

CHERRY CREEK SCHOOL DISTRICT NO. 5
ARAPAHOE COUNTY, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2012



4700 SOUTH YOSEMITE STREET
GREENWOOD VILLAGE, CO 80111



Dedicated to Excellence
Cherry Creek Schools

Executive Briefing For: BOARD OF EDUCATION

November 12, 2012

CliftonLarsonAllen, L.L.P.

Independent Auditor's Report

- Unqualified audit opinion
- Management accounting estimates
(capital asset depreciation)
- No disagreements with management on financial accounting
or reporting matters
- GASB Statement No. 68, *Accounting and Financial Reporting
for Pensions*

CliftonLarsonAllen, L.L.P.

Independent Auditor's Report

- No significant difficulties were encountered in dealing with management related to the performance of the audit
- Audit adjustment related to Building Fund receipt of payment in FY2013 related to reimbursement from East Cherry Creek Valley Water and Sanitation District for work performed on Copperleaf/Radcliff Boulevard
- A restatement of beginning net assets relating to an overstatement of compensated absences payable in the prior year
- No internal control management letter comments
- Single Audit Finding related to verification of free and reduced student nutrition eligibility

Financial Report and Budget Awards

➤ Government Finance Officers Association

➤ Certificate of Achievement for Excellence in Financial Reporting

Received for 2011 CAFR - 19th consecutive year

➤ Distinguished Budget Presentation Award

Received for 11-12 Budget - 18th consecutive year

➤ Association of School Business Officials

➤ Certificate of Excellence in Financial Reporting

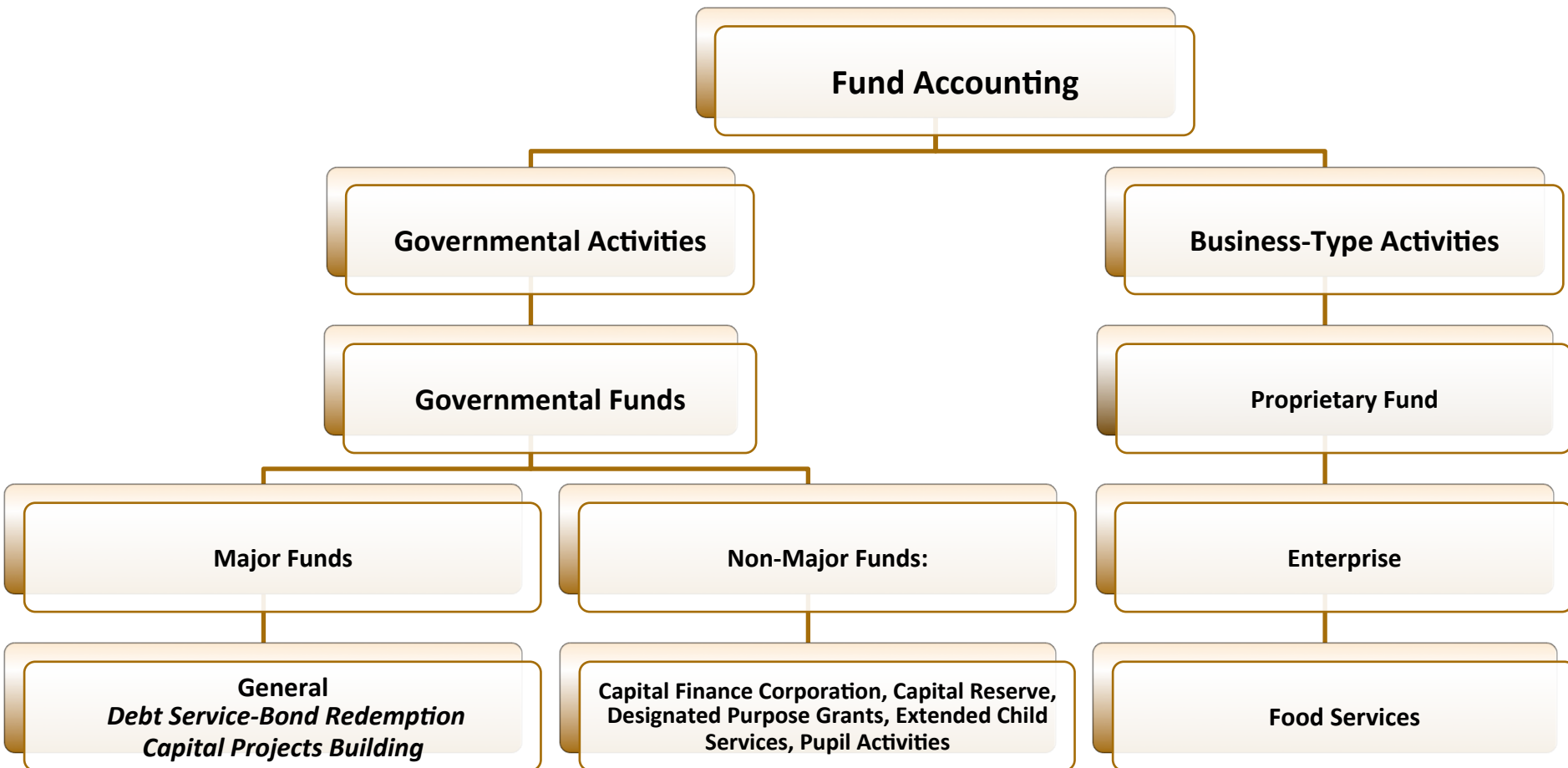
Received for 2011 CAFR - 19th consecutive year

➤ Meritorious Budget Award

Received for 11-12 Budget - 15th 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 fixed assets and long-term liabilities, for example: buildings, land and equipment, general obligation bonds, certificates of participation, and compensated absences payable
- Include the Statement of Net Assets and the Statement of Activities
- Distinguish functions of the District
 - Governmental activities supported from taxes and intergovernmental revenues
 - Business-type activities intended to recover costs from user fees/charges
- Expenses vs. Expenditures

