

Building Bright Futures
 September 1, 2011

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

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 Fourth Quarter Financial Report for fiscal year 2010/2011. The General Fund spent down \$24.8 million in reserves for fiscal year 2011. The revised budget estimated \$37 million to be spent down. Conservative revenue estimates and spending account for the spend down being less than projected. Year end unallocated fund balance is \$68.6 million. The planned spend down was in addition to \$13.8 million in reductions put in place for 2011. The District continues to implement reductions in fiscal 2012 and be prepared as the economic climate in the nation remains very uncertain.

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. **Please note, this preliminary report contains estimates as the audit will not be complete until November. The numbers are subject to change.**

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

Jefferson County Public School
 Top Level Summary by Fund
 Year end – June 30, 2011

	Revenue	2010/2011 Y-T-D % of Budget For Revenue	Total Expenses	2010/2011 Y-T-D % of Revised Budget for Expenses	Net Income	Fund Balance (or net assets)
General Fund	\$613,401,964	100.79%	\$638,254,578	98.75%	\$(24,852,614)	\$123,913,835
Debt Service	81,504,115	99.43%	77,909,288	99.98%	3,594,828	71,825,572
Capital Reserve	26,642,128	111.67%	29,121,654	69.74%	(2,479,526)	33,919,133
Grants Fund	61,193,240	83.71%	61,220,311	83.74%	(27,072)	2,003,922
Campus Activity Fund	23,666,278	97.53%	23,662,496	97.00%	3,783	10,000,368
Food Services Fund	23,657,518	96.25%	24,361,216	94.92%	(703,698)	6,014,666
Child Care Fund	14,574,760	96.24%	14,277,646	93.66%	297,114	4,114,804
Property Management Fund	1,769,745	107.58%	1,488,442	92.78%	281,303	4,180,544
Central Services Fund	3,514,352	96.64%	3,492,544	93.02%	21,808	1,953,887
Employee Benefits Fund	6,948,712	98.01%	6,977,733	86.53%	(29,021)	14,019,117
Risk Management Fund	8,707,871	93.86%	8,996,073	91.30%	(288,202)	8,015,769
Technology Fund	18,186,420	100.49%	19,339,800	95.94%	(1,153,380)	9,437,465
Charter Schools	53,497,415	97.11%	52,067,744	94.67%	1,429,671	11,948,832

Cash Management (pages 1 -3):

- The cash balance decreased \$37.9 million for the year, as planned.
- State equalization receipts are \$43 million lower than the prior year due to rescissions.
- Disbursements for capital reserve projects are \$28 million lower than last year due to the end of the bond program.

General Fund (pages 4 - 12):

- General Fund revenue is lower than the prior year by \$38 million. \$42 million was from state rescissions partially offset by one time back fill revenue of \$6.3 million from state fiscal stabilization funds.
- General Fund expenditures are \$25 million lower than the prior year. \$15.7 million of salary and benefits were transferred in January to the Edujobs grant. The remaining \$9.3 million decrease is the result of planned reductions in work force, purchased services and supplies.
- The electricity and water and sanitation lines remain yellow flagged for year end. The current year expense was over the adopted budget and prior year expense by \$1.1 million for both lines combined. Increased rates and consumption caused the expense to be higher than planned. Budget transfers from underspending in other line items were made to mitigate overspending at the line item. Electricity and water and sanitation lines will continue to be closely monitored in fiscal 2012.
- The District's fund balance decreased \$24.8 million as planned. Fiscal 2012 is also planned to spend down fund balance by \$31.5 million. The reduction of fund balance and cash balances will necessitate the District to issue tax anticipation notes (TAN's) in fiscal year 2012 to cover cash flow shortages from the timing of property tax revenues.

Debt Service/Capital Reserve/Building Projects (pages 14 - 16):

- Interest payments on general obligation debt were made June 2011. The remaining fund balance in debt service will be used for the December 2011 principal and interest payments.
- The Capital Reserve Fund expenditures were lower than the prior year and the budget. Expenditures were lower with the bond program ending. Some projects were delayed including windows due to lags in window production and bus orders, which were completed in early 2012.

