

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2015

EXECUTIVE BRIEFING FOR:
BOARD OF EDUCATION

November 9, 2015



New 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 revises and establishes 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 \$1,064.7 million as of June 30, 2015.
- 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 \$714.6 million.
- GASB 68 also increased current year pension expense by \$36.1 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)
- 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
- No single audit findings
- The Food Services Fund is now reported as a governmental fund rather than as a business-type activity due to a change in State regulations
- Prior year net position is restated on the financials due to GASB 68 and the change in the Food Services Fund presentation

Financial Report and Budget Awards

Government Finance Officers Association

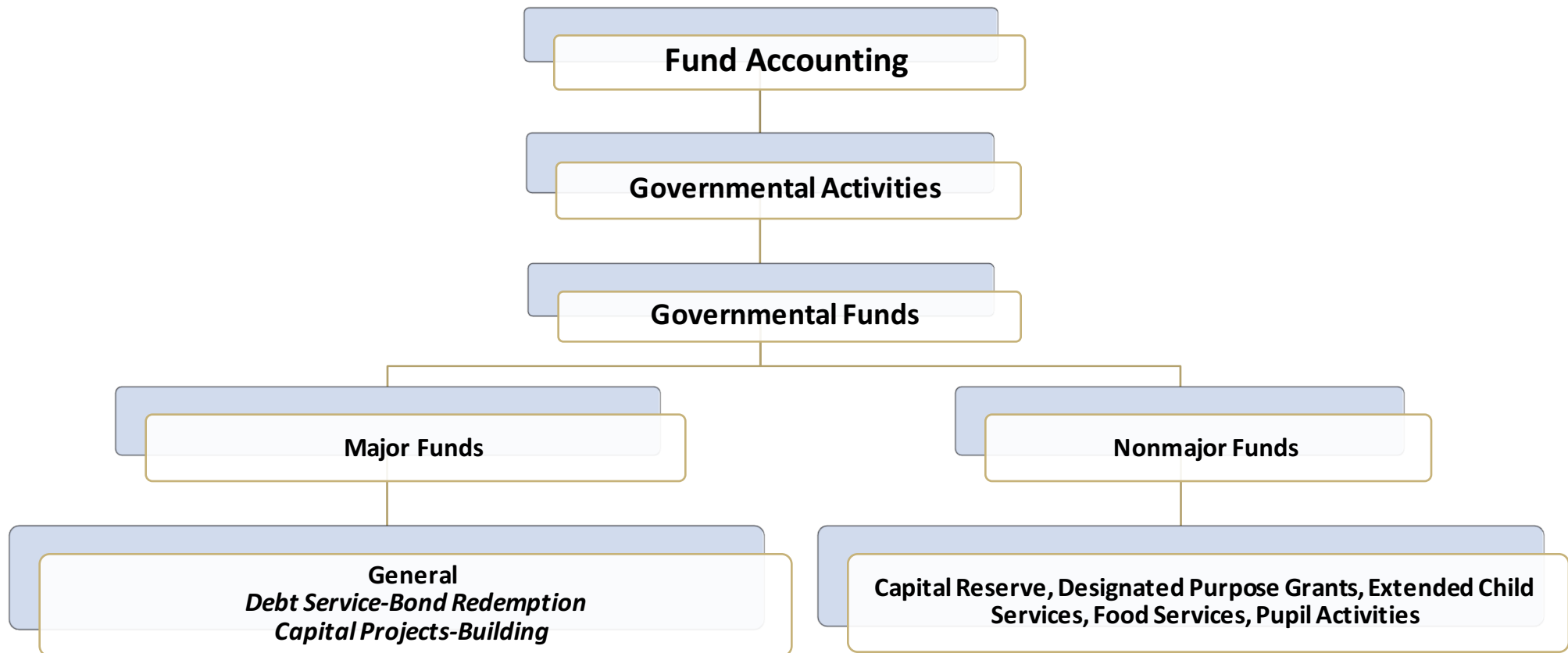
- Certificate of Achievement for Excellence in Financial Reporting
 - **Received for 2014 CAFR – 22nd consecutive year**
- Distinguished Budget Presentation Award
 - **Received for 2014-2015 Budget – 21st consecutive year**

Association of School Business Officials

- Certificate of Excellence in Financial Reporting
 - **Received for 2014 CAFR – 22nd consecutive year**
- Meritorious Budget Award
 - **Received for 2014-2015 Budget – 18th 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

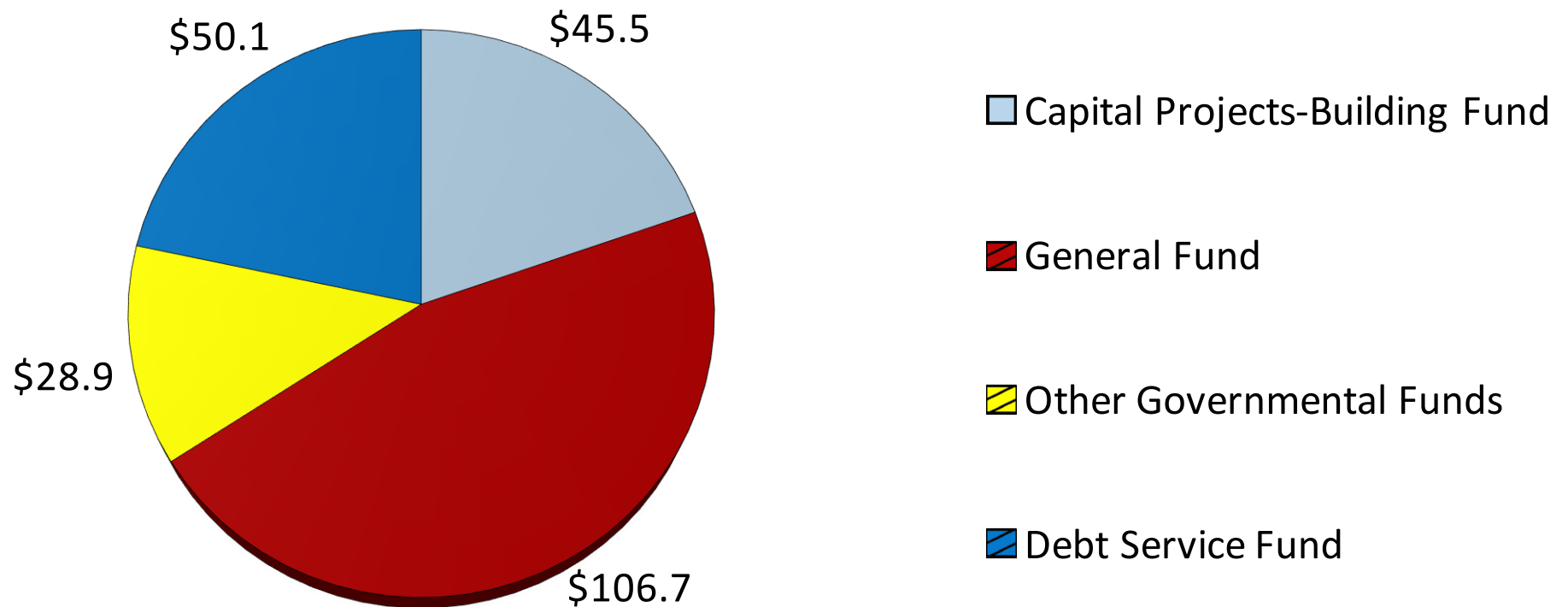
Statement of Net Position

- 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, 2015
by Fund (in millions)

