INTERNAL MONITORING REPORT

May 21, 2025

POLICY	**2.3 Financial Planning and Budgeting**
POLICY CATEGORY	**Operating Limitations**
PERIOD MONITORED	**Projected Revenues/Expenditures for Fiscal Years 2025-2026, 2026-2027, and 2027-2028**

This is my monitoring report on the Board of Education's Operating Limitations Policy "Financial Planning and Budgeting." I certify that the information contained in this report is true and complete and presented in accordance with the routine monitoring report schedule. This report will monitor the policy starting at its more detailed provisions and end with the global provision.

Chris Gdowski, Superintendent

May 21, 2025

1. **POLICY PROHIBITION WORDING:** *Shall not fail to include credible projections of revenues, carryover funds and expenses, separation of capital and operational items, and disclosure of planning assumptions for the organization as a whole, for each school and operating unit, and for each fund.*

INTERPRETATION:

1a. I interpret "*Shall not fail to include credible projections of revenues, carryover funds and expenses*" to mean:

Revenues: Revenue estimates are based on the Colorado Department of Education's (CDE) and other state agencies' projections, the District Planning Department's student count projections, current legislation impacting the School Finance Act, and historical trends for specific ownership taxes. Student count projections are also based upon detailed analyses of anticipated enrollment at each school in the district for the upcoming school year and future school years.

Expenditures: Projected district expenditures include anticipated adjustments for compensation; benefits (including PERA); inflation for goods and services, staffing and program changes, and budget realignment.

Carryover: Carryover projections are estimated by compiling year-end projections for both current year revenues and expenditures.

DATA REPORTED: Each year, the General Assembly adopts spending to support school finance. This year's bill extends the SFA 2025 transition period by one year, through the 2030-31 budget year, and postpones the exclusive use of SFA 2025 to determine total program until the 2031-32 budget year.

The table shows three-year projections using the criteria in the interpretation above.

Assumption with change and percentage change	FY 2025-26 Proposed	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast
Governing law	HB25-1320 and SB24-1488 Transition years from the School Finance Act of 1994 to the SFA 2025			
Inflation [1]	2.3%	2.3%	2.6%	2.4%
Base per-pupil funding (foundation funding)	$8,691.80 *$195.42*	$8,891.71 *$199.91*	$9,122.89 *$231.18*	$9,341.84 *$218.95*
October FTE count [2] *decreases from prior year*	33,008.5 *-276.5, -0.8%*	32,410.5 *-598.0, -1.8%*	32,059.5 *-347.0, -1.1%*	31,712.3 *-343.3, -1.1%*
Funded pupil count [3] *decreases from prior year*	33,757.9 *-909.8, -2.6%*	33,064.6 *-693.3, -2.1%*	32,649.5 *-415.1, -1.3%*	32,277.7 *-371.8, -1.1%*
Per-pupil total program funding	$11,648.59 *$385.54, 3.4%*	$12,044.25 *$395.66, 3.4%*	$12,457.91 *$413.66, 3.4%*	$12,936.50 *$478.59, 3.8%*

Funding for multi-district on-line and extended high school programs grows by inflation only.

Increases in expenditures assume effective salary adjustments equal to inflation, health insurance premium adjustments of 3% for each projected year, and PERA contribution to remain constant at 21.4% [4]. As enrollment, revenue, economic forecasts, etc., become clearer by December, the necessary adjustments required to meet the Board of Education's unassigned fund balance will inform the FY2026-27 District leadership discussions.

Adjustments to "Transfers Out" assume enrollment in district approved charter schools remains constant and per pupil revenue allocations adjust with increase in base and other factors. All other funds are assumed to be self-sustaining and no additional transfers from the General Fund are required.

The TABOR Reserve increase is calculated on revenue received from both Total Program and all voter approved mill levy overrides.

The Multiyear Commitments, retirement stipends for certified and classified staff continue to decrease as retirees' payments are completed. The restricted fund balance will, in fact, adjust each year as the five-year outlook of payments is determined.

