October 30, 2009

Members of the Board of Education
Cynthia Stevenson, Superintendent of Schools
1829 Denver West Drive, Building 27
Golden, CO 80401-3120

Ladies and Gentlemen:

The District continues to weather the current economic storm with strength. The first quarter report reflects the implementation of $11.8 million in budget reductions as planned. Prior strategic planning to build reserves has turned out to be a pivotal decision in being able to have choices and time to react to rescissions and declining revenue sources. News from the State does not bode well for school districts. The likelihood of the state rescinding the fiscal emergency reserve is very high. Additional rescissions on top of that are possible; however, the most recent word from the State is the rescission of the fiscal emergency reserve will be the only “hit” in 2009/2010. The District continues to monitor State issues, process and report on these as they occur.

Attached is the First Quarter Financial Report for fiscal year 2009/2010 which includes cash management and investment schedules, comparative analysis schedules for the Fund as well as narrative and comparative schedules for all other district funds. The appendices include staffing reports, performance indicators and a guide to understanding the content within the General Fund expense descriptions.

Following are the year to date (unaudited) financial results and noted highlights:

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</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$103,642,356</td>
<td>15.6%</td>
<td>$150,963,129</td>
<td>22.95%</td>
<td>($47,318,793)</td>
<td>$118,970,499</td>
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<tr>
<td>Debt Service</td>
<td>180,901</td>
<td>2.2%</td>
<td>0</td>
<td>0.00%</td>
<td>180,901</td>
<td>69,105,568</td>
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<tr>
<td>Capital Reserve</td>
<td>309,751</td>
<td>1.36%</td>
<td>23,157,951</td>
<td>45.70%</td>
<td>(29,832,200)</td>
<td>39,622,847</td>
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<tr>
<td>Building Fund - Capital Projects</td>
<td>978</td>
<td>0.06%</td>
<td>978</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Grants Fund</td>
<td>6,303,225</td>
<td>13.14%</td>
<td>5,886,322</td>
<td>11.82%</td>
<td>716,903</td>
<td>1,689,820</td>
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<tr>
<td>Campus Activity Fund</td>
<td>8,784,977</td>
<td>22.92%</td>
<td>5,306,362</td>
<td>20.11%</td>
<td>3,478,715</td>
<td>12,642,669</td>
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<tr>
<td>Food Services Fund</td>
<td>4,319,150</td>
<td>17.83%</td>
<td>4,495,489</td>
<td>18.11%</td>
<td>(185,314)</td>
<td>7,847,083</td>
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<tr>
<td>Child Care Fund</td>
<td>3,607,437</td>
<td>24.58%</td>
<td>2,976,997</td>
<td>19.49%</td>
<td>720,440</td>
<td>4,483,615</td>
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<tr>
<td>Property Management Fund</td>
<td>345,775</td>
<td>20.34%</td>
<td>301,697</td>
<td>13.35%</td>
<td>44,078</td>
<td>4,095,256</td>
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<tr>
<td>Central Services Fund</td>
<td>712,558</td>
<td>18.68%</td>
<td>671,278</td>
<td>17.70%</td>
<td>41,280</td>
<td>1,758,337</td>
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<td>Employee Benefits Fund</td>
<td>1,784,458</td>
<td>19.82%</td>
<td>1,692,533</td>
<td>21.95%</td>
<td>91,925</td>
<td>11,927,289</td>
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<td>Risk Management Fund</td>
<td>2,034,020</td>
<td>28.43%</td>
<td>3,447,535</td>
<td>31.52%</td>
<td>(113,086)</td>
<td>6,735,227</td>
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<td>Technology Fund</td>
<td>4,671,557</td>
<td>23.66%</td>
<td>4,973,260</td>
<td>23.06%</td>
<td>(406,803)</td>
<td>8,369,163</td>
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<tr>
<td>Charter Schools</td>
<td>10,514,655</td>
<td>27.43%</td>
<td>8,882,557</td>
<td>24.01%</td>
<td>1,632,407</td>
<td>10,926,042</td>
</tr>
</tbody>
</table>

Our Mission: To provide a quality education that prepares all children for a successful future.
Cash Management (pages 1 - 4):
- The District operating cash (excludes debt service, capital reserve and capital projects funds) available cash balance is $8.8 million lower than the prior year. Timing of receipts and one time payments are the majority of the changes.
- Property tax receipts are lower than compared to the prior year quarter. Specific Ownership Taxes continue to decrease compared to prior year. In the other receipts line, state transportation funding was received in October 2009 versus September 2008 for the prior year. Cash from insurance recoveries related to fire claims was in last year’s cash receipts.
- Capital Reserve cash balances are decreasing with the expenditures for the 2005 bond projects. The annual transfer from the General Fund will be made March through June 2010 for $22,858,000.

