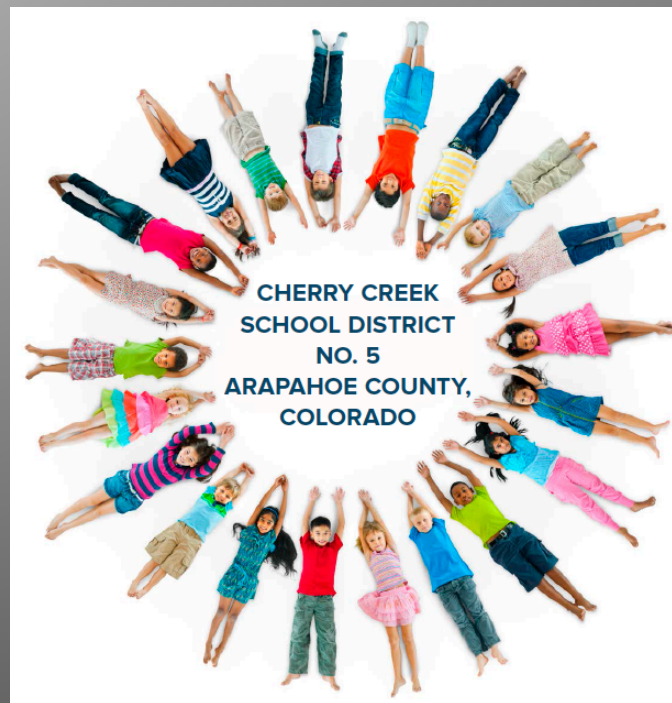


COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For The Year Ended June 30, 2016

EXECUTIVE BRIEFING FOR:  
BOARD OF EDUCATION

November 14, 2016



4700 SOUTH YOSEMITE STREET  
GREENWOOD VILLAGE, CO 80111



# Accounting Pronouncement

- Effective July 1, 2014, the District is required to apply the Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68).
- GASB 68 revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is now required to report its proportionate share of the total PERA net pension liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$1,267.4 million as of June 30, 2016.
- Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$790.1 million.
- GASB 68 also increased current year pension expense by \$50.4 million from the impact in changes to the NPL from the prior year.

# CliftonLarsonAllen, LLP

## Independent Auditors' Report

---

- Unmodified audit opinion
- Management accounting estimates
  - Capital asset depreciation
  - Net pension liability and related deferred inflows and outflows of resources related to PERA
- No disagreements with management on financial accounting or reporting matters

# CliftonLarsonAllen, LLP

## Independent Auditors' Report

---

- No significant difficulties were encountered in dealing with management related to the performance of the audit
- Single audit management comment related to Child Nutrition Program review of submissions to the Colorado Department of Education

# Financial Report and Budget Awards

---

## **Government Finance Officers Association**

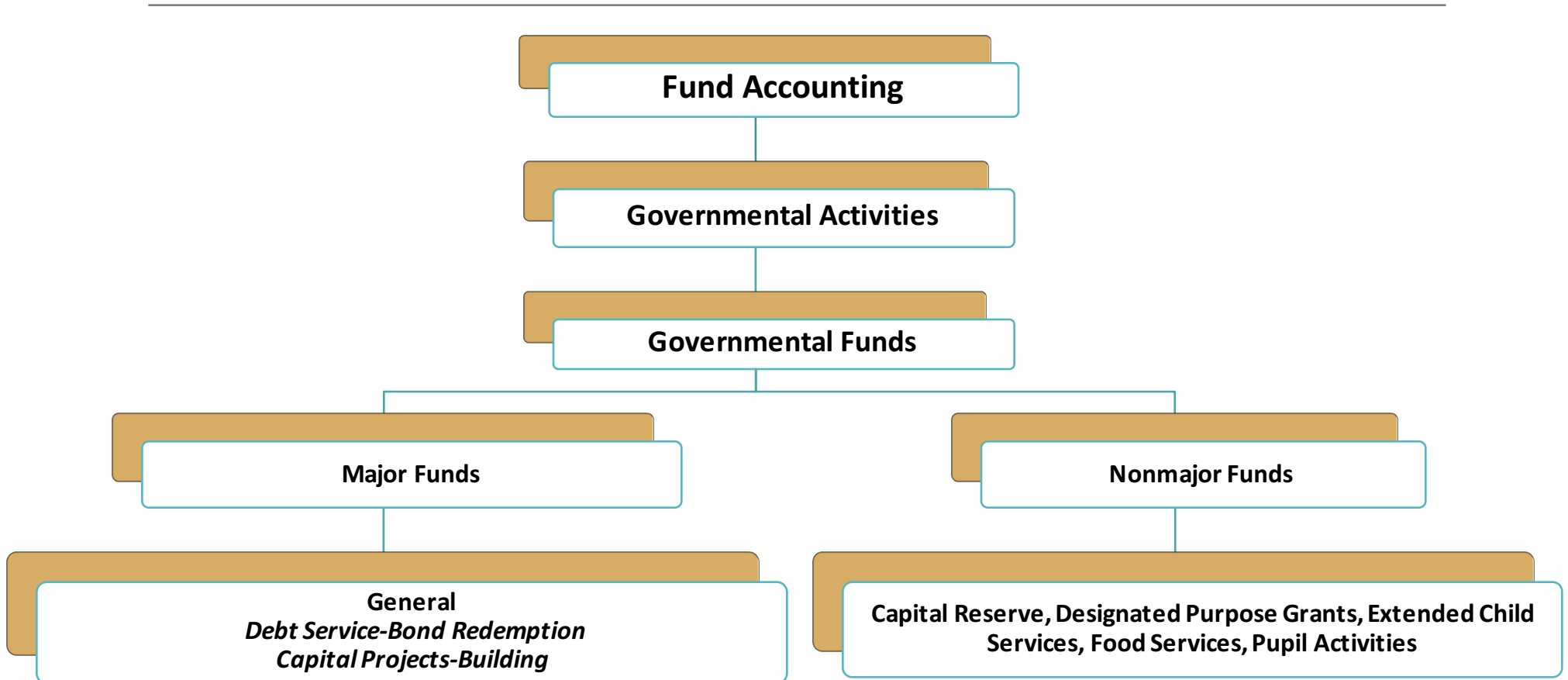
- Certificate of Achievement for Excellence in Financial Reporting
  - **Received for 2015 CAFR – 23<sup>rd</sup> consecutive year**
- Distinguished Budget Presentation Award
  - **Received for 2015-2016 Budget – 22<sup>nd</sup> consecutive year**

## **Association of School Business Officials**

- Certificate of Excellence in Financial Reporting
  - **Received for 2015 CAFR – 23<sup>rd</sup> consecutive year**
- Meritorious Budget Award
  - **Received for 2015-2016 Budget – 19<sup>th</sup> consecutive year**

# Basis of Presentation

## Fund Accounting



# Government-Wide Statements

---

- Designed to provide reader with a broad overview of the financial activities
- Similar to a private sector business
  - Includes capital assets and long-term liabilities, for example: buildings, land and equipment, general obligation bonds, capital leases, and compensated absences payable
- Include the Statement of Net Position and the Statement of Activities
- Expenses vs. Expenditures

