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 Second Quarter Financial Report for fiscal year 2011/2012. The General Fund expenditures are slightly below the 50 percent of budget benchmark for the first half of the year. The Adopted 2011/2012 Budget incorporates $37.4 million of reductions, efficiencies and savings, as well as spending down $32.6 million of reserves. The State will consider a supplemental appropriation request for the current year in the next few weeks, and, if passed, there will be no rescissions for the current year. The State supplemental appropriation will likely mean an additional $1.9M in revenue for Jeffco. Additionally, current 2011/2012 Total Program Revenues are approximately $5.0M higher than budgeted. This favorable news is partially negated by SOT revenues. Current net projected excess revenue is approximately $5.0M. The District continues to monitor the economic climate and State actions to be prepared for any for changes.

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 – December 31, 2011

<table>
<thead>
<tr>
<th>Fund</th>
<th>Revenue</th>
<th>Y-T-D % of Budget For Revenue</th>
<th>Total Expenses</th>
<th>2011/2012 Y-T-D % of Revised Budget for Expenses</th>
<th>Net Income</th>
<th>Fund Balance (or net assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$772,632,443</td>
<td>29.41%</td>
<td>$305,935,762</td>
<td>49.38%</td>
<td>($133,324,319)</td>
<td>($8,183,797)</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1,048,984</td>
<td>1.29%</td>
<td>62,837,969</td>
<td>84.80%</td>
<td>(61,788,486)</td>
<td>15,529,613</td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>10,283,649</td>
<td>49.19%</td>
<td>17,583,843</td>
<td>55.84%</td>
<td>(2,309,794)</td>
<td>25,618,539</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>16,010,978</td>
<td>37.13%</td>
<td>15,339,973</td>
<td>35.60%</td>
<td>651,183</td>
<td>2,655,045</td>
</tr>
<tr>
<td>Campus Activity Fund</td>
<td>15,159,397</td>
<td>55.53%</td>
<td>10,308,427</td>
<td>42.51%</td>
<td>2,849,651</td>
<td>15,671,576</td>
</tr>
<tr>
<td>Transportation</td>
<td>13,348,477</td>
<td>60.44%</td>
<td>9,859,574</td>
<td>48.32%</td>
<td>3,488,603</td>
<td>3,488,603</td>
</tr>
<tr>
<td>Food Services Fund</td>
<td>11,286,412</td>
<td>42.73%</td>
<td>10,392,279</td>
<td>43.21%</td>
<td>994,003</td>
<td>7,008,699</td>
</tr>
<tr>
<td>Child Care Fund</td>
<td>7,060,533</td>
<td>92.33%</td>
<td>6,633,956</td>
<td>46.16%</td>
<td>317,378</td>
<td>4,631,979</td>
</tr>
<tr>
<td>Property Management Fund</td>
<td>687,410</td>
<td>43.55%</td>
<td>615,002</td>
<td>42.83%</td>
<td>72,408</td>
<td>1,452,932</td>
</tr>
<tr>
<td>Central Services Fund</td>
<td>1,653,992</td>
<td>47.12%</td>
<td>1,575,904</td>
<td>40.82%</td>
<td>73,488</td>
<td>2,027,375</td>
</tr>
<tr>
<td>Employee Benefits Fund</td>
<td>3,398,429</td>
<td>47.56%</td>
<td>3,427,490</td>
<td>42.81%</td>
<td>(29,061)</td>
<td>15,049,036</td>
</tr>
<tr>
<td>Insurance Reserve Fund</td>
<td>3,779,984</td>
<td>49.17%</td>
<td>3,974,763</td>
<td>44.37%</td>
<td>809,191</td>
<td>8,817,960</td>
</tr>
<tr>
<td>Technology Fund</td>
<td>8,140,470</td>
<td>46.03%</td>
<td>8,871,799</td>
<td>45.86%</td>
<td>(731,329)</td>
<td>8,706,136</td>
</tr>
<tr>
<td>Charter Schools</td>
<td>22,995,240</td>
<td>68.80%</td>
<td>21,835,570</td>
<td>54.59%</td>
<td>1,158,670</td>
<td>13,107,426</td>
</tr>
</tbody>
</table>

