

Executive Limitation
3.F Financial Planning and Budgeting



To: Board of Education

From: Dr. Chris Fiedler, Superintendent of Schools

Re: Expectations of the Board through 3.F Financial Planning and Budgeting

I hereby present my Expectations of the Board through 3.F Financial Planning and Budgeting, Executive Limitation, in accordance with the monitoring schedule as set forth in Board policy. I certify the information in this report is true.

Signed: 

Dr. Chris Fiedler
Superintendent, School District 27J

Date: June 14, 2022

COLORADO SCHOOL DISTRICT 27J
GOVERNING POLICY OF THE BOARD OF EDUCATION

Policy 3.F – FINANCIAL PLANNING & BUDGETING

Date Adopted/Last Revised: January 27, 2009

Management Limitations

Monitoring Date: June 14, 2022

Financial planning for any fiscal year or the remaining part of any fiscal year will not deviate materially from the Board's End priority, risk financial jeopardy, or fail to be derived from a multi-year plan.

I interpret financial planning to mean: annual budget resulting from the budget process.

I interpret deviate materially to mean: amount that causes the budget of any fund to decrease 10% or more except to the allowable extent cited in Executive Limitation 3.D.1.

I interpret Board's End priority to mean: organizational objectives cited in the Board of Education General End statement approved in May, 2010.

I interpret financial jeopardy to mean: non-compliance with Executive Limitation 3.D Financial Conditions and Activities.

I interpret fail to be derived from a multi-year plan to mean: an inclusion of a five (5) year projection of revenue and expenditures of the General Fund.

Data Reported:

Financial Planning:

Projections from Governor Polis' Colorado state budget indicated an increase to statewide base per-pupil funding at 3.5% inflation rate. This would equate to an increase in the base per-pupil funding of \$252.88. The FY 2022-23 statewide base per-pupil funding is \$7,478. House Bill 22-1390 concerning the financing of public schools includes total program funding of \$8.42 billion after the application of a 3.82% budget stabilization factor. For FY 2022-23, the bill decreases the budget stabilization factor by \$250 million to \$321 million. The combination of District enrollment projections, school finance act and budget stabilization factor information was used to project revenues, staffing needs and school/department funding allocations.

The Executive Budget Committee convened in February 2022 and during weekly meetings developed various budget options for consideration. In addition to the Executive Budget Committee, the Chief Financial Officer presented the most current information on revenue forecasts, additional expense allocations and the planned use of fund balance to District Leadership, the Brighton Education Association and the Colorado Classified School Employees' Association between January 2022 and May 2022 (*Global Executive Limitation 3.0, and C.R.S. 22-7-105*). The Proposed Budget was presented to the Board of Education at the May 24, 2022 meeting.

Upon final Board approval, and after the submission and acceptance of the Expectations of the Board, finance staff will load the budget detail into the District's financial system for the new fiscal year. State law allows for districts to modify their Adopted Budget to reflect the certified results of the October pupil count. If the district so elects, a revised financial plan will be adopted no later than January 31, 2023.

The chart below demonstrates the Planning Department's ability to project student enrollment with significant accuracy. The accuracy of this data is critical as it impacts the District's financial planning strategy as it relates to teacher hiring, operational expenditure plans and constructing buildings to accommodate student growth.

Year	Planning Projection	Actual	Actual Over/ (Under) Projection	% Over or Under
2007	12,216	12,224	8	0.07%
2008	13,140	13,123	(17)	-0.13%
2009	13,884	13,912	28	0.20%
2010	14,676	14,502	(174)	-1.20%
2011	15,029	15,092	63	0.42%
2012	16,354	16,163	(191)	-1.18%
2013	16,697	16,698	1	0.01%
2014	17,351	17,103	(248)	-1.45%
2015	17,610	17,042	(568)	-3.33%
2016	17,366	17,115	(251)	-1.47%
2017	17,485	17,883	398	2.23%
2018	17,564	18,025	461	2.56%
2019	18,644	18,532	(112)	-0.60%
2020	19,006	18,657	(349)	-1.87%
2021	19,440	19,612	172	0.88%
Total	246,462	245,683	(779)	-0.32%

Fiscal planning and monitoring occur throughout the year. In order to incrementally monitor compliance, financial reports are generated and emailed to principals, department managers and executive leadership by the 10th business day of each month. In addition to the monthly financial reports, the Chief Financial Officer presented the Expectations of the Board regarding financial condition and activities to the Board of Education in October 2021 and January 2022.

