

September 7, 2012

Members of the Board of Education  
Dr. 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 2011/2012. 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 includes staffing reports, performance indicators and a guide to understanding the content within the General Fund expense descriptions. **Please note this is a preliminary report as the audit for FY 2012 will not be complete until November. The numbers are subject to change.**

The District remains financially sound. By adhering to its strategic financial plan, including spending reductions and use of reserves, District leadership has mitigated the impacts of an on-going turbulent economy. 2011/2012 year end reserves were down \$21.4 million from 2010/2011. Conservative spending and slightly better than planned revenues helped keep reserve spend down below plan.

Following are the year-end (unaudited) financial results by fund and noted highlights:

Jefferson County Public School  
Top Level Summary by Fund  
Year End – June 30, 2012

	Revenue	2011/2012 Y-T-D % 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	\$594,572,540	100.36%	\$615,978,171	98.98%	\$(21,405,631)	\$103,734,891
Debt Service	77,923,581	95.72%	74,081,813	99.98%	3,841,869	76,183,496
Capital Reserve	20,819,529	99.59%	27,359,625	86.89%	(6,540,095)	27,379,038
Grants Fund	45,008,508	83.74%	44,111,756	82.07%	896,752	2,900,674
Campus Activity Fund	22,802,849	95.67%	22,671,443	95.25%	131,406	10,899,331
Transportation	20,494,716	99.96%	20,494,716	99.96%	-	-
Food Services Fund	24,316,717	101.80%	22,995,136	95.62%	1,321,581	7,336,247
Child Care Fund	13,908,293	98.13%	13,664,939	96.37%	243,354	4,358,158
Property Management Fund	1,595,449	101.30%	1,276,212	88.87%	319,237	4,499,781
Central Services Fund	3,503,078	99.84%	3,580,849	92.53%	(77,771)	1,876,116
Employee Benefits Fund	6,804,726	95.44%	6,598,624	83.13%	206,102	14,225,219
Insurance Reserve Fund	7,530,652	98.03%	6,992,538	80.79%	538,114	8,553,883
Technology Fund	17,973,245	101.64%	19,217,589	98.03%	(1,244,344)	8,193,121
Charter Schools	61,562,171	184.20%	50,829,804	92.42%	10,732,367	22,681,193

Cash Management (pages 1 -3):

- The operating cash balance ended the year at \$208,141,177, down from the prior year of \$231,871,829, aligned with the districts planned spend down of reserves.
- Grant receipts were \$13 million lower than the prior year due to ARRA grants ending.
- Disbursements for payroll and other operating expenses were lower as a result of planned reductions in salaries, positions and other operating expenses.

General Fund (pages 4 - 10):

- General Fund revenue ended \$20 million lower than the prior year due to \$16 million in reductions in State funding, \$6 million is attributable to the legislatively mandated move of the Transportation budget to a special revenue fund. Property taxes were down \$9.8 million from the prior year. Actual revenues were higher than plan by \$2 million -- less than a 1/2 percent variance.
- General Fund expenditures and transfers were \$23 million lower than the prior year. \$7 million of the reduction is due to net impact of the establishment of the Transportation Fund. The remaining reductions are from the 3 percent decrease in salaries and other reductions. Expenditures were 99.1 percent of plan; less than a 1 percent variance.
- The General Fund spent down \$21,406,631 of reserves for FY 2012.

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

- Property taxes collected in the spring will be used to make the December 2012 principal and interest payments. June interest payments were made on the 15<sup>th</sup>.
- The Capital Reserve Fund expenditures were lower than planned due to timing of the projects.

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

- The Grants Fund activity was lower than the prior year with the end of ARRA grants in 2010/2011. See page 15 for details of material changes in grants in 2010/2011.
- The Campus Activity Fund had lower revenues and expenditures for the fourth quarter compared to 2010/2011. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- As required by state statute, the District implemented a separate Special Revenue Fund for Transportation activities in 2011/2012. A separate fund was mandated when the District implemented a transportation fee for riding the bus to school in 2011/2012. Transportation fees exceeded planned estimates of \$1 million.

Enterprise Funds (pages 20 – 24):

- The Food Services Fund ended the year with significant improvement from 2010/2011. Net income for the year was \$1,321,581, compared to a net loss in the previous year of (\$703,698). Reduced both purchased food costs and salary costs improved the results of the fund.
- The Child Care Fund had net income of \$243,354 for the quarter, slightly lower than the prior year but better than the budget of a net loss of (\$6,400).
- The Property Management Fund had net income of \$319,237 for the year, \$37,934 higher than the prior year. Revenues decreased from the prior year due to lower building use over the summer and a transfer was not made this year to the Campus Activity fund.

Internal Service Funds (page 25 - 29):

- The Central Services Fund had a net loss of \$(77,771) for the year. This is less than planned due to project timing.
- The Employee Benefits Fund had \$206,102 of net income at year end. Claims expense was better than plan and wellness expenditures were not as high as originally planned.
- The Risk Management Fund had net income of \$538,114 for the year. Premium and claim loss expense were lower than budgeted or the prior year.

- The Technology Fund had a net loss of \$(1,244,344) for the year. The fund planned to spend down reserves by \$(1,920,600) by year end. Information Technology ended the fiscal year by nearing completion of several major projects, including a new, cutting edge learning management system and the development of a nationally acclaimed electronic curriculum system. In addition, planning continued for a District wide initiative to address the growing instructional demand for mobile wireless devices.