TOTAL: \$231.2



Investments and Deposits

As of June 30, 2015

<u>District Deposits</u>	<u>(in millions)</u>
Cash	\$8.1
Cash Held by County Treasurer	2.6
Equity in Pooled Cash	<u>108.3</u>
Total Deposits	119.0
 <u>Investments</u>	
U.S. Government Backed Securities	58.1
Investments Held in Escrow	49.9
Investments in Trust	<u>4.2</u>
Total Investments	<u>112.2</u>
Total Investments and Deposits	<u><u>\$ 231.2</u></u>

Investments and Deposits

(Continued)

Total Investment Income	\$0.3
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Weighted Average Maturity:

All Funds	253 days
Building Fund	196 days

Weighted Average Yield on Investments:

All Funds	0.210%
Building Fund	0.410%
Benchmark - 3-month T-Bill	0.020%

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

- \$31.3 million borrowed from the State Treasurer's interest-free loan program to fund seasonal cash flow requirements during FY2014-2015
 - Repaid June 25, 2015

Management's Discussion & Analysis

- Liabilities and deferred inflows exceed assets and deferred outflows by \$714.6 million (net position) due to the effects of GASB 68 (net pension liability)

- Net position of the District includes:
 - \$170.5 million net investment in capital assets
 - \$73.9 million restricted for debt service payments, restricted investments, Food Service operations, and TABOR
 - \$(959.0) 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 \$24.1 million. GASB 68 effect is \$36.1 million
- District's governmental funds decreased by \$31.8 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 revenues were in excess of expenditures by \$5.0 million
- Long-term obligations decreased by \$27.9 million
 - Result of the scheduled current year payments on existing debt
 - Net result of refinancing \$43.5 million of debt originally issued in 2005 at a lower interest rate
 - New capital leases for the purchase of computer equipment and buses

Management's Discussion & Analysis

(Continued)

- District's General Fund balance increased by \$5.0 million
 - State per pupil funding increase of approximately \$401. State aid funded and enrollment increase of 235.2 FTE
 - \$9.8 million actual positive budgeted expenditure variance includes: benefits, utilities, plant operations and general supplies
 - Property taxes received were positive to budget--\$3.2 million
 - Specific ownership tax positive to budget--\$1.3 million
 - Transportation expenditures exceeded budget--\$0.3 million

Net Position

Governmental Activities

(in millions)	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase/ (Decrease)
Current/Other Assets	\$254.0	\$285.9	\$(31.9)
Capital Assets	676.4	662.3	14.1
<i>Total Assets</i>	<u>930.4</u>	<u>948.2</u>	<u>(17.8)</u>
Deferred Outflow of Resources	58.2	1.6	56.6
Current Liabilities	113.7	115.0	(1.3)
Noncurrent Liabilities	1,589.5	553.8	1,035.7
<i>Total Liabilities</i>	<u>\$1,703.2</u>	<u>\$668.8</u>	<u>\$1,034.4</u>
Net Investment in Capital Assets	\$170.5	\$175.9	\$(5.4)
Restricted Net Position	73.9	60.5	13.4
Unrestricted Net Position	(959.0)	44.6	(1,003.6)
<i>Total Net Position</i>	<u>\$(714.6)</u>	<u>\$281.0</u>	<u>\$(995.6)</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 \$20.5 million
- Property taxes increased by \$2.0 million
- Per pupil funding increase of \$401.28 to \$6,982.33
- Increased enrollment (235.2 FTE)
- Total governmental expenses increased \$63.5 million
 - Effect of GASB 68 was \$36.1 million
 - Increased enrollment and related staffing
 - Increase in teacher salary schedule of 2.8%, in addition to step and educational attainment
 - Salary increases for non-teaching staff of 2.8%
 - 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 2014-15	Fiscal Year 2013-14	Increase / (Decrease)
<u>Expenses</u>			
Instruction	\$414.3	\$ 365.2	\$49.1
Indirect Instruction	79.8	68.1	11.7
Supporting Services	81.2	78.2	3.0
Community Services	0.7	0.8	(0.1)
Pupil Activities	12.3	12.4	(0.1)
Interest on Long Term Debt	19.6	21.3	(1.7)
Food Service Operations	16.9	15.3	1.6
Total Expenses	\$624.8	\$561.3	\$63.5

Statement of Activities - Revenues

Governmental Activities

(in millions)	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase/ (Decrease)
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$42.0	\$39.3	\$2.7
Operating Grants	50.5	45.4	5.1
Capital Grants	0.8	1.1	(0.3)
General Revenues			
Property Taxes	253.0	251.0	2.0
Specific Ownership Taxes	19.1	17.6	1.5
Investment Earnings	0.3	0.8	(0.5)
Other Revenues	2.9	2.7	0.2
State Equalization Aid	232.1	211.6	20.5
Total Revenues	\$600.7	\$569.5	\$31.2

Statement of Activities

Governmental Activities

(in millions)	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase/ (Decrease)
Total Revenues	\$600.7	\$569.5	\$31.2
Total Expenses	<u>624.8</u>	<u>561.3</u>	<u>63.5</u>
Change in Net Position	(24.1)	8.2	(32.3)
Net Position Beginning of Year	<u>*(690.5)</u>	<u>272.8</u>	<u>(963.3)</u>
Net Position End of Year	<u><u>\$(714.6)</u></u>	<u><u>\$281.0</u></u>	<u><u>\$(995.6)</u></u>

- * The prior year net position is restated by \$(971.5) million from the implementation of GASB 68 and by \$7.2 million for the change of the Food Service Fund to a governmental activity.