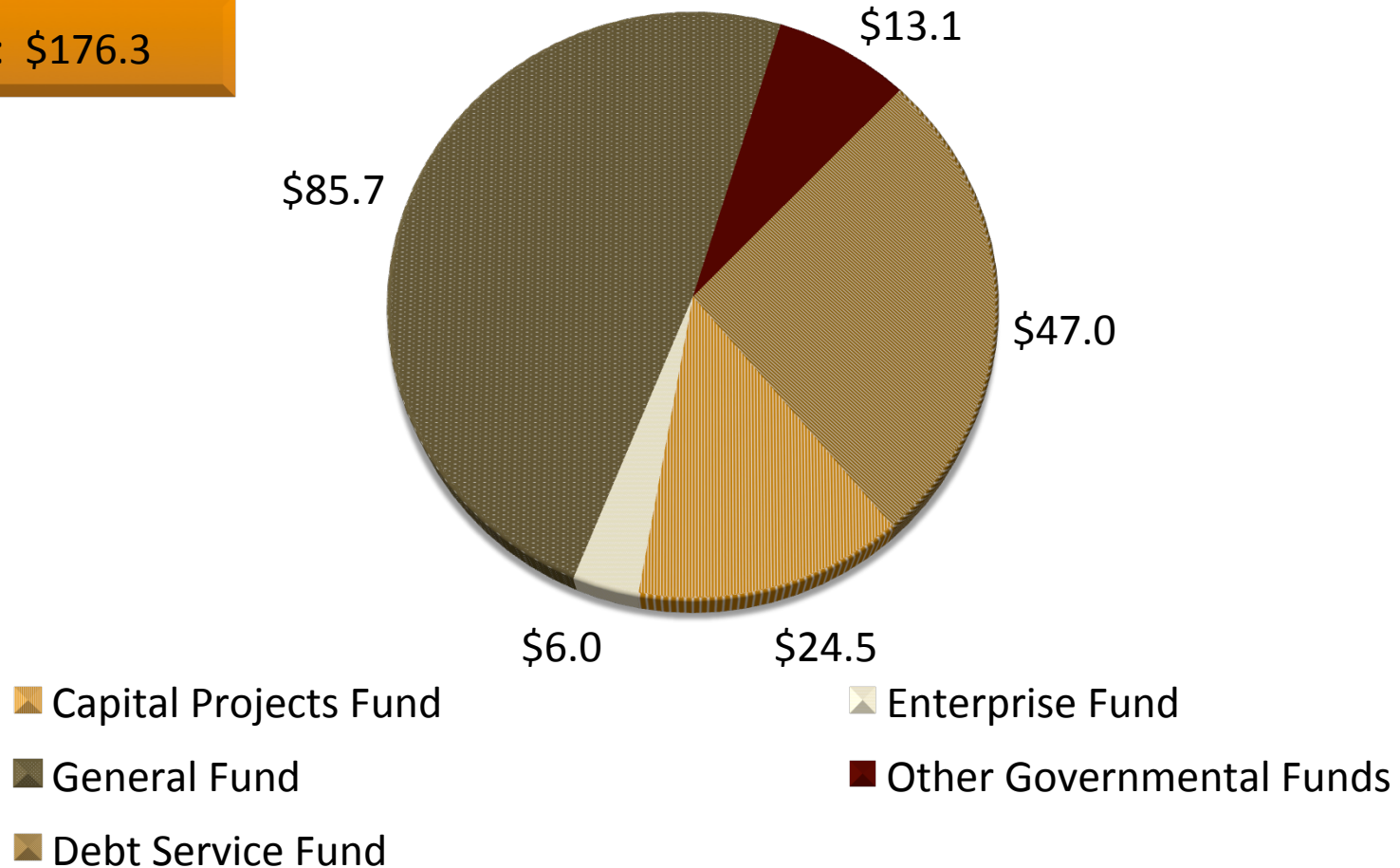
Statement of Net Assets

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

Investments and Deposits

As of June 30, 2012
by Fund (in millions)

TOTAL: \$176.3



Deposits and Investments

As of June 30, 2012

	(in millions)
<u>District Deposits</u>	
Cash	\$10.5
Cash Held by County	1.4
Equity in Pooled Cash	93.9
Cash in Trust	0.9
Total Deposits	106.7
<u>Investments</u>	
U.S. Government Backed Securities	24.6
Investment Held in Escrow	45.0
Total Investments	69.6
Total Deposits and Investments	\$ 176.3

Deposits and Investments

(Continued)

Total Investment Income

\$0.4

Weighted Average Maturity:

All Funds	104 days
Building Fund	134 days

Weighted Average Yield on Investments:

All Funds	0.104 %
Building Fund	0.111 %
Benchmark - 3-month T-Bill	0.040 %

Credit Ratings

➤ Standard and Poor's

AA General Obligation Bonds

“Debt rated AA has a very strong capacity to pay interest and repay principal 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 stable outlook reflects Moody's expectation that District officials will continue to effectively manage the Districts fiscal operations and maintain prudent debt management practices.”

Recent Borrowing

- \$36.0 million borrowed from the State Treasurer's interest-free loan program to fund seasonal cash flow requirements during FY 11-12
 - Repaid June 25, 2012

Management's Discussion & Analysis

- Assets exceeded liabilities by \$264.1 million (net assets)
- Net assets of the District include:
 - \$173.9 million invested in capital assets net of related debt
 - \$60.6 million restricted for debt service payments and TABOR
 - \$29.6 million unrestricted net assets
 - GAAP treatment of earned but unpaid salaries and compensated absences payable
- Business-type activities unrestricted net assets of \$4.8 million included in total of \$29.6 million

Management's Discussion & Analysis

(Continued)

- Total net assets increased by \$1.7 million
- District's governmental funds decreased by \$24.0 million
 - Decrease in fund balance is larger under governmental modified accrual basis of accounting due to the treatment of long-term debt and capital construction
 - General Fund expenditures and transfers in were in excess of revenues by \$2.6 million
- Long-term obligations decreased by \$29.8 million
 - Result of the scheduled current year payments on existing debt
 - Refinanced \$49.5 million of Series 2004 bonds at a lower interest rate and a reduction of principal that will save the District's taxpayers over \$4.0 million over the next 10 years.

Management's Discussion & Analysis

(Continued)

- District's General Fund balance decreased by \$2.6 million
 - State reduction of per pupil funding of approximately 5% resulting in 14.7 million reduction
 - Cost and resource management plan to reduce expenditures by \$14.9 million and draw down reserves
 - \$2.9 million actual positive budgeted expenditure variance includes: salary and benefit allocations, utilities, plant operations and general supplies
 - Property taxes received were positive to budget--\$1.36 million
 - Specific ownership tax positive to budget--\$.460 million
 - Allocated less funding to Capital Reserve Fund and major maintenance projects
 - Transportation expenditures exceeded budget--\$2.841 million

Net Assets

As of June 30, 2012

(in millions)	Governmental Activities	Business-Type Activities	Government- wide
Current/Other Assets	\$193.1	\$6.9	\$200.0
Capital Assets	633.1	1.3	634.4
<i>Total Assets</i>	<u>\$826.2</u>	<u>\$8.2</u>	<u>\$834.4</u>
Current Liabilities	\$90.3	\$1.8	\$92.1
Noncurrent Liabilities	478.2	---	478.2
<i>Total Liabilities</i>	<u>568.5</u>	<u>1.8</u>	<u>570.3</u>
Net Assets invested in Capital Assets	172.6	1.3	173.9
Restricted Net Assets	60.3	0.3	60.6
Unrestricted Net Assets	24.8	4.8	29.6
<i>Total Net Assets</i>	<u>257.7</u>	<u>6.4</u>	<u>264.1</u>
Total Liabilities & Net Assets	<u>\$826.2</u>	<u>\$8.2</u>	<u>\$834.4</u>

Statement of Activities

- Shows how net assets 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 of Decrease Governmental Activities

- After considering the effect of Job's Education Funding and State Fiscal Stabilization, State Equalization Aid decreased \$2.4 million (1.2%)
- Property Taxes increased by \$.5 million (.2%)
- Per pupil funding reduction of 5%
- Increased enrollment (392.2 FTE or 0.8%)
- Total governmental expenses decreased 1.8%
 - Cost and resource management plan
 - Job's Education and State Fiscal Stabilization - Prior year \$13.4 million in Grant's Fund
 - Expense for instruction and indirect instruction decreased 2.2%
 - Support services and other non-instructional functions decreased
 - Increased enrollment and related staffing
 - Employee health benefit costs
 - Pension costs
 - Interest expense

