JEFFCO
PUBLIC SCHOOLS

Building Bright Futures

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November 5, 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 First Quarter Financial Report for fiscal year 2012/2013. 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.

The District has implemented the $15 million in reductions detailed in the 2012/2013 Adopted Budget. By adhering to its strategic financial plan, including spending reductions and use of reserves, District leadership has mitigated the impacts of the Great Recession and the ensuing slow economic recovery. Unfortunately, reports from both the State Legislative Council and the Office of State Planning and Budgeting indicate the economic recovery has shown signs of stalling. Conservative forecasting and spending continue to benefit the District as it weathers these unprecedented times. The September economic forecast from the Governor's Office of State Planning and Budgeting was encouraging with estimates for some additional funding to be placed in the state education fund. However, the Colorado Department of Education has advised Districts to not incorporate any additional funding assumptions for forecasting as there have been no decisions on how this money will be disbursed. Additional funding in the state education fund does not automatically flow to school districts. It is irresponsible and misleading to suggest to the community the District will receive a significant increase in funding for 2013/2014. As of November 1, the Governor's Budget Proposal includes an additional $10M in funding for Jeffco when compared to last year's State Total Program Revenue.

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

Jefferson County Public School
Top Level Summary by Fund
Year End – September 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	$88,958,466	15.27%	$147,182,656	24.32%	$(58,224,190)	$43,371,668
Debt Service	83,073,846	102.03%	83,843,642	115.32%	(769,796)	75,262,729
Capital Reserve	5,141,304	21.84%	8,131,926	26.27%	(2,990,622)	24,388,415
Grants Fund	5,797,225	12.24%	4,051,007	8.55%	1,746,217	4,646,890
Campus Activity Fund	8,248,947	34.68%	4,894,467	20.56%	3,354,480	14,260,024
Transportation	5,145,168	24.04%	4,884,287	22.82%	260,881	260,881
Food Services Fund	4,980,570	20.37%	4,562,554	19.01%	418,016	7,754,263
Child Care Fund	3,539,988	24.13%	2,931,774	19.89%	608,214	4,966,372
Property Management Fund	343,138	21.72%	301,275	20.70%	41,863	4,541,647

Continued	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)
Central Services Fund	715,681	20.40%	668,396	17.27%	47,285	1,923,405
Employee Benefits Fund	1,565,933	24.35%	1,781,203	24.75%	(215,270)	14,009,949
Insurance Reserve Fund	1,944,640	25.91%	1,894,879	23.17%	49,761	8,603,644
Technology Fund	4,111,641	24.73%	4,759,783	24.02%	(648,142)	7,544,979
Charter Schools	12,252,421	32.24%	12,136,941	24.27%	115,480	21,829,061

Cash Management (pages 1 -3):

- Operating cash balances went down $57 million for the quarter. Cash balances will drop until the November 2012 issuance of Tax Anticipation Notes (TAN's) and until property taxes are received in the spring.
- Receipts are very similar to the prior year quarter. The Other State Revenue line is higher than the prior year due to $10 million in Special Education categorical funding from the state being received in the first quarter for 2013 and in the second quarter for 2012. Cash from one-time State Fiscal Stabilization Funding was received in first quarter last year.
- Disbursements for payroll were lower than the prior year due to timing of the 3% percent wage reduction. Capital reserve project disbursements are down with less funding for capital projects.

General Fund (pages 4 - 10):

- General Fund revenue is $1.8 million lower than the prior year. State revenue is lower from the decline in students. The majority of property tax will be received in the spring, driving the need to issue TAN's.
- General Fund expenditures are $2.6 million lower than the prior year. Expenditures are 24% of budget, slightly lower than the 25% benchmark for the quarter.

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

- The Debt Service Fund reflects the advance refunding approved by the Board and completed in September. The District achieved $5 million in savings from the refunding. The budget for the fund will be adjusted after the supplemental budget adjustments in the spring.
- The Capital Reserve Fund expenditures are 26% of plan for the quarter. Expenditures are higher in the summer when the majority of work is completed.

