

November 4, 2011

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

Ladies and Gentlemen:

Attached is the First Quarter Financial Report for fiscal year 2011/2012. The General Fund budget incorporates reductions of \$37.4 million for the year and a \$32.7 million strategically planned spend down of reserves. Currently, the State is not planning any further rescissions for the fiscal year but economic indicators are not showing strong growth. There is still potential for State funding adjustments for the year. The District continues to monitor the economic climate and State actions to be prepared for any changes.

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.

Following are the year to date (unaudited) financial results and noted highlights:

Jefferson County Public School  
 Top Level Summary by Fund  
 Year End – September 30, 2011

	2011/2012 Y-T-D Revenue	% of Budget For Revenue	Total Expenses	2011/2012 Y-T-D % of Revised Budget for Expenses	Net Income	Fund Balance (or net assets)
General Fund	\$90,311,681	15.39%	\$149,193,686	24.08%	\$(58,882,005)	\$66,258,517
Debt Service	237,910	.29%	175	0%	237,735	72,579,362
Capital Reserve	5,140,000	24.59%	12,674,408	40.25%	(7,534,408)	26,384,725
Grants Fund	6,018,236	13.96%	5,006,136	11.60%	1,012,100	3,016,022
Campus Activity Fund	8,861,158	37.26%	5,116,109	21.49%	3,745,049	14,512,974
Transportation	4,729,662	23.18%	4,564,319	22.37%	165,343	165,343
Food Services Fund	4,732,922	19.81%	4,323,402	17.98%	409,520	6,424,186
Child Care Fund	3,487,303	24.88%	2,775,198	19.57%	712,105	4,826,909
Property Management Fund	309,754	19.62%	311,816	21.71%	(2,062)	4,178,544
Central Services Fund	643,280	18.33%	667,564	17.25%	(24,284)	1,929,603
Employee Benefits Fund	1,700,594	23.85%	1,888,326	23.79%	(187,732)	13,831,385
Risk Management Fund	1,949,490	25.38%	1,521,289	17.58%	428,201	8,443,970
Technology Fund	4,034,374	22.81%	4,471,125	22.81%	(436,751)	9,000,714
Charter Schools	11,713,500	35.05%	10,133,823	25.33%	1,579,677	13,528,503

#### Cash Management (pages 1 -3):

- The cash balance decreased \$67 million for the quarter.
- State equalization receipts are \$5 million lower than the prior year due to reductions in funding. Other revenue is \$9 million lower resulting from the timing of State Transportation and Special Education categorical funding.
- Disbursements for payroll and other operating expenses are lower as a result of planned reductions in salaries and operating expenses.

#### General Fund (pages 4 - 10):

- General Fund revenue is lower than the prior year by \$11 million (\$6 million decrease in State equalization revenue and \$5 million in transportation revenue, now reflected in its own fund). Specific ownership taxes, from auto licensing, are down \$580,000 compared to the prior year.
- The majority of property taxes are received in March through June of the fiscal year. Less than 1 percent of the budgeted revenue for property taxes has been collected in the first quarter. Due to the timing of the collections, the Board of Education approved the District to issue short term, tax anticipation notes; to cover cash flows until the property taxes comes in.
- General Fund expenditures are \$10 million lower than the prior year. \$4.5 million of the reduction is due to the new Transportation Fund. The remaining reductions are from the 3 percent decrease in salaries and other reductions.
- The utility and energy management line is budgeted \$500,000 less than last year at this time.
- The District's fund balance is planned to decrease \$32.7 million for the year. The quarter to date spend down of \$59 million is higher than plan due to the timing of property tax receipts. This spend down will get larger through the second quarter and then go down in the third quarter with property tax collections.

#### Debt Service/Capital Reserve/Building Projects (pages 12 - 14):

- The Debt Service Fund revenues are from property tax collections approved by the voters for that purpose.
- The Capital Reserve Fund expenditures are high compared to plan due to the large amount of work done in the summer. The expenditures will slow down for the remainder of the year. The type of work being done on schools includes roofs, window and door replacements.

#### Grants Fund/Campus Activity/Transportation (pages 15 - 19):

- Please see page 15 for greater detail in the change of grants.
- The Campus Activity Fund has slightly higher revenue over expenditures for the quarter compared to last year. Changes in timing of events and activities account for the change from the prior year.
- As required by state statute, the District began using the Transportation Fund when fees were assessed for riding the bus to school. Collections of the transportation fee were planned at \$1 million for the year. Transportation fees exceeded planned estimates for the end of the first quarter.