Statement of Activities

Year Ended June 30, 2012

(in millions)	Governmental Activities	Business-Type Activities	Government- wide
<u>Expenses</u>			
Instruction	\$336.6	\$ --	\$336.6
Indirect Instruction	63.7	--	63.7
Supporting Services	72.5	--	72.5
Community Services	1.2	--	1.2
Pupil Activities	10.8	--	10.8
Interest on Long Term Debt	24.6	--	24.6
Food Service Operations	--	16.3	16.3
Total Expenses	\$509.4	\$16.3	\$525.7

Statement of Activities

Year Ended June 30, 2012

(in millions)	Governmental Activities	Business-Type Activities	Government- wide
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$30.2	\$8.0	\$38.2
Operating Grants	35.3	7.4	42.7
Contributions	1.2	--	1.2
General Revenues			
Property Taxes	229.8	--	229.8
Specific Ownership Taxes	14.5	--	14.5
Investment Earnings	0.5	--	0.5
Other Revenues	3.2	--	3.2
State Equalization Aid	197.3	--	197.3
Total Revenues	\$512.0	\$15.4	\$527.4

Statement of Activities

Year Ended June 30, 2012

(in millions)	Governmental Activities	Business-Type Activities	Government- wide
Total Revenues	\$512.0	\$15.4	\$527.4
Total Expenses	509.4	16.3	525.7
	<u>2.6</u>	<u>(0.9)</u>	<u>1.7</u>
Increase Before Transfers	2.6	(0.9)	1.7
Transfers	--	--	--
	<u>2.6</u>	<u>(0.9)</u>	<u>1.7</u>
Change in Net Assets	2.6	(0.9)	1.7
Net Assets July 1, 2011	255.1	7.3	262.4
	<u>257.7</u>	<u>6.4</u>	<u>264.1</u>
Net Assets June 30, 2012	<u>\$257.7</u>	<u>\$6.4</u>	<u>\$264.1</u>

Capital Assets

(in millions)	Fiscal Year 2011-12
Land	\$19.4
Land Improvements	23.2
Buildings	826.8
Projects in Progress	20.7
Equipment	<u>74.7</u>
Total Capital Assets	964.8
Less Accumulated Depreciation	<u>330.5</u>
Net Capital Assets	<u><u>\$634.3</u></u>

Long-Term Obligations

(in millions)	Fiscal Year 2011-12
General Obligation Bonds	\$466.0
Unamortized Premiums	14.7
Certificates of Participation	1.8
Accrued Compensated Absences	31.2
Total Long-Term Obligations	<u>\$513.7</u>

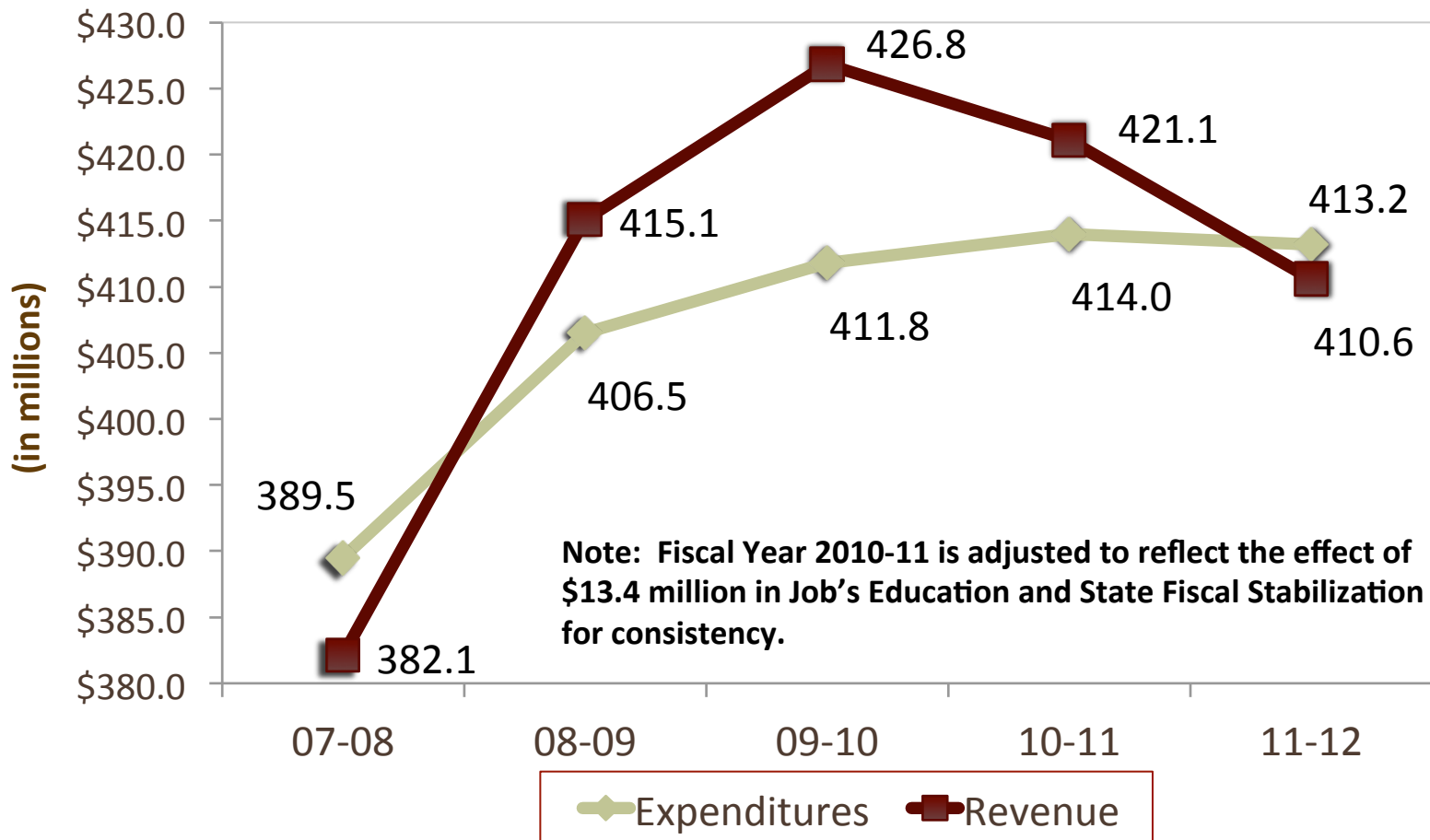
Balance Sheet: Governmental Funds

as of June 30, 2012

(in millions)	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets	\$99.3	\$48.2	\$25.2	\$17.7	\$190.4
Liabilities	56.3	.4	3.0	6.6	66.3
Fund Equity	\$43.0	\$47.8	\$22.2	\$11.1	\$124.1

