JEFFCO PUBLIC SCHOOLS

Building Bright Futures

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January 29, 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:

The District remains in sound financial condition, well-positioned to face ongoing economic challenges. We have implemented the $11.8 million in budget reductions and continue to spend conservatively as we met the mid-year point of the 2009/2010 school year. Although state budgetary decisions have not been legislated, the District is planning for a current year rescission of $13.3 million. $11.1 million had been maintained in a Fiscal Emergency Reserve Fund as legislated. The additional $2.2 million is an increase in planned rescission driven by the tenuous state budget challenges. The first quarter report reflects the implementation of $11.8 million in budget reductions as planned. The District continues to monitor State issues, processes and report on these as they occur.

Attached is the Second Quarter Financial Report for fiscal year 2009/2010 which includes cash management and investment schedules, comparative analysis schedules for the 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, 2009

	Revenue	2008/2009 Y-T-D % of Budget For Revenue	Total Expenses	2008/2009 Y-T-D % of Budget for Expenses	Net Income	Fund Balance (or net assets)
General Fund	$206,377,476	31.25%	$317,575,019	46.79%	$(111,197,543)	$55,091,750
Debt Service	1,257,509	1.54%	61,067,296	80.65%	(59,809,787)	9,114,880
Capital Reserve	448,195	1.91%	32,299,728	63.79%	(31,851,533)	30,606,513
Building Fund - Capital Projects	1,605	.00%	1,605	.00%	0	0
Grants Fund	17,656,425	36.81%	17,193,334	36.38%	463,091	1,606,018
Campus Activity Fund	13,365,466	50.14%	10,939,562	41.46%	2,425,904	11,590,158
Food Services Fund	10,854,048	44.91%	11,239,678	45.28%	(385,630)	7,646,765
Child Care Fund	7,561,078	50.27%	7,143,171	46.75%	417,907	4,179,082
Property Management Fund	769,896	45.29%	1,594,703	64.81%	(824,807)	3,636,371
Central Services Fund	1,877,758	49.21%	1,630,908	43.00%	246,850	1,967,827
Employee Benefits Fund	3,593,271	39.92%	3,595,951	45.87%	(2,680)	11,832,684
Risk Management Fund	4,677,411	59.53%	4,601,053	59.27%	76,358	7,024,970
Technology Fund	9,188,869	47.56%	9,820,118	45.50%	(631,249)	8,141,739
Charter Schools	20,809,270	54.28%	19,186,139	51.85%	1,623,131	10,916,766

Our Mission: To provide a quality education that prepares all children for a successful future.

Cash Management (pages 1 -4):

- The District total cash (page 4) (excludes debt service and capital projects funds) balance is $42 million lower than the prior year at the end of December. $32 million is due to the capital project spending in the capital reserve fund. The remaining $10 million reduction in other funds cash balance is related to increased payroll disbursements.
- Specific Ownership Taxes are decreased $977,154 compared to the prior year. Interest earnings are down $2.9 million. There is a decrease of $11 million in the other receipts line due to a combination of items, please see footnote 2 on page 3.
- Capital Reserve cash balances are decreasing with the expenditures for the 2005 bond projects. The annual transfer from the General Fund will be made March through June 2010 for $22,858,000.

General Fund (pages 5 - 13):

- Total revenues are $11 million higher than the prior year. The majority of the increase is from the state equalization funding increasing $12 million over the prior year. If the state fiscal emergency funding is rescinded, this revenue line will be reduced by $11 million. There is a net decrease in local tax revenue from the decrease in Specific Ownership taxes. Property tax revenue is received in the spring, at the end of the second quarter only a small percentage of the budgeted amount has been collected.
- General Fund expenditures are 48 percent of the revised budget, lower than the six month benchmark of 50 percent. Unfilled FTE's, conservative spending and reduced bus routes have contributed to this under spending. Field Services are slightly ahead of this benchmark due to the costs for pollution remediation of the pond at Wheat Ridge HS in the summer, the total cost incurred is $265,000. Human Resources unemployment costs have increased $304,000 over the prior year to date with estimates of a year end total increase of $600,000.
- Salary and benefits is $7.3 million higher than the prior year due to COLA, step increases and the first 1% one time payout in October.
- The change in fund balance for the quarter is $(111,197,543) reflecting the common pattern resulting from the timing of property tax revenues. As legislated, the District has set aside the $11 million that will likely be rescinded in the third quarter.