# Statement of Net Position

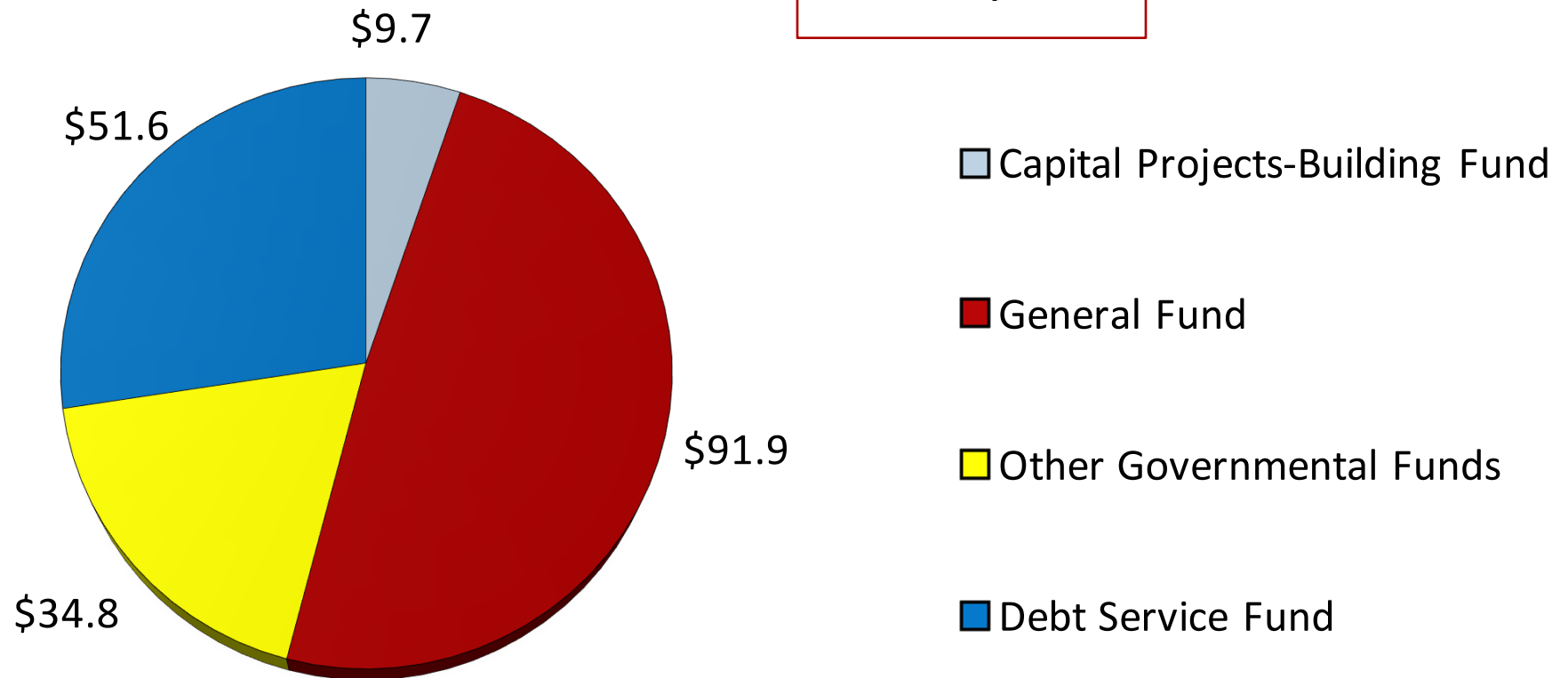
---

- Information about all of District's assets, deferred outflows, liabilities, and deferred inflows
  - Including capital assets and long-term obligations
- Difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position
- Over time, changes in net position may serve as a useful indicator of improving or deteriorating financial condition

# Investments and Deposits

As of June 30, 2016  
by Fund (in millions)

**TOTAL: \$188.0**



# Investments and Deposits

As of June 30, 2016

---

<u>District Deposits</u>	<u>(in millions)</u>
Cash	\$7.8
Cash Held by County Treasurer	3.1
Equity in Pooled Cash	<u>108.2</u>
Total Deposits	119.1
 <u>Investments</u>	
U.S. Government Backed Securities	17.6
Investments Held in Escrow	<u>51.3</u>
Total Investments	<u>68.9</u>
Total Investments and Deposits	<u><u>\$ 188.0</u></u>

# Investments and Deposits

(Continued)

---

Total Investment Income	\$0.3
-------------------------	-------

Weighted Average Maturity:

All Funds	255 days
Building Fund	15 days

Weighted Average Yield on Investments:

All Funds	0.590%
Building Fund	0.420%
Benchmark - 3-month T-Bill	0.010%

# Credit Ratings

- Standard and Poor's

AA General Obligation Bonds

“Debt rated AA has a very strong capacity to meet its financial commitments and differs from the highest rated issues only in small degree.”

- Moody's Investors Service

Aa1 General Obligation Bonds

Obligations rated Aa1 are judged to be of high quality and are subject to very low credit risk. “The Aa1 rating reflects the district’s diverse economy and favorable location within the Denver MSA, large tax base that is experiencing growth, and its affluent and supportive district residents. The district continues to maintain healthy reserve levels, although this level is dependent upon the passage of mill levy overrides to supplement state funding. The Aa1 rating also incorporates the district’s manageable debt profile and elevated pension burden associated with the state-wide pension plan.” “Solid financial management, ..., and liquidity.”

# Recent Borrowing

---

- \$65.6 million borrowed from the State Treasurer's interest-free loan program to fund seasonal cash flow requirements during FY2015-2016
  - Repaid June 25, 2016

# Management's Discussion & Analysis

---

- Liabilities and deferred inflows exceed assets and deferred outflows by \$790.1 million (net position) due to the effects of GASB 68 (net pension liability)
  
- Net position of the District includes:
  - \$180.1 million net investment in capital assets
  - \$73.3 million restricted for debt service payments, restricted investments, Food Service operations, and TABOR
  - \$(1,043.5) million negative unrestricted net position
    - GASB 68 and GAAP treatment of earned but unpaid salaries and benefits and compensated absences payable

# Management's Discussion & Analysis

## (Continued)

- Total net position decreased by \$75.5 million. GASB 68 effect is \$50.4 million
- District's governmental funds decreased by \$17.5 million
  - Decrease in fund balance under governmental modified accrual basis of accounting due to the treatment of long-term debt and capital construction expenditures
  - General Fund expenditures and transfers were in excess of revenues by \$6.3 million
- Long-term obligations decreased by \$34.5 million
  - Result of the scheduled current year payments on existing debt
  - Net result of refinancing \$51.4 million of debt originally issued in 2005 at a lower interest rate
  - New capital lease for the purchase of buses

# Management's Discussion & Analysis

## (Continued)

- **District's General Fund balance decreased by \$6.3 million**
  - State per pupil funding increase of approximately \$282. State aid funded and enrollment increase of 149.0 FTE
  - District had budgeted using \$10.9 million of reserves to fund the gap between expected State funding and projected expenditures. Revenues received were more than projected while expenses were less than projected, resulting in less of a decrease in fund balance than budgeted.
  - \$9.0 million actual positive budgeted expenditure variance includes: benefits, utilities, and general supplies
  - \$3.6 million favorable revenue budget variance from higher than projected property and specific ownership taxes. State equalization aid and other revenues including indirect costs revenue were also favorable to budget.
  - Transportation expenditures exceeded budget--\$0.2 million
  - Positive results allowed for additional funding of projects in the Special Revenue – Capital Reserve Fund.

