders.
- Update and complete all preventative maintenance (PM) schedules—Complete. The fall, winter and spring rotations have been published.
- Complete the listing of all facility assets—Complete. Asset hierarchy was updated; customization of the assets by site will be worked on through the end of this FY.
- Billings current for school funded work orders—Complete. Billings for funded work orders are completed by the 15th of every month. Billings have been completed monthly since September with a total billing of \$730,425 and reimbursement of actual expenses of \$251,294 through the fourth quarter.
- Billings are current for risk management funded work orders related to events (storm damage) or vandalism—Complete—ongoing. Monthly meetings are held to review progress of work related to both vandalism and event work.

The 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 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.

Maintenance and Operations group participated in a metro area benchmarking study. Final results were published in the fourth quarter.

Annual Capital Planning and District Wide Facilities Master Plan:

The Annual Capital Planning process was initiated in the fourth quarter and will be completed in the first quarter of 2013/2014.

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 cycle will be completed in the first quarter of 2013/2014. The cycle will begin again starting 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. Thirty-nine site assessments were completed by the start of school, August 2013. Semi-annual reviews with Building and Site Maintenance staff were completed in April 2013 and are scheduled for October 2013. Collected data and updated RSMeans construction cost information (third party) has been input in the Facility Assessment and Condition Tracking System (FACTS).

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. Planning for the summer 2014 work that will be funded by the annual capital transfer began in the

fourth quarter of 2013. The final list of projects was presented to the Capital Asset Advisory Committee in August 2013.

Approximately \$29.5 million of construction and related costs at 61 sites was funded by the 2013 Capital Transfer Allocation.

2012 Bond: In November 2012, voters approved a \$99 million capital renewal bond package. In 2013, approximately \$5.3 million was expended in starting construction and related costs for 85 sites.

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 September/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. Forty-four sites remain for cutover to the new environment and handset deployment. The migration of the remaining schools to the new phone system began the week of September 9, 2013.

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.

Project Status	% Complete
Total Sites	70.00%
High Schools	72.22%
Middle Schools	42.11%
Elementary Schools	68.82%
Pre-Schools	100.00%
Other District Sites	93.33%

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 65 applications/services that are included in the DR process, of which 27 have been tested this fiscal year. Disaster Recovery drills for the 2012/2013 fiscal year were completed on July 17, October 24, and December 17, 2012, and April 24, 2013.

- 20 applications/services are Level 4 and 5 and not required to be tested.
- Testing for the remaining infrastructure applications/services can be intrusive and were not tested over the summer break. An end of calendar year plan will be developed and brought to leadership for approval and scheduling.

Technology Personalized Learning:

Information Technology is continuing to partner closely with Educational Research and Design in support of innovative instructional efforts. Specifically, field testing has been completed for our nationally acclaimed, custom developed electronic curriculum system (C-CAP) which is now available for all teachers throughout the district. In addition, work continued for the functional and technical requirements for the Classroom Dashboard. The Classroom Dashboard 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. Eventually, the Classroom

Dashboard will enable parents to more closely monitor and support the academic growth of their students.

Compensation & Benefits:

The district continues its review and analysis of compensation, including market comparisons with surrounding districts. Given the pay reductions Jeffco has sustained, there have been instances of employees leaving Jeffco for more lucrative opportunities, and there are instances where recruiting new talent is hindered by our pay schedules. The district's ability to recruit and retain the best employees should remain on leadership's radar.

Healthcare Reform evaluation and implementation planning continues. Multiple committees/task forces have been formed to plan for changes required by Health Care Reform. This includes evaluating significant systemic changes to ensure compliance with the federal legislation. Both costs and structures will change to accommodate the requirements of the Act.

Enrollment:

Overall Jeffco membership has declined by more than 250 students. Enrollment decline is driven by lower birthrates and an aging population within the county. The components of the change are a drop in membership at neighborhood schools of nearly 650 students and an increase in the charter membership of nearly 400. Total membership is then converted to an FTE equivalent by adjusting for part-time students and excluding any students who are not eligible for funding. The FTE count can be averaged over five years as allowed under the School Finance Act as a mechanism to smooth the loss of funding for districts with perpetual declining enrollment. The year over year decline for Jeffco in funded pupils is just over 300.

Online Fee System:

A new online fee system was launched this summer to replace the old PaySchools software. The new system was developed within PeopleSoft by district staff. This new system has proved to be more stable than the PaySchools system, supports improved customer service, and provides additional efficiencies for reconciliations and declined cards.

Special Education:

Special education expenditures in the General Fund required additional appropriation for 2012/2013. This is due to the increase in students with intensive needs, beyond the district's services, who are placed into locations outside of the district (POODS). For example, the number of students that have been placed into a high-cost autism center has nearly doubled from 2012 to 2013. The overall cost to the district for students placed out of district for services is expected to continue escalating. The budget for 2013/2014 was increased by \$1 million or 25 percent.

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 will incorporate SB260, or the current School Finance Act with slightly improved revenues 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, is not incorporated into any revenue or expenditure projections in the Adopted 2013/2014 Budget. The requirements of SB213 are only triggered by the passage of Amendment 66 (a statewide vote). Staff will continue to monitor and evaluate potential impacts of this legislation.

The district remains in sound financial condition. We will continue to spend conservatively and to diligently monitor economic variables. The Preliminary/Unaudited Fourth Quarter Financial Report will be presented to the Board of Education on October 3, 2013. It is always helpful, if you have any questions, to let me know in advance so that we can formally present and answer those questions during the meeting.

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