General Fund (pages 5 - 13):
- General Fund revenues from property and specific ownership taxes are down compared to the prior quarter. State transportation funding of $4.5 million was not received until October for FY 2010. State equalization revenue increased $6.5 million from the prior year due to inflationary increases.
- General Fund expenditures are at 23 percent of budget at the quarter end. This is slightly lower than the prior year quarter. The later school start date along with the planned timing of onetime compensation payments impacted the timing of expenditures. Savings from the changed bus routes and lower natural gas costs are also a factor for the variances in the quarters. The costs for pollution remediation of the pond at Wheat Ridge HS are reflected in the field services expense line of the General Fund. The total cost incurred through September 30 is $153,058. An additional $112,236 will be spent in the next quarter.
- Capital expenditures of approximately $1.86 million for turf fields and capital assessment work performed by Jacob's Engineering were included in first quarter last year.
- The change in fund balance for the quarter is $(47,318,793), less than the prior year by $1,389,867. Property tax revenues are not received until the spring, causing large deficits in the early part of the year. The required reserve of $11,033,000 for fiscal emergency is established in the fund balance. This amount will be given back to the state if legislative action is taken by the General Assembly by January 29, 2010.

Debt Service/Capital Reserve/Building Projects (pages 15 - 18):
- The District is working to refinance the 2004 construction bonds. The refinancing has the potential for the District to save up to $5 million net present value on debt costs. Current rates are at a historical low, providing an opportunity to achieve savings.
- The Capital Reserve Fund has increased expenditures from bond projects. The large project expenses for the quarter were Ralston ES, Drake MS, Johnson Program, Mandalay MS, Oberon MS and Bear Creek HS. Operating transfers for the fund will be made March 2010 through June 2010.
- The Building Fund has retainage payable at the quarter end earning a small amount of interest as reflected in the statement.

Grants Fund/Campus Activity (pages 19 - 21):
- The Grants Fund has spent $1.5 million of ARRA grants for the quarter. The total expected for the year is $12.5 million. The grants are based are on an expenditure reimbursement funding method, the first funds will be received in December.
The Campus Activity Fund had decreased revenue and expenditures for the quarter. Schools have noted larger amount of fee waivers, alternative payment option requests and less fundraising activity.

Enterprise Funds (pages 22 – 26):
- The Food Services Fund has a net loss for the quarter of $(185,312). Less serving days in the quarter from the later school start date decreased revenues. There were also additional expenses for software consultants and small kitchen equipment.
- The Child Care Fund has net income of $720,440 for the quarter. There were no quarterly losses for the individual programs in the fund.
- The Property Management Fund has net income of $44,078, slightly higher than the prior year. The expenditure budget for this fund was increased to pay for half of the capital asset planning program.

Internal Service Funds (page 27 - 35)
- The Central Services Fund has net income of $41,380. School copy volume is down 5 million copies or 19% compared to last year. In addition, Print Shop volume is also down 3%. These two factors contributed to reduced revenue for the quarter. As a result of lower volume, paper and toner costs for the quarter were also down. The timing of purchasing additional equipment has been delayed this fiscal year but is still planned to occur. The Copier Program will continue to expand the printer-to-copier cost evaluation and conversion work with schools this year. Several high schools implemented this change and have realized cost savings.
- The Employee Benefits Fund has net income of $91,925 for the quarter. Revenues are down due to a decrease in premium cost to employees for group life and vision. The Benefits Advisory Committee continues to analyze and provide strategic recommendations for the use of any reserves.
- The Risk Management Fund has a net loss of $(213,085). Claims losses are higher than the prior year due to worker's compensation settlements and hail storm damage $422,000.
- The Technology Fund has a loss of $(405,803) for the quarter. Expenses are at 23 percent of budget. The 2 percent underspend is primarily due to staff changes. The Technology Fund is budgeted to spend down reserves in 2009/2010.

Charter Schools (pages 32-34):
- Charter Schools (aggregated) have excess revenue over expenditures of $1,632,407. The schools are being cautious with spending due to concerns of additional rescissions from the state. One school has a red flag and two have yellow flags for the quarter end. Mountain Phoenix has notified the District that they have fallen below on projected FTE's. The estimate is now 28. They have submitted a revised budget that projects additional borrowing beyond the approved $90,000. Rocky Mountain Deaf school is borrowing $(63,765) at the end of the quarter. They have receivables from other districts of $64,236. Compass Montessori Wheat Ridge is borrowing $49,000 from the Home Option program at the end of the quarter.
ON THE RADAR:
In addition to the attached reports following is an update on processes and current issues in finance:

Facilities Maintenance Program Performance Evaluation:
The Facilities Maintenance Program was reviewed by a third party in 2008. Several recommendations regarding efficiencies and system utilization were provided. The COO continues to work on implementation of these recommendations. The department has implemented a preventative maintenance program for district facilities. The zone preventative maintenance rotation work plan visits each site three times a year. The department is working to have the maintenance management system generate the preventive maintenance work orders with planned task for the upcoming fall cycle. All zone leaders are using the Maximo Assignment Manager Application to assign work. Customer notification email is now functional. The Facility Asset Inventory is being reviewed and updated. The Chief Operating Officer will provide an update on percentage completion in the next quarter. Once in place, the inventory will provide the district the ability to more accurately project/budget for facility maintenance needs. The current system is driven by available funds rather than financial assessment and prioritization of need. Additional resources in IT and Facilities Management are being identified to improve the utilization of Maximo applications.