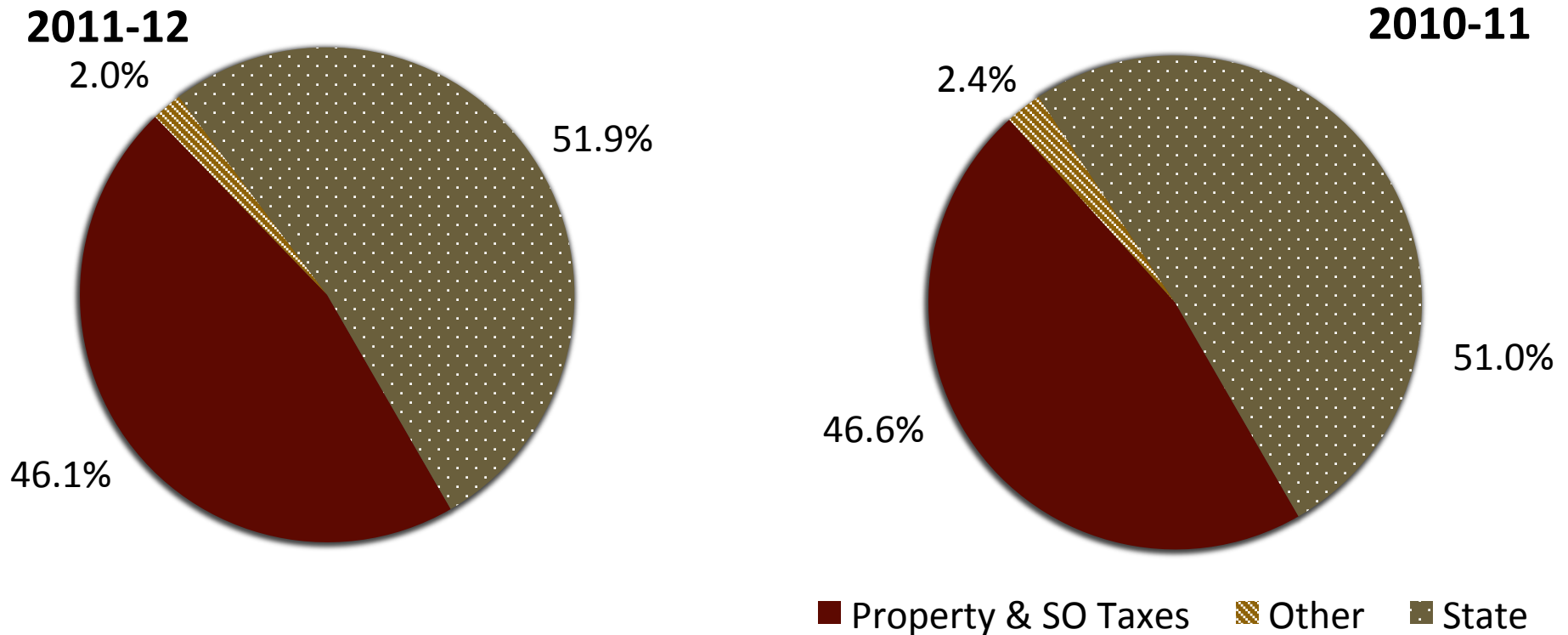
General Fund Revenue & Expenditures

GAAP Basis including Transfers



General Fund Revenues by Source

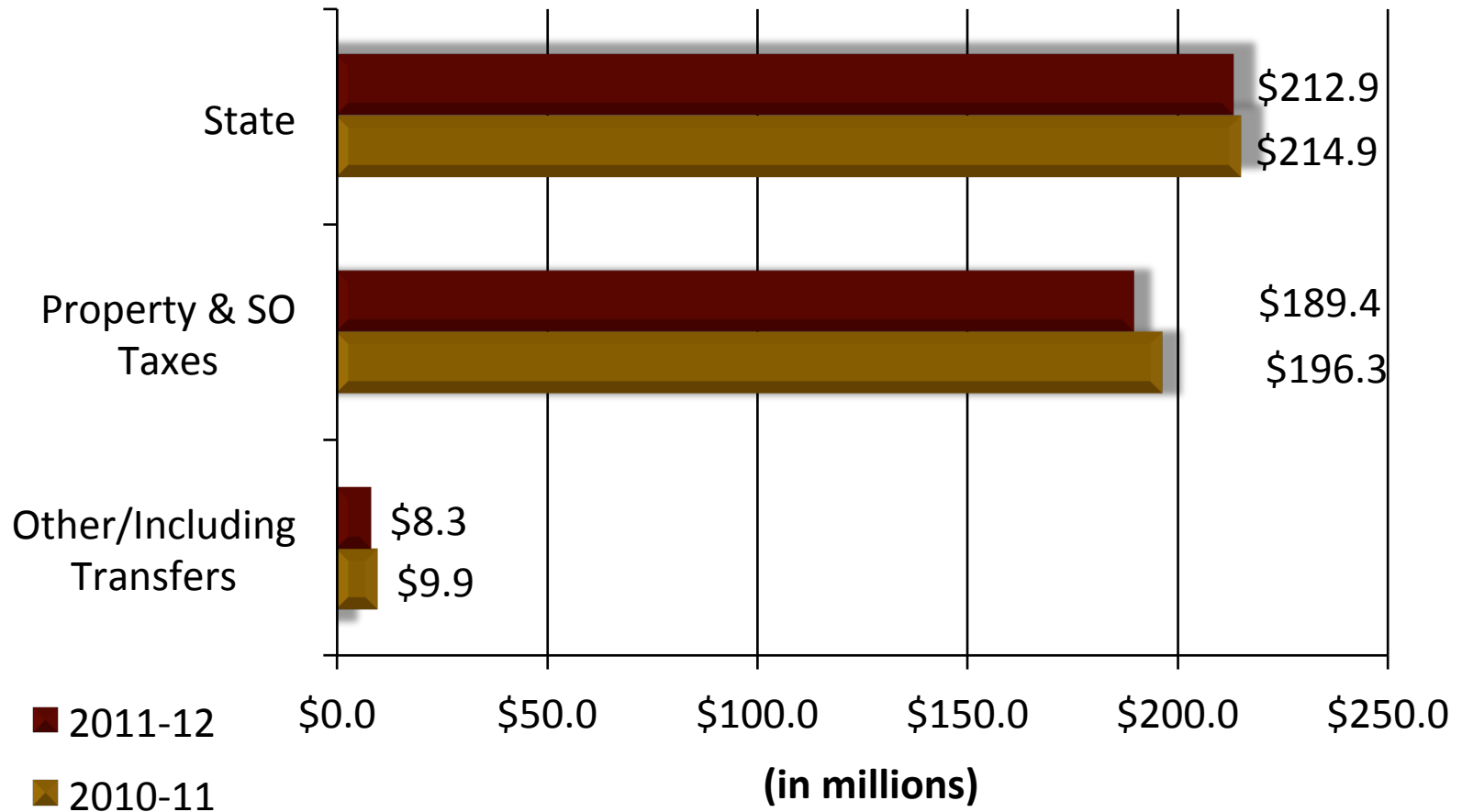
FY 2011-12 vs. FY 2010-11 – GAAP Basis



Note: Fiscal Year 2010-11 is adjusted to reflect the effect of \$13.4 million in Job's Education and State Fiscal Stabilization for consistency.