# Net Position

## Governmental Activities

(in millions)	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase/ (Decrease)
Current/Other Assets	\$206.2	\$254.0	\$(47.8)
Capital Assets	669.5	676.4	(6.9)
<i>Total Assets</i>	<u>875.7</u>	<u>930.4</u>	<u>(54.7)</u>
Deferred Outflow of Resources	200.6	58.2	142.4
Current Liabilities	91.3	113.7	(22.4)
Noncurrent Liabilities	1,757.1	1,589.5	167.6
<i>Total Liabilities</i>	<u>1,848.4</u>	<u>1,703.2</u>	<u>145.2</u>
Deferred Inflow of Resources	18.0	--	18.0
Net Investment in Capital Assets	\$180.1	\$170.5	\$9.6
Restricted Net Position	73.3	73.9	(0.6)
Unrestricted Net Position	(1,043.5)	(959.0)	(84.5)
<i>Total Net Position</i>	<u><u>\$(790.1)</u></u>	<u><u>\$(714.6)</u></u>	<u><u>\$(75.5)</u></u>

# Statement of Activities

---

- Shows how net position changed during the current fiscal year
- Full accrual basis of accounting
  - Activity recorded when event occurs, regardless of the timing of related cash flows

# Key Elements

## Governmental Activities

- State Equalization Aid increased \$13.0 million
- Property taxes decreased by \$1.6 million
- Per pupil funding increase of \$282.24 to \$7,264.57
- Increased enrollment (149.0 FTE)
- Total governmental expenses increased \$66.0 million
  - Effect of GASB 68 was \$50.4 million
  - Increased enrollment and related staffing
  - Increase in teacher salary schedule of 2.9%, in addition to step and educational attainment and a 0.5% lump sum payment for those at maximum salary
  - Salary increases for non-teaching staff of 2.8%, along with a 2% lump sum payment
  - Employee health benefit costs
  - Pension costs
  - Interest expense decreased from refinancing of debt at a lower interest rate

# Statement of Activities - Expenses

## Governmental Activities

(in millions)	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase / (Decrease)
<i>Expenses</i>			
Instruction	\$467.5	\$ 414.3	\$53.2
Indirect Instruction	87.5	79.8	7.7
Supporting Services	85.7	81.2	4.5
Community Services	0.8	0.7	0.1
Pupil Activities	12.2	12.3	(0.1)
Interest on Long Term Debt	18.5	19.6	(1.1)
Food Service Operations	18.6	16.9	1.7
<b>Total Expenses</b>	<b>\$690.8</b>	<b>\$624.8</b>	<b>\$66.0</b>

# Statement of Activities - Revenues

## Governmental Activities

(in millions)	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase/ (Decrease)
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$44.2	\$42.0	\$2.2
Operating Grants	51.0	50.5	0.5
Capital Grants	0.7	0.8	(0.1)
General Revenues			
Property Taxes	251.4	253.0	(1.6)
Specific Ownership Taxes	19.6	19.1	0.5
Investment Earnings	0.4	0.3	0.1
Other Revenues	2.9	2.9	-
State Equalization Aid	245.1	232.1	13.0
<b>Total Revenues</b>	<b>\$615.3</b>	<b>\$600.7</b>	<b>\$14.6</b>

# Statement of Activities

## Governmental Activities

(in millions)	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase/ (Decrease)
Total Revenues	\$615.3	\$600.7	\$14.6
Total Expenses	<u>690.8</u>	<u>624.8</u>	<u>66.0</u>
Change in Net Position	(75.5)	(24.1)	(51.4)
Net Position Beginning of Year	<u>(714.6)</u>	<u>(690.5)</u>	<u>(24.1)</u>
Net Position End of Year	<u><u>\$(790.1)</u></u>	<u><u>\$(714.6)</u></u>	<u><u>\$(75.5)</u></u>

# Capital Assets

(in millions)	Fiscal Year 2015-2016
Land	\$19.9
Land Improvements	25.1
Buildings	959.2
Projects in Progress	17.4
Equipment	<u>74.9</u>
Total Capital Assets	1,096.5
Less Accumulated Depreciation	<u>427.0</u>
Net Capital Assets	<u><u>\$669.5</u></u>

# Long-Term Obligations

(in millions)	Fiscal Year 2015-2016
General Obligation Bonds	\$458.3
Unamortized Premiums	26.9
Capital Lease	12.0
Compensated Absences	<u>36.7</u>
Total Long-Term Obligations	<u><u>\$533.9</u></u>

# Balance Sheet: Governmental Funds

as of June 30, 2016

(in millions)	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets	\$102.3	\$54.4	\$9.8	39.9	\$206.4
Liabilities	35.5	--	2.3	11.6	49.4
Deferred Inflows of Resources	<u>3.4</u>	<u>1.9</u>	<u>--</u>	<u>--</u>	<u>5.3</u>
Fund Balance	<u><u>\$63.4</u></u>	<u><u>\$52.5</u></u>	<u><u>\$7.5</u></u>	<u><u>\$28.3</u></u>	<u><u>\$151.7</u></u>