Debt Service/Capital Reserve/Building Projects (pages 15 - 18):

- Principal and interest payments for the general obligation debt were made on December 15, 2009. The District continues to work with Steve Bell, Stifel Nicolas to refinance the 2004 construction bonds. The market changes are being watched closely to ensure benchmark savings of 2.25 percent is achieved.
- The Capital Reserve Fund has increased expenditures from bond projects. The large project expenses for the six months were Jeffco Open partial replacement, Ralston ES addition, Drake MS electrical/elevator addition, Johnson Program replacement, Mandalay MS HVAC/electrical improvements, Oberon MS renovation and Bear Creek HS. Operating transfers for the fund will be made March 2010 through June 2010.
- The Building Fund has retainage payable at the quarter end earning a small amount of interest as reflected in the statement.

Grants Fund/Campus Activity (pages 19 - 21):

- The Grants Fund has spent $4.5 million of ARRA grants through the second quarter. The total expected 2009/2010 ARRA expenditures are $12.5 million. The grants are based are on an expenditure reimbursement funding method, the first funds were received in January. Please see Appendix G for more information on ARRA funding.

- The Campus Activity Fund continues to have decreases in revenues and expenditures. Schools have noted larger amount of fee waivers, alternative payment option requests and less fundraising activity.

Enterprise Funds (pages 22 – 26):

- The Food Services Fund has a net loss for the quarter of $(385,630). There were less serving days in the first six months of this year compared to the prior year. This is due to the later start of school and snow days, both of which will be made up in the next six months. Please see Appendix C, page C-3 for meal statistics. There were also additional expenses for software consultants, small kitchen equipment and electrical rewiring at sites. The fund is still expected to perform as planned in the budget.
- The Child Care Fund has net income of $417,907 for the six months, lower than the prior year by $330,570. Details for these changes by program are listed on page 22. The fund planned a reduction in fund balance for the year, expenses for salaries and benefits are running lower than budgeted due to fluctuations in hours worked by employees.
- The Property Management Fund expenses are running higher than planned due to the planned payment for half of the capital asset master planning process. This is a one time payment and the fund should still end the year as planned.

Internal Service Funds (page 27 - 35)

- The Central Services Fund has net income of $246,850, an increase of $272,973 over the prior year net loss of $(26,123). School copy volume continues to be down compared to last year but has improved since the first quarter. Revenues and expenses are also down due to volume. Salaries and benefits are lower from an unfilled position.
- The Employee Benefits Fund has net loss of $(2,680) for the quarter. Revenues are down due to a decrease in premium cost to employees for group life and vision. Claim expenses increased over the prior year for group life and dental. The Benefits Advisory Committee continues to analyze and provide strategic recommendations for the use of any reserves.
- The Risk Management Fund has a net income of $76,358. Claims losses are higher than the prior year due to worker's compensation settlements, July 2009 hail storm damage and a large property claim for Woodrow Wilson charter school.
- The Technology Fund has a loss of $(631,249) for the quarter. Revenue and expense are lower than the benchmark 50 percent for the quarter. E-Rate revenues for the fiscal year have not been received. Expenses are running lower due to project timing. Expenses are expected to accelerate in the next six months but the fund will probably not spend down net assets as much as originally planned. The IT team will be reporting project progress quarterly to leadership and the District Technology Steering Committee.