General Fund Revenues by Source

FY 2011-12 vs. FY 2010-11 – GAAP Basis



Note: Fiscal Year 2010-11 is adjusted to reflect the effect of \$13.4 million in Job's Education and State Fiscal Stabilization for consistency.

General Fund Revenues

GAAP Basis

(in millions)	Fiscal Year 2011-12	Percent of Total	Fiscal Year 2010-11	Percent of Total	Amount of Increase (Decrease)
Property & SO Taxes	\$ 189.4	46.1%	\$196.3	48.2%	(\$6.9)
State	212.9	51.9%	214.9	49.4%	(2.0)
Other/Including Transfers	8.3	2.0%	9.9	2.4%	(1.6)
Totals	<u>\$410.6</u>	<u>100.0%</u>	<u>\$421.1</u>	<u>100%</u>	<u>(\$10.5)</u>

Note: Fiscal Year 2010-11 is adjusted to reflect the effect of \$13.4 million in Job's Education and State Fiscal Stabilization for consistency.

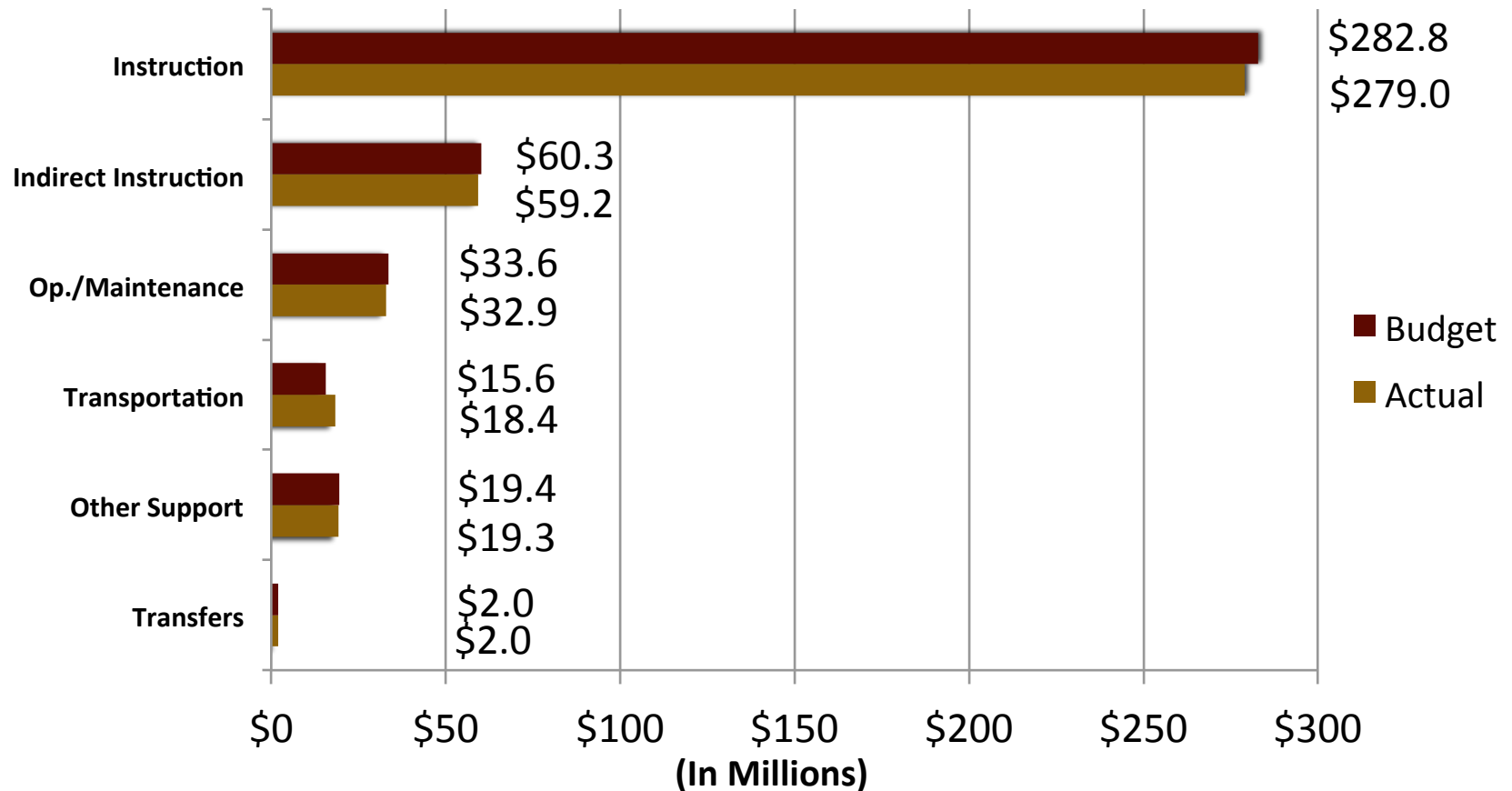
General Fund – Budget to Actual

Year Ended June 30, 2012

(in millions)	Budget	Actual	Variance
<u>Revenues:</u>			
Property & SO Taxes	\$187.6	\$189.4	\$1.8
State	212.8	212.9	0.1
Investment Income	0.3	0.3	--
Other	6.4	6.3	(0.1)
Transfers	1.4	1.2	(0.2)
<i>Total Revenues</i>	<u>\$408.5</u>	<u>\$410.1</u>	<u>\$1.6</u>
<u>Expenditures:</u>			
Instruction	\$282.8	\$279.0	\$3.8
Indirect Instruction	60.3	59.2	1.1
Operations/Maintenance	33.6	32.9	0.7
Transportation	15.6	18.4	(2.8)
Other Support Services	19.4	19.3	0.1
Transfers	2.0	2.0	--
<i>Total Expenditures</i>	<u>\$413.7</u>	<u>\$410.8</u>	<u>\$2.9</u>