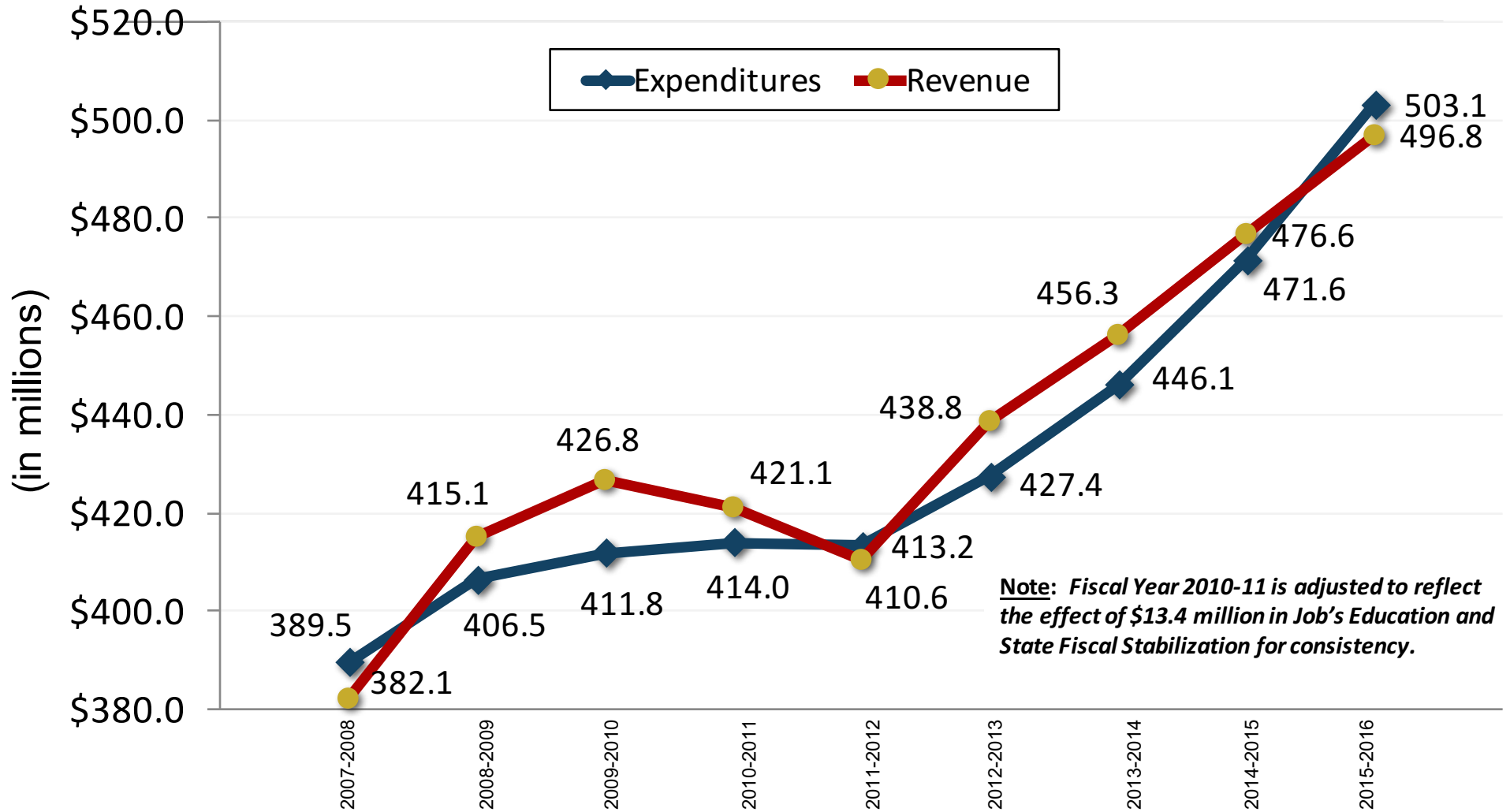
# General Fund – Budget to Actual

Year Ended June 30, 2016

(in millions)	Budget	Actual	Variance
<i>Revenues:</i>			
Property & SO Taxes	\$221.5	\$222.3	\$0.8
State	264.6	265.8	1.2
Investment Income	--	0.1	0.1
Other	5.6	7.2	1.6
Transfers	1.2	1.4	0.2
<i>Total Revenues</i>	<u>\$492.9</u>	<u>\$496.8</u>	<u>\$3.9</u>
<i>Expenditures:</i>			
Instruction	\$338.7	\$332.5	\$6.2
Indirect Instruction	74.4	72.7	1.7
Operations/Maintenance	37.7	37.5	0.2
Transportation	20.2	20.4	(0.2)
Other Support Services	23.3	22.2	1.1
Transfers	8.8	17.8	(9.0)
<i>Total Expenditures</i>	<u>\$503.1</u>	<u>\$503.1</u>	<u>\$ --</u>

# General Fund Revenue & Expenditures

## Including Transfers



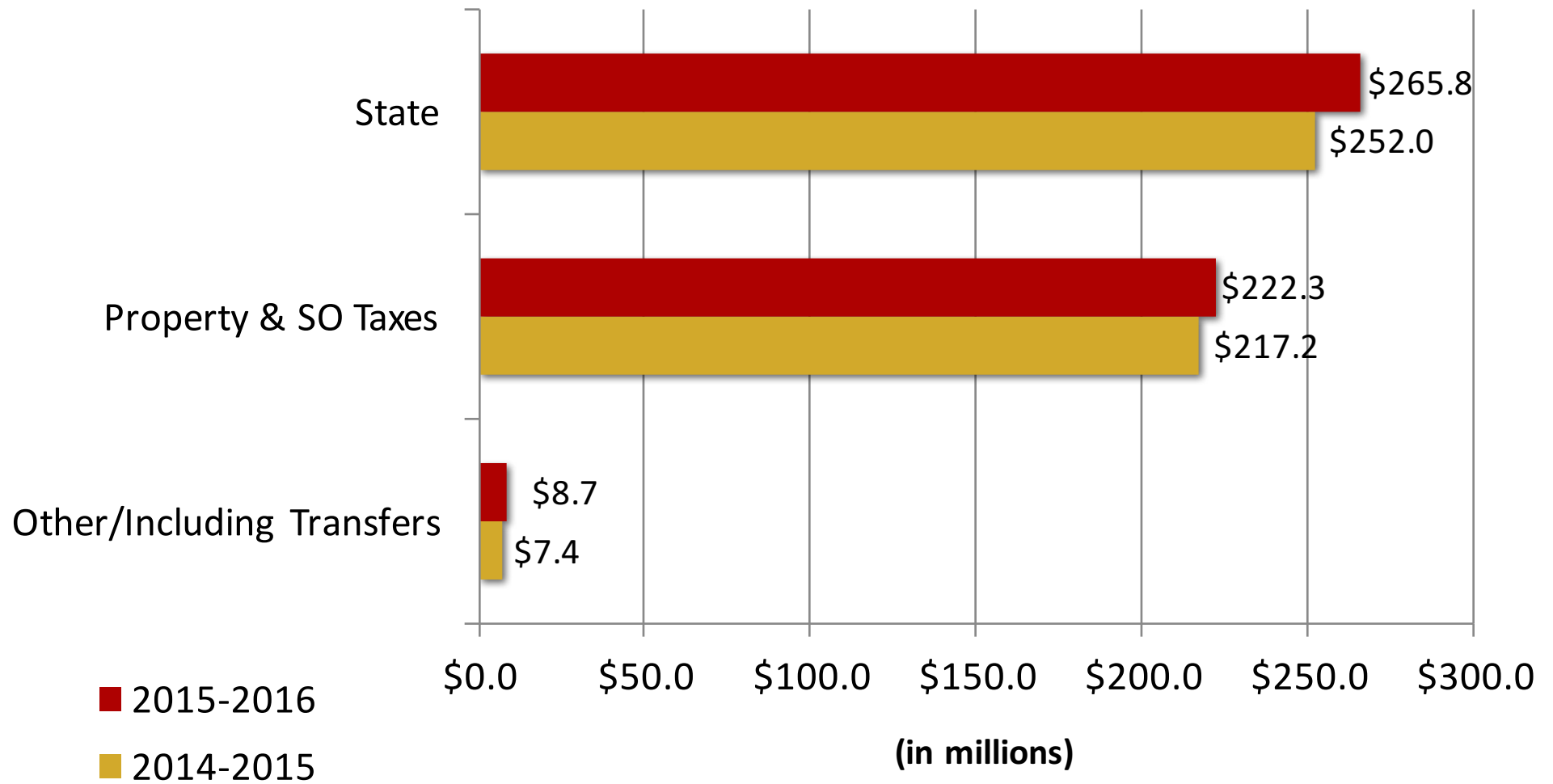
# General Fund Revenues

FY2015-2016 vs. FY2014-2015

(in millions)	Fiscal Year 2015-2016	Percent of Total	Fiscal Year 2014-2015	Percent of Total	Increase/ Decrease
Property & SO Taxes	\$ 222.3	44.7%	\$217.2	45.5%	\$5.1
State	265.8	53.5%	252.0	52.9%	13.8
Other/Including Transfers	<u>8.7</u>	<u>1.8%</u>	<u>7.4</u>	<u>1.6%</u>	<u>1.3</u>
Totals	<u>\$496.8</u>	<u>100.0%</u>	<u>\$476.6</u>	<u>100%</u>	<u>\$20.2</u>

