

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 2010/2011. The General Fund expenditures are lower than budget due to the movement of Edujobs funded expenditures to the Grant Fund, unfilled positions and overall conservative spending. A portion of elementary and middle school teacher's salaries and benefits were applied to the grant in January 2011. Property tax revenues will increase in the fourth quarter, partially offsetting the spend down of reserves. Reserves are estimated to decrease \$33 million by year end. Remember, the spend down in reserves was used to mitigate the amount of budget reductions that otherwise would have been required for the 2010/2011 fiscal year.

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, 2011

	2010/2011 Y-T-D 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	\$382,102,189	61.14%	\$471,430,087	71.24%	\$(89,327,898)	\$59,438,551
Debt Service	33,950,151	41.42%	65,150,744	83.60%	(31,200,593)	37,030,151
Capital Reserve	19,911,285	83.46%	17,233,722	49.58%	2,677,563	39,076,222
Grants Fund	42,132,731	88.83%	42,458,513	89.57%	(325,782)	1,705,212
Campus Activity Fund	19,170,849	79.17%	16,895,852	69.26%	2,274,997	12,271,582
Food Services Fund	18,198,407	74.04%	18,010,969	70.18%	187,438	6,905,802
Child Care Fund	11,453,352	75.92%	10,555,742	69.25%	897,610	4,715,300
Property Management Fund	1,297,759	78.89%	1,144,943	71.37%	152,816	4,052,057
Central Services Fund	2,669,884	73.42%	2,612,324	69.58%	57,560	1,989,639
Employee Benefits Fund	5,191,967	73.23%	5,151,420	63.88%	40,547	14,088,685
Risk Management Fund	6,776,527	74.37%	7,243,941	81.83%	(467,414)	7,836,557
Technology Fund	12,887,363	71.21%	14,305,632	70.97%	(1,418,269)	9,172,576
Charter Schools	43,522,106	108.57%	41,265,175	103.16%	2,256,931	12,776,092

Cash Management (pages 1 -3):

- The cash balance for March 2011 is \$59 million lower than the prior year.
- State equalization receipts are \$27 million lower than the prior year.
- Disbursements for capital reserve projects are \$25 million lower than last year.
- Spend down of reserves and completion of bond program has driven down cash balance as planned.

General Fund (pages 4 - 12):

- General Fund revenues are down \$27 million for State equalization funding and \$1.2 million for specific ownership taxes. State equalization is lower due to State rescissions and specific ownership taxes have dropped.
- General Fund expenditures are \$20 million lower than the prior year. The majority of the decrease is from the one month of salaries charged to the Edujobs grant in January. The remaining variance is due to planned budget reductions across expense lines in the fund.
- Utility costs for electricity and water continue to be yellow flagged due to increased consumption and higher than planned rates. The current estimate is for the utilities line to be \$480,000 over budget.
- The District had a net change in fund balance of \$(89) million. The estimated year end spend down of reserves is \$(33) million. Spring property tax receipts will positively impact reserve balances.

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

- Debt Service property tax revenue started coming in for the third quarter with the majority yet to be received in fourth quarter.
- The Capital Reserve Fund expenditures will increase in the fourth quarter as summer work will begin. A supplemental appropriation will be requested to match the timing of the project expenditures. The sale of Russell Elementary is shown as a special item in the fund. Arvada West Cottages were sold in March.

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

- Grants Fund activity increased with the transfer of General Fund expenditures to the Edujobs grant. 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 increased activity for the year. Fletcher Miller received a \$500,000 donation in January 2011.

Enterprise Funds (pages 20 – 24):

- The Food Services Fund is showing improvement in the third quarter resulting from reductions in staffing, reduction in hours, and meal costs combined with price increases and increased participation. Based on these results continuing, the fund is estimated to end as planned. A supplemental appropriation for \$200,000 may be requested to cover significant increases in cost of food. The fund will still be monitored closely.
- The Child Care Fund has a yellow flag on the centrally managed School Age Child Care Program. The Program has had improved results for the quarter due to consolidations and changes in staffing. Three programs will be closed for the next fiscal year to reduce losses. A supplemental appropriation will be requested to align transfers and expenditures with the final count for the Colorado Preschool Program.
- 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 net income of \$57,560 for the quarter. Staffing reductions have offset lower demand for services. The Fund is anticipated to end the year as planned.

- The Employee Benefits Fund has net income of \$40,547 for the quarter. Group life claims have decreased from the prior year and expenses for wellness activities have increased.
- The Risk Management Fund has net a loss of \$(467,414) for the quarter. High claim costs for hail damage, deductibles and timing of the insurance recoveries have created this loss for the year. A supplemental budget appropriation will be requested in the fourth quarter to cover claim cost and additional cost of emergency preparedness.
- The Technology Fund has a net loss for the quarter of \$(1,418,269). A continued focus for Information Technology has been on building capacity to support Google Apps for instructional purposes on a district-wide basis, monitoring network bandwidth between the Education Center and schools, the implementation of a major Asset Lifecycle Management solution, the upgrade of all PeopleSoft applications, and a robust disaster recovery initiative. In addition, the roll out of a district-wide online student information card will commence in April. A supplemental appropriation will be required due to accelerated timing of projects. Projects remain within original budget estimates.