The reduction in the Designated Override Reserve in projected fiscal years is due to the anticipated spending of projects for which the overrides were originally established. Additionally, keeping the other designated reserves at zero means the assumption is the budgeted expenditures will be spent each year. This is not the case which would necessitate the carryover of some of the unspent funds.

Data for both projection years is determined by analyzing activity in the prior three fiscal years and adjusting for major anomalies. Historical performance is not a guarantee of future results, and the district's largest funding source, Total Program, is driven by legislative decisions of the Colorado General Assembly.

	2025-2026 Adopted Budget	2026-2027 Forecast	2027-2028 Forecast	2028-2029 Forecast
Beginning Fund Balance	108,219,540	96,201,132	82,650,659	63,602,543
Total revenues	505,748,073	511,290,296	523,494,596	537,323,361
Available Resources	**613,967,613**	**607,491,428**	**606,145,254**	**600,925,903**
Total Expenditures	511,366,367	518,745,113	536,493,124	554,127,444
Transfers out	6,400,114	6,095,656	6,049,588	3,859,472
Total Expenses & Transfers	**517,766,481**	**524,840,769**	**542,542,712**	**557,986,916**
Fund balances, end of year	**$ 96,201,132**	**$ 82,650,659**	**$ 63,602,543**	**$ 42,938,988**
TABOR & multi-year	31,489,618	29,502,563	28,132,820	23,341,867
Other reserves	46,276,142	34,532,310	16,413,497	32,949
Unassigned fund balance	**$ 18,435,371**	**$ 18,615,785**	**$ 19,056,226**	**$ 19,564,171**
as a percentage of revenue	4.0%	4.0%	4.0%	4.0%

The other reserves are likely to stabilize as annual decisions regarding compensation and expenses, coupled with updated revenue assumptions are determined.

COMPLIANCE: I report compliance.

INTERPRETATION:

1b. The phrase "*Shall not fail to include…separation of capital and operational items…*" to mean:

Capital items, including land, buildings, improvements to buildings, and equipment having a unit value of greater than $10,000, are maintained in accounts separate from operational items. This is reasonable as the district utilizes the Colorado Department of Education standard chart of accounts, which clearly identify the proper accounts for expenditures of capital and operational items.

DATA REPORTED: Separation of capital and operational items is maintained in accordance with Colorado Department of Education reporting requirements, using appropriate account codes in the Food Service Fund, Capital Reserve, Information Technology, and Building Fund, etc., for capital items. Account validation rules assist in ensuring capital items are not charged to operating accounts.

Separation of these items is verified through the external independent audit and approved electronic submission of accounts and expenditures to the Colorado Department of Education.

COMPLIANCE: I report compliance.

INTERPRETATION:

1c. The phrase "*Shall not fail to include… disclosure of planning assumptions for the organization as a whole…*" does not require further interpretation.

DATA REPORTED:

The compensation increases take into account the forecasted annual health insurance increases and the increases required for the employer-paid portions of PERA and Medicare. Inflation increases as shown above create a baseline for forecasted growth in expenditures. The growth in expenditures other than compensation includes inflationary growth in utilities, fuel, and parts for buses and other district vehicles. The FY 2025-26 compensation increase of 1.8% recurring and 1.2% one-time is included in the forecast. The recurring portion impacts the remaining years of the forecast. Additional increases to staff compensation beyond inflation in the forecast period are not included in the assumption.

COMPLIANCE: I report compliance.

INTERPRETATION:

1d. I interpret "Shall not fail to include…disclosure of planning assumptions… for each school and operating unit…" does not require further interpretation.

DATA REPORTED: School and department budgets for the 2025-26 school year were adjusted as determined throughout the budgeting process. Schools may have been impacted by declining enrollment that impacted available FTE beyond changes to the SBB formula. Title I school allocations remained relatively constant over prior year. The allocation methodology for schools and the Title I, Part A, school allocations are included as attachments to the monitoring report. Generally, departments maintain a zero growth budget except compensation increases.

COMPLIANCE: I report compliance.