#### Enterprise Funds (pages 20 – 24):

- The Food Services Fund has net income of \$409,520 for the first quarter. This is better than the prior year to date loss of \$(355,364). Implementation of a plan that reduced purchased food costs and salary costs improved the results of the fund. The yellow flag has been removed from the fund this quarter as the plan was implemented and results were as planned.
- The Child Care Fund has net income of \$712,105 for the quarter, higher than the prior year by \$32,119.
- The Property Management Fund had a loss for the quarter of \$(2,062). Revenues decreased from lower building use.

**Internal Service Funds (page 25 - 29):**

- The Central Services Fund has a loss for the quarter of \$(24,284). Revenues and expenses are down due to less demand for services. The fund is planned to spend down net assets by \$(361,400) for the year.
- The Employee Benefits Fund spent down net assets by \$(187,732) for the quarter. Claims expense is usually higher in the summer months.
- The Risk Management Fund has net income of \$428,201 for the year. Insurance recoveries and claim expenses are lower this year. No significant property claims have occurred in the first quarter of 2012.
- The Technology Fund has a net loss of \$(436,751) for the first quarter. The fund in the 2011/2012 budget includes the spend down \$(1,920,600) in net assets in support of large capital investments.. In the first quarter, the Technology Fund completed the District-wide roll out of support for Google Apps and the implementation of an online student information card (Jeffco Connect) that provides self-service functionality for parents to update contact information. In addition, the information technology team focused on monitoring and providing adequate network bandwidth between the Education Center and the schools, a continued build-out of an upgrade to the District phone system and the development of a curriculum system that will assist with the alignment of District and State curriculum systems.

**Charter Schools (pages 30-32):**

- Two schools continue to have yellow flags for the quarter end. Mountain Phoenix was approved by the Board to borrow \$95,000 from the District. Although they are not borrowing at the end of this quarter. Their estimated enrollment projections are higher than actual. The school will be closely monitored. Rocky Mountain Deaf School is flagged and cash from the District for the end of the quarter. The excess cost billings that provide the majority of funding for the school have not been processed. The school is waiting on the Colorado Department of Education to approve the 2011/2012 rate.

**ON THE RADAR:**

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

**Facilities Maintenance Program Performance Evaluation:**

The Chief Operating Officer continues to work on process efficiency gains and system changes. The current work order system, Maximo, has been phased out and replaced with PeopleSoft's Asset Lifecycle Management program. Switching to a PeopleSoft product will give the District IT department the ability to provide greater support on a platform used by the rest of the organization and be a better fit for the needs of the facility program. Implementation of ALM System efficiency gains will continue into the next 12 months.

**District Wide Facilities Master Plan and Annual Capital Planning:**

The annual process to update the Five-year District Wide Facilities Master Plan (FMP) and corresponding communications plan was initiated in the 4<sup>th</sup> quarter, fiscal year 2011. The FMP is based on the facility condition assessment data initially collected in 2009 and the State Wide Financial Assistance Priority Assessments. The condition assessments are then updated on a three year cycle which ensures that a facility is visited and the assessment is updated and validated once every three years. In March 2011, the Board of Education announced budget cuts that included facility changes that had been included in the preliminary FMP non-bond recommendations list that was initially presented to the Board of Education in January 2011.

Below is a recap of the individual components of the FMP that have ongoing tasks.

**Capital Asset Planning (Facility Condition Assessments):** The annual planning cycle started in March with the semi-annual review of the deficiencies with Facilities Maintenance staff. A schedule to complete the on-site assessment of 48 sites has been drafted for consideration. All 48 site assessments were completed by September 30, 2011. Meetings to review the assessment data for all schools are scheduled to occur in October 2011. Interactive planning meetings to update the Five-year enrollment forecasts and the Facilities Master Plan are scheduled throughout the month of November 2011. An updated Summary of Findings and an updated Five-year Facilities Master Plan will be presented to the Capital Asset Advisory Committee, Cabinet and the Board of Education in December 2011 and January 2012, respectively.