Fiscal Jeopardy:

Concerning the issues of fiscal jeopardy, The Board and administration have established and monitor against the following superintendent policies via internal and external (auditor) review:

DB	Annual Budget
DBC	Budget Planning Preparation and Schedules
DBE	Budget Hearing Reviews Dissemination
DBH	Fiscal Emergencies
DBJ	Budget Transfers
DDA	Grant Reimbursement Procedures
DFA	Revenues from Investments
DG	Depository of Funds
DH	Bonded Employees and Officers
DI	Fiscal Accounting Reporting
DIC	Financial Reports and Statements
DID	Inventories
DIE	Audits
DJE	Bidding Requirements
DK	Payment Procedures

In addition to the policies above, the Board of Education employs an external auditor, RubinBrown LLP, that conducts a yearly financial and A-133 audit. The auditors presented their comments and observations of the FY 2021 audit at the December 14, 2021 Board Meeting. Their management letter stated no audit findings.

Board’s End Priority:

The information below provides evidence of the continued strategic investment into schools to support the Board’s Global Ends at all levels of the organization. Developing these traits will be the focus of all school and district performance improvement efforts going forth. All school improvement planning and accountability reporting will be driven by the expectation that all students will increasingly demonstrate these traits. To maximize focus on these traits, state and federal statutory requirements are integrated to the extent possible into this system. The investment of fiscal resources shown below demonstrates the District’s focus on expenditures that directly impact students in support of the Board of Education Global Ends.

FY 2022-2023 Adopted Budget

General Fund

In-District Schools	\$80,131,837	35.7%
Central/Support Services		
Board of Education	1,491,757	
Office of the Superintendent	596,042	
Special Education/Pupil Support	20,084,683	
Academic Support	4,422,996	
Human Resources	1,275,063	
Operations	543,042	
Facility Services	14,309,869	
Fiscal & Internal Services	3,521,199	
Information Technology	6,352,215	
District-wide Services	24,536,136	
Central/Support Services Expenditures	\$77,133,002	34.4%
Charter Allocation/Service Charges	53,959,000	
Transfers to Other Funds	8,005,350	
Transfer to Transportation	5,280,908	
Total Allocations/Transfers	\$67,245,258	30.0%
Total	\$224,510,097	

Multi-Year Plan:

The chart below provides additional evidence of the five-year budget projection impacts. This information is reasonable because it is constructed with the use of the student enrollment data contained on page two and because it takes into account foreseeable issues with funding from the School Finance Act in upcoming fiscal years. While the plan does present a balanced budget through FY 2026-27, including full funding of the TABOR and Board of Education Emergency reserves (Executive Limitation 3. D.1c), it should be noted that numerous significant variables are used in its preparation. The most significant of these variables are the state funding and budget stabilization factor which fluctuate from year to year and not easily estimated based on historical experience.

Five-Year General Fund Budget Projection

	<u>2022/2023</u> <u>Estimated</u>	<u>2023/2024</u> <u>Estimated</u>	<u>2024/2025</u> <u>Estimated</u>	<u>2025/2026</u> <u>Estimated</u>	<u>2026/2027</u> <u>Estimated</u>
Base Data:					
Planning Dept Enrollment (PK-12)	20,553	21,170	21,805	22,459	23,133
Charter School FTE	4,157	4,281	4,410	4,542	4,678
District FTE without Charter	16,211	16,889	17,395	17,917	18,455
School Finance Act - Per Pupil	\$9,242	\$9,519	\$9,805	\$10,099	\$10,402
Beginning Fund Balance	\$18,188,991	\$18,734,661	\$19,296,701	\$19,875,602	\$20,471,870
Revenue:					
School Finance Act Funding	216,181,682	222,667,132	229,347,146	236,227,561	243,314,388
Less: State Funding Rescissions					
Net School Finance Act Funding	216,181,682	222,667,132	229,347,146	236,227,561	243,314,388
Other Local Revenue	283,688	487,584	505,811	524,585	543,923
Total Revenue	216,465,370	223,154,716	229,852,958	236,752,146	243,858,311
Total Resources	\$234,654,361	\$241,889,377	\$249,149,658	\$256,627,748	\$264,330,180
Expenditures, Allocations and Reserves:					
Employee Salaries	103,910,735	107,028,057	110,238,899	113,546,066	116,952,448
Employee Benefits	35,021,161	36,071,796	37,153,950	38,268,568	39,416,625
Purchased Services	10,697,236	11,018,153	11,348,698	11,689,159	12,039,833
Supplies & Materials	7,286,391	7,504,983	7,730,132	7,962,036	8,200,897
Property	13,500	13,905	14,322	14,752	15,194
Other Expenditures	335,816	345,890	356,267	366,955	377,964
Total Expenditures	157,264,839	161,982,784	166,842,268	171,847,536	177,002,962
Allocation to Charter Schools	53,959,000	55,577,770	57,245,103	58,962,456	60,731,330
Other Allocations & Transfers	13,286,258	13,684,846	14,095,391	14,518,253	14,953,800
TABOR Reserve	4,884,220	5,150,029	5,308,130	5,470,974	5,638,703
Board of Education Reserve	5,042,647	5,270,029	5,428,130	5,590,974	5,758,703
Other Reserves	217,397	223,919	230,636	237,556	244,682
Total Expenditures, Allocation, and Reserves	\$234,654,361	\$241,889,377	\$249,149,658	\$256,627,748	\$264,330,180

Conclusion: I report compliance.