1e. I interpret "*Shall not fail to include…disclosure of planning assumptions… for each fund*" to mean: the Bond Redemption-Debt Service, Special Revenue, Capital Projects, Building, Insurance Reserve, and Information Technology Funds. The interpretations for the planning assumptions for each fund are listed below, followed by supporting data and compliance statements.

INTERPRETATION:

I interpret *Bond Redemption-Debt Service Fund planning assumptions* to mean the use of assessed valuation and the debt payment schedule to calculate needed revenue, which is received through the debt service mill levy. This is reasonable because the assessed valuation from the assessor's offices and the debt payment schedule provided by district investment bankers have historically been reliable to generate revenue adequate to make annual debt payments.

I interpret *Special Revenue Funds planning assumptions* to mean revenue information from CDE for federal and state grants, revenue projections based on student fees in alignment with Board approved student fees, and expenditures based on historical actuals and current estimates based on expected enrollment and programmatic costs. The Special Revenue Funds include the Government Designated-Purpose Grant Fund, Interscholastic Athletics Fund, Pupil Activity Special Revenue Fund, Other Special Revenue Fund, Food Services Fund, and the Before, After and Summer Enrichment (BASE) Program Fund.

I interpret the *Capital Projects* and *Building planning assumptions* to mean the alignment of available Capital Reserve Fund and Building Fund allocations with projected needs provided by long-range enrollment projections, with priority given to protection of life/health/safety of building occupants, items that affect the immediate operational use of the facility if not repaired, and meeting the objectives outlined in the voter approved bond election in November 2024.

I interpret *Insurance Reserve Fund planning assumptions* to mean use of information provided by recognized insurance brokers and professional actuaries to project future costs. This is reasonable as these external experts utilize industry trends, loss history, and actuarial studies.

I interpret *Information Technology Fund planning assumptions* to mean the management of ongoing technology needs, including student devices, hardware, software, infrastructure, maintenance and district support.

I interpret *Instructional Revenue Fund planning assumptions* to mean the alignment of mill levy funds associated with the purchased of instructional material. Activity for these expenditures include the elimination of student fees for classroom consumables and well as textbooks for new curriculum.

DATA REPORTED

2025-26 Key Budget Assumptions for Each Fund

Fund	Fund balance, revenues, and transfers in	Expenditures and transfers out
General Fund	Overall ongoing new revenue growth limited to $3.5 million. Underspend from the prior year will add $9.5 million in available one-time resources. The main drivers of the School Finance Act were shared above, and other revenue is set to remain relatively steady. There is continued uncertainty with interest rates and tariffs that will have a potentially negative impact on the district's revenue for vehicle registration and investment income.	The allocation to curriculum reserve is decreased by approximately $4.4 million as current reserves are deemed sufficient to fund curriculum adoption over the forecast period. COLA and one-time salary increases are budgeted at rates approved by the board in negotiated agreements. Significant budget reductions were applied across the district, including the ESC. The reductions were previously communicated with the Board. Increased the budget for health insurance premiums, substitutes, seasonal grounds, and stipends.
Instructional Revenue Fund	The beginning fund balance is estimated at $10.1M. The Instructional Revenue Fund is funded as a transfer in from the General Fund for curriculum and textbooks.	Expenditures included in this fund are those used to support textbook and curriculum purchases, implementation of curriculum, and consumable supplies & materials at schools to eliminate student fees.
Information Technology Fund	The beginning fund balance is estimated at $6.5M. The Information Technology Fund is funded as a transfer from the General Fund for technology needs throughout the district.	Expenditures included in this fund are those used to support technology needs throughout the district.
Insurance Reserve Fund	The beginning fund balance is estimated to be $5.0M for FY25-26. Resources include a transfer from the general fund of $4.2M	The primary expenses are insurance premiums for property and liability coverage, workers' compensation, and cyber security coverage. Total expenditures for the fund are budgeted at $4.8M, these anticipated expenses will leave an ending fund balance of $4.4M.
Bond Redemption Fund	The beginning fund balance is estimated to be $110.7M. Revenues are generated from mill levies passed by the voters for the sole purpose of repaying bonds.	Interest and principal on payments based on fixed payments are due in December and June of each year, as well as fees for the paying agent and annual arbitrage calculations.