Capital Assets

(in millions)	Fiscal Year 2014-2015
Land	\$19.8
Land Improvements	24.5
Buildings	934.1
Projects in Progress	26.1
Equipment	<u>68.1</u>
Total Capital Assets	1,072.6
Less Accumulated Depreciation	<u>396.2</u>
Net Capital Assets	<u><u>\$676.4</u></u>

Long-Term Obligations

(in millions)	Fiscal Year 2014-2015
General Obligation Bonds	\$495.5
Unamortized Premiums	24.3
Capital Lease	11.9
Compensated Absences	<u>34.5</u>
Total Long-Term Obligations	<u><u>\$566.2</u></u>

Balance Sheet: Governmental Funds

as of June 30, 2015

(in millions)	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets	\$131.0	\$52.4	\$45.5	34.6	\$263.5
Liabilities	52.5	--	19.7	11.7	83.9
Deferred Inflows of Resources	8.8	1.6	--	--	10.4
Fund Balance	<u>\$69.7</u>	<u>\$50.8</u>	<u>\$25.8</u>	<u>\$22.9</u>	<u>\$169.2</u>

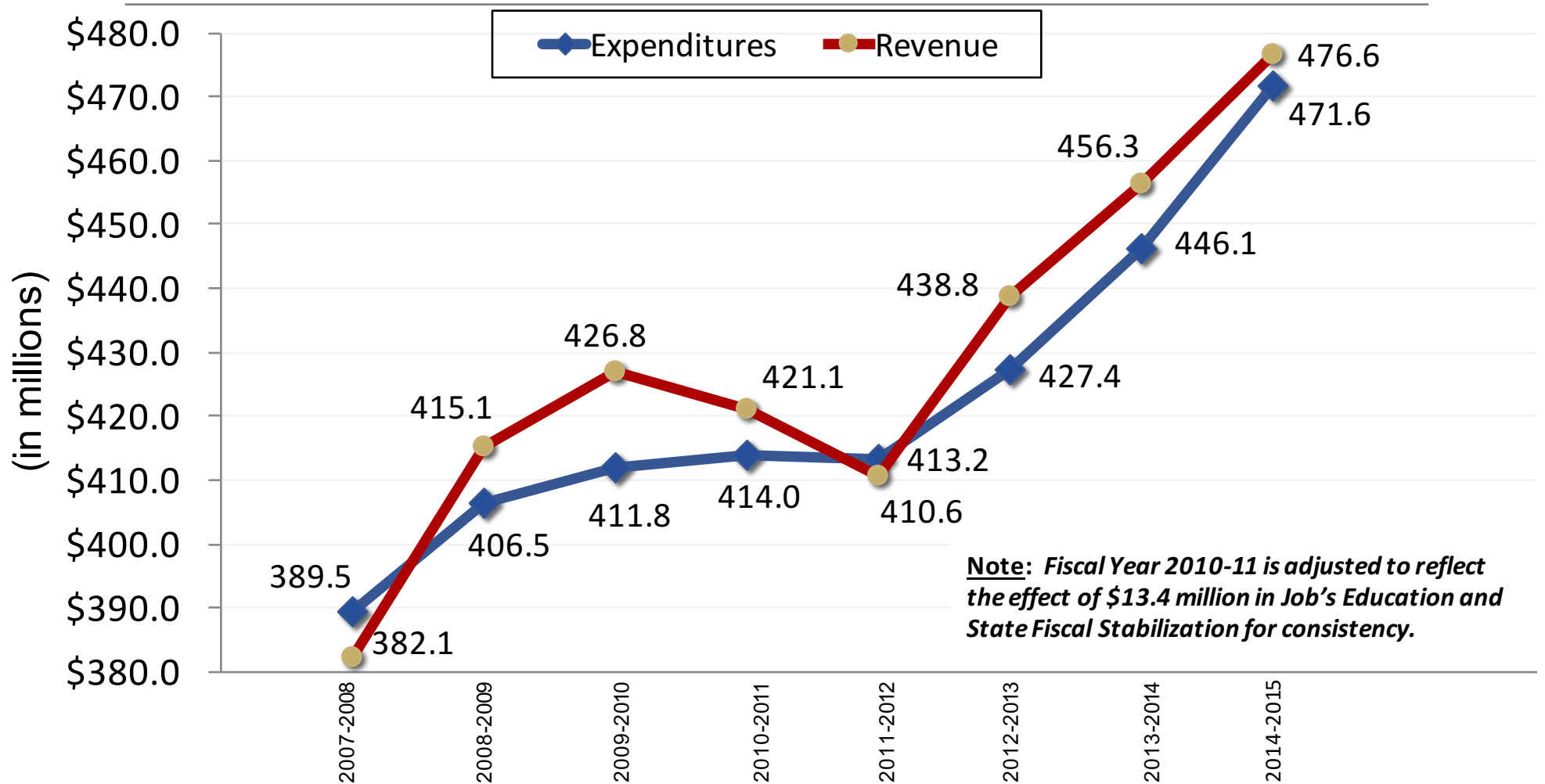
General Fund – Budget to Actual

Year Ended June 30, 2015

(in millions)	Budget	Actual	Variance
<u>Revenues:</u>			
Property & SO Taxes	\$212.7	\$217.2	\$4.5
State	252.7	252.0	(0.7)
Investment Income	0.1	--	(0.1)
Other	4.6	6.2	1.6
Transfers	1.3	1.2	(0.1)
<i>Total Revenues</i>	<u>\$471.4</u>	<u>\$476.6</u>	<u>\$5.2</u>
<u>Expenditures:</u>			
Instruction	\$323.3	\$318.8	\$4.5
Indirect Instruction	70.8	68.7	2.1
Operations/Maintenance	37.1	35.3	1.8
Transportation	19.9	20.2	(0.3)
Other Support Services	23.0	21.3	1.7
Transfers	7.3	7.3	--
<i>Total Expenditures</i>	<u>\$481.4</u>	<u>\$471.6</u>	<u>\$9.8</u>

