

Building Bright Futures
 January 27, 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 Second Quarter Financial Report for fiscal year 2010/2011. The General Fund has a net change in fund balance of \$(133,454,400) for the quarter with expenditures at 48.68 percent of plan. The net change is larger than plan due to an elevated mid-year spend down of reserves related to the timing of property tax revenues. The majority of property tax will be received from February through June. The Adopted 2010/2011 Budget projects reserves will be spent down by \$37 million for the year. In future years as reserves are spent down to mandated levels, tax anticipation notes will be required to cover cash flow needs. Current estimates from CDE in December 2010 are for additional General Fund rescissions of \$24 million. \$22 million is to be backfilled by state stabilization and edujobs funding, both are grants that have spending limitations.

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 - December 31, 2010

	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	\$188,896,671	30.23%	\$322,351,071	48.71%	\$(133,454,400)	\$15,312,049
Debt Service	1,447,317	1.77%	65,149,494	83.60%	(63,702,176)	4,528,568
Capital Reserve	13,780,095	57.76%	14,684,754	42.25%	(904,659)	35,494,000
Grants Fund	16,877,516	35.58%	17,147,948	36.18%	(270,432)	1,760,562
Campus Activity Fund	13,954,991	57.63%	11,448,109	46.93%	2,506,882	12,503,467
Food Services Fund	10,940,411	44.56%	11,496,725	44.80%	(556,314)	6,162,050
Child Care Fund	7,360,976	48.80%	6,869,068	45.06%	491,908	4,309,598
Property Management Fund	868,483	52.80%	830,522	51.77%	37,961	3,937,202
Central Services Fund	1,699,799	46.74%	1,767,186	47.07%	(67,387)	1,864,692
Employee Benefits Fund	3,438,831	48.50%	3,514,872	43.59%	(76,041)	13,972,097
Risk Management Fund	4,716,205	51.76%	5,284,440	59.69%	(568,235)	7,735,736
Technology Fund	9,027,300	48.22%	9,269,348	45.98%	(542,048)	10,048,797
Charter Schools	33,023,940	82.38%	31,737,981	79.35%	1,285,959	11,805,120

Cash Management (pages 1 -3):

- Cash balances for December 2010 are \$42.5 million lower than the prior year to date reflecting the planned spend down of reserves. State equalization receipts are \$17.0 million lower than the prior year.
- Capital reserve projects disbursements are lower due to the end of the bond program.

General Fund (pages 4 - 12):

- General Fund revenues are down nine percent from the prior year. State equalization funding is down \$17.0 million compared to last year. Factoring in prior year and the current year's rescissions, the variance will be over \$56 million by the end of the year. Specific ownership tax collections continue to fall compared to prior year.
- General Fund expenditures are \$6 million lower than the prior year. The expenditures reflect conservative spending compared to the budget at 48.68 percent. Reductions for salaries, purchased services, materials and capital outlay are offset slightly by the increase in benefits from the mandated increase in PERA contributions.
- Utility costs for electricity and water and sanitation continue to be higher than prior year due to rate increases and consumption. District staff is anticipating utility expenditures will exceed budget by \$1 million.
- The District had a net change in fund balance of \$(133) million. The change is higher at the quarter due to the timing of property tax revenue but also reflects the planned spend down of reserves.

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

- Payments of \$65 million were made on December 15th for principal and interest on general obligation debt. Property tax revenue will be received in the spring.
- The Capital Reserve Fund expenditures are down compared to the prior year due to the end of the bond program. Jeffco Open partial replacement and Jefferson HS repairs and renovation are among some of the final projects.

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

- Grants fund revenues are lower than prior year due to timing of grant expenditures and resulting timing of reimbursement. Please 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 a net change in fund balance of \$2.5 million, \$31,453 higher than the prior year. Activities have increased from the prior year, reflected by the higher revenues and expenditures.

Enterprise Funds (pages 20 - 24):

- The Food Services Fund has been changed to a red flag due to the ongoing projection to end the year at a greater loss than planned. This would be the second year for unplanned losses. At this time there is not a defined plan that will balance the food service budget. Finance staff is continuing to meet with the food service management to help identify areas for change.
- The Child Care Fund has a yellow flag on the centrally managed school age child care program. The quarter end loss of \$(79,600) is larger than planned. Financial staff has met with the program coordinator and details of the changes to the program can be found on page 20. The fund is still flagged as the program continues to be monitored.
- The Property Management Fund expenses are lower than the prior year as 2009/2010 included expenditures for the capital asset planning process.

Internal Service Funds (page 25 - 29):

- The Central Services Fund has a loss for the end of the quarter of \$(67,387), 57 percent of the planned loss of \$(117,700). Revenues for the quarter are lower than planned due to lower demand from schools. The fund is expected to end as planned.

- The Employee Benefits Fund claims losses slowed down from the first quarter. Claim losses are 44 percent of plan in December. Net assets are being spent down as planned to use the Kaiser rebate received in the prior year for the district wellness program. The fund has a net loss of \$(76,041) for the quarter and is budgeted to spend down net assets for the year.
- The Risk Management Fund has net loss of \$(568,235) for the quarter. Expenses continue to come in as the repairs to buildings from the 2009 hail storm were finishing up over the summer. Insurance premiums did go up over the prior year due to the District's recent loss history.
- The Technology fund has a net loss of \$(514,519) for the quarter reflecting the planned spend down of fund balance. Information Technology is continuing work on monitoring and expanding the network bandwidth between the Education Center and schools, the development of an online student information card solution, the implementation of Hyperion Budget Management, Asset Lifecycle Management solutions, the upgrade of PeopleSoft applications and a major disaster recovery initiative.