Accordingly, the Superintendent will not allow budgeting that:

1. Risks incurring those situations or conditions described as unacceptable in the “Financial Conditions and Activities” Board policy.

I interpret this to mean fiscal planning provides for consistent compliance with Policies 3.D and 3.F, which assures the money is strategically invested toward the achievement of the Board’s End, reserves are maintained with no less than 6% fund balance including allowance for variations in the business cycle resulting in the receipt of property tax collections in the months of February through June, plans are made for expenditures associated with student enrollment growth, and fiscal jeopardy is avoided by observing sound, conservative fiscal management practices. This is reasonable because external mandates from the Colorado Department of Education and applicable state law, established operational limits as defined in Executive Limitation Policy 3.F, and staff experience and knowledge are all used in the budgeting process.

Data Reported:

Financial planning and budgeting under this Policy 3.F for the detailed FY 2022-2023 budget plan is undertaken and executed in a manner such that compliance with Policy 3.D, Financial Condition & Activities, is not violated. This is confirmed with the annual submission of the Expectations of the Board on Policy 3.D, last submitted to the Board of Education on January 25, 2022. During the District’s planning process, the 3% TABOR reserve and the 3% Board reserve were secured to be able to handle any shortfalls in revenues due to a state rescission or an October count, which is less than was projected, prior to further expenditure discussions. These same reserves are included in future fiscal year projected budgets.

The following schedule shows General Fund month-end cash balances for July 2021 through May 2022. While cash balances do not represent a complete picture of financial condition, they do provide an indication of liquidity since the General Fund is a “current fund” with no long-term assets or liabilities.

Month	General Fund Cash Balance
July 2020	\$32,495,275
August 2020	\$29,442,422
September 2020	\$22,881,769
October 2020	\$23,643,267
November 2020	\$21,232,820
December 2020	\$17,828,909
January 2021	\$15,478,985
February 2021	\$14,412,109
March 2021	\$31,764,589
April 2021	\$26,724,230
May 2021	\$37,121,040

Conclusion: I report compliance.

Accordingly, the Superintendent will not allow budgeting that:

2. Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow projections, and disclosure of planning assumptions.

I interpret omit credible projections to mean: not using District planning department enrollment projections which have proven to be reasonable and accurate to plus or minus 3.3% over the last five years.

I interpret revenues to mean: either new or recurring financial resources. Revenue predictions are based on the Colorado Department of Education's and other state agencies' projections, current legislation impacting School Finance Act Revenue, interest rates on forecasts from ColoTrust money market funds, historical trends for specific ownership taxes and various economic news releases. Additionally, the District periodically analyzes future needs to be funded through voter-approved override provisions included in the Colorado School Finance Act. This is reasonable, as these revenue sources have proven reliable.

I interpret expenditures to mean: organizational internal investment cost needs of the District, including adjustment for compensation and inflation, are analyzed and addressed through available funds including enrollment growth, budget realignment and periodic program evaluation. These are reasonable as we have experience in adjusting expenditures with consideration of the following factors: analyzing non-instructional versus instructional expenses, class size adjustments, program effectiveness and efficiency studies.

I interpret separation of capital and operational items to mean: that capital items, including land, buildings, improvements to buildings, and equipment having a unit value of greater than \$5,000 are maintained in funds and accounts separate from operational items. This is reasonable as the District utilizes the Colorado Department of Education standard chart of accounts, which requires all purchases to be categorized.

I interpret disclosure of planning assumptions to mean: the compilation of theories of action used to determine the overall revenue available to the District to address identified expenditure needs and compliance components. This is reasonable as these assumptions encompass all major revenue and expenditure categories. Additionally, these assumptions are reasonable because external mandates such as new legislation have been considered, outside resources such as the Colorado Department of Education have been utilized and input based on staff knowledge has been incorporated.

Data Reported:

Revenues:

The primary revenue source to the District is provided through the enrollment-based Colorado School Finance Act (SFA), with resulting payments from state equalization and property tax. The use and availability of accurate enrollment projections in application of the SFA is discussed in the previous section (Financial Planning) of this monitoring report.

The state funding portion and economic conditions related to the state is also discussed extensively in the following section of this monitoring report. The remaining SFA revenue is provided through property tax, 25.9%, specific ownership tax, 1.8% and other revenue, 3.9%.

Property tax:

Property tax revenue is the second highest source of revenue to the District. The following table shows 15-year historical data demonstrating that tax collections are, on average, 99.9% of amounts levied. Accordingly, it is reasonable to use this data to predict this second highest source of revenue to the District. Due to the prior three years' actual collection rates, the budgets presented to the Board this year do not assume an allowance for uncollected taxes or potential additional property tax abatements processed during the fiscal year.

