April 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 ended the Third Quarter as anticipated with trends of departmental under-spending and revenues as projected with $13 million in state rescissions. Despite the nationwide economic challenges, Jeffco Public Schools has maintained its sound financial position leaning on its strategically-built up reserves to offset state rescissions. The current year budget includes $11.8 million in reductions. Without the availability of reserves, deeper cuts and program reductions would have been required.

Attached is the Third 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:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Revenue</th>
<th>2009/2010 Y-T-D % of Budget</th>
<th>Total Expenses</th>
<th>2009/2010 Y-T-D % of Budget</th>
<th>Net Income</th>
<th>Fund Balance (or net assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (a)</td>
<td>$400,853,067</td>
<td>62.66%</td>
<td>$478,060,846</td>
<td>70.45%</td>
<td>$66,480,958</td>
<td>$38,108,368</td>
</tr>
<tr>
<td>Debt Service</td>
<td>393,245,407</td>
<td>57.06%</td>
<td>240,324,028</td>
<td>449.48%</td>
<td>(37,078,32)</td>
<td>31,845,035</td>
</tr>
<tr>
<td>Capital Reserve (b)</td>
<td>3,049,197</td>
<td>16.85%</td>
<td>29,288,869</td>
<td>77.59%</td>
<td>(35,229,672)</td>
<td>27,118,274</td>
</tr>
<tr>
<td>Building Fund - Capital Projects</td>
<td>1,605</td>
<td>0.00%</td>
<td>1,605</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>28,616,003</td>
<td>60.28%</td>
<td>27,885,727</td>
<td>58.00%</td>
<td>1,020,276</td>
<td>2,173,203</td>
</tr>
<tr>
<td>Campus Activity Fund</td>
<td>18,824,427</td>
<td>62.77%</td>
<td>16,673,820</td>
<td>62.81%</td>
<td>2,141,226</td>
<td>11,778,280</td>
</tr>
<tr>
<td>Food Services Fund</td>
<td>17,726,111</td>
<td>71.93%</td>
<td>18,135,702</td>
<td>72.73%</td>
<td>(408,591)</td>
<td>7,663,004</td>
</tr>
<tr>
<td>Child Care Fund</td>
<td>11,755,749</td>
<td>78.16%</td>
<td>10,890,813</td>
<td>71.54%</td>
<td>855,936</td>
<td>4,607,016</td>
</tr>
<tr>
<td>Property Management Fund</td>
<td>1,247,569</td>
<td>74.32%</td>
<td>1,896,686</td>
<td>77.08%</td>
<td>(649,117)</td>
<td>3,815,061</td>
</tr>
<tr>
<td>Central Services Fund</td>
<td>2,800,815</td>
<td>74.42%</td>
<td>2,629,325</td>
<td>68.77%</td>
<td>231,712</td>
<td>1,052,680</td>
</tr>
<tr>
<td>Employee Benefits Fund</td>
<td>5,392,057</td>
<td>59.90%</td>
<td>5,395,177</td>
<td>68.83%</td>
<td>(4,120)</td>
<td>11,882,444</td>
</tr>
<tr>
<td>Risk Management Fund</td>
<td>7,468,167</td>
<td>98.18%</td>
<td>8,007,339</td>
<td>87.54%</td>
<td>538,884</td>
<td>7,507,440</td>
</tr>
<tr>
<td>Technology Fund</td>
<td>14,935,112</td>
<td>77.31%</td>
<td>14,566,545</td>
<td>67.50%</td>
<td>368,577</td>
<td>9,442,875</td>
</tr>
<tr>
<td>Charter Schools</td>
<td>21,101,212</td>
<td>81.14%</td>
<td>28,101,080</td>
<td>77.57%</td>
<td>7,403,139</td>
<td>11,656,774</td>
</tr>
</tbody>
</table>

(a) The majority of property tax revenues will be received in the fourth quarter.
(b) The General Fund transfer to the Capital Reserve Fund will be made in the fourth quarter.