General Fund Revenue & Expenditures

Including Transfers



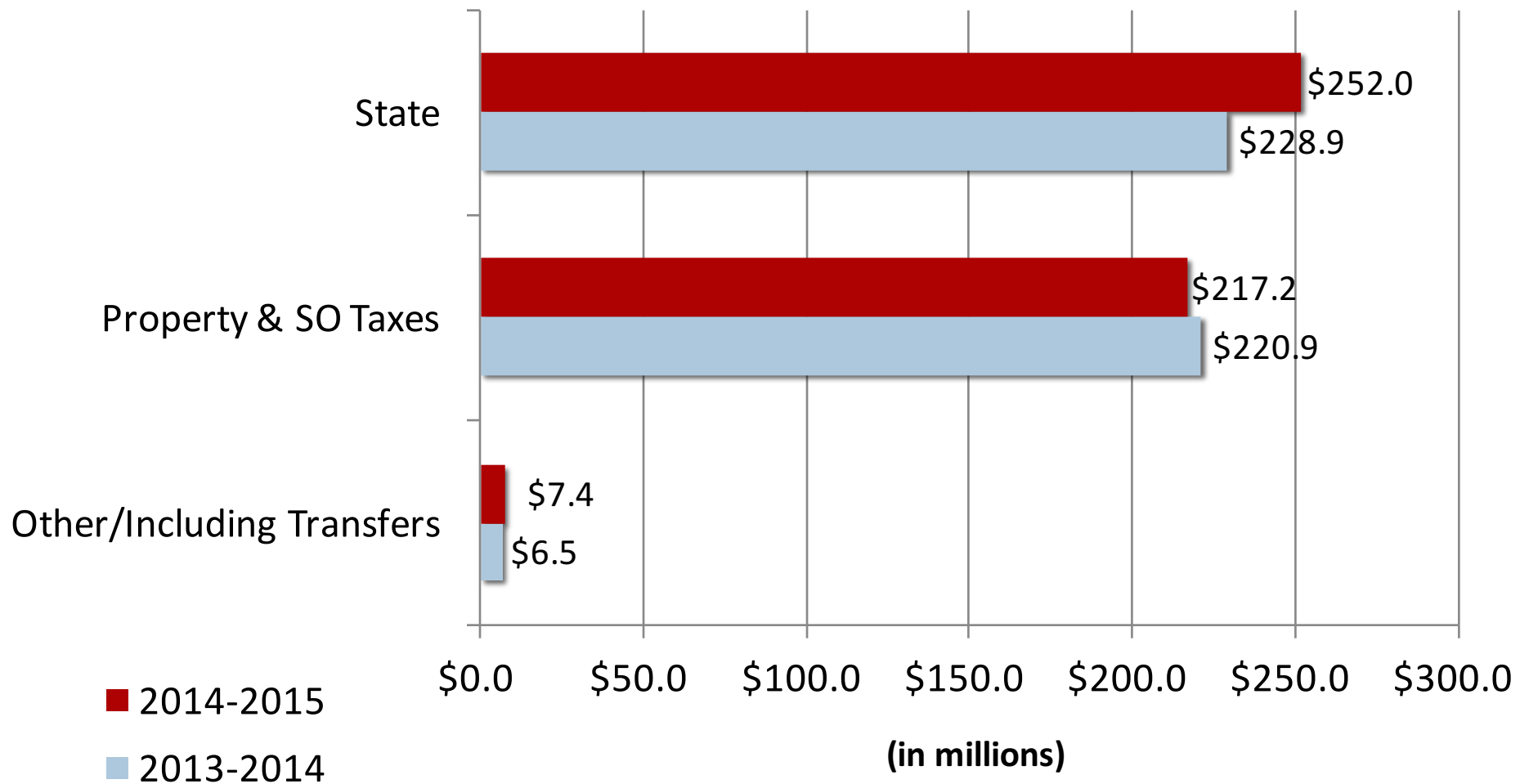
General Fund Revenues

FY2014-2015 vs. FY2013-2014

(in millions)	Fiscal Year 2014-2015	Percent of Total	Fiscal Year 2013-2014	Percent of Total	Increase/ Decrease
Property & SO Taxes	\$ 217.2	45.5%	\$220.9	48.4%	\$(3.7)
State	252.0	52.9%	228.9	50.2%	23.1
Other/Including Transfers	<u>7.4</u>	<u>1.6%</u>	<u>6.5</u>	<u>1.4%</u>	<u>0.9</u>
Totals	<u><u>\$476.6</u></u>	<u><u>100.0%</u></u>	<u><u>\$456.3</u></u>	<u><u>100%</u></u>	<u><u>\$20.3</u></u>

