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Members of the Board of Education  
 1829 Denver West Drive, Building 27  
 Golden, CO 80401-3120

Directors:

Attached is the Fourth 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. This is a preliminary unaudited report. The audit for FY 2015 will not be complete until November so the numbers are subject to change.

The General Fund ended the year with revenues over expenditures of \$10,463,238. In November 2014, compensation increases for licensed staff were implemented and processed which included salary increases, retroactive payments and one-time stipends. Savings from retirement turnover and vacancies were used in two supplemental budget adjustments to provide funding for building needs. In April 2015, \$5.3 million was transferred to the Capital Reserve Fund for modifications to school buildings to accommodate the changes in the Jefferson and Alameda articulation areas. In June 2015, an additional \$15 million in savings was moved from the General Fund to the Capital Reserve Fund for a new school to be built in the north area. All district funds ended the year within budget and in compliance with state and federal regulations.

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, 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	\$688,489,324	99.83%	\$678,026,085	98.53%	\$10,463,239	\$71,761,122
Debt Service	92,844,901	99.84%	90,017,385	96.80%	2,827,516	58,696,250
Capital Reserve	40,158,181	102.04%	20,419,607	84.34%	19,738,574	36,538,906
Building Fund	169,274	137.40%	53,095,817	99.46%	(52,926,543)	31,975,559
Grants Fund	55,098,248	94.94%	53,624,615	92.40%	1,473,732	7,460,403
Campus Activity Fund	25,112,606	99.07%	25,196,955	99.20%	(84,349)	10,470,381
Transportation	23,931,788	94.57%	23,915,194	92.67%	16,594	604,411
Food Services Fund	24,934,404	99.37%	24,335,013	94.89%	599,391	7,319,964
Child Care Fund	16,950,671	97.59%	16,365,380	95.81%	585,291	6,251,065
Property Management Fund	2,281,043	101.97%	2,081,210	82.95%	199,833	5,480,531
Central Services Fund	3,372,127	103.44%	3,129,042	95.03%	243,085	1,709,616

<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	5,739,352	99.89%	6,138,726	93.08%	(399,374)	13,820,569
Insurance Reserve Fund	5,923,214	97.88%	5,737,774	68.44%	185,440	7,568,041
Technology Fund	26,222,089	100.22%	22,639,792	95.30%	3,582,297	15,502,025
Charter Schools	88,147,918	98.59%	75,848,459	91.36%	12,299,459	28,268,451

**Cash Management (pages 1–3):**

- The fourth quarter cash balance is \$280 million, \$38 million higher than the prior year due to underspend from retirement and turnover savings. Cash balances increased this quarter with the collection 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 compensation and PERA increases. Capital reserve project disbursements are lower due to less funding for projects. Non-compensation costs increased with the math curriculum purchases, purchased food payments and increases in grant spending.

**General Fund (pages 4–12):**

- General Fund revenues are up 2 percent over the prior year. State funding, property tax and specific ownership tax revenues have increased. Revenues are 100 percent of budget for the end of the quarter.
- General Fund expenditures are at 99 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. Significant salary savings throughout the year enabled the Board of Education to transfer \$20.3 million from the General Fund into the Capital Reserve Fund to address current facility needs. 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) occurred in the fourth quarter, resulting in \$1.9 million in net present value future savings for the district.
- Fund balance for the General Fund ended the quarter at \$71,761,122. The unreserved portion of fund balance is 7.75 percent of expenditures, still slightly below the recommend 8-17 percent range from the Government Finance Officers Associations. Building reserves continues to be critical for the district's ratings, financial health and being prepared to weather changes in funding from the state.

**Debt Service/Capital Reserve/Capital Projects (pages 14–17):**

- Revenues for the Debt Service Fund ended the year at 100 percent of budget and slightly higher than the previous year. The majority of taxes were received in the fourth quarter. Interest payments on the general obligation debt were made in June 2015 and current fund balance will be used to make December principal and interest payments. The refinancing of general obligation bonds also happened in the fourth quarter, achieving net present value savings of \$1.8 million.

- Capital Reserve project spending increased in the fourth quarter due to summer projects. The fund finished the year under budget at 84 percent of plan.
- The Capital Projects Fund is for the 2012 voter approved bond program. Expenditures increased in the fourth quarter as planned, due to the high volume of summer work projects. The fund ended the year at 99 percent of budget.

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

- Grants Fund revenues and expenditures continue to be higher than the previous year. Changes to individual grants are detailed on page 18 of the quarterly.
- Campus Activity Fund revenues and expenditures are slightly higher than the prior year. Both revenues and expenditures finished the year at 99 percent of budget. The timing of events, activities and fundraising impacts the collection of revenues and related 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 ended the year lower than anticipated. Revenues ended the year as planned.


Enterprise Funds (pages 22–26):

- Food Services Fund revenues for the end of the year are higher than the previous year due to increases in both meal prices and participation. The fund ended the year at 95 percent of budget for expenditures. These cost savings plus contributed capital allowed the fund to end the year with net income of \$599,391.
- The Child Care Fund has net income of \$585,291. All programs have positive net assets at the end of the fiscal year.
- The Property Management Fund has net income of \$199,833 to end the fourth quarter. Revenues and expenses are higher than the previous year due to stadium concession activities. Rental income also increased over the previous year.