# General Fund Revenues by Source

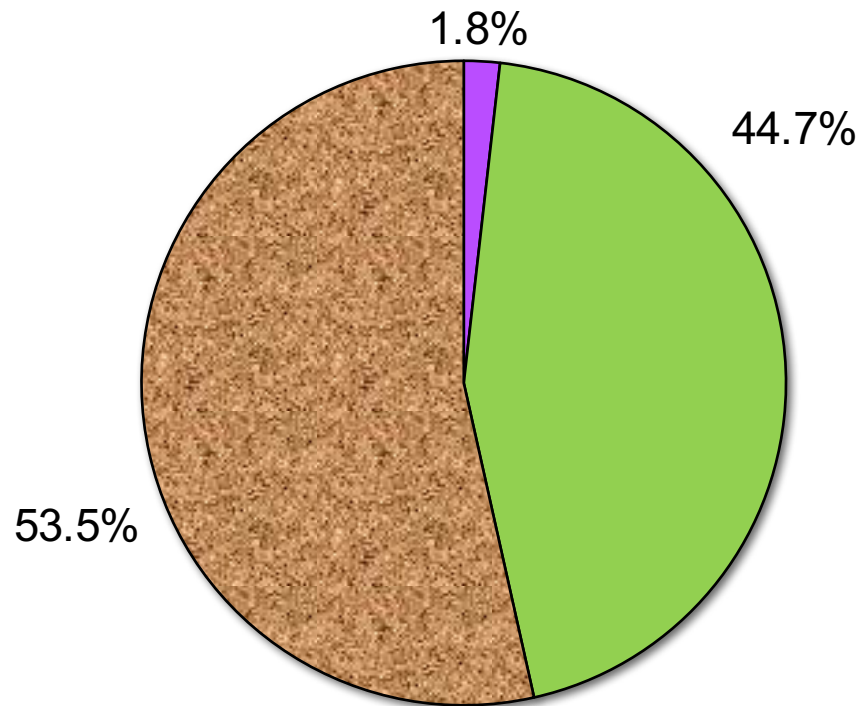
FY2015-2016 vs. FY2014-2015



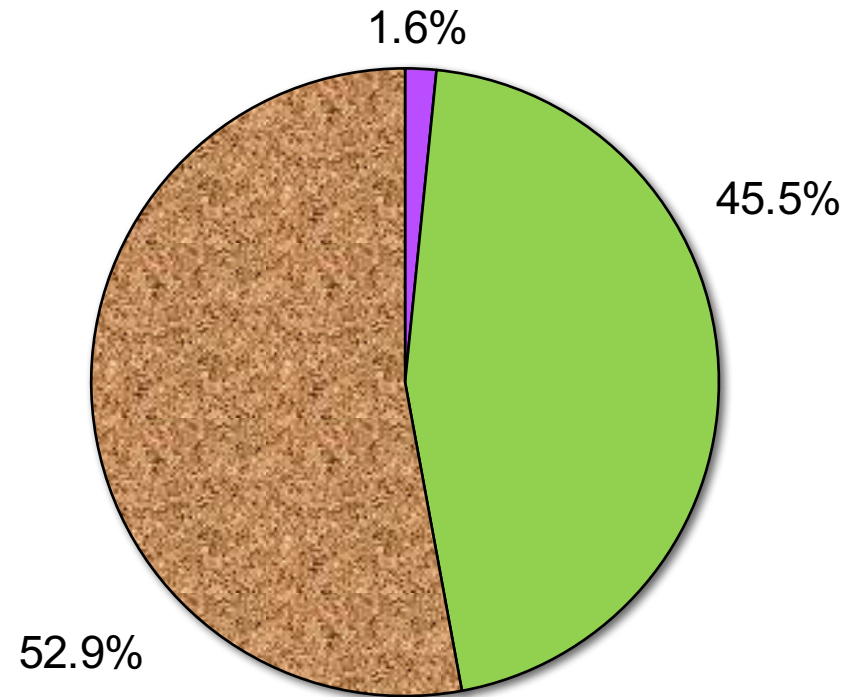
# General Fund Revenues by Source

FY2015-2016 vs. FY2014-2015

**2015-2016**



**2014-2015**



Other    Property & SO Taxes    State

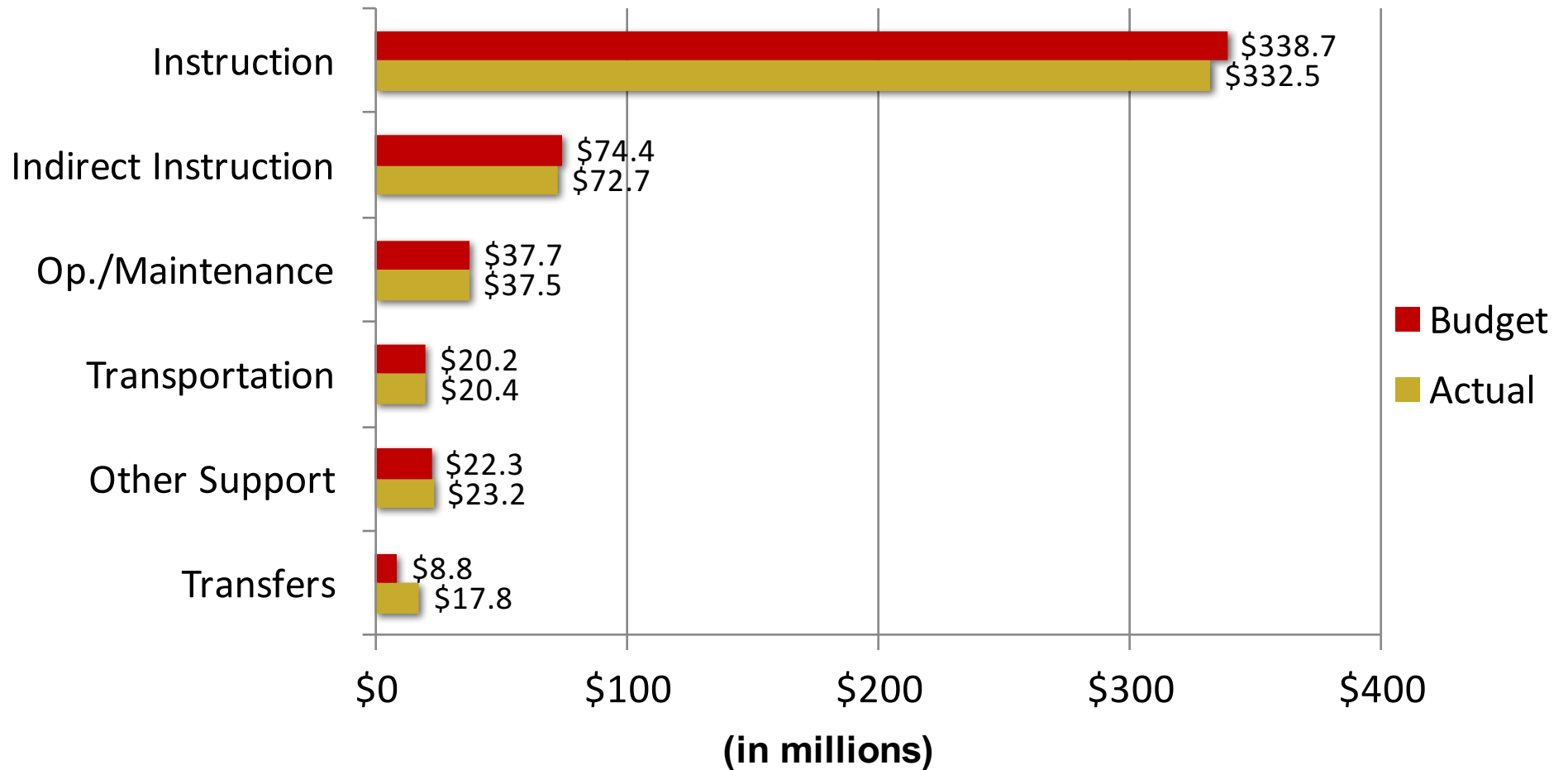
# General Fund Expenditures

by Function – FY2015-2016 vs. FY2014-2015

(in millions)	Fiscal Year 2015-2016	Percent of Total	Fiscal Year 2014-2015	Percent of Total	Increase/ (Decrease)
Instruction	\$332.5	66.1%	\$ 318.8	67.6%	\$13.7
Indirect Instruction	72.7	14.5%	68.7	14.6%	4.0
Operations/Maintenance	37.5	7.5%	35.3	7.5%	2.2
Transportation	20.4	4.0%	20.2	4.3%	0.2
Other Support Services	22.2	4.4%	21.3	4.5%	0.9
Transfers	<u>17.8</u>	<u>3.5%</u>	<u>7.3</u>	<u>1.5%</u>	<u>10.5</u>
Total	<u>\$503.1</u>	<u>100.0%</u>	<u>\$ 471.6</u>	<u>100.0%</u>	<u>\$31.5</u>