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Our Mission: To provide a quality education that prepares all children for a successful future.
Cash Management (pages 1 - 3):
- $54.7 in tax anticipation notes (TAN’s) were issued in November 2011 to cover cash flow needs prior to spring property tax revenue receipts. The TAN’s will be repaid in full in June 2012 with the receipt of the property taxes. $23 million of the TAN’s proceeds have been invested in short-term commercial paper; the remainder is held in Colotrust, a local government investment pool.
- State equalization receipts are $10 million lower than the prior year due to reductions in funding. Other revenue and grant revenue is higher due to the timing of reimbursement from state and federal grants.
- Disbursements for payroll and other operating expenses are lower as a result of planned reductions in salaries, positions and operating expenses.

General Fund (pages 4 - 10):
- General Fund revenue is lower than the prior year by $16 million. $11 million is from reductions in State funding, $5.5 million is the result of the legislatively mandated move of Transportation to a special revenue fund. Specific ownership taxes, from auto licensing, are down $665,779 and property taxes are down $669,612.
- General Fund expenditures are $21.8 million lower than the prior year. $9.8 million of the reduction is due to the establishment of the Transportation Fund. The remaining reductions are from the 3 percent decrease in salaries and other reductions.
- The District is planning to spend down fund balance by $32.7 million by year end. The quarter to date spend down of $133 million is higher than plan due to the timing of property tax receipts. Based on favorable revenue projections, the spenddown of reserves will not likely be at the $32M level.

Debt Service/Capital Reserve/Building Projects (pages 12 - 14):
- Principal and interest payments were made in December 2011. Property taxes received in the spring will be applied to the June interest and next December’s payment.
- The Capital Reserve Fund expenditures have slowed since summer. The type of work being done on schools includes roofs, window and door replacements. Bus purchases for transportation were also made in the first six months.

Grants Fund/Campus Activity/Transportation (pages 15 - 19):
- The Grants Fund activity is beginning to slow down with the end of the ARRA funding. Please see the detail changes on page 15 and Appendix G for a summary on the ARRA funding.
- The Campus Activity Fund has slightly higher revenue over expenditures for the quarter compared to last year. Changes in timing of events, activities and fundraising impact the collection of receipts and expenditures.
- As required by state statute, the District began using the Transportation Fund (as a special revenue fund) when the District implemented a transportation fee for riding the bus to school. Collections of the transportation fee were planned at $1 million for the year. Transportation fees exceeded planned estimates for the end of the first quarter.

Enterprise Funds (pages 20 – 24):
- The Food Services Fund continues to show financial improvement from the prior year. Implementation of a plan that reduced both purchased food costs and salary costs improved the results of the fund.
- The Child Care Fund has net income of $517,175 for the quarter, higher than the prior year by $37,670.
• The Property Management Fund had a loss for the quarter of $72,408. Revenues decreased from the prior year due to lower building use over the summer.

Internal Service Funds (page 25 - 29):
• The Central Services Fund has net income of $73,488 for the quarter end. Revenues and expenses are down due to less demand for services and changes in staffing. The fund is planned to spend down net assets this year.
• The Employee Benefits Fund spent down net assets by $79,061 for the quarter. The fund is planned to spend down net assets on the District Wellness program.
• The Risk Management Fund has net income of $802,191 for the year. Insurance recoveries and claim expenses are lower this year. No significant property claims have occurred in the first quarter of 2012 and weather related slips and falls have been lower.
• The Technology Fund has a net loss of $(731,329) for the quarter. The fund is planned to spend down $(1,920,600) by year end. (IT staff continues to work on the development of an electronic curriculum system that will assist with the alignment of District and State curriculum standards. In addition, IT built enhancements to middleware that is automating the flow of data between enterprise software applications at the District. The IT infrastructure team is researching options for increasing wireless and internet bandwidth as demand grows for mobile devices in schools).