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

- Three charter schools had yellow flags and one had a red flag for year end. Mountain Phoenix was approved by the Board to borrow \$95,000 from the District. Although they were not borrowing at the end of the year, they continue to be monitored. Rocky Mountain Deaf School was not borrowing at the end of the quarter. Two Roads High School was approved to borrow \$150,000 over two years to help with an unplanned cash flow shortage. Collegiate Academy is not borrowing but has spent to very low levels and is currently working with the District to balance their budget.

**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:

Facilities Management (FM) staff continues to work on process efficiency gains and system changes. To assist with these ongoing initiatives IT has temporarily assigned two staff members to work directly with FM staff on a daily basis. The Asset Lifecycle Management (ALM), the new Computerized Maintenance Management System (CMMS) has been operational for one year:

Five key initiatives and respective statuses of the current ALM stabilization project are:

- Clean-up of all old work orders where labor was not posted – labor is now posting to all work orders.
- Update and complete all preventative maintenance schedules – spring PM completed, summer PM schedules entered for maintenance to complete prior to start of school.
- Complete the listing of all facility assets – asset hierarchy being updated, all assets to be customized for each site no later than October 30, 2012.
- Billings current for school funded work orders – billings for funded work orders are completed by the 15th of every month. Billings exceeded the 2012 projection by over \$270,000 for FY12.
- Billings current for risk management funded work orders related to storm damage or vandalism - monthly meetings were held to review progress of work. Billings will be submitted to risk when claim is completed no later than October 1, 2012.

The key initiatives related to process improvement include: development of Key Performance Indicators (KPI's), documentation of the work order work flow and completing training documentation that includes both process and step-by-step instruction on use of ALM. To assist with greater process efficiency, as well as consistent application of processes, five facilities management staff members have been re-assigned to report to the director of planning and the director of construction. These initiatives will continue into the next 12 months.

Annual Capital Planning and District Wide Facilities Master Plan:

The Annual Capital Planning process was initiated in the 4<sup>th</sup> quarter, fiscal year 2012. Capital Planning is based on the facility condition assessment data initially collected in 2009, which included life cycle information from the State Wide Financial Assistance Priority Assessments. All condition assessments are then updated on a three year cycle which ensures that a facility is visited and the assessment is updated and validated at least once every three years. Below is a recap of the individual components of the Capital Planning that have ongoing tasks.

*Facility Condition Assessments:* Keeping the facility condition assessment database current and accurate is an ongoing process throughout the year which includes on-site assessments and review meetings with maintenance staff. Forty-five site assessments were completed by the start of school, August, 2012. Semi-annual reviews of the deficiencies with Facilities Maintenance staff will be completed in October 2012 and April 2013.

*Annual Enrollment Projections:* Interactive planning meetings to update the Five-year enrollment forecasts are scheduled for November 2012. The Preliminary Five year projection was presented to the Capital Asset Advisory Committee and the Board of Education in January 2013.

*Issue 2011 Summary of Findings:* Staff has incorporated the updated assessment and enrollment data. The executive summary of the updated data will be presented to the Board of Education in a study session in January 2013. Links to the previous Summary of Findings and the Enrollment Projections Report have been provided on the district Facilities Webpage.

*Capital Transfer Allocation:* Utilizing the current facilities assessment data, staff from the departments of Facilities Planning and Construction, Facilities Management department, Information Technology and Budget developed a draft list of capital projects to be completed in the summer of 2013. The final list will be presented to the Capital Asset Advisory Committee in September 2012.

#### Technology Phone System:

The contract 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 primarily funded by federal ERATE revenues and IT reserves. Central core equipment has been installed at both the Education Service Center and the Quail facility. Four phases and sixty-six sites have been completed to date (58 percent); 4,591 new handsets have been installed (6,409 remain). The District voice mail system will be migrated over to the new platform by the end of November 2012. Remaining sites to migrate: Elementary Schools 45, Middle Schools 14, High Schools 9 and other sites 24. Project completion is planned for December 2013. To ensure stability of phone systems, an accelerated schedule will be considered.

#### Disaster Recovery Project (DR):

To date, disaster recovery (DR) plans have been developed and tested for 49 systems and services. A secondary Internet circuit independent from the District's primary 500Mb circuit has been installed at the DR location at Quail with 50 Mb capacity and the capability to increase to 1GB. This was established due to the demand on Internet services and reliance on cloud based systems and services (Schoology, Google apps, etc.).

One full DR drill was successfully conducted during the first week of July 2011 and a second major DR test was conducted during the first week of winter break 2011 as well as drills conducted over the 2012 spring break period. The Chief Technology Officer will organize a District-wide committee to facilitate ongoing District DR and Business Continuity initiatives. Two "mini" DR drills were conducted during the remainder of the 2011-2012 school year. It is anticipated that the next major test will occur over the summer of 2013.

#### 2013/2014 Budget Development

The 2012/2013 Budget Development Process included a multi-year plan. A two year reduction list for 2012/2013 and 2013/2014 was developed to align revenues and expenditures in 2013/2014, ceasing the spend down of reserves and ensuring a structurally balanced budget into the future. The 2012/2013 process engaged more than 3,000 participants. Required planned reductions for

2013/2014 can be found at: <http://www.jeffcopublicschools.org/finance/index.html>. No revenues from the proposed Mill Levy Override or Bond ballot issues are assumed in the 2012/2013 or 2013/2014 budgets. The district has appropriately planned for projected required reductions. Additional future community engagement and Board budget forums for the 2013/2014 budget will be planned in the fall.

The District remains in sound financial condition. We will continue to spend conservatively and diligently monitor economic variables on the radar. This 4<sup>th</sup> Quarter Financial Report will be presented to the Board of Education on Thursday, October 4, 2012. 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