April 25, 2018

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

Directors:

Attached is the Third Quarter Financial Report for fiscal year (FY) 2017/2018. This report includes cash management, investment and comparative analysis schedules for the General 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.

For the end of the third quarter, the General Fund continues to show better than anticipated trends with spending at 74 percent of budget. Revenues are low due to the timing of property tax which will be collected in fourth quarter. Expenditures are higher than prior year due to instructional materials and supplies for the new Three Creeks K-8 and schools moving to a 1:1 technology device for students in middle and high schools. The Board did approve a Capital Reserve transfer from the General Fund for $14 million for middle school additions at Creighton, Ken Caryl and Summit Ridge for the 6th grade transition and a supplemental budget for establishment of an Innovation Fund for $1 million.

The analyses below breaks down the specific areas of underspend that contributed to the better than anticipated quarter end results. Funds potentially needing a supplemental budget appropriation have been highlighted.

Following are the quarter-end (unaudited) financial results by fund and noted highlights:

<table>
<thead>
<tr>
<th></th>
<th>Revenue/Transfers</th>
<th>2017/2018 Y-T-D % of Budget For Revenue</th>
<th>Total Expenses/Transfers</th>
<th>2017/2018 Y-T-D % of Revised Budget For Expenses</th>
<th>Net Income</th>
<th>Fund Balance (or net position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$ 414,128,749</td>
<td>59.35%</td>
<td>$ 524,672,565</td>
<td>73.62%</td>
<td>(110,543,816)</td>
<td>$7,301,651</td>
</tr>
<tr>
<td>Debt Service</td>
<td>18,302,576</td>
<td>41.41%</td>
<td>35,421,227</td>
<td>81.18%</td>
<td>(16,661,748)</td>
<td>45,221,399</td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>31,300,791</td>
<td>82.21%</td>
<td>25,866,181</td>
<td>48.92%</td>
<td>5,434,610</td>
<td>50,367,131</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>21,849,417</td>
<td>48.25%</td>
<td>23,474,359</td>
<td>51.83%</td>
<td>(1,624,942)</td>
<td>6,556,934</td>
</tr>
<tr>
<td>Food Services Fund</td>
<td>19,347,281</td>
<td>74.44%</td>
<td>19,478,938</td>
<td>75.09%</td>
<td>(131,657)</td>
<td>6,309,335</td>
</tr>
<tr>
<td>Campus Activity Fund</td>
<td>18,986,915</td>
<td>70.15%</td>
<td>18,083,392</td>
<td>68.87%</td>
<td>903,523</td>
<td>12,554,007</td>
</tr>
<tr>
<td>Transportation</td>
<td>21,421,503</td>
<td>80.31%</td>
<td>17,360,497</td>
<td>65.08%</td>
<td>4,061,006</td>
<td>4,628,605</td>
</tr>
<tr>
<td>Child Care Fund</td>
<td>10,998,854</td>
<td>77.75%</td>
<td>10,367,047</td>
<td>68.54%</td>
<td>631,807</td>
<td>5,753,065</td>
</tr>
<tr>
<td>Property Management Fund</td>
<td>1,965,772</td>
<td>66.86%</td>
<td>2,412,228</td>
<td>75.06%</td>
<td>(446,456)</td>
<td>5,522,075</td>
</tr>
</tbody>
</table>
Cash Management (pages 1–3):

- Cash balances for the third quarter are $256 million. This is $10 million higher than prior year balance due to $17 million more in beginning cash balances. Overall net cash increased this quarter by $9.5 million which was expected due to timing of property tax receipts that occurs in the March.
- Cash disbursements for payroll continue to remain down over prior year due to Board approved one time payouts in FY 2017. Overall benefits increased over the prior year with PERA increases. Wage increases for staff and teachers have been implemented.
- Cash balances were adequate to cover the cash flow low point in February/March. No line of credit was needed.