General Fund Revenues by Source

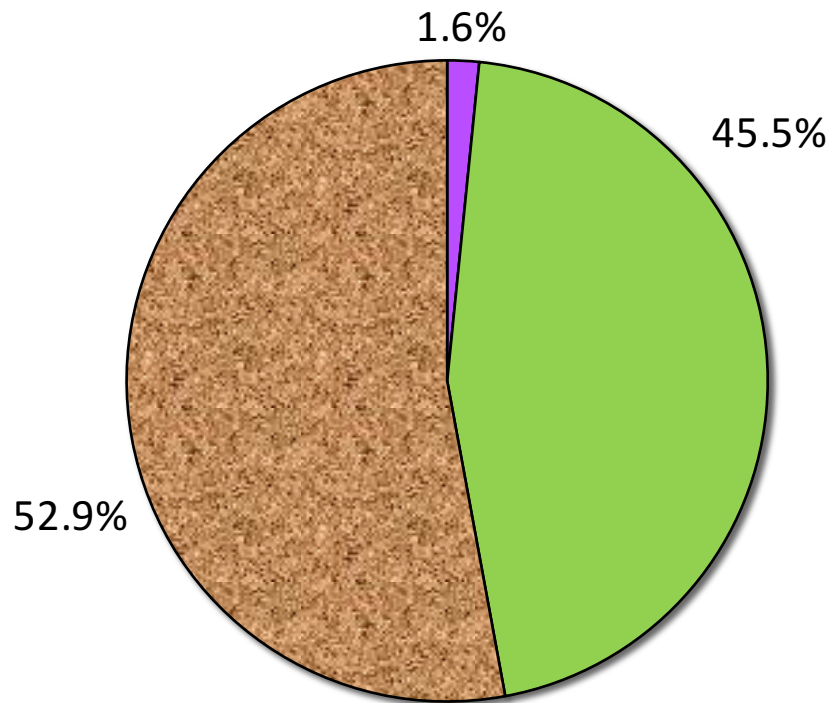
FY2014-2015 vs. FY2013-2014



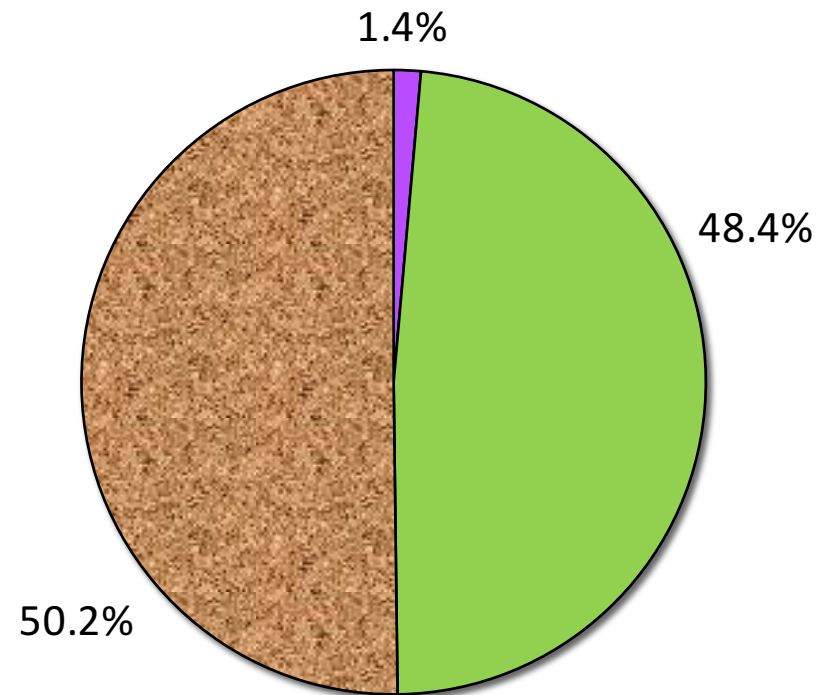
General Fund Revenues by Source

FY2014-2015 vs. FY2013-2014

2014-2015



2013-2014



■ Other ■ Property & SO Taxes ■ State

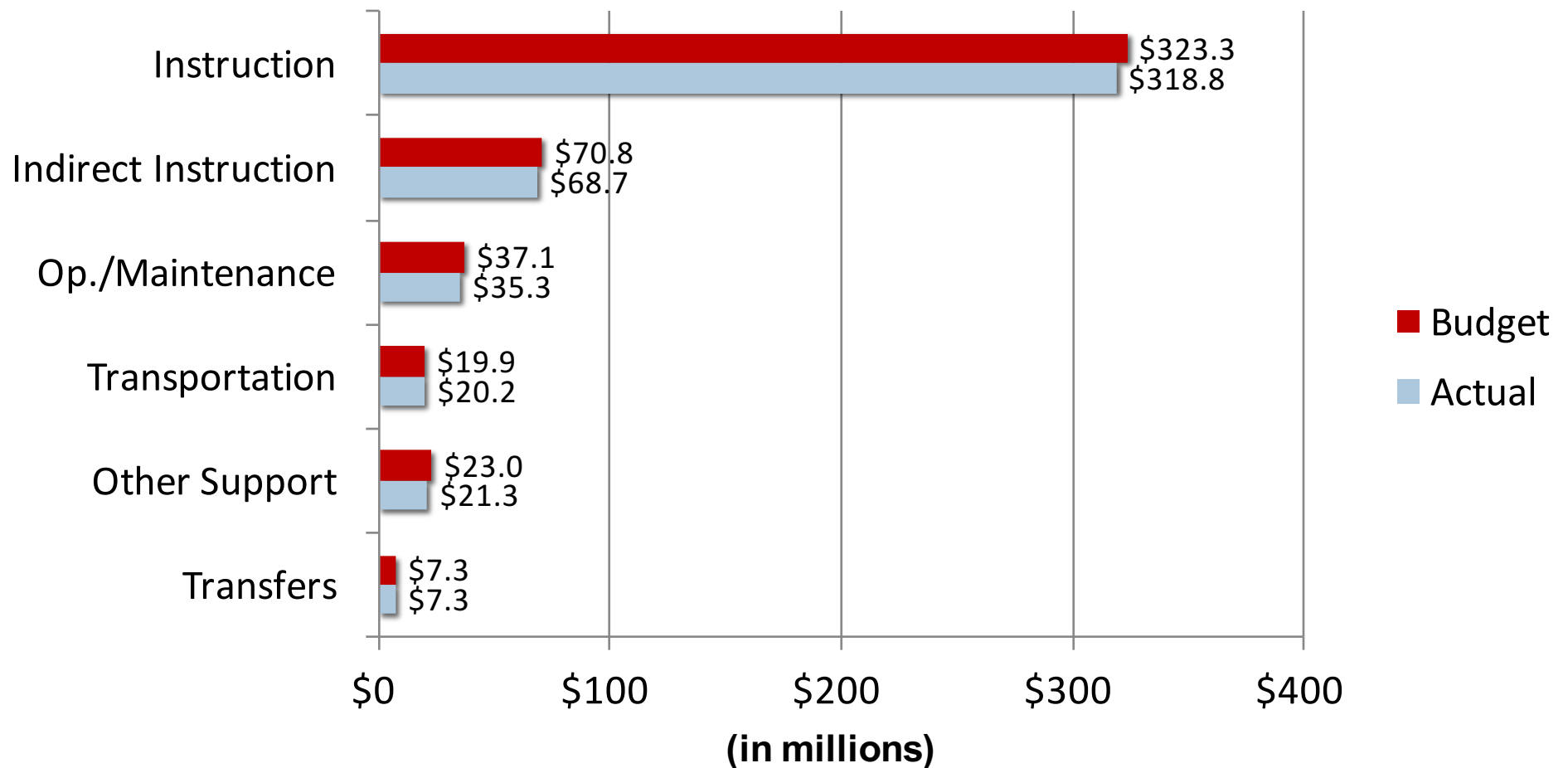
General Fund Expenditures

by Function – FY2014-2015 vs. FY2013-2014

(in millions)	Fiscal Year 2014-2015	Percent of Total	Fiscal Year 2013-2014	Percent of Total	Increase/ (Decrease)
Instruction	\$318.8	67.6%	\$ 300.7	67.4%	\$18.1
Indirect Instruction	68.7	14.6%	63.8	14.3%	4.9
Operations/Maintenance	35.3	7.5%	34.8	7.8%	0.5
Transportation	20.2	4.3%	19.6	4.4%	0.6
Other Support Services	21.3	4.5%	21.5	4.8%	(0.2)
Transfers	7.3	1.5%	5.7	1.3%	1.6
Total	<u>\$471.6</u>	<u>100.0%</u>	<u>\$ 446.1</u>	<u>100.0%</u>	<u>\$25.5</u>