Assessed property values in Colorado are impacted by the Gallagher Amendment which limits the portion of residential property value that is subject to tax.

Levy/ Collection Year	Total	% Increase/ Decrease	Total Tax Levy	Total Tax Collection	% of Total Tax Collection to Levy
2004/2005	\$498,017,400	15.16%	\$23,915,777	\$24,349,815	101.81%
2005/2006	\$604,947,210	21.47%	\$23,740,351	\$23,848,450	100.46%
2006/2007	\$686,549,400	13.49%	\$31,280,564	\$31,115,675	99.47%
2007/2008	\$767,392,030	11.78%	\$34,735,232	\$34,464,335	99.22%
2008/2009	\$798,034,830	3.99%	\$36,082,688	\$35,717,710	98.99%
2009/2010	\$808,267,730	1.28%	\$36,601,597	\$36,565,269	99.90%
2010/2011	\$781,026,806	-3.37%	\$35,694,935	\$35,530,346	99.54%
2011/2012	\$777,457,975	-0.46%	\$35,474,631	\$35,487,961	100.04%
2012/2013	\$807,657,362	3.88%	\$36,852,598	\$36,888,996	100.10%
2013/2014	\$827,221,900	2.42%	\$37,745,309	\$37,894,838	100.40%
2014/2015	\$839,221,900	1.45%	\$39,980,940	\$40,083,954	100.26%
2015/2016	\$1,017,602,217	21.26%	\$50,227,828	\$50,674,804	100.89%
2016/2017	\$993,233,062	-2.39%	\$48,983,274	\$48,994,155	100.02%
2017/2018	\$1,174,718,227	18.27%	\$57,753,847	\$57,905,537	100.26%
2018/2019	\$1,291,185,562	9.91%	\$63,298,250	\$63,867,785	100.90%
2019/2020	\$1,707,154,026	32.22%	\$83,326,188	\$83,321,935	99.99%
2020/2021	\$2,063,372,875	20.87%	\$100,579,112		0.00%

Property assessment rates have gone from a high of 16.00% in 1988, to 7.15%, newly reduced during the 2019 Legislative Session. The residential assessment rate had been 7.96% since 2003 and was reduced to 7.2% in 2018 and again in 2019 to maintain balance between residential and non-residential property.

The workings of the Gallagher Amendment, along with the TABOR Amendment have worked to keep residential property taxes relatively low in Colorado.

The District is allowed to increase property taxes at the local level to support its general operations through the referendum process. This process, referred to as the “Mill Levy Override” in the SFA, is the only viable option the District has available to provide additional operating resources.

The District currently receives \$750,000, approximately \$40 per pupil based on the District’s FY 2022-23 funded pupil count, through this override process. The SFA limits the amount a district is allowed to receive through this process to 25% of its SFA calculated funding amount. For School District 27J in FY 2022-2023, that amount is approximately \$54.1 million, or about \$2,636 per funded pupil.

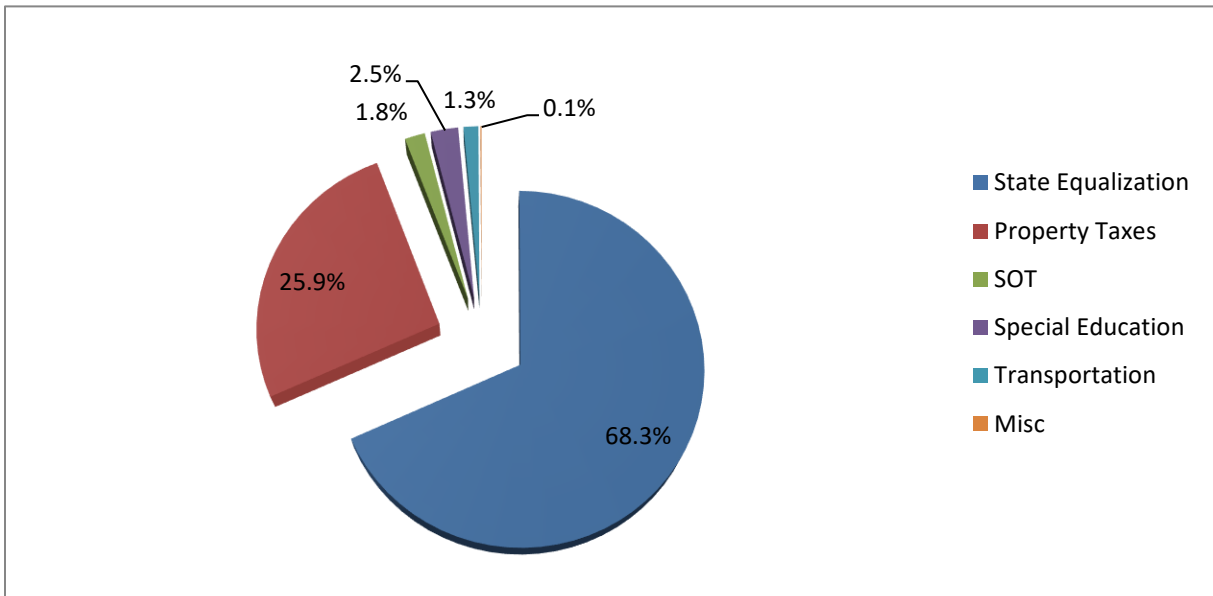
As documented on the Colorado Department of Education website per funded pupil amounts currently received (FY2021-22) by neighboring Adams County districts are:

