

STATE BOARD OF EDUCATION

Action Item

July 20, 2016

SUBJECT: Fiscal Recovery Plan for Jefferson County School District

PROPOSED BOARD ACTION

Order the Jefferson County School Board to provide a fiscal recovery plan, with supporting documentation for each proposed action, to the Commissioner of Education on or before July 27, 2016, by 5:00 p.m.

AUTHORITY FOR STATE BOARD ACTION

Section 1011.051, F.S.; Section 218.503, F.S.; Section 1008.32, F.S.

EXECUTIVE SUMMARY

To assist school districts in avoiding a financial emergency, districts are required to notify the Commissioner of Education when certain indicators of financial distress exist. Thus, superintendents must notify the Commissioner of Education at any time that the portion of a district's general fund's ending balance that is not restricted, committed or nonspendable (in other words, the portion available to fund contingencies), is projected to fall below 2 or 3 percent of its projected general fund revenues for the current fiscal year. When the projection is below 2 percent, the Commissioner reviews the district's financial condition to determine whether, based upon the district's plan, it can be reasonably anticipated that the district will avoid a financial emergency. If needed, a financial emergency board is appointed to oversee the activities of the district.

The Florida Department of Education (FDOE) received notice that Jefferson County School District's monthly 2015-16 financial report to the school board, dated May 31, 2016, reflected a negative financial condition ratio, indicating that it projected a shortfall in its funds available for contingencies. Based upon this information and other information available to the FDOE, the district's projected financial condition ratio was negative (1.25) percent on June 30, 2016. Based on the 2015-16 monthly financial report, dated June 30, 2016, the FDOE determined the district's projected financial condition remained below 2 percent.

Within the past ten years, only two school districts have been determined to be in a state of financial emergency. Jefferson County is one of those districts. Further, Jefferson County operated under a financial emergency board from April 2009 through June 2011. In March 2015, Jefferson County School District's projected fund balance fell below 2 percent and the district submitted a fiscal recovery plan for the 2014-15 and 2015-16 fiscal years.

On July 1, 2016, the FDOE requested that the district submit a fiscal recovery plan by July 11, 2016. To date, the FDOE has not received a recovery plan or other financial documentation from the district, nor has the district provided a date when the plan can be expected.

Supporting Documentation Included: FDOE Correspondence, dated July 1, 2016; FDOE Analysis of Jefferson County Financial Condition, July 15, 2016; Jefferson County School District General Operating Fund Revenues and Expenditures at May 31, 2016

Facilitator: Linda Champion, Deputy Commissioner, Finance and Operations



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July 1, 2016

Al Cooksey, Superintendent
1490 West Washington Street
Monticello, Florida 32344

Dear Superintendent Cooksey:

The Office of Funding and Financial Reporting recently reviewed Jefferson County School District's financial statements for the month ending May 31, 2016, which indicated a financial condition ratio of negative 0.83 percent. On June 22, 2016, the district's chief financial officer, Robert Lloyd, was contacted and requested to verify the accuracy of this calculation. Mr. Lloyd stated that additional information would be provided by June 29, 2016. At this time, additional information has not been received by the department.

Section 1011.051, Florida Statutes (F.S.), requires the district to submit a fiscal recovery plan if at any time the district's assigned and unassigned fund balance in the district's approved operating budget is projected to fall below 2 percent. Please consider this letter a formal request for the district to submit a fiscal recovery plan within 10 days, which is Monday, July 11, 2016. Within 14 days of receipt of the fiscal recovery plan, the Commissioner must determine if the plan is reasonably anticipated to avoid a financial emergency as determined in section 218.503, F.S. If the plan is not determined to avoid a financial emergency, the Commissioner is required to appoint a financial emergency board that shall operate under the requirements, powers and duties specified in section 218.503(3)(g), F.S.

Your attention to this matter is of the utmost importance.

Sincerely,

Linda Champion

LC/me

Linda Champion
Deputy Commissioner, Finance and Operations

Florida Department of Education
 Analysis of Jefferson County School District Financial Condition
 July 15, 2016

Background

During the past ten years, Jefferson County School District had a negative fund balance in 2008-09, and a negative financial condition ratio (FCR) in 2008-09, 2014-15, and 2015-16. A financial condition ratio below 3 percent is considered an unhealthy financial condition.

| Fiscal Years | Audited General Fund Available Balance | FCR * |
|---|--|---------|
| 2006-07 | \$ 715,826 | 6.99% |
| 2007-08 | \$ 28,202 | 0.28% |
| 2008-09 | \$ (688,816) | (7.61%) |
| 2009-10 | \$ 308,460 | 3.28% |
| 2010-11 | \$ 1,203,063 | 13.06% |
| 2011-12 | \$ 758,249 | 9.50% |
| 2012-13 | \$ 769,872 | 9.55% |
| 2013-14 | \$ 296,527 | 3.63% |
| 2014-15 | \$ (242,542) | (3.02%) |
| Based on Information in Financial Report to School Board | | |
| 2015-16 May Year-to-Date | \$ (98,753) | (1.25%) |
| 2015-16 June Year-to-Date | \$ 127,472 | 1.59% |

* The FCR is calculated by dividing the general fund's assigned and unassigned fund balances by the general fund's total revenues.