Grants Fund/Campus Activity (pages 17 - 19):

- Grants Fund activity increased with the Edujobs grant. See pages 17 and 18 for details on revenue and expenditures. Appendix G contains ARRA specific revenue and expenditure information.
- The Campus Activity Fund has increased activity for the year. Fletcher Miller received a \$500,000 donation in January 2011.

Enterprise Funds (pages 20 – 24):

- The Food Services Fund ended the year within the adopted plan. Management changes in menu items and hourly salaries reduced expenses for the year. The fund changed from a red to a yellow flag as a successful plan was implemented. The yellow flag indicates monitoring for fiscal 2012.
- The Child Care Fund yellow flag on the school age program was removed for year end. Changes to that program were implemented and the results were better than the original budget. These changes were continued into fiscal year 2012.

Internal Service Funds (page 25 - 29):

- The Central Services Fund has net income of \$21,808 for year end. Staffing reductions have been made to offset lower demand for services.

- The Employee Benefits Fund spent down net assets by \$(29,000) for the year. This was less than plan due to lower claims and wellness program costs.
- The Risk Management Fund has net a loss of \$(288,202) for the year end. Repairs from the 2009 hail storm continued to be incurred in fiscal year 2011. Insurance premiums came in higher than the prior year but lower than planned.
- The Technology Fund has a net loss for the year of \$(1,153,380). Lower than planned by \$907,220. Several major projects were near completion at the end of the fiscal year including the online student information card (Jeffco Connect) that allows self service for parents to update contact information, the capacity to support Google Apps for instructional purposes on a district-wide basis, the upgrade of all PeopleSoft applications and the implementation of a major asset management solution. Information technology also focused attention on providing appropriate network bandwidth between the Education Center and schools, in addition to moving forward with work on a multi-year project to upgrade the district phone system.

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 and is borrowing \$(37,443) at year end. Payment is due in full to the District in 2014. Rocky Mountain Deaf School is flagged to continue monitoring but is not borrowing any cash from the District for the end of year

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.

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 4th quarter. 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 update and validated once every three years. In March, 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. Fifteen of the forty-eight assessments were completed by the June 30, 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 late November/early December 2011.

2009 Facilities Usage Directives: status of the implementation of the January 2010 Board of Education facilities usage directives 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 13 temps and decommissioned 24 temps completed July 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. Anticipate a 1st quarter FY 2012 review and comment on the proposed sites. A schedule will 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 school were not decommissioned for the school year 2011/2012.

Utilizing the current facilities assessment data facilities planning and construction, facilities management, information technology 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.

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. Two phases and thirteen school sites have been migrated to the new environment. 1,884 phones out of approximately 11,000 have been converted to the Unified Communication environment. Twenty-two sites (1,516 handsets) will be converted between September and the end of this calendar year. 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 2nd 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. The District was audited by PERA this spring. The audit summary had a finding of \$934.00, an immaterial amount for the size of the District. The audit reinforced that the District has the correct policies and procedures to be in compliance with PERA.

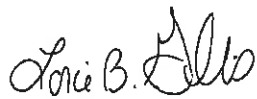
2012-2014 Budget Development Process: The District's 2012-2014 Budget Development Process is underway beginning with a Citizen Budget Academy kicking off September 6. The board discussed the process at its August 18th meeting. Please see the Jeffco website for a full summary of the planned process.

PERA Audit: In the spring, the District was audited by PERA for the years 2007, 2008, 2009 and 2010. The detailed audit of contributions, employee classifications, calculations and other areas of compliance took place over several months. The Audit Summary Finding was \$934.00, an immaterial amount relative to the size of the District. The audit was another confirmation of the District's strong controls, policies, and procedures.

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

This 4th Quarter Financial Report will be presented to the Board of Education on Thursday, September 8, 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