Charter Schools (pages 32-34):

- The Charter schools are continuing to follow school finance and prepare for additional rescissions. The schools did not receive any of the Fiscal Emergency funding; this was all kept at the District level. One school has a red flag and two have yellow flags for the quarter end. Mountain Phoenix was approved by the Board to continue borrowing up to $95,000 for the end of the fiscal year. They have submitted a revised budget that projects additional borrowing beyond the approved $95,000; the District continues to work with the school to balance the budget. Rocky Mountain Deaf school is borrowing $(106,273) at the end of the quarter. They have receivables from other districts of $64,236. Compass Montessori Wheat Ridge is borrowing $30,000 from the Home Option program at the end of the quarter and is planning to have it fully repaid by the fiscal 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:
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 department has implemented a preventative maintenance program for district facilities. The zone preventative maintenance rotation work plan visits each site three times a year. The department is working to have the maintenance management system generate the preventative maintenance work orders with planned task – projected to start for the spring cycle. All zone leaders are using the Maximo Assignment Manager Application to assign work. Customer notification email is now functional. The Facility Asset Inventory is being reviewed and updated and projected to be completed by March 30, 2010. Once in place, the inventory will provide the district the ability to more accurately project/budget for facility maintenance needs. The current system is driven by available funds rather than financial assessment and prioritization of need. Additional resources in IT and Facilities Management are being identified to improve the utilization of Maximo applications. IT and Facilities Management are assessing whether to perform a Maximo version upgrade or transition to a new maintenance management platform for long term sustainability.

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 in various states of completion. A one-day work session is planned with the consultant on February 2, 2010 to plan the final preparation of the District Wide Facilities Master Plan, which will be completed in April 2010.

The building condition and educational adequacy assessments, which are part of the capital asset plan, are 100 percent complete. Departmental staff began reviewing the preliminary data and providing comments back to the consultant. School staff will have an opportunity to review the data in February.

The Facilities Usage Committee completed its work in December 2009. After community forums in September 2009, the committee identified and reviewed approximately 50 options in October 2009. In November, thirty-nine options were presented to the community for input. Based on community input and further consideration, the Committee recommended 12 options to the Board in its final report which was submitted on December 22, 2009.

In December, the State completed all of the educational adequacy surveys and building life cycle surveys. Both staff and the consultant for the Master Plan have been reviewing data and providing comments back to the State. The State anticipates releasing the final data in the first three months of 2010.

Bus and Support Vehicle Replacement:
Financial Services is working out the details with our underwriters to pay off the bus COP's this spring. This would be two and a half years early and allow the District more latitude in addressing the issue of aging buses and ongoing replacements as required in the bus replacement schedule. The analysis of support vehicle replacement is still in progress.

Debt Management:
The Board of Education approved District staff to continue the process of refunding bonds for the 2004 construction bonds. Other debt is still being reviewed. The 2006 construction bonds have not been refinanced and the certificates of participation could be paid off early. District staff continues to work with Stifel Nicolaus for opportunities to achieve savings.

Technology Phone System:
Information Technology teams continue to research and prepare to issue a request for proposal (RFP) for upgrading/replacing the existing district phone system which is approaching the end of its twenty year life. The replacement of this aging equipment will build the next generation platform to support the District's converged communication infrastructure. This technology will allow District sites to operate in a single identity, presence-detecting solution for voice, email, instant messaging, multimedia conferencing, faxing and voicemail. These technology tools will spur collaboration from basic communications to advanced multimedia and content delivery, providing a 21st century framework supporting students and staff. The RFP process should be completed in the spring with a final recommendation to leadership by May 2010.

Disaster Recovery Project (DR):
Work continues to progress with Disaster Recovery (DR) plans. Currently associated cost details are being gathered and reviewed as well as technical specifications for the top three Tier levels of systems and services. Due to potential closing of school buildings, the project team was holding their final recommendation. Based on those decisions the project team will submit final recommendations and costs to leadership in February 2010.

2010/2011 Budget Development
The Board of Education and Financial Oversight Committee will continue to receive updates on the 2010/2011 Budget Development process. All information regarding the process is being posted timely on the District's 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 25. 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