Our Mission: To provide a quality education that prepares all children for a successful future.
Cash Management (pages 1 - 3):
- The Schedule of Cash Receipts and Disbursements (page 3) has been revised to provide additional detail on receipts and now includes the capital reserve fund as it is no longer a separate cash account. Total cash on hand is $33,226,228 lower than the prior year March. The majority of spend down is related to capital reserve spending of accumulated savings on the end of the bond program as planned, coupled with the planned spend down of General Fund reserves.
- The state equalization cash includes the receipt of funds that have been rescinded and will be deducted in the fourth quarter funding from the state. Specific Ownership Taxes have decreased $(1,695,962) compared to the prior year. Interest earnings are down $3 million; please refer to page 2 to compare weighted average yields from last year.
- Disbursements for payroll have increased $12,310,356 over the prior year.

General Fund (pages 4 - 12):
- Total revenues are $20 million higher than the prior year. The majority of the increase is from the state equalization funding increasing $17 million over the prior year. Once the state pulls back the rescinded funding for FY 2010, this revenue line will be reduced by $13 million. Property tax revenue has begun to come in for the year with the majority to still be received in the fourth quarter. Tuition and fees are up slightly from the prior year due to increased charter billings. Other revenue is lower from the prior year due to onetime funding for turf fields and reduced commissions not duplicated in 2009/2010. The budget for these lines was set conservatively due to the economic environment.
- General Fund expenditures are running 2.75 below the benchmark 75 percent of the revised budget. Unfilled FTE’s, conservative spending, reduced bus routes and lower fuel costs have contributed to this under spending. Human Resources unemployment costs have increased $436,000 over the prior year to date with estimates of a yearend total increase of $600,000.
- Salary and benefits are $8.3 million higher than the prior year due to COLA, PERA increase, step increases and the first 1 percent onetime payout in October. The second 1 percent one time payout will be made in April.
- The change in fund balance for the quarter is $(68,180,925) higher than planned for the year due to the timing of property tax revenues. The majority of property tax will be received in the fourth quarter. As legislated, the District has set aside the $11 million that will be rescinded in the fourth quarter. The additional rescission of $2,016,849 was not part of the legislated fiscal emergency reserve but will also be taken out of revenue in the fourth quarter.

Debt Service/Capital Reserve/Building Projects (pages 14 - 17):
- On March 15, 2010, the District completed the refunding of the 2004 bonds. The entries reflecting the refunding are on the quarterly schedule, page 15. The net present value savings was $7,325,578. Although the transaction has already been approved by the Board of Education, the appropriation will be included in the May Supplemental Appropriation.
- The Capital Reserve Fund has increased expenditures compared to the prior year due to bond projects. The large project expenses for the nine 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 began in March 2010 and will continue through June 2010.
- The Building Fund - Capital Projects is closed. The bond proceeds from the 2004 and 2006 issuances have been completely expended.

Grants Fund/Campus Activity (pages 18 - 20):
- The Grants Fund has spent $7.5 million of ARRA grants through the third quarter. The total expected 2009/2010 ARRA expenditures are $12.5 million. The grants are based 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. Revenue is higher than expenditures due to collection of fees for which the related expenses will occur in fourth quarter such as AP testing and yearbook.

Enterprise Funds (pages 21 – 25):
- The Food Services Fund has a net loss for the quarter of $(408,591). The number of serving days is still lower than the prior year. Please see Appendix C, page C-3 for meal statistics. Purchased food expenses are higher than the prior year due to price increases and nutrition related menu changes. There were also additional expenses for software consultants, small kitchen equipment and electrical rewiring at sites.
- The Child Care Fund has net income of $856,436 for the quarter, lower than the prior year by $351,482. 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 is expected to end the year as planned and spend down fund balance.