# General Fund Expenditures

Budget to Actual – Year Ended June 30, 2016



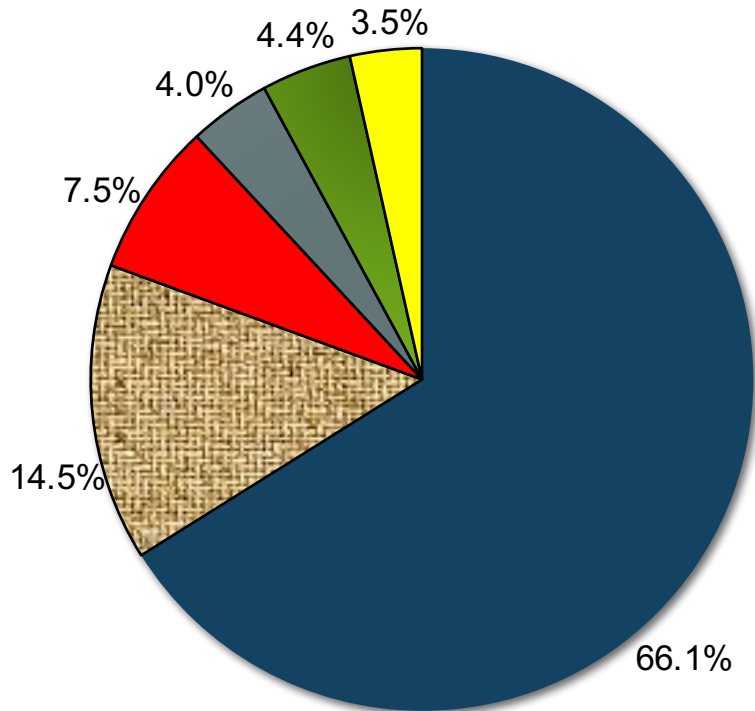
# General Fund Expenditures by Function

FY2015-2016 vs. FY2014-2015

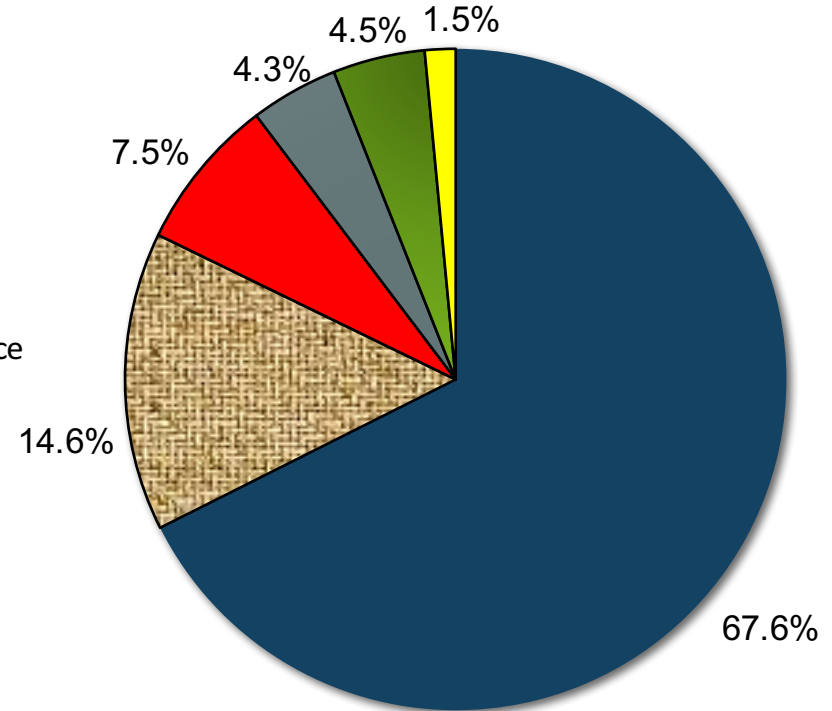
## Instruction

2015-2016 = 80.6%  
2014-2015 = 82.2%

**2015-2016**



**2014-2015**



- Instruction
- Indirect Instruction
- Operations/Maintenance
- Transportation
- Other Support
- Transfer

# General Fund – Fund Balance

June 30, 2016

Nonspendable:	
Prepayments and Deposits	\$271,910
Inventories	1,605,860
Restricted for: Emergency Reserve	15,092,000
Committed for:	
Multiple-year commitments	645,626
Future year expenditures	14,880,000
Assigned for: Future year purchases and curriculum	542,797
Unassigned	<u>30,374,491</u>
Total Fund Balance	<u><u>\$63,412,684</u></u>