**2009 Facilities Usage Directives:** status of the implementation of the January 2010 Board of Education directives based on the 2009 Facilities Usage Recommendations follows:

- Close Russell ES, create K-8 at Arvada MS. Move completed summer 2010 and sale completed November 2010. Move Arvada West Preschool to Fitzmorris ES and dispose of cottages – Move completed summer 2010, sale completed April 2011.
- Move Swanson Preschool to Secrest ES and dispose of property. Move completed summer 2010, sale completed April 2011.
- Move programs in the Allendale Cottages and dispose of cottages. Sale completed April 2011, final move completed June 2011.
- Evaluate temps at schools that have less than 92% utilization. Demolished 26 temps, decommissioned 35 temps and sold 14 temps completed October 2011.

**2011 Facility Changes:** A list of proposed budget cuts was developed during an employee summit which was held in early March which included representatives of the various employee associations and the Board of Education. The Board of Education approved the following facilities changes for FY 2011/2012:

- Close Zerger Elementary School – school was decommissioned summer 2011. Revised boundary for Lukas ES and Weber ES was approved by the Board of Education in May 2011.
- Close Martensen Elementary School – School was decommissioned summer 2011. Revised boundary for Stevens ES and Wheat Ridge 5-8 was approved by the Board of Education in May 2011.
- Relocate Longview High School – facilities planning staff met with school staff to develop space program requirements. Facilities planning staff developed options for school staff to review. A schedule will be developed upon agreement on a new location.
- Suspend operations at Windy Peak OELS and Mount Evans OELS – due to fundraising efforts by the OELS Foundation the lab schools were not decommissioned for the school year 2011/2012.

Utilizing the current facilities assessment data, the Facilities Planning and Construction department, Facilities Management department, Information Technology department and Budget Department staff developed a draft list of capital projects that will be completed in the summer of 2012. The list was presented to the Capital Asset Advisory Committee in August 2011. This information was then provided to the Board of Education in their weekly update. Staff has validated scope, selected design consultants and design is underway. Bidding on projects is anticipated to be completed in the 3<sup>rd</sup> quarter of fiscal year 2012.

### Technology Phone System:

The RFP was awarded to CenturyLink (formerly Qwest Communications) to install a Cisco Unified Communication platform that replaces the District's eighteen year old analog phone system. The rollout of the replacement system is a multi-year process that must be phased in, tested and stabilized to ensure a stable and secure environment. Delay of implementation would risk instability of system and/or ongoing system outages. The new phone system is partially funded by federal ERATE funding. Central core equipment has been installed at both the Education Service Center and the Quail facility. Three phases and twenty-three school sites have been migrated to the new environment. Out of approximately 11,000 phones, 2,497 have been converted to the Unified Communication environment; - approximately 23% project completion is estimated for 2014.

### Disaster Recovery Project (DR):

To date, DR plans have been developed and tested for 49 systems and services. One full large DR drill was successfully conducted during the first week of July 2011. The Chief Technology Officer will organize a District wide committee during 2011 calendar year to facilitate ongoing District DR and Business Continuance initiatives. Network architectural planning is scheduled to develop redundant internet access for the District for delivery during the 2<sup>nd</sup> quarter 2012 school year.

### Other Items to Note

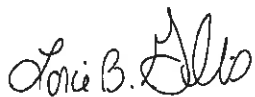
The State Auditors Fiscal Health Analysis was released this summer. Jeffco was noted for having two negative indicators. Both indicators include fund balance as a factor in calculation. Due to the District's planned spend down of reserves; the ratio/indicator is negative. The indicators do not consider the strategic nature of the planned build up and utilization of reserves. The District should plan on negative indicators in 2010/2011 as well while reserves will again be used to mitigate reduction requirements. These negative indicators were directly related to the planned spend down of reserves. A complete summary of Colorado Fiscal Health Analysis was presented to the Financial Oversight Committee on October 6, 2011.

2012-2014 Budget Development Process: The District's 2012-2014 Budget Development Process is underway beginning with a Citizen Budget Academy kicking off September 6. The board discussed the process at its August 18<sup>th</sup> meeting. Please see the Jeffco website for a full summary of the planned process. [http://www.jeffcopublicschools.org/finance/budget\\_development2012/index.html](http://www.jeffcopublicschools.org/finance/budget_development2012/index.html)

The District remains in sound financial condition. We will continue to spend conservatively and diligently monitor economic variables on the radar.

This 1st Quarter Financial Report will be presented to the Board of Education on Thursday, December 1, 2011. 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