Internal Service Funds (page 27–31):

- The Central Services Fund has a net income of \$243,085 for the quarter. The fund is performing better than plan for both revenues and expenditures.
- The Employee Benefits Fund has a loss of \$(399,374) 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 \$185,440 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 \$3,582,297 for the quarter end. Salary expenses trended low throughout the fiscal year due to unfilled positions.

Charter Schools (pages 32–34):

-  Collegiate Academy charter school continues to be monitored due to an approved loan with the district. Rocky Mountain Deaf School is monitored due to short term borrowing during the year pending approval of the excess cost billing by the state. Mountain Phoenix 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 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 wet weather in May and June created a significant number of work orders for the district-wide structural shop that is responsible for roof repairs.
- **Site Maintenance** – Site Maintenance in conjunction with Energy Management has applied for another Denver Water grant to continue to install computerized irrigation controllers at middle and high school locations. Construction started at several elementary school locations to replace manual systems with automatic irrigation systems. The systems will result in labor and water consumption savings.
- **Environmental Services** – Construction has begun on a \$1 million Natural Disaster Grant from the Colorado Department of Public Health and Environment (CDPHE) at Mt. Evans Outdoor Lab School. This work consists of sanitary sewer improvements and a wastewater treatment facility. These improvements complement work performed under the FEMA grant that covered site damage from the 2013 flood. Mountain area water/waste water facility improvements were made as part of the 2015 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 2016.
- **Annual Capital Planning and District-Wide Facilities Master Plan – Capital Transfer Allocation:** The plan for the 2015 construction 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 2015 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. 2014/2015 was the third year of the program and the most challenging from a construction cost perspective. Inflationary pressure along the Front Range is resulting in cost increases of 20 to 30 percent in a number of trades. A lack of trained technicians and labor in general is a major factor in the increases. Construction Management is committed to completing the scope of work approved by the voters.
  - Planning and Property continues to monitor potential enrollment growth in the north and northwest portions of the county and provide options to deal with the problem.
- **Energy Management** – A cool, wet May and June led to significant savings in electrical and irrigation water usage. Electrical upgrades that include interior LED lighting replacement at two elementary schools and a K-8 school were funded by 2015 Capital Renewal and are under construction.

- Custodial Services (CS) – CS continues to maintain a low vacant position count. The pool of substitute custodians is critically low due to low wages and a labor shortage in general. CS successfully completed the annual summer articulation cleaning program in June.

Disaster Recovery (DR):

Information Technology remains committed to ensuring system availability. Recovery processes are tested on a quarterly basis for a subset of the total system and annually for the entire enterprise. The IT department is working toward increasing the computing, network and storage capacities at the DR center in order to bring the capability of that center up to that of our present data center. The IT department recently increased the bandwidth of both the data center and DR center to 10 gigabit per second links capable of carrying all data from every school and location within the district.

Classroom Dashboard:

Information Technology partners closely with the Educational Research and Design team in support of innovative instructional efforts. 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. The Classroom Dashboard application was moved to production in August 2015 for testing by selected schools. IT continues to work with the vendor to make necessary design changes to ensure the product fully meets Jeffco's needs.

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. The overall project (core equipment, fiber network, wireless improvements, etc.) which began in the fall of 2012 is expected to cost \$22 million over five years. All educational sites have been migrated to the new wireless platform. Metrics are being developed around "bring your own device" (BYOD) for the 2015/2016 school year and will be reported to the BOE through the technology quarterly update.

- Core Network Equipment
  - Internal core network capacity increased from 2.5gb to 10gb.
  - Additional core equipment continues to be purchased and implemented to build out core network resiliency at 809 Quail.
- School Infrastructure
  - Increases to the Wide Area Network (WAN) connections to schools will be completed by mid-October.
  - Elementary and Middle schools will be increased to 100mb connections.
  - Senior High schools will be increased to 200mb connections.
- Fiber Network
  - Fiber ring has been deployed and the Quail site is fully functional.
  - Ed Center is waiting for main fiber splices downtown and at I-70.
  - Fiber ring provisioned with 10gb capacity and will grow as school demand increases.
- 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)**
  - VPN replacement pilot has been built, tested and implemented into production. Classroom pilot will continue to be tested through the fall of 2016.

Negotiations:

Negotiations have been completed. JCEA ratified the agreement on August 26, and the Board of Education approved and adopted the negotiated agreement for a term commencing September 1, 2015, and expiring June 30, 2016.

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 implemented 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 for implementation of ACA were estimated to total over \$8 million. To date, the district has budgeted \$4 million and estimates an additional \$4 million annually 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) ended the year below the previous year. With thoughtful planning, and an emphasis on professional learning, district administration has worked with schools to keep students in classrooms.

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 this new budgeting structure. SBB will result in increased funding equity, school autonomy and transparency.

The 2015/2016 budget development process was completed and presented to the Board of Education for adoption on June 18, 2015. The 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. The budget office will begin development of the 2016/2017 budget to include improving the SBB format and enhancing our budget process for departments.

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