General Fund (pages 4–12):

- General Fund revenues are at 59 percent of budget for the quarter and slightly up from prior year in same quarter due to more revenue than anticipated from Specific Ownership Tax (SOT). This percentage to budget will remain low until property tax is received in the fourth quarter. Revenues in state of Colorado funding have decreased over the prior year due to decreases in enrollment and the shift from state to local funding of total program.
- General Fund expenditures are at 74 percent of budget when transfers are included. Total expenditures are higher than the previous year, primarily due to instructional costs for the new K-8 schools and technology devices for 1:1 device readiness. The Board approved a transfer increase from General Fund to Capital Reserve for $14 million for the additions at three middle schools and $1 million for the Innovation Fund.
- Fund balance for the General Fund ended the quarter with at $7.3 million. Fund balance will continue to grow in the fourth quarter with the collection of property tax receipts.

Debt Service/Capital Reserve (pages 14–16):

- Revenues for the Debt Service Fund increased this quarter with the collection of property taxes. A large majority of property taxes will continue to be collected in the fourth quarter. Interest payments on the general obligation debt will be made in June 2018. A supplemental appropriation is needed for December 2017 bond refunding.
- Capital Reserve Fund spending is at 49 percent of plan at the end of the quarter. Spending is less than the previous year primarily due to smaller scope new construction projects this year. The fund received additional transfers of $14 million from the General Fund in the third quarter for additions at Creighton, Ken Caryl and Summit Ridge middle schools that will add capacity for the sixth grade transition.

Grants Fund/Campus Activity/Transportation (pages 17–21):

- Grants Fund activity changes from year to year with grants ending, new grants received or changes in awards. Detailed expenditure changes can be reviewed on pages 17–18 of
the Quarterly Financial Report. The Colorado Department of Education awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year as they are incurred causing revenue to be higher than expenditures.

The Food Services Fund ended the quarter with revenue lower than prior year and the planned benchmark. Third quarter continues to experience the decreases in Federal/State reimbursable meals as student purchases shift toward a la cart items. Overall expenditures are higher than prior year and slightly higher than plan at 75.09 percent of budget. The fund is budgeted to have net income; however, expenditures are outpacing revenues and the fund is tracking to exceed budget at yearend. This shift will require the team to ask for a Board approved supplemental appropriation to spend down reserves, and the fund will remain yellow flagged for monitoring. The finance and food & nutrition service teams continue to work together in tracking and improving results.

- Campus Activity Fund revenues and expenditures are running higher than previous school year due to tuition increases and collection of fees primarily due to 1:1 devices and increased school activity fees. Budget and the school accounting support team (SAST) continue to review balances with school staff for appropriateness. The timing of events, activities and fundraising impact the collection of revenues and related expenditures. Board approval for a supplemental appropriation will be needed.

- Transportation Fund revenues ended the quarter at 91 percent of budget. The fund is running higher than prior year for the same quarter from an increase in state transportation revenue and increased field trips. Expenditures are lower than plan and prior year due to less capital and equipment purchases to date.

Enterprise Funds (pages 22–24):

- The Child Care Fund has a net income of $631,807 for the quarter compared to a net income of $329,728 for the same quarter last year. Revenues are up over the prior year due to tuition increases and four additional preschool classrooms. Expenditures are higher than prior year due to additional staff needed for the classrooms, instructional materials, increased building rental rates, additional pay for minimum wage workers in School Age Enrichment program, and compensation and benefit increases.

- The Property Management Fund ended the quarter with a net loss of $446,456 for the quarter. Building rates were increased for the start of FY 2017/2018 school year. Rental income is tracking lower than the budgeted benchmark at 67 percent compared to prior year at 77 percent due to a 20 percent decline in billable hours. Expenditures are slightly below budget benchmark at 70 percent and in line with prior fiscal year. Planned transfers for the year are $700,000 to General Fund, $250,000 to the Capital Reserve Fund and $400,000 to schools to cover the additional wear and tear to school facilities. Board approval for a supplemental appropriation will be needed.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with net income of $254,346 for the quarter. Revenue is down over prior year due to a reduction in the cost of color copies from $.07 to $.06 that occurred in third quarter last year. Fund is operating as planned.

- The Employee Benefits Fund had a loss of $813,648 for the quarter. Revenues are down slightly from the previous year and less than the budgeted benchmark ending at 69 percent of budget. Overall expenses are down due to less participation in vision and a decrease in group life claims that are slightly offset by increased costs for consultants used for Affordable Care Act programming for IRS tax forms.
• The Insurance Reserve Fund has a net income of $741,294 for the quarter end. Revenues are up over the prior year due to the insurance company providing a $2 million retainer to the district to begin work for the May 2017 hail storm. Total claim losses are up over previous year due to fleet vehicle damage from hail, payouts for three medical claims and a bus accident. Board approval for a supplemental appropriation will be needed.