District	Per Funded Pupil Mill Levy Override
Mapleton	\$904
Adams 12	\$1,542
Adams 14	\$706
Westminster	\$2,731
District 27J	\$40

Specific Ownership Tax (SOT):

The remaining 5.7% of SFA revenue comes from specific ownership tax, 1.8% and other revenue, 3.9%. SOT is the tax assessed on vehicle registrations. This revenue source is expected to provide approximately \$4.0 million for the General Fund. Collections have remained fairly consistent so it is reasonable to anticipate regular collection of this revenue source. Other revenue is primarily from state categorical funding such as special education, vocational and transportation.

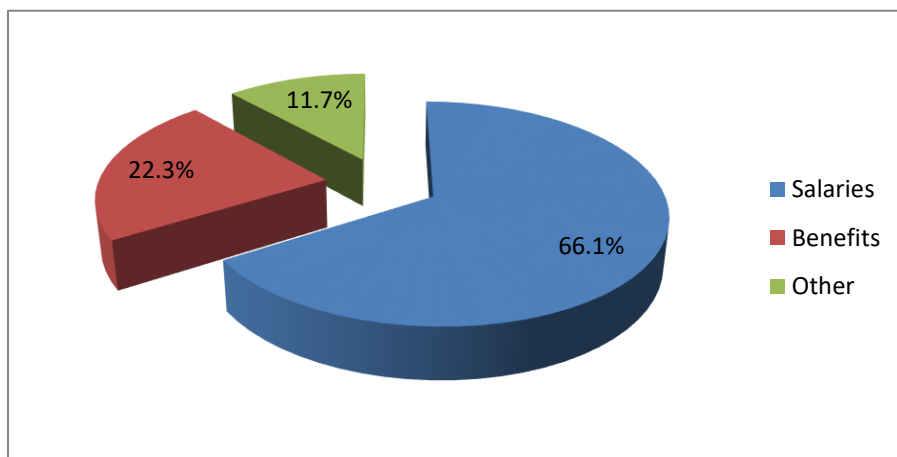
General Fund revenue sources are shown in the following chart.



Expenditures:

Expenditure needs of the District, including adjustments for changes in compensation, benefits and inflation, are analyzed and addressed through available funds including per-pupil revenue, budget realignment and periodic program evaluation. These are reasonable as the District has experience in adjusting expenditures with consideration of the following factors: analyzing non-instructional versus instructional expenses, class size adjustments, program effectiveness and impact on students. District expenditures are coded to accurately reflect operations according to use of the required Colorado Department of Education’s Chart of Accounts, including classification of capital items to ensure separation from operational items. This is reasonable as account classification is verified through transmission of District expenditures by account to CDE through the “Automated Data Exchange” process and verified by the District’s independent auditors.

General Fund expenditure categories are shown in the following chart.



Key Budget assumptions for each fund appear below:

Fund	Revenue	Expenditures
General	The beginning fund balance is estimated at \$18,188,991. This is a decrease compared to FY21-22 to account for releasing reserves which afforded us to add staff to schools and compensation increases last fiscal year.	Compensation increases for all employees and absorption of expenditures previously paid for by grants funds are the primary contributors to the FY 22-23 expenditures increase.
Capital Reserve	The beginning fund balance is estimated to be \$1,214,465. A transfer in of \$2,106,326 from the General Fund.	The FY 22-23 Adopted Budget details out the specific project associated with the Capital Reserve Funds. Some examples are repairs to property, One-to-Web and computer leases.
Risk Management	The District is maintaining a reserve of \$1,630,000 for our RMR insurance and program purposes. The District estimates transfers of \$2,406,964 of General Funds.	Premiums for worker's compensation, liability and property are paid from this source.
Colorado Preschool Program	The District is required to transfer amount equivalent to the PPR x 210 funded pupils for CPP and PPR x 113 funded pupils for CPP ECARE.	Salaries, benefits and operation costs.
Governmental Grants	State and Federal Grants	Expenditures must be used in conformity with the grant and cannot exceed the amount of the grant. Most grant funding is used for salaries and benefits.
Pupil Activity	The beginning fund balance is estimated to be \$2,576,293. Revenues are collected from students through fees and fundraisers.	Expenditures are to be used for activities and programs that benefit the programs and students directly.
Transportation	Revenue is derived from fees collected from students and reimbursement from CDE. The District transfers \$5,280,908 from the General Fund.	Salaries, benefits and other operating costs associated with running a transportation system for the District.
Growth Impact	The beginning fund balance is estimated to be \$7,300.	Expenditures consist of professional and technical services from individuals not employed by the District.
Other Special Programs	Revenue is derived from charges for programs including; detention center, tuition-based preschool, summer school, credit recovery, oil and gas leases and local grants.	Expenditures are for salaries, benefits and program costs.
Bond Redemption	The beginning fund balance is estimated to be \$73,009,812. Revenues are generated from a voter-approved bond election.	Interest and principal on payments are based on fixed payments due in December and June of each year. In addition, the fund pays fees for the paying agent.
Building	Resources due to 2015 and 2021 bond sale proceeds, premiums and interest.	Approved expenditures for acquisition or construction of major capital facilities and other capital assets.
Print Shop	Revenue is derived from charges for printing services to district schools and departments as well as out-of-district customers.	Expenditures are for salaries, benefits and program costs.
Nutrition Services	The beginning fund balance is \$2,162,276. Revenues are derived from the sale of breakfast and lunches. In addition, we	Salaries benefits and the cost of meals and supplies are the major expenditures of the program.