General Fund Expenditures

Budget to Actual – Year Ended June 30, 2012



General Fund Expenditures by Function

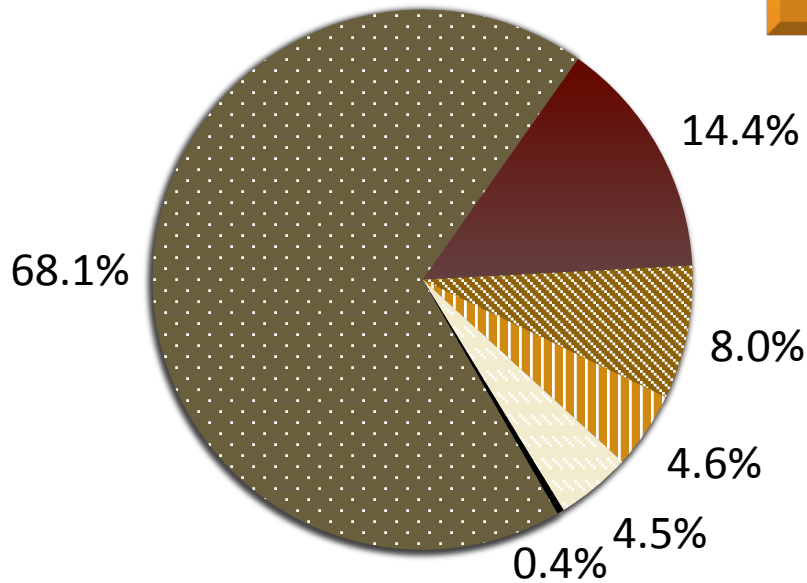
FY2011-12 vs. FY2010-11 – GAAP Basis

Instruction

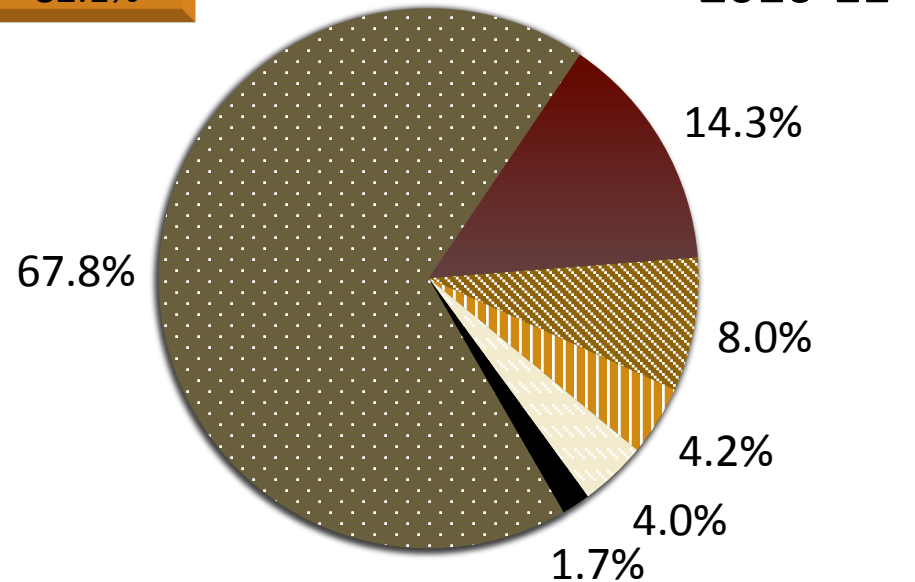
11-12 = 82.5%

10-11 = 82.1%

2011-12



2010-11



■ Instruction

■ Operations/Maintenance

■ Transportation

■ Indirect Instruction

■ Other Support Services

■ Transfer

General Fund Expenditures

by Function – GAAP Basis

(in millions)	FY 2011-12	% of Total	FY 2010-11	% of Total	Amount of Increase (Decrease)
Instruction	\$281.3	68.1%	\$ 280.2	67.8%	\$1.1
Indirect Instruction	59.5	14.4%	59.3	14.3%	0.2
Operations/Maintenance	32.9	8.0%	33.3	8.0%	(0.4)
Transportation	18.4	4.5%	16.6	4.0%	1.8
Other Support Services	19.1	4.6%	17.5	4.2%	1.6
Transfers	2.0	0.4%	7.0	1.7%	(5.0)
Total	\$413.2	100.0%	\$ 413.9	100.0%	\$(0.7)

Note: Fiscal Year 2010-11 is adjusted to reflect the effect of \$13.4 million in Job's Education and State Fiscal Stabilization for consistency.

General Fund – Fund Balance

June 30, 2012 - GAAP Basis

Nonspendable:	
Prepayments and Deposits	\$137,553
Inventories	1,825,601
Restricted for: Emergency Reserve	12,398,000
Committed for:	
Future-year commitments	21,660,000
Assigned for: other purposes	370,243
Unassigned	6,619,727
Total Fund Balance	<u>\$43,011,124</u>

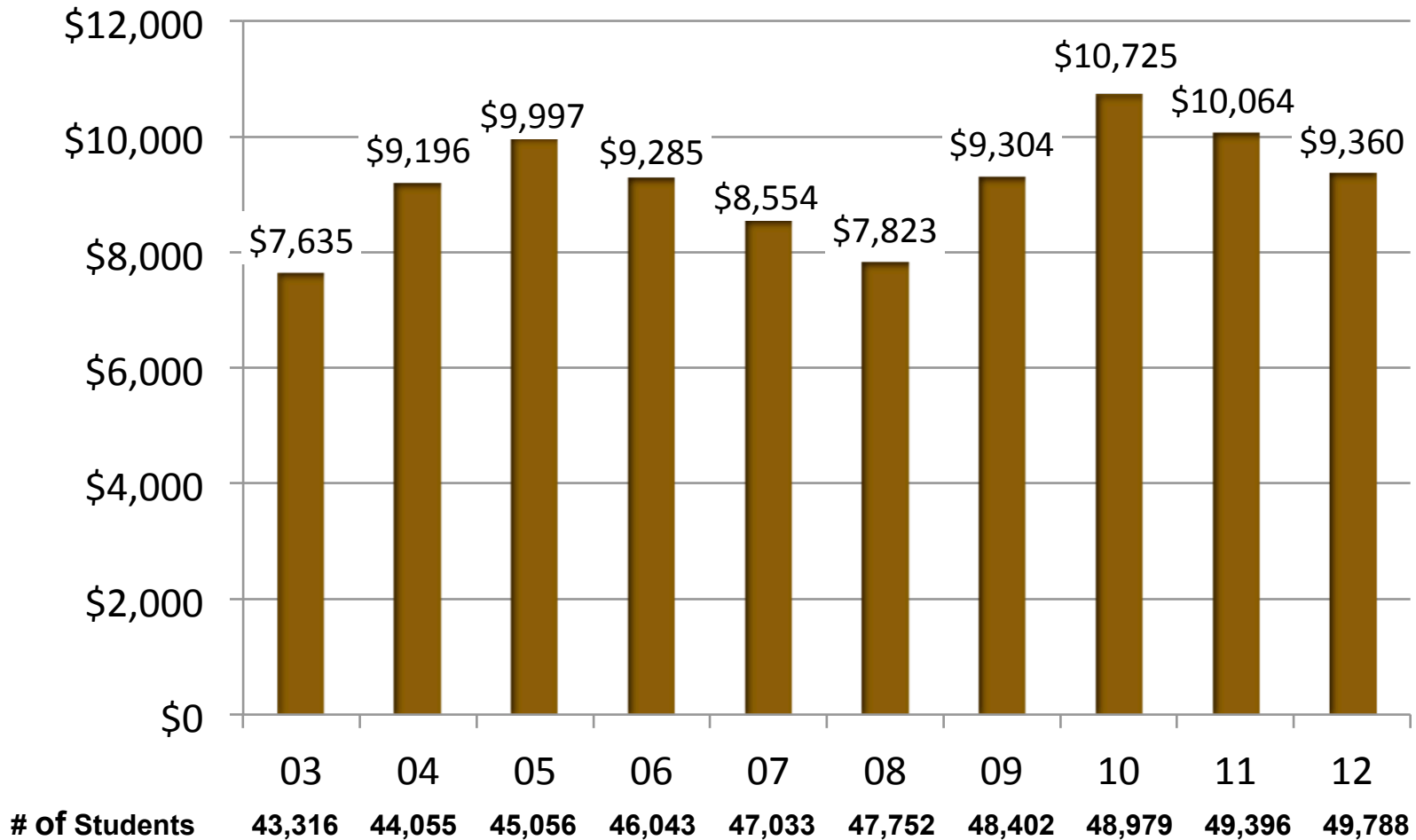
General Fund Summary

- Property tax collections better than budget
- State equalization aid in line with revised budgets
- Specific ownership taxes approximately equal to prior year
- Federal interest subsidy from Build America Bonds -- \$1.6 million
- Other revenue variances primarily offset each other
- Continued cost containment efforts
- Positive expenditure variances include salary and benefits allocations, utilities, plant operations, and general supplies
- Transportation expenditures were more than anticipated