Timeline of Events

1. April, 2009, through June, 2011 – the district operated under a financial emergency oversight board.
2. March 2015 – District's projected 2014-15 assigned and unassigned fund balance is projected to fall below 2 percent and district submits fiscal recovery plans for the 2014-15 and 2015-16 fiscal years.
3. May 2016 – District's May 31, 2016, monthly financial statements indicated a FCR of (1.25) percent..
4. June 2016 – District's June 30, 2016, monthly financial statements indicated a FCR of 1.59 percent.
5. July 1, 2016 – Department requested a fiscal recovery plan by July 11, 2016.
6. July 7, 2016 – District's June 30, 2016, monthly financial statements indicated the district had an estimated general fund balance of \$459,120; however, there are concerns about the accuracy of this balance.
7. July 12, 2016 – No fiscal recovery or additional financial information has been received from the district.

Jefferson County School District
 Fiscal Year 2015 -2016
 General Operating Fund Revenues and Expenditures at May 31 2016
 Percent of Year Completed: - 91.67%

| | Original Budget | Budget Amendments | Revised Budget | Y-T- D Incomes | % of Budget Received | Projected Year End | Projected Over/(under) Revised Budget |
|---------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|---------------------------------------|
| Revenues | | | | | | | |
| Local Sources | \$3,613,294.00 | -\$50,485.25 | \$3,562,808.75 | \$3,425,595.71 | 96.15% | \$3,562,808.75 | \$0.00 |
| State Sources | \$4,015,413.00 | -\$310,924.00 | \$3,704,489.00 | \$3,456,206.70 | 93.30% | \$3,704,489.00 | \$0.00 |
| Federal Sources | \$167,850.00 | \$55,868.89 | \$223,718.89 | \$175,831.58 | 78.59% | \$223,718.89 | \$0.00 |
| Other Sources | \$200,000.00 | \$195,117.68 | \$395,117.68 | \$195,117.68 | 49.38% | \$395,117.68 | \$0.00 |
| Total Revenues | \$7,996,557.00 | -\$110,422.68 | \$7,886,134.32 | \$7,252,751.67 | 91.97% | \$7,886,134.32 | \$0.00 |
| | Original Budget | Budget Amendments | Revised Budget | Y-T- D Expenditures | % of Budget Expndd | Projected Year End | Projected Over/(under) Revised Budget |
| Expenditures | | | | | | | |
| Instructional | \$3,380,329.00 | \$477,333.00 | \$3,857,662.00 | \$3,325,941.30 | 86.22% | \$3,857,662.00 | \$0.00 |
| Pupil Services | \$132,388.00 | \$3,000.00 | \$135,388.00 | \$119,853.48 | 88.53% | \$135,388.00 | \$0.00 |
| Instructional Media Services | \$60,631.00 | \$17,280.00 | \$77,911.00 | \$65,583.32 | 84.18% | \$77,911.00 | \$0.00 |
| Instruction & Curriculum Development | \$108,328.00 | (\$90,750.00) | \$17,578.00 | \$14,801.03 | 84.20% | \$17,578.00 | \$0.00 |
| Instructional Staff Training | \$11,659.00 | \$51,941.00 | \$63,600.00 | \$61,939.22 | 97.39% | \$63,600.00 | \$0.00 |
| Instructional Related Technology | \$371,683.00 | (\$2,460.00) | \$369,223.00 | \$254,817.29 | 69.01% | \$369,223.00 | \$0.00 |
| Board | \$265,510.00 | \$15,300.00 | \$280,810.00 | \$246,894.30 | 87.92% | \$280,810.00 | \$0.00 |
| General Administration | \$346,773.00 | \$110,200.00 | \$456,973.00 | \$428,098.41 | 93.68% | \$456,973.00 | \$0.00 |
| School Administration | \$514,232.00 | \$129,495.00 | \$643,727.00 | \$584,937.90 | 90.87% | \$643,727.00 | \$0.00 |
| Facilities Acquisition & Construction | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | \$0.00 | \$0.00 |
| Fiscal Services | \$223,510.00 | (\$3,620.00) | \$219,890.00 | \$201,646.13 | 91.70% | \$219,890.00 | \$0.00 |
| Food Services | \$0.00 | \$897.44 | \$897.44 | \$897.44 | 100.00% | \$897.44 | \$0.00 |
| Central Services | \$21,352.00 | (\$20,802.00) | \$550.00 | \$344.55 | 62.65% | \$550.00 | \$0.00 |
| Pupil Transportation Services | \$531,466.00 | \$33,546.00 | \$565,012.00 | \$501,780.26 | 88.81% | \$565,012.00 | \$0.00 |
| Operation of Plant | \$774,129.00 | (\$77,580.00) | \$696,549.00 | \$623,506.80 | 89.51% | \$696,549.00 | \$0.00 |
| Maintenance of Plant | \$207,982.00 | \$3,451.00 | \$211,433.00 | \$197,742.30 | 93.52% | \$211,433.00 | \$0.00 |
| Administrative Technology Services | \$104,272.00 | \$40,870.00 | \$145,142.00 | \$113,670.77 | 78.32% | \$145,142.00 | \$0.00 |
| Total Expenditures | \$7,054,244.00 | \$688,101.44 | \$7,742,345.44 | \$6,742,454.50 | 87.09% | \$7,742,345.44 | |
| Budget | | | | | | | |
| Unassigned Fund Balance 7-1-15 | \$199,930.36 | | (\$207,542.09) | | | | |
| Adjustment to Fund Balance | \$0.00 | | | | | | |
| Adjusted Fund Balance | \$199,930.36 | | (\$207,542.09) | | | | |
| Add Projected Total Revenues | \$7,996,557.00 | | \$7,886,134.32 | | | | |
| Subtract Projected Total Expenditures | (\$7,054,244.00) | | (\$7,742,345.44) | | | | |
| | \$1,142,243.36 | | (\$63,753.21) | | -0.83% | | |
| 5 % Fund Balance | | | \$ 384,551 | | | | |
| Ratio 3% | 0.00% | | \$ 230,730 | | | | |