	receive a federal reimbursement as part of the National School Lunch Program.	
Child Care Program	Revenue is derived from charges for before- and after-school programs. In addition, revenue is generated by full-day Monday care and summer and holiday break programs.	Expenditures are for salaries, benefits and program costs.
Dental Insurance	The beginning fund balance is estimated at \$712,722. Dental premiums are provided from the District to fund this self-insured program.	Expenditures are for dental claims and administrative costs to run the program.
Trust	The beginning fund balance is estimated at \$26,707.	Scholarships are awarded to high school students.

Conclusion: I report compliance.

Accordingly, the Superintendent will not allow budgeting that:

- Plans the expenditure in any fiscal year of more funds than are conservatively projected to be received.

I interpret plans the expenditure in any fiscal year to mean: organizational investment strategies that reasonably use historical data points cross correlated with projections during a specified period of time from July 1 through June 30.

I interpret conservatively projected to be received to mean: revenue projections conceived by the incorporation of historical data points and legislative decisions to provide foreseeable fiscal guidance.

Data reported:

The District provides services through the use of 16 separate and distinct funds. A fund is a separate set of self-balancing accounts including assets, liabilities, fund balance, revenues and expenditures. Each fund is established under Colorado Law or by District practices where segregation of revenues and expenditures is desired for reporting or compliance purposes. The funds used by the District comply with the Colorado Department of Education’s Chart of Accounts and Generally Accepted Accounting Principles (GAAP), as verified annually in the District’s audited Comprehensive Annual Financial Report.

The District funds for FY 2022-23, with beginning fund balance, revenues, expenditures and ending fund balance are shown below (these summary amounts have been extracted from the budget).

Fund	Beginning Balance	Revenues	Expenditures/ Transfer/ Allocations	Ending Fund Balance and Reserves
General Fund	18,188,991	216,465,370	224,510,097	\$ 10,144,264
Capital Reserve Fund	1,214,465	2,306,326	2,194,203	\$ 1,326,588
Risk Management Insurance Fund	1,630,000	2,406,964	2,754,048	\$ 1,282,916
Colorado Preschool Program Fund	407,000	2,490,529	2,813,941	\$ 83,588
Governmental Designated Grants Fund	1,240,000	21,545,385	22,785,385	\$ -
Pupil Activity Fund	2,576,293	3,108,283	5,684,576	\$ -
Transportation Fund	-	7,802,246	7,802,246	\$ -
Growth Impact Fund	7,300	-	7,300	\$ -
Other Special Programs Fund	6,161,940	2,170,100	8,332,040	\$ -
Bond Redemption Fund	73,009,812	44,558,969	54,554,533	\$ 63,014,248
Building Fund	278,716,577	663,000	279,379,577	\$ -
Nutrition Services Fund	2,162,276	5,980,909	8,143,185	\$ -
Child Care Program Fund	649,629	1,478,000	2,127,629	\$ -
Printshop Fund	-	130,920	130,920	\$ -
Dental Insurance Fund	712,722	915,000	1,627,722	\$ -
Trust Fund	26,707	250	26,957	\$ -
	\$ 386,703,712	\$ 312,022,251	\$ 622,874,359	\$ 75,851,604

All of the funds except the General Fund are established for a specific purpose and report revenues and expenditures only associated with that purpose. Expenditures for these funds are budgeted based on available funds which may vary significantly from year to year such as the Governmental Designated Grants Fund, determined by specific grants awarded to the District, and the Building Fund, where spending is based on the availability of bond funds. Accordingly, budgeting for these funds use processes that identify currently available resources that can be determined with significant accuracy, and not the more detailed process used for the General Fund as described below.