Charter Schools (pages 30-32):

- Two schools have yellow flags for the quarter end. Mountain Phoenix was approved by the Board to borrow \$95,000 from the District. FY 2011 will be the first year of the four year payback period. The school will be monitored until the loan is repaid. Rocky Mountain Deaf school is borrowing \$(100,647) at the end of the quarter. Their excess cost billing was approved by CDE in December. Outstanding billings from other districts will cover the borrowing when received.

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 implementation of recommendations provided in the 2008 Facilities Maintenance Program review. The current work order system, Maximo, is being 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:

The three components of the District Wide Facilities Master Plan; Capital Asset Planning, Facilities Usage Committee and State Wide Financial Assistance Priority Assessments, have been completed and a Preliminary Facilities Master Plan has been submitted to the Board. Below is a recap of the components, tasks and deliverables that have been completed. Moving forward, the annual capital plans and the District Wide Facilities Master plan will also be reviewed with the new Capital Asset Advisory Committee which was proposed to and approved by the Board of Education in September.

Capital Asset Planning: In May 2010, the Capital Asset Planning team met with Cabinet to review the summary of assessment findings and six overarching topics: previous commitments, athletic fields, preschools, sixth grade alignment with middle school, replacement schools and consolidations and choice enrollment. A follow-up meeting was held with Cabinet in June to further refine the issues and provide additional direction to the Capital Asset Planning team. A work session with Cabinet was held in September to review preliminary analysis. The Summary of Findings report was presented to the Board of Education in October along with an agreed upon timeline and will be published in the next several weeks. Master plan recommendations and a communication plan will be developed and reviewed with the Capital Asset Advisory Committee, cabinet and then presented to the Board.

The database and software used to track and monitor the deficiencies was transitioned to the District in September. District planning staff has drafted and is implementing a process to keep the assessment

data current. At that time district facilities planning staff will take over full responsibility for keeping the data current and accurate.

Facilities Usage: status of the implementation of the January 2010 Board of Education facilities usage directives follows:

- Construction was completed to create a K-8 program at Arvada MS for the students that are currently at Russell ES and Arvada MS. Sale of the property to the county was final on November 30, 2010.
- The school related programs have been moved out of the cottages and the temp buildings into the main building at Allendale ES. Two of the temporary buildings are scheduled to be demolished in the third quarter of FY 2011; one will be used for before and after school care by the YMCA under the building use process.
- The Arvada West Preschool has moved to Fitzmorris ES; construction of a separate preschool play area was completed at the start of school. The listing agreement has been executed with a real estate broker.
- The Swanson Preschool has moved to Secrest ES; construction of a separate preschool play area was completed at the start of school. The listing agreement has been executed with a real estate broker.
- Thirty-six schools that have temporary buildings and 92% or less utilization in SY 2007/2008 have been surveyed. Currently, the plan for temporary buildings is: demolish fifteen (two have been demolished), mothball nineteen and sell eight. Demolition of eleven temps will occur no later than June 2011, the remaining two will be demolished in October 2011.

Technology Phone System:

The RFP was awarded to Qwest Communications to install a Cisco Unified Communication platform that replaces the District's 17 year old analog phone system. Central core equipment has been installed at both the Education Service Center and the Quail facility. Central administrative site migration to the new phone system originally scheduled for December 2010 has been delayed by three to four months due to technical issues. Central administrative sites and five schools will be upgraded as part of a pilot from February through the end of March.

Disaster Recovery Project (DR):

DR plans have been developed for 49 systems and services. The DR facility is near completion and is expected to be commissioned on January 31st, 2011. All DR equipment will be relocated from the Education Center to the DR data center during that week.

2010 accomplishments:

- 3 formal testing dates were conducted – July, October & December
- 21 of 49 systems have been tested to date, another 10 are planned for the first quarter of 2011
- DR plans have been written for all level 0-3 systems (these 32 systems consist of fail-safe communications, life safety, mission critical services and core services. Recovery time objectives for these systems range from 1 minute for fail-safe communications (School Messenger), to 1 day for Life safety (Fire/S.I.S, phones, etc), 3 days for mission critical (Blackboard, Campus, Encore, etc.) and core systems (PeopleSoft HR/FS, Maximo, etc.).
- DR roles and responsibilities have been defined and assigned to support staff for all level 0-3 systems
- Monthly processes have been established to communicate, plan and coordinate DR program

2011 goals.

- 1 full/large DR drill and 3 minor drills are planned during the 2011 calendar year
- Chief Technology Officer will organize a District wide committee to facilitate ongoing District Dr initiative
- Network architectural planning is scheduled to develop redundant internet access for the District

2010/2011 Budget Development:

District Staff Leadership recommendations for the 2011/2012 Budget were presented at the October 21st Board meeting. Community budget forums were hosted November 13th with attendance by more than 600. Budget projections will be presented to the Board in early spring. Additional community engagement will be hosted in April. Budget information is available on the Districts website.

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

This 2nd Quarter Financial Report will be presented to the Board of Education on Thursday, February 24, 2010. 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