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 \$(37,708) for the quarter 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 third quarter. A supplemental appropriation will be needed for this fund to cover the debt issuance from Free Horizon and the refinance from Rocky Mountain Evergreen in addition to general expenditures from higher enrollment.

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 preliminary District Wide Facilities Master Plan (FMP) and corresponding communications plan was presented to the Board of Education in January 2011. The FMP is based on the facility assessment data collected in 2009 and the State Wide Financial Assistance Priority Assessments, and incorporates the Facilities Usage Committee recommendations which were approved by the Board in January 2010. The Board of Education voted to hold on the review and implementation of the FMP. In March, the Board of Education announced budget cuts that included facility changes that had been included in the FMP non-bond recommendations list.

The FMP facilities evaluation criteria and FMP assumptions were reviewed with the new Capital Asset Advisory Committee prior to submitting the FMP to the Board of Education. The Capital Asset Advisory Committee drafted its first report to the Board of Education which was presented simultaneous with the Capital Improvement Program Oversight Committee's Final Report to the Board in April.

Below is a recap of the individual components of the FMP that have remaining or ongoing tasks.

Capital Asset Planning: The *Summary of Findings* report was presented to the Board of Education in October. 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 50 sites has been drafted for consideration. The database and software used to track and monitor the deficiencies is fully operational and being managed by District staff.

2009 Facilities Usage Directives: 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 four cottages were sold in March 2011; the two temporary buildings scheduled for demolition have been included in the demolition package which will occur in June 2011.
- 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 cottages were sold in March 2011.
- 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. The cottages were sold in March 2011.
- Thirty-six schools that have temporary buildings and 92% or less utilization in FY 2007/2008 have been surveyed. Currently, the surveys of the temporary buildings resulted in the following plan: demolish fifteen, mothball twenty and sell eight.
 - Demolition: two completed, eleven to occur June 2011, two scheduled for demolition in October at completion of Jefferson High School renovation project.
 - Mothballing: all twenty have been mothballed.
 - Disposal – will be placed on auction list in June.

2011 Budget Cuts from Employee Summit: 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 proposed budget cuts for FY 2011/2012 include the following facility changes:

- Close Zenger Elementary School – implementation planning has begun, community meetings have occurred, a revised boundary for Lukas and Weber ES has been developed. Mothballing scope is being developed.
- Close Martensen Elementary School – implementation planning has begun, a community meeting has occurred, the revised boundary for Stevens Elementary School (PK-4) and Wheat Ridge Middle School (5-8) has been developed.
- Relocate Longview High School – staff has met to develop a space program and discuss possible options to relocate the program.
- Suspend operations at Windy Peak OELS and Mount Evans OELS – implementation planning has begun with options for suspending and/or closing the facilities. Because the OELS Foundation has begun fundraising activities in an effort to keep the facilities open, mothballing activities have been put on hold until the status of fundraising is completed in June. Updates on the status of OEL will be provided in separate communication.

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. 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. Five schools have been migrated over to the new environment and are part of the pilot phase. Phase I of regular deployment will resume during the first week of May and continue through the summer break. Project completion is estimated for 2014.

Disaster Recovery Project (DR):

DR plans have been developed for 49 systems and services. The DR facility has been completed and was commissioned on January 31st, 2011.

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 during the month of May to facilitate ongoing District DR initiative
- Network architectural planning is scheduled to develop redundant internet access for the District for delivery during 2nd quarter 2012 school year

2011/2012 Budget Development:

The 2011/2012 Budget was adopted on May 5, 2011. Additional information can be found on the District's website.

2010/2011 Supplemental Appropriations:

Supplemental Appropriations amending the adopted budget is to incorporate changes in appropriated expenditures including but not limited to; timing of projects, unanticipated cost increases or costs; mandated transfers and other Board directed actions. This is a preliminary estimate of the 2010/2011 supplemental appropriations that may be needed for fiscal 2011.

Fund	Amount	Source	Reason
Capital Reserve	\$7,000,000	Reserves	Timing of payments on projects
Food Service	200,000	Reserves	Expenses higher than planned – food prices
Risk Management	1,000,000	Reserves & Claim Reimbursement	Hail damage claims
Charter Schools	15,000,000	Financing & Per pupil revenue	Debt issued, higher enrollment
Technology	500,000	Reserves	Timing of project completion
GF Transfer to Risk Management	166,000	General Fund Underspend	Emergency preparedness Transfer from existing appropriations
GF Transfer to Child Care	73,900	Revenue	Additional CPP slots require increased transfer

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

This 3rd Quarter Financial Report will be presented to the Board of Education on Thursday, June 2, 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.

A handwritten signature in black ink, appearing to read "Lorie B. Gillis". The signature is written in a cursive style with a large initial "L".

Lorie B. Gillis
Chief Financial Officer