• The Technology Fund ended the quarter with a loss of $2,018,736. Revenues are under the planned benchmark at 71 percent and less than prior year due to not receiving E-Rate revenue this year. Expenses for the quarter are below prior year and at 72 percent of budget. Information technology (IT) experienced a delay in the fiber network build-out which is now in effect. Purchases in support of the fiber network build-out in the northwest Arvada area have been initiated.

Charter Schools (pages 30–32):
• The district now has 18 charter schools (counting Jefferson Academy as one school) with only one school, Golden View Classical Academy, operating outside of the district financial system.

• Doral Academy is in their second year of operation and has secured space in the prior Zerger school district facility (agreement extended for FY 2018/2019).

• Great Work Montessori School is flagged for monitoring due to lower than expected enrollment and delayed approvals of CCAP for parents. Year to date they are essentially flat in net income with current projections of a net loss at year end. The district and school administration team have been meeting frequently to identify expenses that will be moved and charged to their CCSP grant, areas to reduce expenses, and identified additional funding that is expected to meet a balanced budget that includes TABOR by yearend.

• The Rocky Mountain Academy Evergreen (RMAE) Board approved a supplemental appropriation in November for FY 2017/2018 budget to spend down a total of $238,516 of reserves. With the update of October 1 counts and per pupil revenue (PPR) current spend down is at $57,475 of reserves, and the school has identified cost savings in the second half of the year that puts them in line with their budget. The school has picked up an additional 9 students after one day count and has applications for next school year that leads them to a conservative estimate of a 20 student increase next year. With reduced costs in place in the back half of this year and anticipating the increased enrollment for next school year, FY 2019 is looking to be a balanced budget. Current total cash is $572,000 that is used to cover TABOR; unrestricted reserves are currently at $494,666 and are expected to end the year at approximately $430,000.

ON THE RADAR
In addition to the attached reports, following is an update on processes, system improvements and current issues in finance:

Facilities Update
Landscaping remains to be completed at Sierra Phase II; that is the only remaining work to complete the project.

Construction of the additions to Drake and Dunstan Middle Schools (MS) is continuing. Both projects are on budget and on schedule for completion in late July 2018. Contractor selection and bidding for summer middle school projects at Arvada K-8, Bell MS, Oberon MS, Manning, Carmody, and Everitt are complete. The bidding and contractor selection for the balance of the FY 2018 Capital Program are complete. Work on all the above projects will commence when school is out. Design work at Creighton, Ken Caryl and Summit Ridge Middle Schools continues;
the projects are scheduled to bid in early fall 2018 with opening for the 2019-20 school year. Roofing work is underway as a result of the May 2017 hail storm starting with unoccupied buildings currently and occupied schools starting after school is out for the summer. Facilities staff presented an outline of a proposed Capital Improvement Plan at the April Board of Education meeting.

Benefits
To date, open enrollment for FY 2017/2018 was completed for district staff. The district consolidated to one medical provider, Kaiser, and increased, for the first time since 2003, the employer paid share from $515 a month to $529. Kaiser claims have increased, and the district is looking at an 8.6 percent increase in premiums that will be in effect July 1, 2018.

2018/2019 Budget Development
The 2018/2019 budget development process continues to progress toward adoption. The Board of Education provided preliminary direction for staff to set placeholders in the proposed budget for potential PERA legislation and compensation increases reflecting costs for steps, levels and quartile changes for all staff. The 2017/2018 one-time funds sent to schools via student based budgeting (SBB) have not been reallocated, and the new remaining state funds have not been programmed. This correlates to $13 million of expenditures that have not been designated to specific expense lines by the Board but have been placed in an unassigned expenditure placeholder. The budget department will present the Proposed Budget to the Board on Thursday, May 3, 2018. The state continues to try and balance its budget; however, at the time of this report, the School Finance Act has not been completed. District staff will continue to monitor the state legislation and will report any changes to the Board in May.

The district remains in sound financial condition and will continue to spend conservatively and diligently monitor economic variables.

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.

Kathleen Askelson
Chief Financial Officer