2025-26 Key Budget Assumptions for Each Fund

Fund	Fund balance, revenues, and transfers in	Expenditures and transfers out
Building Fund	The Building Fund is supported by $185.0M in proceeds from the $830.0 million in voter-approved bonds, sold in FY24-25. The beginning fund balance for FY25-26 is projected to be $170.0 million, representing the unspent portion of ongoing projects.	Expenditures for the fund are the continued work on the multiple capital projects in the bond spending plan. Summer 2025 work includes roof replacements, parking lot resurfacing, playground equipment replacements, network cabling, and security camera technology upgrades.
Capital Reserve Fund	The beginning fund balance is estimated to be $27.0M in FY25-26. Revenues for this fund are from tenant leases at the Educational Support Center, cash in lieu payments from local building developments, and royalties received for oil and gas rights on district properties, and are expected to be $1.8M combined. A transfer of $3.0M from the General Fund for vehicle payments, and debt payments for Energy Performance Contract (EPC) and Certificates of Participation (COP). $2.6M of interest earnings is expected in this fiscal year, for a total revenues and transfers in of $4.5M.	The FY25-26 Capital Reserve Fund budget includes expenditures of $6.7M, major expenses include deferred maintenance, and major facilities repairs and improvements throughout the district. Expenses for the fund also include lease payment for Five Star Online, ongoing vehicle fleet payments, installation and lease of transportation software upgrade, and principal and interest payments for COP's. Historically, two positions were paid out of this fund, but moved into the general fund to better align with funding sources.
Governmental Designated-Purpose Grants Fund	Federal Grants totaling $32.7M decreased by 11% of the prior year's amended budget. This is due primarily to the Refugee Support Services Grant ending. Federal grant totals are based on federal allocations provided by CDE or estimated allocations based on the most current information available at the time. The district will continue to pursue grant funding that will support and enhance the learning experience of our students. Most federal grants require the district to expend funds and then request reimbursement.	2 CFR Part 200 of Uniform Grant Guidance establishes uniform administrative requirements, cost principles and audit requirements that each grantee must adhere to. All expenditures must be used in conformity with the grant guidelines and original funding purpose established by the grantor. Benefit costs include a $10M PERA "on-behalf payment." This "payment" represents the district's share the state's required supplemental PERA payment. The district does not actually receive these funds. 65% of grant expenditures relate to federal support. Three grant programs: ESEA (Title), IDEA, and Medicaid represent nearly 52% of all expenditures. Grant expenses cannot exceed the funding balance of the individual grant and must be reported on a yearly basis to the grantor to ensure that all spending is appropriate.
Food Service Fund	The beginning fund balance is estimated to be $12.5M in FY24-25. Total revenues are expected at $16.0M, with a significant portion coming from Healthy School Meals for All (HSMA) which will continue at lease through December but may change due to availably of state funding. Any potential changes due the upcoming ballot issues with be addressed in the Amended budget.	Total budget for FY23-24 expenditures is $15.3M, and assumptions include increases to salary and benefits, inflation of food, delivery, and supply costs as major drivers of non-salary operating costs in this fund. Additionally, allowable expenditure for the central kitchen and food and warehouse and the replacement of old and failing equipment is planned with the intent to spend a portion of fund balance down to closer align with the three-month fund balance requirements.
Before, After and Summer Enrichment Program Fund	The beginning fund balance is estimated to be $4.6M in FY25-26. Revenues are generated from participant tuition in before school, after school, and summer programs, with additional funding from the Colorado Child Care Assistance	Fund expenditures are planned at $7.5M to cover salaries, benefits and program costs to include supplies, snacks, field trip admissions, and transportation. Expenditures also include items part of the multiyear spending plan for funds