Charter Schools (pages 30-32):
• Three charter schools have yellow flags for the quarter end. Mountain Phoenix was approved by the Board to borrow $95,000 from the District. Although they are not borrowing at the end of this quarter, their lower than projected enrollment and challenges of a new site warrant additional monitoring. Rocky Mountain Deaf School is borrowing $(1,353) at the end of the quarter. The excess cost billings that provide the majority of funding for the school were approved by the state in January. The billings to Jeffco have been accrued but billings to other districts are outstanding, creating the small borrowing. Two Roads High School has been flagged due to unplanned spend down. Enrollments were also lower than projected and costs for the new site not adequately planned.

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 process efficiency gains and system changes. 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. Implementation of ALM System efficiency gains will continue into the next 12 months.

Annual Capital Planning and District Wide Facilities Master Plan:
The Annual Capital Planning process to update the Five-year District Wide Facilities Master Plan (FMP) was initiated in the 4th quarter, fiscal year 2011. Capital Planning is based on the facility condition assessment data initially collected in 2009 and 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: The annual planning cycle started in March with the semi-annual review of the deficiencies with Facilities Maintenance staff. Fifty-one site assessments were completed by September 30, 2011. Meetings with facilities maintenance personnel to review the assessment data for all schools occurred in October 2011.

Annual Enrollment Projections: Interactive planning meetings to update the Five-year enrollment forecasts were held in November 2011. The Preliminary Five year projection was presented to the Capital Asset Advisory Committee in January 2012.

Issue 2011 Summary of Findings: Staff has incorporated 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 the 3rd quarter of 2012. Thereafter, the Updated Summary of Findings and the Enrollment Projections Report will be issued.

Capital Transfer Allocation: Utilizing the current facilities assessment data, the Facilities Planning and Construction department, Facilities Management department, Information Technology department and Budget Department staff developed a draft list of capital projects that will be completed in the summer of 2012. The list was presented to the Capital Asset Advisory Committee in August 2011. This information was provided to the Board of Education in their weekly update. Staff has validated scope, selected design consultants and design is underway. Bidding on projects is anticipated to be completed in the 3rd quarter of fiscal year 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 risk instability of system and/or ongoing system outages. The new phone system is funded by federal ERATE revenues and IT reserves. Central core equipment has been installed at both the Education Service Center and the Quail facility. Forty-four school sites have migrated to the new environment (approximately 28%). Project completion is planned for 2014.

Disaster Recovery Project (DR):
To date, DR plans have been developed and tested for 49 systems and services. Network architectural planning is scheduled to develop redundant internet access for the District for delivery during the 2012 school year. One full DR drill was successfully conducted during the first week of July 2011 and a second major DR test was conducted during the first week of winter break 2011. The Chief Technology Officer will organize a District-wide committee during 2011-2012 school year to facilitate ongoing District DR and Business Continuance initiatives. Several "mini" DR drills will be conducted throughout the remainder of the 2011-2012 school year. It is anticipated that the next major test will occur over the summer.

Other Items to Note
On December 2, 2011, the District was notified by the U.S. Department of Labor of a scheduled investigation by the Wage & Hour Division for December 8, 2011. The site selected was Norma Anderson preschool. The notice contained a list of required information for the investigation that the District would provide. District staff met with the investigator on the 8th and replied to some ongoing questions through December. On January 13th, 2012, the investigator spoke with District staff to go over areas investigated and the findings:

- Minimum Wage – No documented violations
- Overtime – No documented violations
- Recordkeeping – No documented violations
- Child Labor – No documented violations
The investigator also commerred that documentation is the best defense (for employers) and ours was “impregnable”. The investigation was closed with this conversation on January 13th, 2012.


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 16, 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
Chief Financial Officer