Debt Service Fund

	FY 2011-12	FY 2010-11	Increase (Decrease)
Beginning Fund Balance	\$ 44.6	\$ 42.8	\$1.8
Revenues	107.0	49.1	57.9
Expenditures	(105.7)	(52.0)	(53.7)
Transfers In	1.9	4.7	(2.8)
Excess Revenues over Expenditures	3.2	1.8	1.4
Ending Fund Balance	\$ 47.8	\$ 44.6	\$3.2

General Obligation Bonded Debt Per Student (FTE)



Capital Projects Building Fund

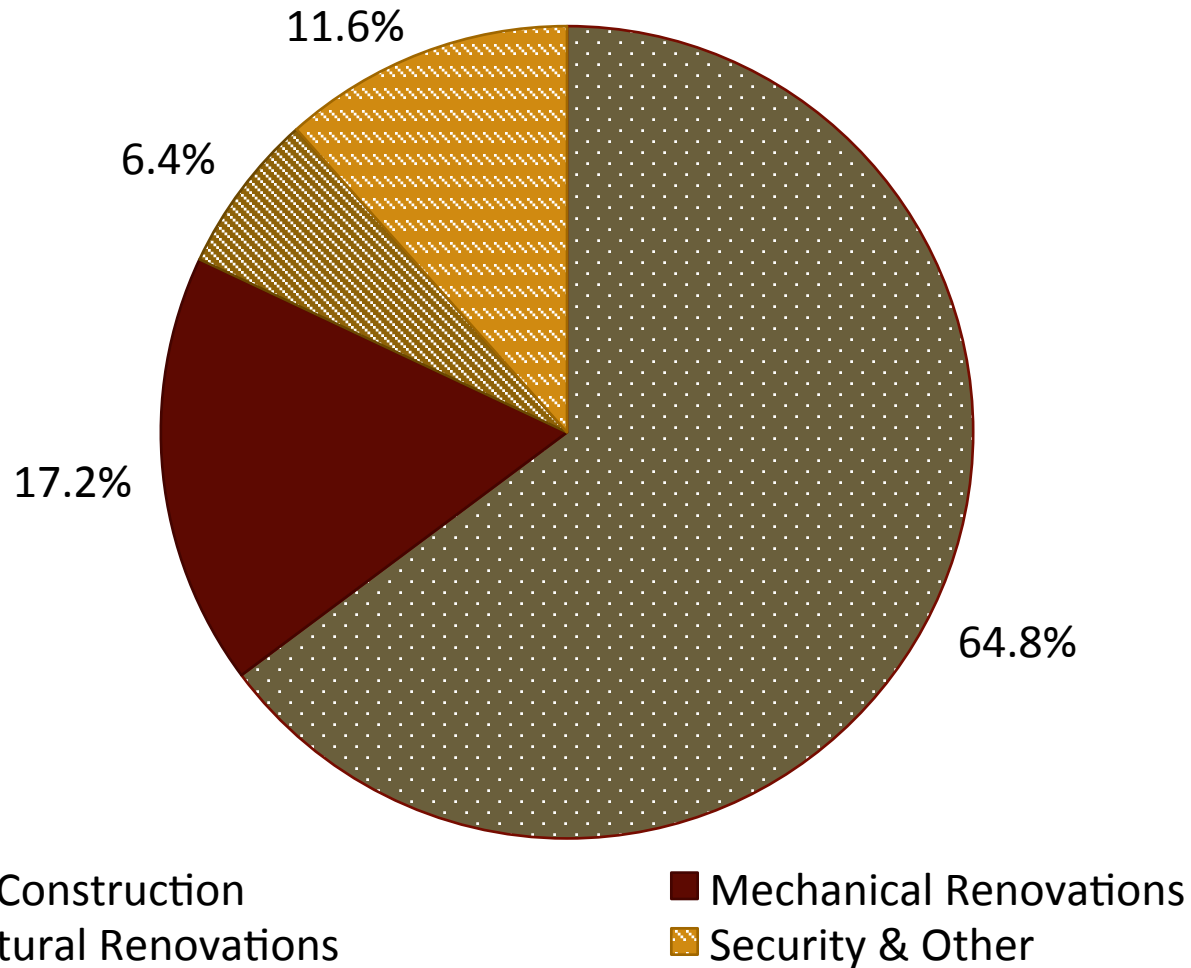
	FY 2011-12	FY 2010-11	Increase (Decrease)
Beginning Fund Balance	\$47.3	\$ 126.9	\$(79.6)
Revenues	0.1	0.3	(0.2)
Expenditures	(23.3)	(75.1)	51.8
Transfers Out	(1.9)	(4.8)	2.9
Net Change in Fund Balances	(25.1)	(79.6)	54.5
Ending Fund Balance	<u>\$22.2</u>	<u>\$ 47.3</u>	<u>\$(25.1)</u>

Capital Projects Building Fund

11-12 Expenditures (in millions)

➤Black Forest Hills Elementary	\$9.2	39.5%
➤Elementary #43	5.9	25.3%
➤Mechanical Renovation Projects	4.0	17.2%
➤Security and Other Projects	2.7	11.6%
➤Structural Renovation Projects	<u>1.5</u>	<u>6.4%</u>
<i>Total Expenditure</i>	<u><u>\$23.3</u></u>	<u><u>100.0%</u></u>

Analysis of Projects by Type



Balance Sheet: Non-Major Governmental Funds

June 30, 2012 - GAAP Basis

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Pupil Activities Fund	Capital Finance Corporation Fund	Total Non-Major Governmental Funds
Assets	\$0.7	\$4.6	\$6.2	\$5.3	\$0.9	\$17.7
Liabilities	0.1	4.6	1.8	0.1	--	6.6
Fund Equity	<u>\$0.6</u>	<u>\$--</u>	<u>\$4.4</u>	<u>\$5.2</u>	<u>\$0.9</u>	<u>\$11.1</u>