Internal Service Funds (page 26 - 30)
- The Central Services Fund has net income of $231,712. School copy volume continues to be down compared to last year but audio visual revenue has increased. Salary and benefits are also down due to an unfilled position.
- The Employee Benefits Fund has net loss of $(4,120) for the quarter. Revenues are down from the prior year due to a decrease in premium cost to employees for group life. 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 $658,828. Insurance recovery revenue and 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 District completed an RFP for actuarial services for the incurred but not reported valuation. The award of work was to AON consulting who will have the report completed in July.
- The Technology Fund has net income of $368,597 for the quarter. Revenues have increased as the prior year ERATE funding was received in the third quarter. Expenses are lower due to unfilled positions and the timing for expenditures on projects. It is expected the spend down of net assets will be nearer $1.1 million rather than the budgeted $2.2 million.

Charter Schools (pages 31-33):
- 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. The additional rescission will be taken in the fourth quarter. 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 does not have borrowing beyond the approved $95,000; the District continues to work with the school to monitor the budget as it is very tight. Rocky Mountain Deaf school is borrowing $(37,943) at the end of the quarter. They have receivables from other districts of $53,370. Compass Montessori Wheat Ridge is borrowing $7,000 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 preventative maintenance work orders with planned tasks are generated by the maintenance management program. All zone leaders are using the Maximo Assignment Manager Application to assign work. Customer notification email is now functional. The facility asset inventory verification is complete – replacement/new assets are being loaded into the database. 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. The current maintenance management program, Maximo, will be transitioned to a new platform, Asset Lifecycle Management, 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 nearing completion.

A Capital Asset Planning three-day work session was held in March to review the deficiencies and develop options for each facility. As a result of the work session, several overarching topics were identified that need to be reviewed with cabinet. A cabinet work session to review these issues is planned for the 4th quarter, after which the master plan will be published. The building condition and educational adequacy assessments, which are part of the capital asset plan, are 100 percent complete. Department and school staff have reviewed and confirmed the data. Planning staff has started using the data to identify the top priority deferred maintenance and capital renewal items that will be addressed as a part of the 2010/2011 Capital Reserve Fund Program.

In January 2010, the Board of Education reviewed the Facilities Usage Committee recommendations and voted to implement the following options:
- Create a K-8 program at Arvada MS for the students that are currently at Russell ES and Arvada MS; sell Russell ES.
- Consolidate the programs at Allendale ES, sell the Allendale Cottages.
- Move the Arvada West Preschool to Fitzmorris ES, sell the Arvada West Cottages.
- Move the Swanson Preschool to Secrest; sell the Swanson Cottages.
- Evaluate temporary building usage at schools with 92 percent or less utilization.

Staff is working to implement the options for the start of school in August 2010.

In March, the State assessments were completed and released to the public; this information has been incorporated into the District’s assessment information.

Bus and Support Vehicle Replacement:
Financial Services is working out the details with our underwriters to pay off the bus COP’s in the fourth quarter. Authorization from the Board is on the April 30th agenda with payoff of $4 million transacted on May 15, 2010. 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 District refunded the majority of the 2005 bond issuance in March 2010. The net present value of the savings from refunding is $7,325,578. There is one bond issuance remaining to refund, the 2006 issuance. The District will continue to monitor the market and notify the Board if and when it would be beneficial to refinance this debt.

Technology Phone System:
Information regarding the phone system replacement, Unified Communications, was discussed with the Board of Education on April 22, 2010. Periodic updates on the project will continue.

Disaster Recovery Project (DR):
Work continues to progress with Disaster Recovery (DR) plans. Information on the Disaster Recovery project was discussed with the Board of Education on April 22, 2010. Period updates will continue.

2010/2011 Budget Development
District staff is preparing the Proposed 2010/2011 Budget for presentation to the Board of Education and Public Hearing in May. As negotiations are not resolved, the budget will likely be adopted before finalization of negotiations.

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, May 13. 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