# General Fund Summary

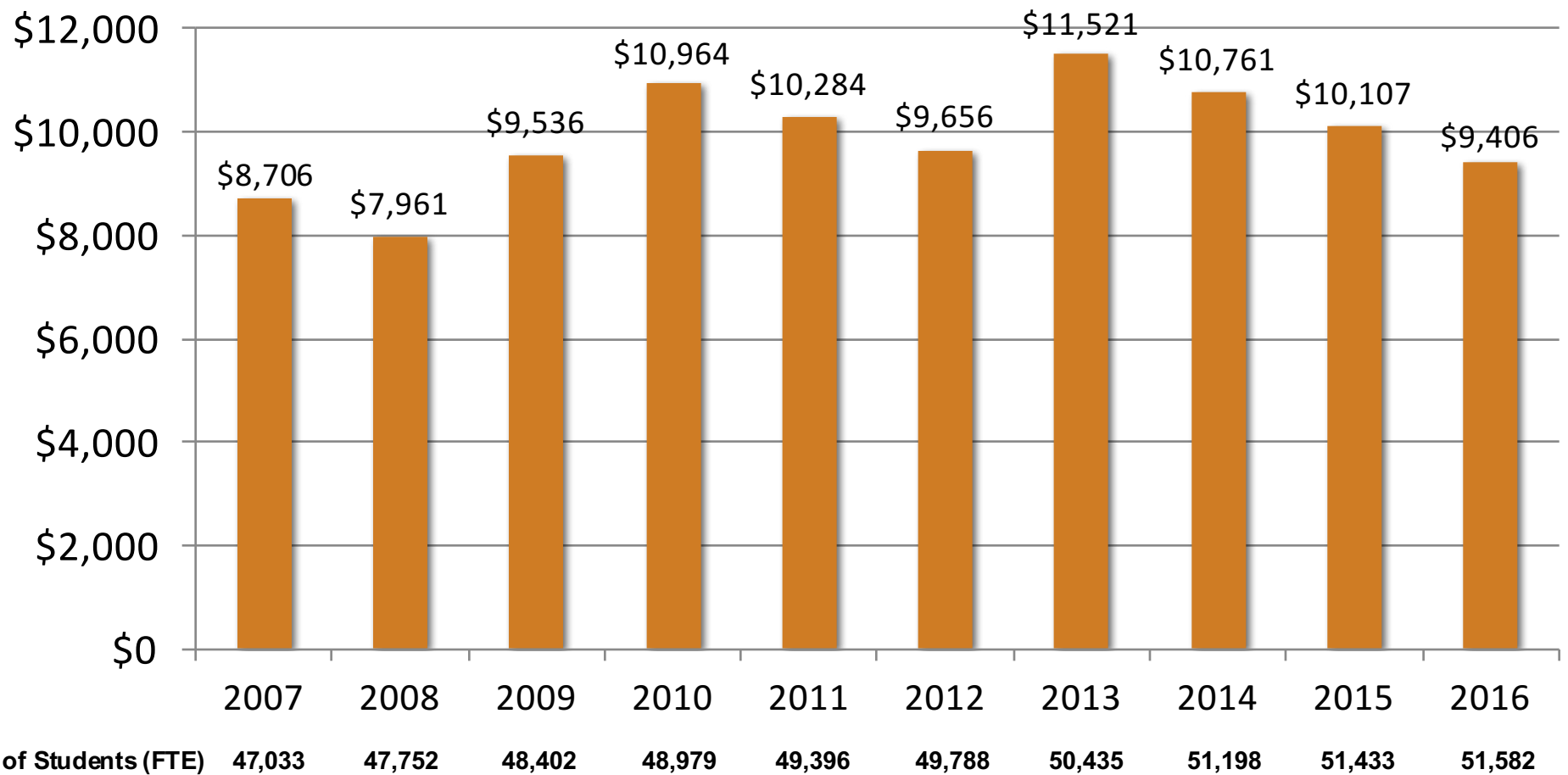
---

- Property and specific ownership tax collections better than budget
- State funding and other revenues, including indirect costs, better than budget
- Federal interest subsidy from Build America Bonds -- \$1.5 million
- Continued cost containment efforts
- Positive expenditure variances include benefits, utilities, and general supplies
- Transportation expenditures were more than anticipated

# Debt Service Fund

(in millions)	Fiscal Year 2015-2016	Fiscal Year 2014-2015	Increase (Decrease)
Beginning Fund Balance	\$ 50.8	\$ 46.5	\$4.3
Revenues	105.7	94.8	10.9
Expenditures	(104.0)	(94.6)	(9.4)
Transfers In	--	4.1	(4.1)
Net Change in Fund Balance	1.7	4.3	(2.6)
Ending Fund Balance	<u>\$52.5</u>	<u>\$ 50.8</u>	<u>\$1.7</u>

# General Obligation Bonded Debt Per Student (FTE)



# Capital Projects Building Fund

(in millions)	Fiscal Year 2015-2016	Fiscal Year 2014-2015	Increase (Decrease)
Beginning Fund Balance	<u>\$25.8</u>	<u>\$73.2</u>	<u>\$(47.4)</u>
Revenues	0.1	0.2	(0.1)
Expenditures	(18.5)	(43.5)	25.0
Transfers Out	<u>--</u>	<u>(4.1)</u>	<u>4.1</u>
Net Change in Fund Balance	<u>(18.4)</u>	<u>(47.4)</u>	<u>29.0</u>
Ending Fund Balance	<u><u>\$7.4</u></u>	<u><u>\$25.8</u></u>	<u><u>\$(18.4)</u></u>

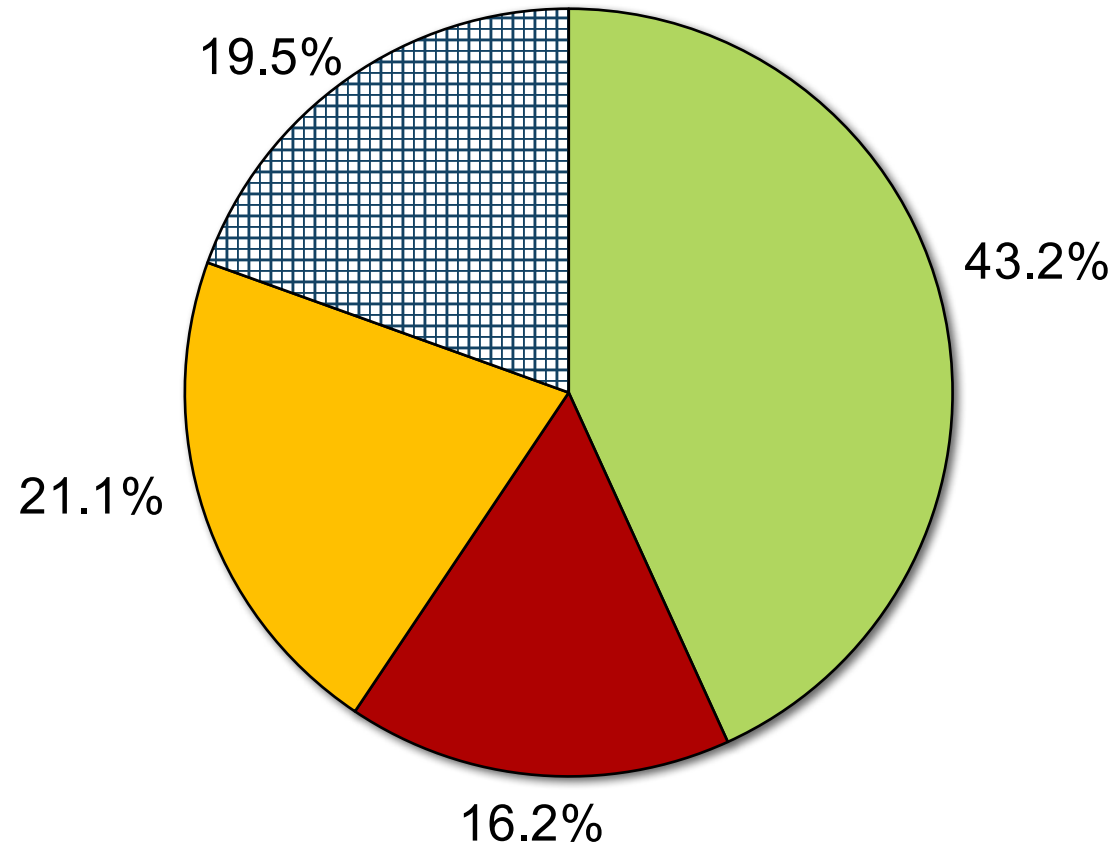
# Capital Projects Building Fund

## FY2015-2016 Expenditures

	<u>In Millions</u>	<u>Percent</u>
Structural Renovations	\$3.9	21.1%
Mechanical Renovations	3.0	16.2%
Holly Hills/Holly Ridge Elementary School	2.7	14.5%
Prairie Middle School	2.0	10.9%
Thunder Ridge Middle School	1.7	9.1%
Peakview Elementary School	1.6	8.7%
Security and Information System Upgrades	1.4	7.6%
Other Projects	2.2	11.9%
	<u>\$18.5</u>	<u>100.0%</u>

# Analysis of Projects by Type

FY2015-2016



■ Major Renovations and Additions ■ Mechanical Renovations ■ Structural Renovations ■ Security & Other

# Balance Sheet: Nonmajor Governmental Funds

## June 30, 2016

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Food Services Fund	Pupil Activities Fund	Total Nonmajor Governmental Funds
Assets	\$11.4	\$7.0	\$8.8	\$6.9	\$5.8	\$39.9
Liabilities	<u>0.8</u>	<u>7.0</u>	<u>2.4</u>	<u>1.2</u>	<u>0.2</u>	<u>11.6</u>
Fund Balance	<u>\$10.6</u>	<u>\$--</u>	<u>\$6.4</u>	<u>\$5.7</u>	<u>\$5.6</u>	<u>\$28.3</u>