Performance Evaluation of the Grants Program:
Grants management and compliance staffs have been working to implement the recommendations given in the recent audit of the performance of the grants program. A responsibility for grant management and monitoring process flow document has been developed. Grants policies and procedure manuals have been reviewed and updated to sync the process together and make it easy for staff in schools to follow. There were focus groups conducted to see if the process was easy to follow and complete. The outcome will be a clear understanding of when an item qualifies as a grant and the processes to follow to use and report on the grant.

District Wide Facilities Master Plan:
The three components, Capital Asset Planning, Facilities Usage Committee and State Wide Financial Assistance Priority Assessments, of the District Wide Facilities Master Plan are well underway. Staff and consultants have met with principals, community and individual departments and programs to build specifications and establish priorities. The Capital Asset Planning is past midpoint. All of the educational adequacy surveys are completed and all of the building condition assessments have been completed. Staff has received preliminary data and is working with the consultants in reviewing, clarifying and reconciling to any major variations from internal documents and the state reviews. The Facilities Usage Committee has continued to meet to review and study data. The committee is using the following six evaluation criteria that will be applied to educational facilities: academic achievement, building condition, capacity utilization, choice percentage, enrollment trends, and operating costs. The recommended options from the committee, which will meet again on October 26, 2009, are likely to include repurposing of buildings, school closures or boundary/transportation modifications. Community forums will begin in November for the community to make comment on the proposed recommendations. The State has completed all of the educational adequacy surveys and 90 building life cycle surveys. They anticipate finishing in late November. Seventy-six assessments are currently available for staff review.

Bus and Support Vehicle Replacement:
Support Services and Financial Services are working together to implement a replacement plan for bus and support vehicles. A bus replacement schedule has been provided; the next step will be for financial services and fleet staff to meet to discuss results and fine tune the report before developing financing options. The analysis of support vehicle replacement is still in progress.
Debt Management:
As part of the ongoing review of outstanding debt and to take advantage of any potential savings, the District has begun the process of issuing the refunding bonds for the 2004 construction bonds. Other debt is still being reviewed. The 2006 construction bonds have not been refinanced and the certificates of participation could be paid off early. District staff continues to work with Stifel Nicolaus for opportunities to achieve savings.

Technology Phone System:
Financial Services and Information Technology continue to review and explore the possibilities for replacing and upgrading the district wide phone system. Equipment is aging and functionality needs are increasing so investment in this system will provide the platform for the next generation of phone service as well as ensure reliability and stability of the current District phone system. A draft financial plan was presented to Financial Services for review in July of this year. Based on that plan, the study phase of the project was approved and has begun. During this phase, the team will be able to establish accurate cost estimates by utilizing a formal RFP process. In addition, a pilot of the new technology is underway at Golden High School utilizing donated Cisco equipment from last year’s Democratic National Convention. Outcomes of this pilot, in combination with the RFP process data, will enable the team to make a formal presentation and recommendation to Financial Services during the second quarter. Included in these recommendations will be disaster recovery plans and associated budget estimates for the continuing phases of the overall District’s Disaster Recovery/Business Continuance plans.

Disaster Recovery Project (DR):
Information Technology held eight DR workshops with District business owners (60+ staff). The result of these workshops was a DR planning map that identifies six DR levels and their associated Recovery time objectives (RTO) for District core applications and services. The IT infrastructure team is currently collecting architectural requirements for DR Level 1 & 2 - systems (16 total) defined as Life Safety and Mission Critical Services. IT will then use this data for the WOTC offsite build-out (develop redundancy, identify dependencies and provide proactive monitoring) for these sixteen systems. A complete Disaster Recovery Plan and associated budget estimates for future phases will be presented during the second quarter.

2009/2010 Budget Development
Due to the significant level of reductions required over the next three years. The budget development process will be expanded to include grass-root input from school budget committees. Additionally, there will be community meeting and several opportunities for communications and input. Staff will discuss the budget processes with the Board of Education on November 5, 2009.

Again, the district remains in sound financial condition. We will continue to spend conservatively and diligently monitor economic variables on the radar.

This will certify that the information contained herein is an accurate and fair representation of the district’s financial status as of the date shown.

Lorie B. Gillis
Chief Financial Officer