

October 28, 2010

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 First Quarter Financial Report for fiscal year 2010/2011. The General Fund ended the quarter with expenditures at 23.59 percent of plan. The Adopted 2010/2011 Budget projects reserves will be spent down by \$37 million for the year. The State of Colorado September 2010 Revenue Forecast noted that the current year State 2010-2011 appropriations are not going to be sufficient and currently there is a projected shortfall of \$257 million. The District is preparing for further rescissions in FY 2011 that will also impact FY 2012. On October 22, 2010, the District was notified by CDE the likely rescission amount would be \$15.7 million.

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 – September 30, 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	\$101,136,952	16.18%	\$156,080,430	23.59%	\$(54,943,478)	\$93,822,971
Debt Service	327,528	.40%	250	0%	327,278	68,558,022
Capital Reserve	5,978,094	25.06%	11,209,163	32.25%	(5,231,069)	31,167,590
Grants Fund	4,900,233	10.33%	5,001,849	10.55%	(101,616)	1,929,378
Campus Activity Fund	9,256,107	38.22%	5,646,072	23.14%	3,610,035	13,606,620
Food Services Fund	4,415,555	17.96%	4,701,796	18.33%	(286,241)	6,432,123
Child Care Fund	3,641,059	24.20%	2,925,906	19.19%	715,153	4,532,843
Property Management Fund	392,712	24.17%	318,826	22.70%	73,886	3,973,127
Central Services Fund	675,730	18.58%	789,725	21.03%	(113,995)	1,818,084
Employee Benefits Fund	1,709,701	24.46%	1,970,837	24.44%	(261,136)	13,787,002
Risk Management Fund	2,516,194	27.62%	2,814,790	31.80%	(298,596)	8,005,375
Technology Fund	4,179,743	23.10%	4,694,262	23.29%	(514,519)	10,076,326
Charter Schools	17,554,700	43.79%	15,466,777	38.67%	2,087,923	12,607,084

Cash Management (pages 1 -3):

- Cash balances lower than the prior year due to spend down of reserves. Total receipts would have been flat for the year if not for the timing of the state transportation revenue. Disbursements are lower than the prior year as the capital program is finishing the bond projects. Total operating cash decreased \$(57,845,530) for the quarter.
- Grant receipts are up from the prior year \$6,228,577 due to timing of ARRA funds.

General Fund (pages 4 - 12):

- General Fund revenues are down one percent from the prior year. State equalization funding is down \$(6,810,860) but the improved timing of receiving other state categorical revenue has resulted in a smaller variance for the quarter. The majority of property tax revenue is received in the spring.
- General Fund expenditures are \$(627,020) lower than the prior year. Salaries and benefits have a net increase of \$592,669 over the prior year. Reductions in spending for materials and supplies amount to \$(1,612,759).
- Utility costs for electricity were increased from the prior year due to the new summer tier structure with Xcel energy. The General Fund utility costs were higher in 2010 by \$406,837. Utilities were increased in the proprietary funds due to the same rate change. The District is anticipating utility expenditures will exceed budget by \$1 million.
- The District's had a net change in fund balance of (54,943,478). 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):

- Debt Service activity is minimal for the quarter as property tax receipts slowed down and there are no interest or principal payments in the first quarter. Payments of \$65,149,244 will be made in December.
- The Capital Reserve Fund continues to show the planned spend down of fund balance as the savings are used to finish the 2005 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):

- The Grants Fund revenue and expenditures are lower for the quarter due to reduction or the end of various grants. Please see page 17 for detail on the changes and appendix G for ARRA grant information.
- The Campus Activity Fund revenues and expenditures have increased from the prior year, \$469,993 in revenue. A list of the types of activities seeing increases is on page 17.

Enterprise Funds (pages 20 - 24):

- The Food Services Fund continues to have a yellow flag for the quarter as finance and food service staff work on analyzing, projecting and proposing changes that will ensure the fund will end the year as planned and reduce spend down of net assets in ongoing years. Some program changes have occurred and pending further analysis, more proposed changes are anticipated throughout the year.
- The Child Care Fund has a yellow flag on the centrally managed school age child care program. The quarter end loss of \$(45,585) was larger than expected. Even though the program has net assets to cover the loss, as it was higher than expected and a new revised plan is not in place, it needed to be placed on a monitor status. Financial staff will be working with the program managers to help analyze the activity in order to make change and forecast accurately the year end results.

- The Property Management Fund expenses are lower than the prior year as the fund paid for \$750,000 of the capital asset planning process in the prior year.

Internal Service Funds (page 25 - 29):

- The Central Services Fund has a loss at the end of the quarter due to onetime summer purchases of equipment. The fund is still planning to end the year as projected.
- The Employee Benefits Fund had higher claims for dental and vision for the quarter compared to the prior year. There have also been increased expenses for employee wellness funded by the prior year Kaiser rebate. The fund had a net loss of \$(261,136) for the quarter and is planned to spend down net assets for the year.
- The Risk Management Fund has net loss of \$(298,596) 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 net loss of \$(514,519) for the quarter. A spend down of net assets is planned for the year. Projects that IT is currently working on are monitoring and expanding the network bandwidth between the ED center and schools, online student information cards, Hyperion Budget Management, Asset Lifecycle Management and the upgrade of PeopleSoft applications.

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 \$(173,635) at the end of the quarter. Their excess cost billing has not been approved by CDE. The District averages about 75 percent of the total billing. A current estimate from CDE on time frame for approval is January at the earliest. The school had the billing forms into CDE in August.

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 Facilities Maintenance Program was reviewed by a third party in 2008. Several recommendations regarding efficiencies and system utilization were provided. The Chief Operating Officer continues to work on implementation of these recommendations. 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, are nearing or are completed. Below is a status of the components that have remaining activities to be 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 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. District staff is working with Jefferson County to finalize the sale of Russell ES in November.
- 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 process to dispose of the cottages began in September.
- The Swanson Preschool has moved to Secrest ES; construction of a separate preschool play area was completed at the start of school. The process to dispose of the cottages began in September.
- Thirty-two 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 eleven (two have been demolished), mothball twenty three, sell twelve and relocate two for construction projects (completed). The remaining four sites will be surveyed by mid November.

Technology Phone System:

The RFP was awarded to Qwest Communications to install a Cisco Unified Communication platform. Central core equipment is currently being installed at both the education service center and the Quail facility. Central administrative sites will be migrated to the new phone system by the end of the calendar year as part of the pilot phase. Six schools will then be piloted after winter break through the end of March.

Disaster Recovery Project (DR):

DR plans have been developed for the top 20 systems and services. Hardware has been procured for the site and partial testing was completed July 13th and 14th and on October 15th on some systems and services. Subsequent tests of top priority systems will be conducted during non-student contact days in November and December with the goal of a full test by summer break 2011. Construction on the Quail DR facility is expected to be complete by the end of January 2011.

2010/2011 Budget Development:

District Staff Leadership recommendations for the 2011/2012 Budget were presented at the October 21st Board meeting. After incorporating Board changes, the recommendations will be presented to the community at the November 13th Budget Forums. Budget information is available on the Districts website.

November 2, 2010 Election

Ballot measures including Amendment 60, 61 and Proposition 101 will significantly impact the District's financial strategies. Other than the Board's official opposition to these measures, no Board action has been taken to counter potential impacts. Should any of these measures pass on November 2, staff will bring required financial actions to the Board in November.

Again, 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 18, 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