General Fund:

The General Fund records all financial activities of the District not required to be accounted for in any of the specific purpose funds. Accordingly, it is the fund that accounts for the general operation of the District. Budgeting for the General Fund relies heavily on historical data, current economic conditions, inflationary trends, state legislation, district professionals and other information. Key elements of revenue and expenditure forecasting follow.

Revenue forecasting:

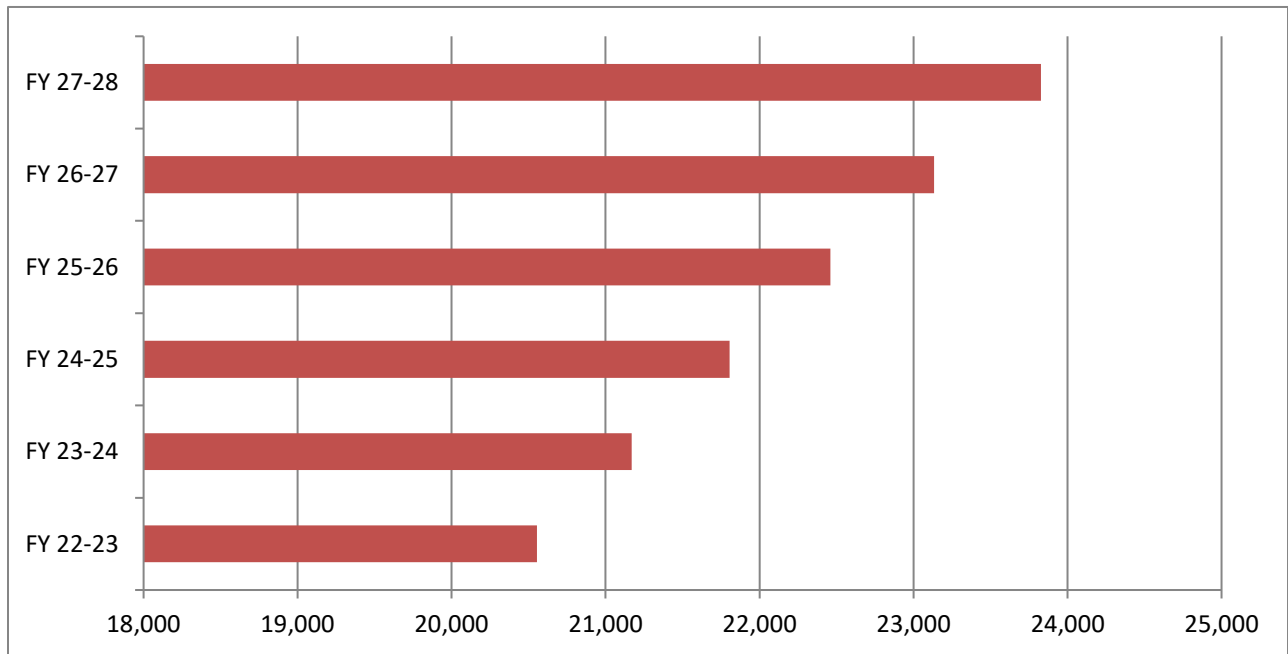
Revenue forecasting for the General Fund is primarily based on two factors:

1. Student enrollment
2. Funding under the Colorado School Finance Act (SFA) as annually modified by the State Legislature

Student enrollment:

Enrollment projections are provided by the District’s planning staff using professional forecasting tools, observation of construction activities and other means. Historical enrollment projections have been, on average, accurate to within - .32% over the last 15 years (see historical enrollment numbers earlier in this report under Financial Planning).

The General Fund budget for FY 2022-23 and projections for fiscal years through FY 2027-28 are based on the following enrollment data:



Colorado SFA Funding:

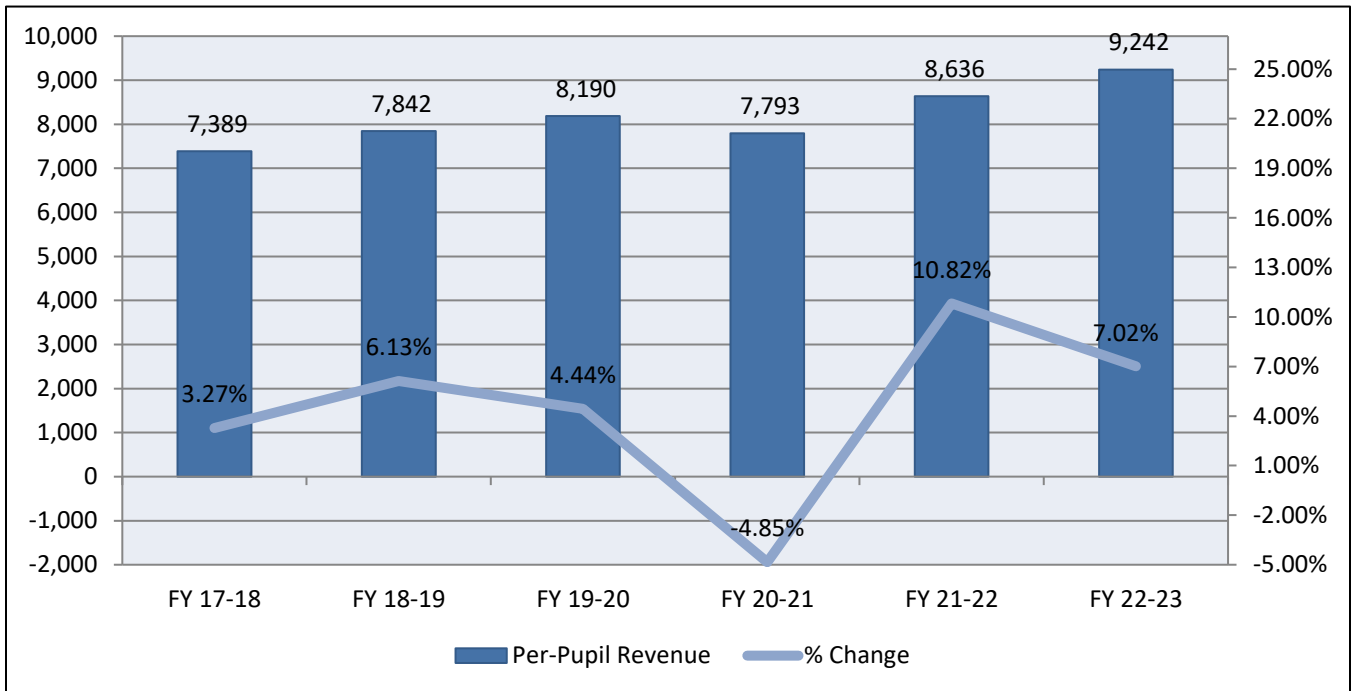
Funding under the SFA is formula-based using student enrollment as the primary input. Finance analysts at the Colorado Department of Education (CDE) begin early projections of expected funding to Colorado school districts, using preliminary enrollment, property valuation, state economic conditions and other information. This information is then made available to the Colorado legislature, which begins its session in January. The District monitors the information from CDE and the legislature and upon finalization, enters appropriate numbers in the SFA formula. Amounts are subsequently modified when actual District enrollment is determined in October, usually resulting in adjustments to the District’s budget.

Approximately 97.3% of General Fund revenue is derived from the above described SFA formula process. Revenue sources resulting from the formula process are:

- State Equalization 68.28% or \$147,797,589 for FY 2022-23
- Local Property Tax 25.93% or \$56,125,282 for FY 2022-23
- Local Specific Ownership Tax 1.85% or \$4,000,000 for FY 2022-23

Historical SFA funding increases and decreases:

Inflation and economic conditions in the State are the primary factors that drive SFA funding changes. The following graph shows the percentage changes for the previous five years and the upcoming FY 2022-2023. Percentage changes are expressed as changes in Per-Pupil Revenue (PPR).



Other revenue:

- The remaining 3.95% of General Fund revenue is comprised of a combination of State categorical sources (Vocational Education and Special Education) and local sources (fees, rental, tuition, indirect cost recovery, etc.).
- These other revenue sources can be predicted with reasonable accuracy using information from CDE, District staff that administer tuition, fee, rental and other programs, and prior-year trends.

Other factors impacting revenues:

The projection of the fiscal health of Colorado is critical to the District’s ability to anticipate future funding. This is strategically important in Colorado due to state mandates to limit the District’s general operating levy to 27 mills. With this limit in place, the state has the responsibility to “back-fill” SFA program revenues. It should be noted that, due to state revenue shortfalls, the SFA formula calculated “back-fill” amount for the District’s FY 2022-23 budget has been reduced by the budget stabilization factor of approximately \$7.5 million. The District maintains some of the previously implemented cost containment efforts as well as a planned use of fund balance in order to produce a balanced budget for FY 2022-23.

Conclusion: I report compliance.

Accordingly, the Superintendent will not allow budgeting that:

4. Provides less for Board activities during the year than is set forth in the Cost of Governance policy (*see policy in Governance Process*).

I Interpret Board activities to mean: the collective means that the Board of Education has identified to achieve the prescribed end.

I interpret cost of governance policy to mean: funds allocated per policy 2.J as approved by the Board of Education on April 27, 2010.

Data Reported:

The amount budgeted for Policy Governance totaling \$31,000 is the same as the amount approved during the FY 2020-21 budgeting process. Additionally, \$74,000 has been budgeted for the annual independent fiscal audit as required under Policy 2.J.1.b.

Conclusion: I report compliance.