2025-26 Key Budget Assumptions for Each Fund

Fund	Fund balance, revenues, and transfers in	Expenditures and transfers out
	Program, with a small increase to tuition budgeted. Combined, the total expected revenue is $6.9M.	received through the BASE Stabilization Grant from ARPA. Ending fund balance is forecasted at $4.1M.
Pupil Activity Special Revenue Fund	This fund is expected to have a beginning fund balance of $4.8M. Sources of revenue are generated from student fees that have been approved by the Board of Education. A full Fee Schedule is available for review on the district website and contain fees either mandatory, course related or optional. Examples of student fees would be field trips, workbooks, yearbooks, athletic programs, pottery, etc.	Colorado State Law (CRS 22-32-117) provides that revenue collected for student fees will be used for the designated purpose and shall not be expended for any other purpose.
Interscholastic Athletic Fund	The beginning fund balance is estimated at $1.9M. Athletic Fund assumptions project revenue from Board approved fees using historical data and input from school athletic coordinators, and a transfer in from the General Fund of $3.4M which is expected to cover the salaries and benefits of athletic coaching staff as well as Middle School sports. The General Fund transfer increased in FY25-26 to cover the staff and operating expenses that were previously budgeted in the general fund. The staff and operating were moved to the Athletic Fund to consolidate athletic expenses.	Expenditures, using historical trend and actual data, are aligned with available revenue sources and are used to support the athletic activities of the students. In FY25-26 the district will continue to offer Middle School interscholastic sports for 7th and 8th grades to include girls volleyball, cross country, boys and girls basketball, and boys and girls soccer. Sixth grade students will be able to participate in Middle School interscholastic cross country or intramural volleyball, basketball and soccer.
Other Special Revenue Fund	The estimated beginning fund balance is $2.0M, with sources of revenue generated from community use rentals of school facilities, auction surplus (sales of fixed assets), vendor rebates, local donations, band uniform replacement, and school based parent/teacher/student fundraising groups. Revenues from all sources total $1.1M expected in FY25-26.	Expenditures include salary and benefits for district staff who oversee community use and auction activities, including necessary operating expenditures. School based expenditures will align to the original funding purpose, such that local donations and fundraising sources will be expended in accordance with guidelines submitted when the donation was received or fundraising activities were approved.

COMPLIANCE: I report compliance.

2. **POLICY PROHIBITION WORDING**: *Shall not provide less for Board prerogatives during the year than is set forth in the Cost of Governance policy*.

INTERPRETATION:

I interpret this to mean the District budget includes requested funding in accordance with Board of Education Policy 4.7. This is reasonable, as the Board of Education requires budgeted funds to perform its duties.

DATA REPORTED: The Recommended Budget for Fiscal Year 2025-26 provides funding in the amount requested by the Board of Education. This is expected to be adopted as part of the Adopted 2025-2026 District Budget at the June 4, 2025, Board of Education meeting.

COMPLIANCE: I report compliance.

3. **POLICY PROHIBITION WORDING:** *Shall not budget in a manner that risks incurring those conditions prohibited in our policy on Financial Condition and Activities Policy.*

INTERPRETATION:

I interpret this policy language to mean that planning provides for consistent compliance with Board Policy 2.4, which assures that money is only expended towards the achievement of Ends; that reserves are maintained with no less than the sum of the required TABOR Reserve, career longevity stipend reserve, encumbered funds reserve, and any multiple year financial commitment reserves; that the unassigned fund balance is maintained per Board of Education policy between 4% and 8%; and that compliance does not require the absence of projected deficits in future fiscal years, as annual decisions regarding compensation and expenses, coupled with updated revenue assumptions are likely to eliminate such deficits. Compliance with this "prudent planning policy" requires compliance with the foregoing criteria in the proposed budget for the next fiscal year and reasonable estimates of revenues and expenses in the next two fiscal years.

