

*Building Bright Futures*  
 April 30, 2012

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 Third Quarter Financial Report for fiscal year 2011/2012. General Fund expenditures are at 74 percent of planned expenditures. The Adopted 2011/2012 Budget incorporates \$37.4 million of reductions, efficiencies and savings, as well as spending down \$32.6 million of reserves. The State has adopted a supplemental appropriation to their budget which provides an additional \$1.9 million to the District. No further funding rescissions are anticipated for 2011/2012 from the State. Prior to year end, staff will present the Board of Education with a recommended supplemental appropriation to incorporate unanticipated variables into the 2011/2012 Budget. The District continues to monitor the economic climate and State actions to be prepared for any for 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 -- March 31, 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	\$359,631,628	61.27%	\$459,559,328	74.01%	\$(99,927,700)	\$25,212,822
Debt Service	32,841,447	40.34%	62,839,969	84.80%	(29,998,522)	42,343,105
Capital Reserve	15,456,589	73.93%	20,713,192	65.78%	(5,256,603)	28,662,530
Grants Fund	26,434,149	61.30%	25,932,342	60.10%	501,807	2,505,729
Campus Activity Fund	17,366,470	73.02%	15,751,230	66.17%	1,615,239	12,383,164
Transportation	17,143,631	84.02%	15,168,309	74.34%	1,975,322	1,975,322
Food Services Fund	18,825,745	78.81%	16,662,411	69.29%	2,163,335	8,178,001
Child Care Fund	11,114,620	79.29%	10,083,879	71.11%	1,030,741	5,145,545
Property Management Fund	1,101,026	69.75%	944,030	65.74%	156,996	4,337,540
Central Services Fund	2,713,492	77.34%	2,676,047	69.15%	37,445	1,991,332
Employee Benefits Fund	5,103,067	71.57%	4,984,793	62.80%	118,274	14,137,391
Insurance Reserve Fund	5,640,069	73.42%	4,494,276	51.93%	1,145,793	9,161,562
Technology Fund	12,896,329	72.93%	13,591,023	69.33%	(694,694)	8,742,771
Charter Schools	34,561,635	103.41%	32,331,097	80.83%	2,230,538	14,179,364

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

- Operating cash balances are higher than the prior year from the issuance of tax anticipation notes (TAN's). \$54.7 in tax anticipation notes (TAN's) were issued in November 2011 to cover cash flow needs prior to spring property tax revenue receipts. The TAN's will be repaid in full in June 2012 with the receipt of the property taxes.
- State equalization receipts are \$13 million lower than the prior year due to reductions in funding.
- Disbursements for payroll and other operating expenses are lower as a result of planned reductions in salaries, positions and operating expenses.

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

- General Fund revenue is lower than the prior year by \$22 million. \$15 million is from reductions in State funding, \$5.6 million is the result of the legislatively mandated move of the Transportation budget to a special revenue fund. Specific ownership taxes, from auto licensing, are down \$289,266 and property taxes are down \$2 million.
- General Fund expenditures are \$19.5 million lower than the prior year. \$15 million of the reduction is due to the establishment of the Transportation Fund. The remaining reductions are from the 3 percent decrease in salaries and other reductions. Schools are spending at a faster pace than in previous years. This will likely result in a reduction in school carryforward. A supplemental appropriation could be needed based on school spending, it will be closely monitored in the fourth quarter.
- The District is planning to spend down fund balance by \$32.7 million by year end. The quarter to date spend down of \$100 million is higher than plan due to the timing of property tax receipts. Based on favorable revenue projections, the spend down of reserves will not likely be at the \$32M level.

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

- Property tax revenues for the debt service fund have begun to come in during the third quarter. These revenues will be used to pay the June 2012 interest payments and build reserves for the December principal and interest payments.
- The Capital Reserve Fund expenditures are lower than the quarterly benchmark of 75 percent but expenditures will increase in the fourth quarter with summer work beginning. Expenditures are not expected to be higher than plan.

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

- The Grants Fund activity is lower than the prior year with the end of ARRA grants. See page 15 for details of material changes in grants.
- The Campus Activity Fund has lower revenues and expenditures for the quarter compared to last year. Changes in timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- As required by state statute, the District began using the Transportation Fund (as a special revenue fund) when the District implemented a transportation fee 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 continues to show financial improvement from the prior year. Implementation of a plan that reduced both purchased food costs and salary costs improved the results of the fund.
- The Child Care Fund has net income of \$1,030,741 for the quarter, higher than the prior year by \$134,797.