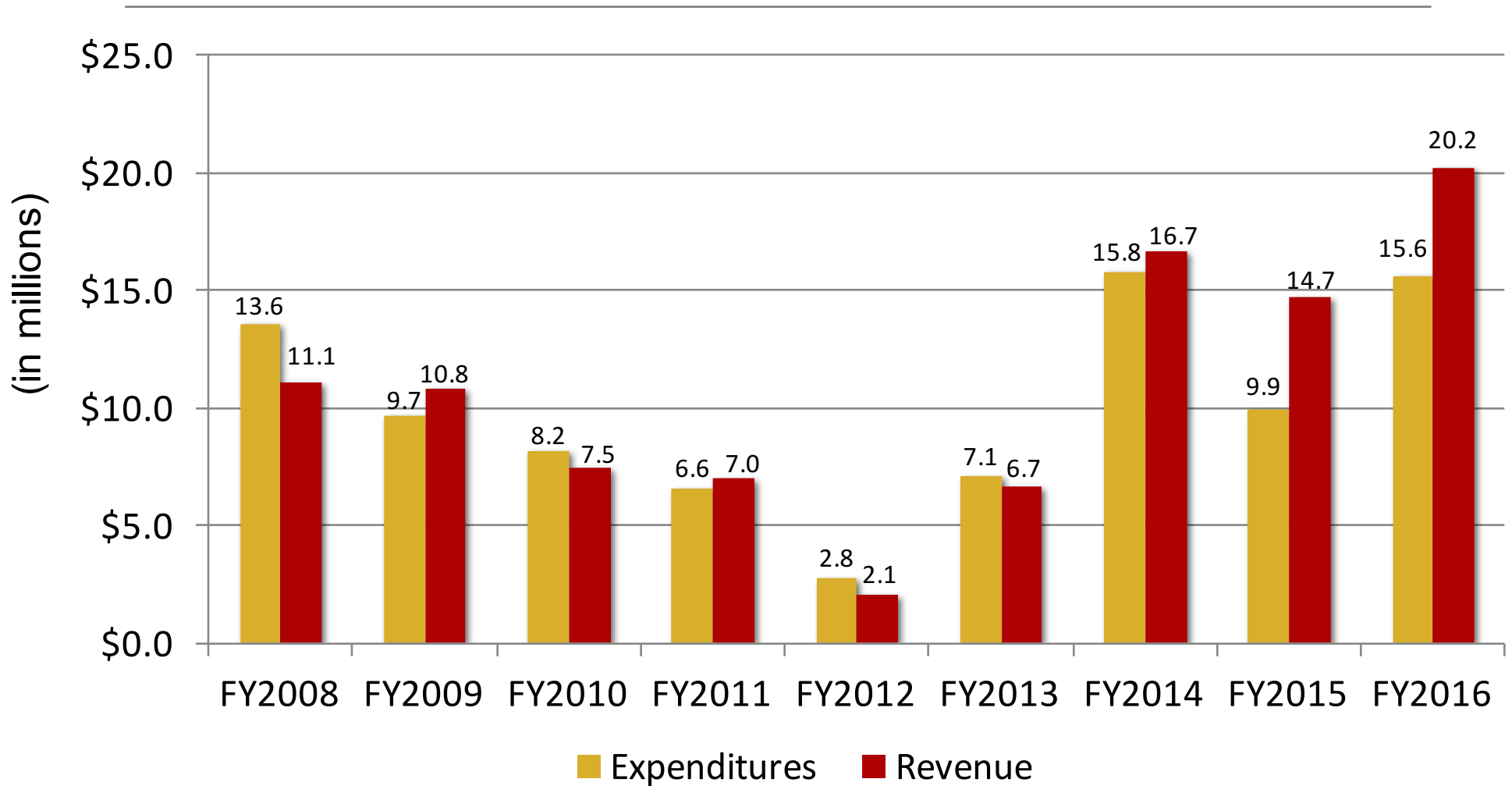
# Nonmajor Governmental Funds

- **Capital Reserve Fund**

- Account for allocation for ongoing capital outlay, information technology, major maintenance and equipment purchases
- Decline in annual expenditures during five years from \$13.6 million in FY2008 to \$2.8 million in FY2012. Increased to \$7.1 million in FY2013. Increased to \$15.8 million in FY2014 including the purchase of computer equipment funded by a capital lease. Spending of \$9.9 million in FY2015 included additional computer expenditures and buses funded with capital leases. FY2016 includes an additional bus lease funded by a capital lease and additional funding for capital projects.

# Capital Reserve Fund

Revenue (Transfers) and Expenditures for a Nine (9) Year Period



# Nonmajor Governmental Funds

(continued)  
FY2015-2016

- Major Federal Grants

Federal Funding Earned	(in millions)
Special Education: IDEA Cluster	\$9.0
Title I, Part A of ESEA	5.5
Improving Teacher Quality: Title II, Part A	0.8
English Language Acquisition: Title III	0.4
Food Services	
School Breakfast Program	1.2
National School Lunch Program	5.5
USDA Commodities	1.1

# Nonmajor Governmental Funds (continued)

- **Extended Child Services Fund**
  - Accounts for the financial activities of:
    - Preschool, Kindergarten Enrichment, Before and After School, and Intersession/Year-Round Enrichment programs
    - Academic and non-academic summer school
    - Instrumental music programs
  
- **Pupil Activities Fund**
  - Accounts for financial transactions related to school-sponsored interscholastic and intrascholastic athletic and activity events
  
- **Food Services Fund**
  - Accounts for food service operations for the various schools within the District. This program serves breakfast and lunch to the students and school staff, and is partially funded by the National School Lunch and School Breakfast programs through the federal government.

# Nonmajor Revenue Funds

## FY2015-2016 Revenues & Expenditures

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Food Services Fund	Pupil Activities Fund	TOTAL
<i>Revenues:</i>						
Federal Grants	\$--	\$18.6	\$--	\$7.8	\$--	\$26.4
State Grants	--	1.9	--	0.3	--	2.2
Tuition	--	--	17.9	--	--	17.9
Pupil Activities	--	--	--	--	12.5	12.5
Food Service Sales	--	--	--	9.4	--	9.4
Other	0.1	2.4	--	--	--	2.5
Total	<u>\$0.1</u>	<u>\$22.9</u>	<u>\$17.9</u>	<u>\$17.5</u>	<u>\$12.5</u>	<u>\$70.9</u>
<i>Expenditures:</i>						
Instruction	\$--	\$18.3	\$15.4	\$--	\$--	\$33.7
Other Support Services	--	4.6	1.1	--	--	5.7
Pupil Activities	--	--	--	--	12.2	12.2
Capital Outlay	12.2	--	--	1.0	--	13.2
Debt Service	3.4	--	--	--	--	3.4
Food Services	--	--	--	17.1	--	17.1
Total	<u>\$15.6</u>	<u>\$22.9</u>	<u>\$16.5</u>	<u>\$18.1</u>	<u>\$12.2</u>	<u>\$85.3</u>
<i>Other Financing:</i>						
Transfers (net)	\$16.7	\$--	\$(1.4)	\$1.1	\$--	\$16.4
Capital Lease Proceeds	3.4	--	--	--	--	3.4
Sale of Assets	0.1	--	--	--	--	0.1

# Financial Summary

- Second year of GASB 68 results in recording a liability of \$1,267.4 million on the government-wide financials while there is no impact on the governmental fund statements, and no additional payments required by the District other than the required contributions established by the State Legislature
- State funding increased approximately \$282 per pupil
- General Fund reserves decreased \$6.3 million
- Student enrollment increased 132 students (149.0 FTE)
- Capital lease of \$3.4 million to purchase buses
- Continue to manage within established budgets
- Continue to adjust financial, capital, and human resources to maintain balanced budget