General Fund Expenditures

Budget to Actual – Year Ended June 30, 2015



General Fund Expenditures by Function

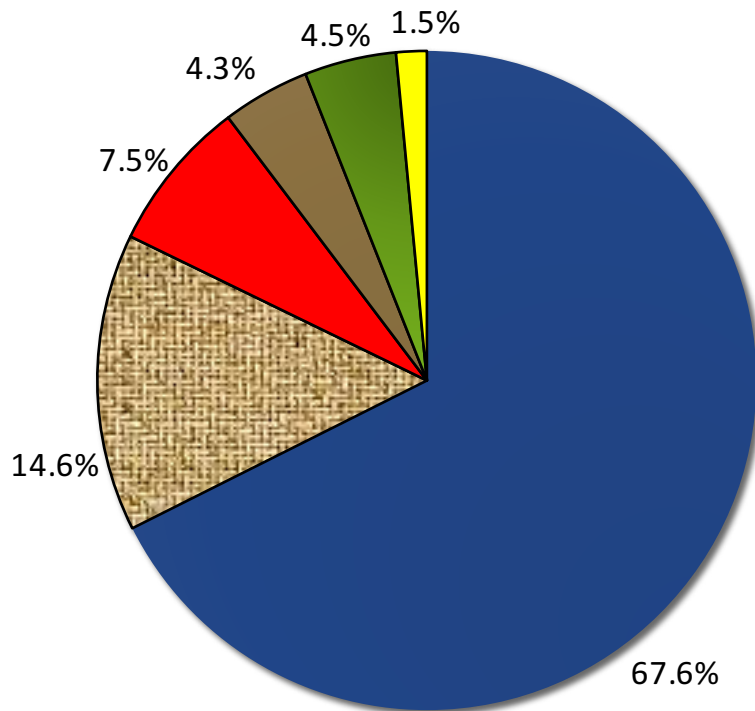
FY2014-2015 vs. FY2013-2014

Instruction

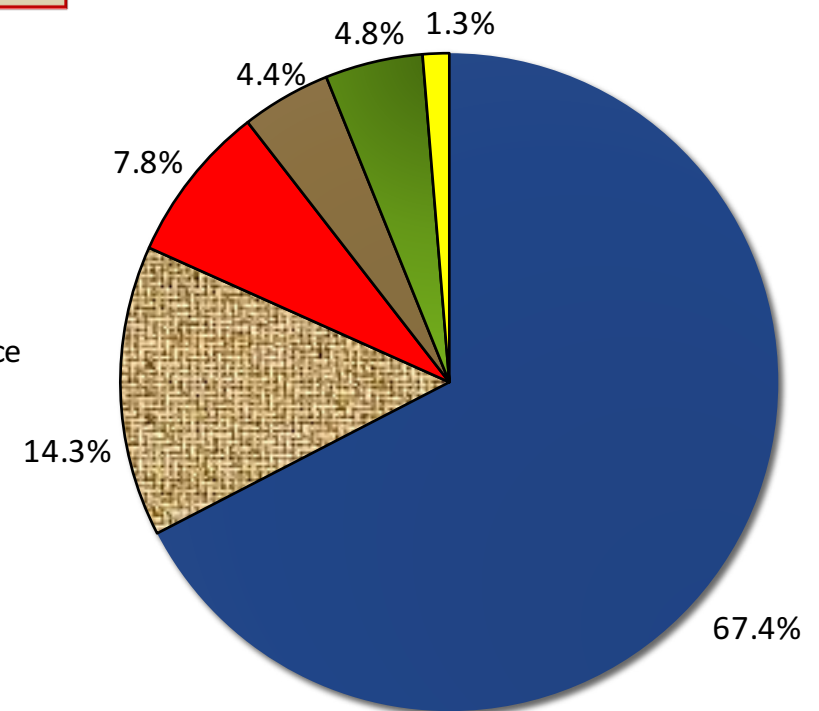
2014-2015 = 82.2%

2013-2014 = 81.7%

2014-2015



2013-2014



General Fund – Fund Balance

June 30, 2015

Nonspendable:	
Prepayments and Deposits	\$160,524
Inventories	1,636,053
Restricted for: Emergency Reserve	14,148,000
Committed for:	
Multiple-year commitments	1,052,911
Future year expenditures	10,866,300
Assigned for: Future year purchases and curriculum	594,664
Unassigned	<u>41,231,173</u>
Total Fund Balance	<u><u>\$69,689,625</u></u>