DATA REPORTED: Budget planning has been prepared to meet the requirements of Board Policy 2.4 for fiscal years ending 2025 through 2028. TABOR reserves adjust throughout the forecast period due to changes in revenue. All fiscal years included in this report include mill levy override funding when calculating the TABOR and Contingency reserves. Future fiscal years may include the use of one time funds to balance the budget and this could be offset in whole or in part, by variations in actual revenue compared to current assumptions, including annual changes to total program funding, specific ownership tax and earnings on investments in each year's budget.

COMPLIANCE: I report compliance.

4. **GLOBAL POLICY PROHIBITION:** *Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan.*

I submit that the Board's policy is comprehensively interpreted in the preceding provisions. This is reasonable because my interpretations, data reported and compliance statements are presented with those provisions above.

COMPLIANCE: I report compliance.

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1. Colorado Legislative Council Staff March 2025 CPI Forecast, March 15, 2025. A consumer price index (CPI-U) is not calculated for the state of Colorado. The CPI-U for the Denver-Aurora-Lakewood core based statistical area is often used as a proxy for the inflation rate of Colorado. A bimonthly index is published for the Denver-Aurora-Lakewood core based statistical area.
2. ASCENT is discontinued after the 2025-26 school year. This is a decrease of 81.0 FTE.
3. The School Finance Act formula makes enrollment allowances for districts that lose pupils from one year to the next, recognizing that these districts may have difficulty budgeting for fewer pupils. The pupil count for declining enrollment districts is the greater of a two-year, three-year, or four-year average of the October counts. For purposes of the forecast, we assume that four-year averaging will remain in place.
   HB25-1320 changes the methodology of calculating funded pupil count so that:
   For the 2025-26 budget year, a school district's funded pupil count is calculated by determining the greater of the school district's pupil enrollment for the applicable budget year or the average of the school district's pupil enrollment for the applicable budget year and the immediately preceding 3 budget years; and

For the 2026-27 budget year and each budget year thereafter, a school district's funded pupil count is calculated by determining the greater of the school district's pupil enrollment for the applicable budget year or the average of the district's pupil enrollment for the applicable budget year and the immediately preceding 2 budget years.

However:

If a statutorily specified condition is satisfied, and consequently for the 2026-27 budget year, a district's total program is not determined as scheduled under the transition period, then for the 2026-27 budget year, and each budget year thereafter, funded pupil count will continue to be determined by the greater of the school district's pupil enrollment for the applicable budget year or the average of the school district's pupil enrollment for the applicable budget year and the immediately preceding 3 budget years; and

If, for the 2027-28 budget year, the state education fund balance is projected to be less than $200 million, then the general assembly is required to implement a smoothing factor or the funded pupil count will be determined by the greater of the school district's pupil enrollment for the applicable budget year or the average of the school district's pupil enrollment for the applicable budget year and the immediately preceding budget year for the 2027-28 budget year and each budget year thereafter.

The bill changes the expiring formula so that starting in the 2027-28 budget year, the funded pupil count used in the expiring formula is the same funded pupil count that is used in the new formula to determine a district's total program during the transition period.

Impact on total program funding due to declining enrollment
(*excludes multi-district online and extended high students who are funded differently*)

	FY 2025-26 Proposed	**FY 2026-27 Forecast**	**FY 2027-28 Forecast**
October FTE count	32,428.5	31,910.5	31,559.5
Average funded pupil count	33,177.9	32,564.6	32,149.5
Benefit of averaging	749.4	654.1	590.0
Total program funding	$8.7 million	$7.9 million	$7.4 million

4. PERA announces the progress toward its funding goal each June, along with any automatic adjustments to contributions or annual increases, which take effect the following July. Adjustments are triggered when the blended total contribution amount is less than 98 percent of the blended total actuarially required contribution. When the blended total contribution amount is less than 98 percent of the blended total actuarially required contribution, the District's and employee's contribution rate can each increase up to 0.5 percentage points. The District's expenses would increase at least $1.4 million based on the total contribution rate moving from 21.4% to 21.9%. District contributions to PERA account for approximately 14.1 percent of the overall General Fund expenditures. Additionally, employees will contribute up to 11.00 percent of their salary to PERA.