- The Property Management Fund has net income of \$156,996 for the quarter, \$4,180 higher than the prior year. Revenues decreased from the prior year due to lower building use over the summer but have gained momentum over the last quarters.

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

- The Central Services Fund has net income of \$37,455 at the end of the quarter. Revenues have improved in the last quarter coming in over the prior year by \$43,213. The fund is currently being forecasted to end the year better than planned, due to project timing.
- The Employee Benefits Fund has \$118,274 of net income for the quarter. Claims expense is better than plan and wellness expenditures have not been as high as originally planned.
- The Risk Management Fund has net income of \$1,145,793 for the year. The first six months of the year were low for claims but recent wind damage and weather related accidents have occurred in the third quarter.
- The Technology Fund has a net loss of \$(694,694) for the quarter. The fund is planned to spend down reserves by \$(1,920,600) by year end. In the third quarter, IT partnered with the Division of Instruction to begin the migration to a new learning management system and with the continued development of a nationally recognized electronic curriculum system. In addition, work began on the annual update to the District technology plan that will have a special emphasis on addressing the growing instructional demand for mobile wireless devices. In the meantime, the multi-year upgrade to the District's phone system is continuing on schedule and on budget.

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

- Three charter schools 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 lower than projected enrollment and challenges of a new site warrant additional monitoring. Rocky Mountain Deaf School is not borrowing at the end of the quarter. Two Roads High School has been flagged due to unplanned spend down. Enrollments were also lower than projected and costs for the new site were not adequately planned.

**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. July 10, 2011 was the soft "go-live" date for the implementation of Asset Lifecycle Management (ALM) as the new Computerized Maintenance Management System (CMMS).

Five key initiatives of the current ALM stabilization project are: clean-up of all old work orders where labor was not posted, update and complete all preventative maintenance schedules, complete the listing of all facility assets, get billings current for school funded work orders and get billings current for risk management funded work orders related to storm damage or vandalism.

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 to update the Five-year District Wide Facilities Master Plan (FMP) was initiated in the 4<sup>th</sup> quarter, fiscal year 2011. Capital Planning is based on the facility condition assessment data initially collected in 2009 and 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. Fifty-one site assessments were completed by September 30, 2011. Semi-annual reviews of the deficiencies with Facilities Maintenance staff were completed in October 2011 and April 2012.

*Annual Enrollment Projections:* Interactive planning meetings to update the Five-year enrollment forecasts were held in November 2011. The Preliminary Five year projection was presented to the Capital Asset Advisory Committee and the Board of Education in January 2012.

*Issue 2011 Summary of Findings:* Staff has incorporated the updated assessment and enrollment data. The executive summary of the updated data was presented to the Board of Education in a study session in January 2012. Hard copies of the detailed reports: The Updated Summary of Findings and the Enrollment Projections Report were published and issued to the Board of Education, the Capital Asset Advisory Committee and the Financial Oversight Committee in April. Links to the data 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 2012. The list was presented to the Capital Asset Advisory Committee in August 2011. This information was provided to the Board of Education in their weekly update. Construction staff has validated scope, selected design consultants and design is underway. As of April 3, 2012, twenty-five projects were bid in preparation for summer construction. Eighteen projects remain to be bid no later than May 15, 2012. Planning for the 2012 Capital Transfer has begun; a draft list of capital projects to fund for the Summer of 2013 will be reviewed with the Capital Asset Advisory Committee at the May and June 2012 meetings.

### 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 funded by federal ERATE revenues and IT reserves. Central core equipment has been installed at both the Education Service Center and the Quail facility. Fifty-six school sites have migrated to the new environment (approximately 35%). Project completion is planned for 2014.

### Disaster Recovery Project (DR):

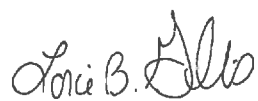
To date, DR plans have been developed and tested for 49 systems and services. A secondary internet circuit independent from the District's primary 400Mb circuit will be installed at the DR location at Quail by summer 2012 due to the internet demand and reliance of cloud based systems and services. One 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 the 2012 spring break period. The Chief Technology Officer will organize a District-wide committee during 2011-2012 school year to facilitate ongoing District DR and Business Continuance initiatives. Several

“mini” DR drills will be conducted throughout the remainder of the 2011-2012 school year. It is anticipated that the next major test will occur over the summer.

**2012-2014 Budget Development Process:** The District's 2012-2014 Budget Development Process continues. 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 2<sup>nd</sup> Quarter Financial Report will be presented to the Board of Education on Thursday, February 16, 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