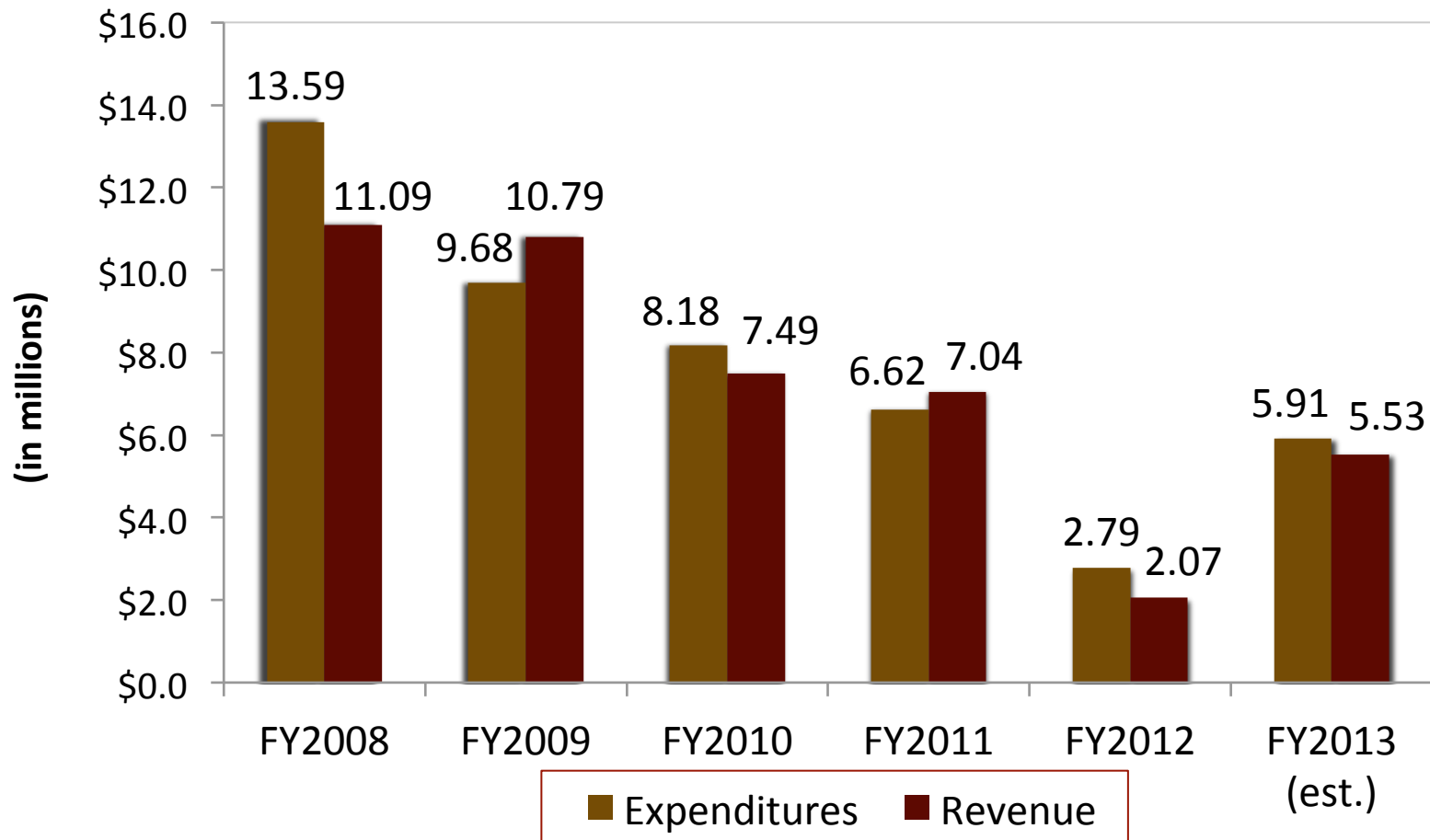
Non-Major Governmental Funds

➤ Capital Reserve Fund

- Account for allocation for ongoing capital outlay, information technology, major maintenance and equipment purchases
- Major decline in annual expenditures during last five years; from \$13.59 million in FY2008 to \$2.79 million in FY2012

Capital Reserve Fund

Revenue (Transfers) and Expenditures for a Six (6) Year Period



Non-Major Governmental Funds

(continued)

➤ Designated Purpose Grants Fund

- Accounts for restricted or categorically funded grants obtained for specific instructional purposes
- Federal Funding Earned:

Federal Funding Earned	(in millions)
Special Education:	
IDEA, Part B	\$8.254
IDEA, Part B – ARRA	\$.779
Title I, Part A of ESEA	\$4.997
Title I, ARRA	\$1.293
Improving Teacher Quality:	
Title II, Part A	\$.713
English Language Acquisition:	
Title III	\$.398
Jobs & Education - ARRA	\$.318

- American Recovery and Reinvestment Act
- Education Job Funds Program
- State Fiscal Stabilization

Non-Major Governmental Funds (continued)

➤ Extended Child Services Fund

➤ Accounts for the financial activities of:

- Preschool, Kindergarten Enrichment, Before and After School, and Intercession/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

➤ Capital Finance Corporation Fund

- A non-profit organization whose purpose is to acquire and lease transportation equipment to the District

Non-Major Revenue Funds

FY11-12 Revenues & Expenditures

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Pupil Activities Fund	Capital Finance Corporation Fund	TOTAL
<u>Revenues:</u>						
Federal Grants	\$--	\$18.6	\$--	\$--	\$--	\$18.6
State Grants	--	0.4	--	--	--	0.4
Tuition	--	--	15.5	--	--	15.5
Pupil Activities	--	--	--	11.0	--	11.0
Other	--	2.0	0.1	--	--	2.1
Total	<u>\$--</u>	<u>\$21.0</u>	<u>\$15.6</u>	<u>\$11.0</u>	<u>\$--</u>	<u>\$47.6</u>
<u>Expenditures:</u>						
Instruction	\$--	\$16.4	\$12.8	\$--	\$--	29.2
Other Support Services	--	4.6	0.6	--	--	5.2
Pupil Activities	--	--	--	10.8	--	10.8
Capital Outlay	1.8	--	--	--	--	1.8
Debt Service	1.0	--	--	--	--	1.0
Total	<u>\$2.8</u>	<u>\$21.0</u>	<u>\$13.4</u>	<u>\$10.8</u>	<u>\$--</u>	<u>\$48.0</u>
<u>Other Financing:</u>						
Transfers (net)	\$2.0	\$--	\$(1.2)	\$--	\$--	\$0.8

Business-Type (Enterprise) Activities

Year Ended June 30, 2012

(in millions)	Food Services Fund
Operating Revenues	\$8.0
Operating Expenses	<u>16.3</u>
Operating (Loss)	(8.3)
Non-Operating Revenues	<u>7.4</u>
Change in Net Assets	(0.9)
Beginning Total Net Assets	<u>7.3</u>
Ending Total Net Assets	<u><u>\$6.4</u></u>

Financial Summary

- Reduced State and Local funding due to the economy
- General Fund reserves decreased – less than anticipated
- Student enrollment is increasing at a lower pace than prior years
- Continue to manage within established budgets
- Continue to adjust financial, capital, and human resources due to revenue decline
- Increased allocation of State funds is an uncertainty for future years
- Financial reserves available to fund school year 2012-13