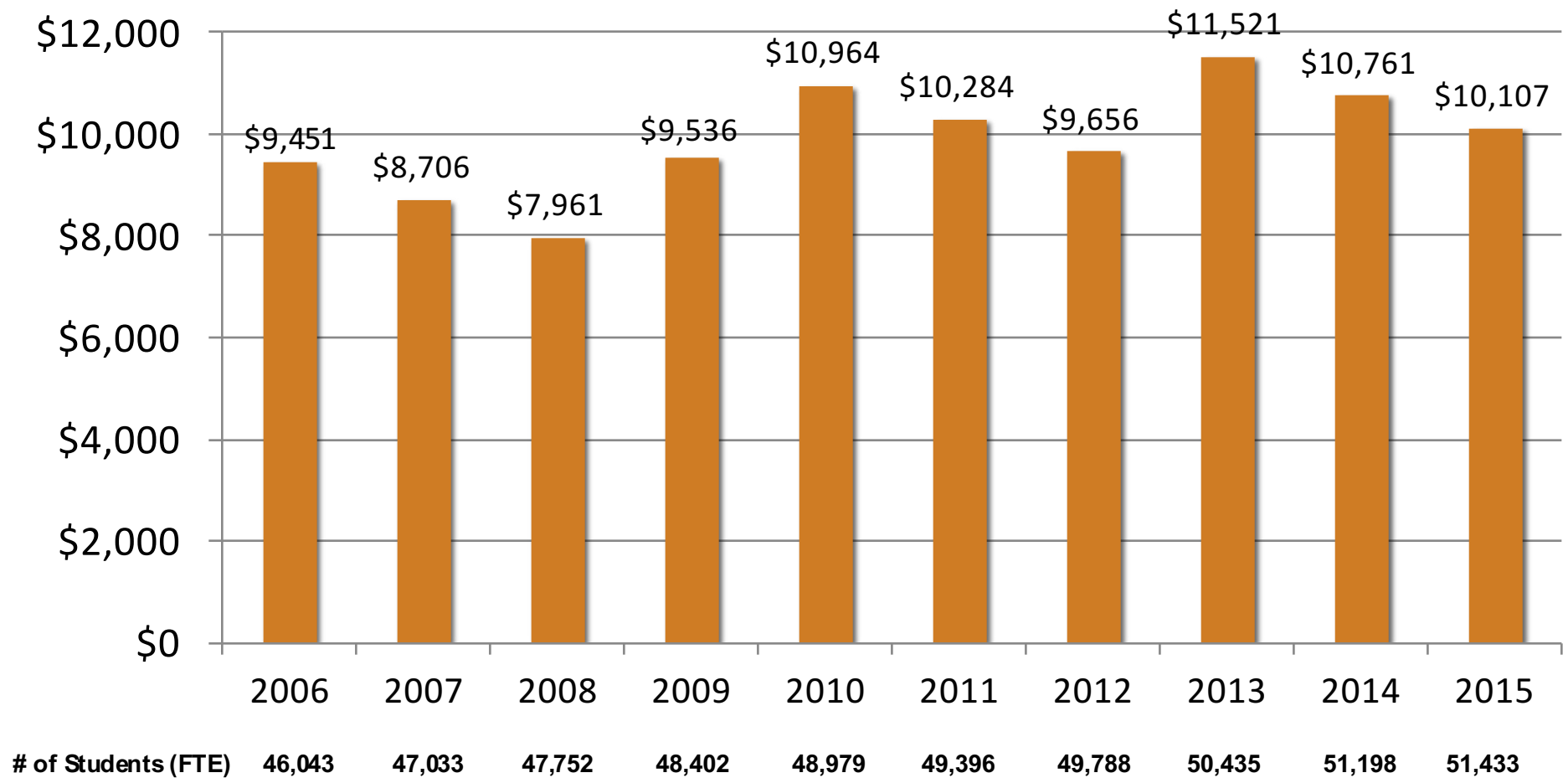
General Fund Summary

- Property tax collections better than budget
- Specific ownership taxes increased from prior year \$1.5 million
- State equalization aid in line with revised budgets, less projected amount to be returned to the State related to free lunch count
- Federal interest subsidy from Build America Bonds -- \$1.5 million
- Increased indirect costs from change in method for Food Services Fund
- Other revenue variances primarily offset each other
- Continued cost containment efforts
- Positive expenditure variances include benefits, utilities, plant operations, and general supplies
- Transportation expenditures were more than anticipated

Debt Service Fund

(in millions)	Fiscal Year 2014-2015	Fiscal Year 2013-2014	Increase (Decrease)
Beginning Fund Balance	\$ 46.5	\$ 46.4	\$0.1
Revenues	94.8	86.2	8.6
Expenditures	(94.6)	(86.1)	(8.5)
Transfers In	4.1	--	4.1
Net Change in Fund Balance	4.3	0.1	4.2
Ending Fund Balance	<u>\$50.8</u>	<u>\$ 46.5</u>	<u>\$4.3</u>

General Obligation Bonded Debt Per Student (FTE)



Capital Projects Building Fund

(in millions)	Fiscal Year 2014-2015	Fiscal Year 2013-2014	Increase (Decrease)
Beginning Fund Balance	<u>\$73.2</u>	<u>\$130.5</u>	<u>\$57.3</u>
Revenues	0.2	0.5	0.3
Expenditures	(43.5)	(56.0)	(12.5)
Transfers Out	<u>(4.1)</u>	<u>(1.8)</u>	<u>2.3</u>
Net Change in Fund Balance	<u>(47.4)</u>	<u>(57.3)</u>	<u>(9.9)</u>
Ending Fund Balance	<u><u>\$25.8</u></u>	<u><u>\$73.2</u></u>	<u><u>\$47.4</u></u>

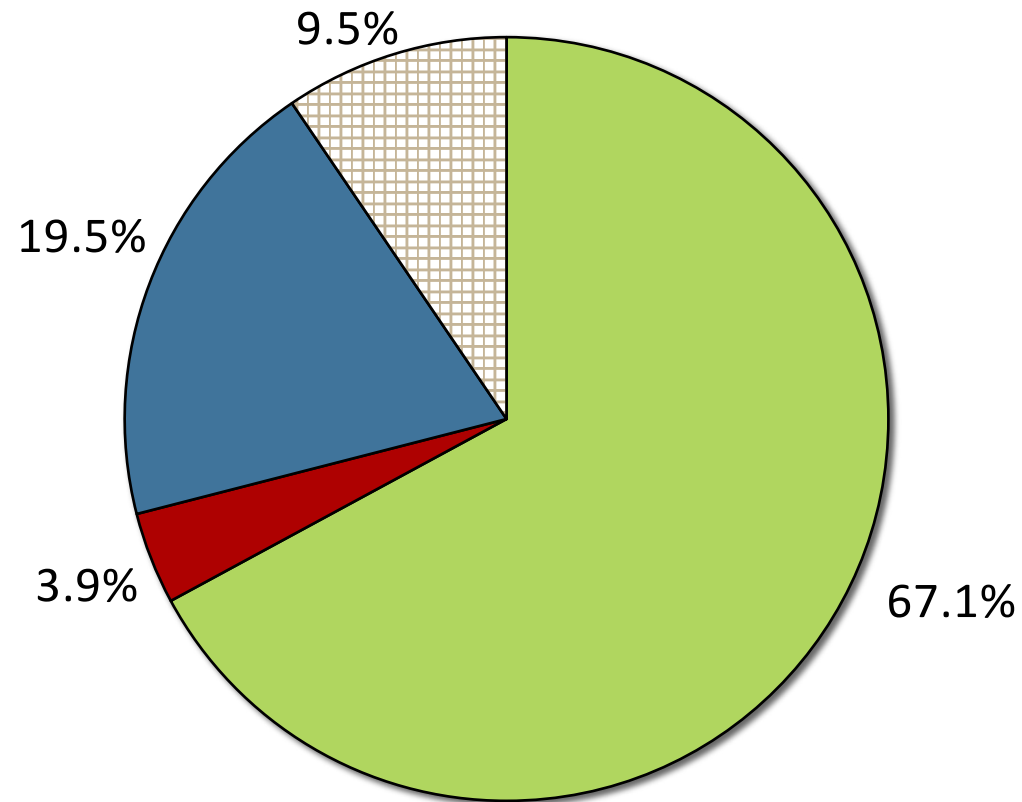
Capital Projects Building Fund

FY2014-2015 Expenditures

	<u>In Millions</u>	<u>Percent</u>
Cherry Creek High School	\$8.8	20.2%
Smoky Hill High School	4.5	10.3%
Thunder Ridge Middle School	4.2	9.7%
Prairie Middle School	3.9	9.0%
Holly Hills/Holly Ridge Elementary School	3.4	7.8%
Laredo Middle School	2.1	4.8%
Peakview Elementary School	1.2	2.8%
Sunrise Elementary School	1.1	2.5%
Structural Renovations	8.5	19.5%
Mechanical Renovations	1.7	3.9%
Security and Other Projects	4.1	9.5%
	<u>\$43.5</u>	<u>100.0%</u>

Analysis of Projects by Type

FY2014-2015



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

Balance Sheet: Nonmajor Governmental Funds

June 30, 2015

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Food Services Fund	Pupil Activities Fund	Total Nonmajor Governmental Funds
Assets	\$6.3	\$7.0	\$8.8	\$6.9	\$5.5	\$34.5
Liabilities	<u>0.3</u>	<u>7.0</u>	<u>2.5</u>	<u>1.7</u>	<u>0.2</u>	<u>11.7</u>
Fund Balance	<u>\$6.0</u>	<u>\$--</u>	<u>\$6.3</u>	<u>5.2</u>	<u>\$5.3</u>	<u>\$22.8</u>

