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August 10, 2016

Mr. Al Cooksey, Superintendent  
Jefferson County Schools  
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Note: This letter was sent to Superintendent Cooksey and the Jefferson County District School Board members, via Email and U.S. Mail as shown on Exhibit 1.

Dear Superintendent Cooksey and Jefferson County District School Board:

The Department of Education has reviewed the financial recovery plans that you have submitted. For reasons summarized below, I have determined that the district does not have a plan that is reasonably anticipated to avoid a financial emergency, as determined by s. 218.503, F.S., and requires state assistance; therefore, a State Board of Education meeting must be called to appoint a financial emergency board to assist the Jefferson County School District in resolving a financial emergency, pursuant to sections 218.503 and 1011.051, F.S.

Florida law requires that when a school district's projected financial condition ratio falls below 2 percent, the district must notify the Commissioner of Education and must submit a fiscal recovery plan. In May of 2016, the Department received a copy of Jefferson County School District's monthly financial report, by which the Jefferson County School Board is advised of the financial condition of the district; this report projected a financial ratio of negative 0.83 percent. While the district did not notify the Department that its ratio had fallen below the 2 percent threshold as the district is required by law, the Department accepted this monthly financial report as the district's notice that its fund balance had fallen below 2 percent.

In accordance with s. 218.503(3) and s. 1011.051(2), F.S., on July 1, 2016, the Department contacted the district to determine what actions have been taken to prevent or avoid a financial emergency and requested that the district provide a plan to outline these actions. When no plan was received, the State Board of Education ordered the district to submit a financial recovery plan at its regularly scheduled meeting of July 20, 2016. On July 27, 2016, the Department received a plan and on August 5, 2016, the Department received a second plan from the Jefferson County School District.

Despite having sent my staff to the district to review the information submitted, neither of the plans propose actions that can be reasonably anticipated to avoid a financial emergency in the school district. Specifically, as of the date of this letter, the following deficiencies in the plan have been identified:

- While the district has proposed to cut staff positions in the amount of \$172,945, these cuts were all to instructional positions, and no reductions in district administrative positions were proposed.
- The district failed to fund costs of \$296,928 associated with improving its low-performing schools, which Jefferson officially presented to the State Board of Education on July 20, 2016.

- The district improperly included energy savings of \$68,972 from a new HVAC (projected to cost \$2,300,000) that has not yet been purchased or installed.
- The district included budgeted savings of \$22,577 related to fuel efficiencies based on buses not yet purchased and eliminated bus routes with no documentation.
- The district included \$28,540 of budgeted savings with no explanation or supporting documentation.
- The district failed to reconcile discrepancies regarding audit findings related to federal grants.

Including just the first five bulleted items noted above, the district's projected financial condition ratio would be negative 3.33 percent, which in itself is a conservative projection of the district's financial condition ratio. This means that there would be a negative balance in the district's available general funds.

As a result, I have no choice under the law but to declare that the Jefferson County School District is in a state of financial emergency. Under section 218.503, F.S., a financial emergency exists when specified conditions occur, or are likely to occur unless steps are taken, due to a lack of funds. These include conditions such as the failure to pay wages or retirement benefits, the failure to transfer taxes, or employee/employer contributions for social security or pensions, the failure to pay uncontested claims or to repay loans. It is clear from the district's projected ratio and fund balance described above that if steps are not taken, the district will not have the financial resources necessary to meet one or more of these obligations. Further, based on the information the district has provided, the district does not have a plan that is reasonably anticipated to avoid or prevent one or more of these conditions. Please be advised that it is the district's obligation to notify the Joint Legislative Auditing Committee when these conditions have or will occur. Pursuant to 218.503(2), I have notified the Committee of the district's condition as of the date of this letter.

Therefore, an emergency State Board of Education meeting will be held to appoint a financial emergency board for the Jefferson County School District. The Department will provide you with notice of the State Board meeting as soon as the date and time are determined. As provided in section 218.503, this financial emergency board will establish detailed procedures and guidance in order to return Jefferson to solid financial footing. Under this process, to implement the measures set forth in sections 218.50-218.504, F.S., Jefferson is now subject to the following measures, effective immediately:

1. Jefferson's budget must be approved by the Commissioner of Education as provided in section 218.503(3)(a), F.S.
2. Jefferson is prohibited from issuing bonds, notes, certificates of indebtedness, or any other form of debt as provided in section 218.503(3)(c), F.S.
3. Jefferson must permit any "inspections and reviews of records, information, reports, and assets of the . . . district school board" as needed and local officials must cooperate in such inspections and reviews as provided in section 218.503(3)(d), F.S.
4. The Department will consult with all necessary officials "regarding any steps necessary to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements" as provided in section 218.503(3)(e), F.S.
5. As is necessary, the Department will seek to provide technical assistance to Jefferson as provided in section 218.503(3)(f), F.S.

6. Once appointed by the State Board of Education, the financial emergency board will oversee the activities of the district school board. The financial emergency board shall exercise the powers specifically provided in section 218.503(3)(g), F.S. The financial emergency board will assist Jefferson to implement an approved plan with fidelity.
7. Jefferson County School District, in consultation with the Department and the financial emergency board, must develop a financial recovery plan pursuant to section 218.503(3)(h), F.S.

These measures will be in effect until such time as they are no longer required as provided in section 218.504, F.S.

Until such time as the oversight board meets and issues detailed directives, the following temporary measures are hereby instituted:

- The District should only expend funds in accordance with the advertised tentative budget for 2016-17, except that expenditures budgeted in the capital projects funds should be postponed until a review can be conducted by the financial emergency board.
- Jefferson must not incur any new financial obligations unless the obligation is necessary for the health, safety and welfare of the students or school district employees.
- Jefferson must not hire anyone or make any changes to employee compensation or benefits without the express written approval of the Department.
- By August 20, 2016, and for each month thereafter, Jefferson must develop a spending plan that sets out each anticipated expenditure for the coming month. Then, at the end of each month, these projections must be reconciled with actual expenditures.

Please note that the statutory requirement that the Department must approve Jefferson's budget in no way eliminates the responsibilities of the School District to satisfy all of its legal obligations and deadlines, including the requirements to hold public budget hearings for the purpose of adopting millage rates and the tentative budget and final budget for the 2016-17 fiscal year, as established in section 200.065, F.S., and the requirements for its school improvement plan under section 1008.33, F.S.

In closing, please be advised that the purpose of a financial emergency is to assist the district in providing essential services without interruption and in meeting their financial obligations. I look forward to assisting the district with the goals of achieving financial stability and providing a high quality education for all its students.

Sincerely,



Pam Stewart  
Commissioner of Education

PS/mm

Enclosure: Exhibit 1

Copies provided to: Joint Legislative Auditing Committee