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

- The Grants Fund activity continues to be lower than prior years due to the end of ARRA grants. See page 15 for details of material changes in grants.
- The Campus Activity Fund had lower revenues and expenditures for the first quarter compared to the prior year first quarter. Timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation fees increased this school year. Ridership has remained stable and collections of fees have been earlier for this school year.

Enterprise Funds (pages 20 – 24):

- The Food Services Fund has net income for the quarter of $418,016, higher than the prior year with increased federal reimbursements and donated commodities.
- The Child Care Fund has net income of $608,214 for the quarter, lower than the prior year. Revenues and expenses are higher than the prior year due to new classrooms in all day kindergarten.

- The Property Management Fund had net income of $41,863 for the quarter. Revenue from summer activities is higher than the prior year.

Internal Service Funds (page 25 - 29):

- The Central Services Fund has net income of $47,285 for the quarter. The fund is planned to spend down net assets for equipment purchases happening later in the year.
- The Employee Benefits Fund has a net loss of $(215,270) for the quarter. Claim expenses are historically higher in the summer with employees using benefits over the summer break.
- The Risk Management Fund has net income of $49,761 for the quarter. Claim expenses are higher than the prior year.
- The Technology Fund has a net loss of $(648,142) for the quarter, aligned with the plan to spend down reserves. In the first quarter, Information Technology continued to focus on several key instructional technology initiatives in support of personalized learning. A new Learning Management System (LMS) is now in place, while approximately 150 teachers are field testing a nationally acclaimed, custom-developed electronic curriculum system. Technology and instructional leadership are collaborating to seek grant funding for an instructional improvement system that would more tightly integrate instructional data systems, in addition to provide predictive analytic capability in support of personalized instruction. Planning also continues for a district-wide initiative to address the growing instructional demand for mobile wireless devices.

Charter Schools (pages 30-32):

- Three charter schools have yellow flags and one has a red flag for the quarter. Mountain Phoenix is borrowing $(5,782) and Two Roads High School is borrowing $(72,226) for the quarter end. Both are within the approved borrowing by the District. Rocky Mountain Deaf School is borrowing $(179,525) from unbilled excess cost. Collegiate Academy is not borrowing but has spent to very low levels and is currently working with the District to balance the budget by year end.

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 (PM) schedules – summer PM schedules were entered and completed prior to start of school. The schedules for the fall, winter and spring rotations have been published.
- Complete the listing of all facility assets – asset hierarchy was updated, customization of the assets by site will be worked on through the end of this FY. Billings current for school funded work orders – billings for funded work orders are completed by the 15th of every month. The July/August billing was completed by September 14th. The September billing was completed on Oct 16. Total quarterly billing was $156,000.
- 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 31, 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. 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 4th 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. Fifty-three site assessments were completed by the start of school, August, 2012. Semi-annual reviews of the deficiencies with Facilities Maintenance staff were completed in October 2012.

Annual Enrollment Projections: Interactive planning meetings to update the Five-year enrollment forecasts were held in October 2012. The Preliminary Five year projection will be presented to the Capital Asset Advisory Committee and the Board of Education in December 2012. .

Issue 2012 Summary of Findings: Staff is working on incorporating 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 December 2012. Links to the previous Summary of Findings and the Enrollment Projections Report are 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 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 November 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 jeopardize stability of system. 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. Five phases and ninety-two sites have been completed to date (60 percent); 5,476 new handsets have been installed (5,156 remain). The District voice mail system was originally planned to be migrated over to the new platform by the end of November 2012 but technical issues will prevent this migration – it is tentatively schedule for the middle of January 2013. Remaining sites to migrate: Elementary Schools 40, Middle Schools 13, High Schools 9 and other sites 2. Project completion is planned for December 2013.

Disaster Recovery Project (DR):
To date, disaster recovery (DR) plans have been developed and tested for 48 systems and services. All new systems and services are reviewed and added as they are moved into the production environment. 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.). Disaster Recovery drills for the 2012/2013 fiscal year have been

completed on 7/17/2012 and 10/24/2012. Three drills are scheduled for December, April and June for this fiscal year.

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 1st Quarter Financial Report will be presented to the Board of Education on Thursday, November 15, 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

Lorie B. Gillis
Chief Financial Officer