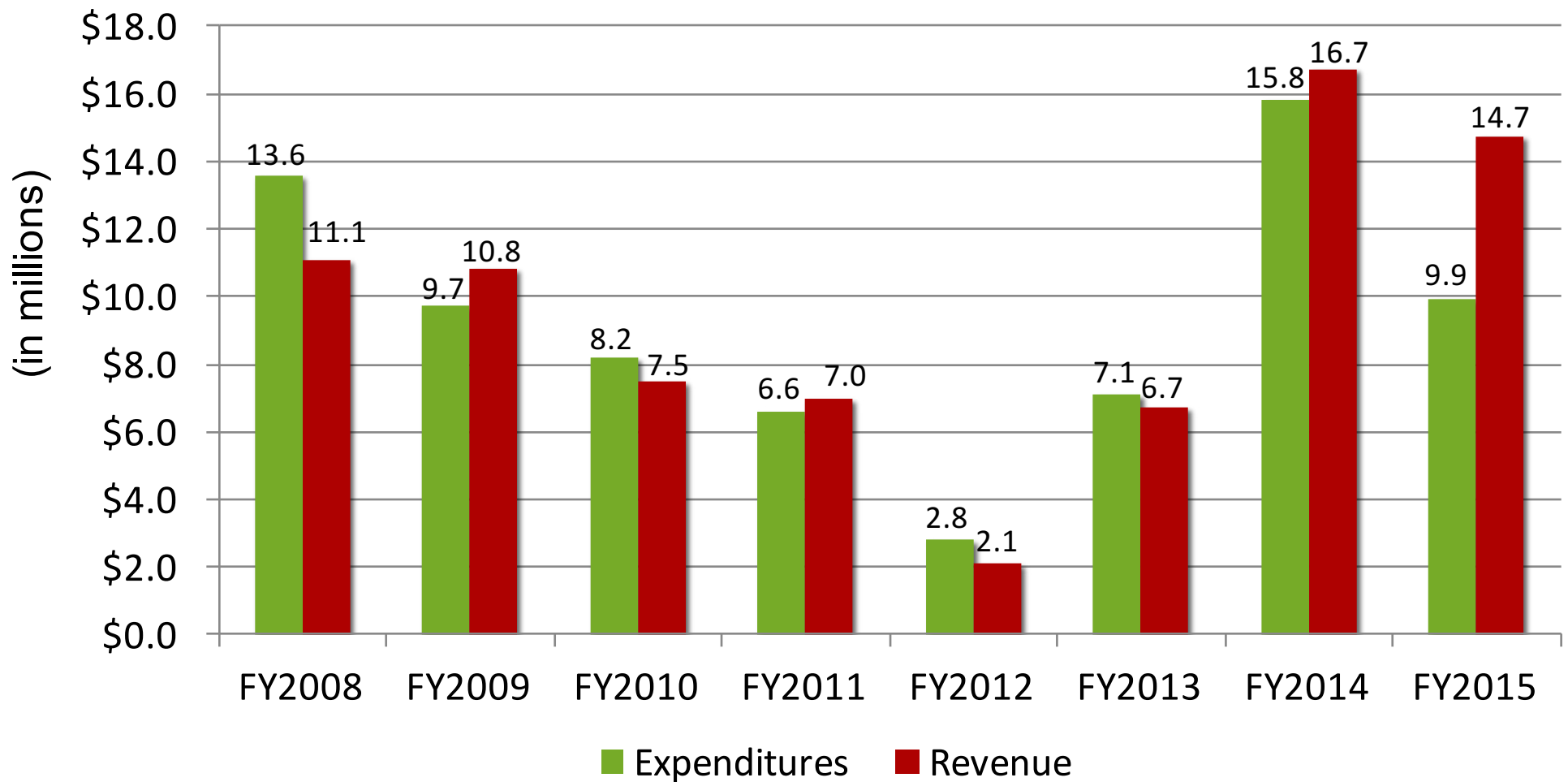
Nonmajor Governmental Funds

- 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.

Capital Reserve Fund

Revenue (Transfers) and Expenditures for a Eight(8) Year Period



Nonmajor Governmental Funds

(continued)
FY2014-2015

- Major Federal Grants

Federal Funding Earned	(in millions)
Special Education: IDEA, Part B	\$8.5
Title I, Part A of ESEA	4.6
Improving Teacher Quality: Title II, Part A	0.6
English Language Acquisition: Title III	0.6
Food Services	
School Breakfast Program	1.1
National School Lunch Program	5.9
USDA Commodities	1.0

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

FY2014-2015 Revenues & Expenditures

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Food Services Fund	Pupil Activities Fund	TOTAL
<i><u>Revenues:</u></i>						
Federal Grants	\$--	\$17.0	\$--	\$8.0	\$--	\$25.0
State Grants	--	1.7	--	0.3	--	2.0
Tuition	--	--	17.3	--	--	17.3
Pupil Activities	--	--	--	--	12.5	12.5
Food Service Sales	--	--	--	8.8	--	8.8
Other	0.9	2.8	--	--	--	3.7
Total	<u>\$0.9</u>	<u>\$21.5</u>	<u>\$17.3</u>	<u>\$17.1</u>	<u>\$12.5</u>	<u>\$69.3</u>
<i><u>Expenditures:</u></i>						
Instruction	\$--	\$16.8	\$14.1	\$--	\$--	\$30.9
Other Support Services	--	4.7	1.0	--	--	5.7
Pupil Activities	--	--	--	--	12.4	12.4
Capital Outlay	7.2	--	--	0.9	--	8.1
Debt Service	2.7	--	--	--	--	2.7
Food Services	--	--	--	16.0	--	16.0
Total	<u>\$9.9</u>	<u>\$21.5</u>	<u>\$15.1</u>	<u>\$16.9</u>	<u>\$12.4</u>	<u>\$75.8</u>
<i><u>Other Financing:</u></i>						
Transfers (net)	\$7.3	\$--	\$(1.2)	\$--	\$--	\$6.1
Capital Lease Proceeds	5.9	--	--	--	--	5.9
Sale of Assets	0.6	--	--	--	--	0.6

Financial Summary

- Implemented GASB 68 which resulted in recording a liability of \$1,064.7 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 \$401 per pupil
- General Fund reserves increased \$5.0 million
- Student enrollment increased 234 students (235.2 FTE)
- Capital lease of \$1.6 million to purchase computer equipment and \$4.2 million to purchase buses
- Continue to manage within established budgets
- Continue to adjust financial, capital, and human resources to maintain balanced budget