Attached is the Third Quarter Financial Report for fiscal year 2016/2017. This report includes cash management and investment schedules 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.

With the school finance act funding not finalized at the state, the district has moved forward with a $4 million increase from the state for the 2017/2018 proposed budget which represents the governor’s November 2016 proposal less the early estimates for loss of residential assessment rate. This estimate will continue to change, and the district will monitor until state legislation is finalized on May 10, 2017. At the time of this report, the Capital Reserve, Building Fund, Child Care Fund, and Campus Activity Fund have been noted as needing a supplemental budget appropriation for the current year.

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

<table>
<thead>
<tr>
<th>Fund</th>
<th>Revenue</th>
<th>2016/2017 Y-T-D % of Budget For Revenue</th>
<th>Total Expenses</th>
<th>2016/2017 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>$408,361,834</td>
<td>59.80%</td>
<td>$505,937,564</td>
<td>72.43%</td>
<td>($97,575,730)</td>
<td>$28,106,468</td>
</tr>
<tr>
<td>Debt Service</td>
<td>20,045,771</td>
<td>39.93%</td>
<td>49,303,536</td>
<td>81.92%</td>
<td>(20,257,765)</td>
<td>43,506,911</td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>17,304,650</td>
<td>75.47%</td>
<td>39,584,069</td>
<td>60.63%</td>
<td>(22,279,419)</td>
<td>44,677,274</td>
</tr>
<tr>
<td>Building Fund</td>
<td>18,750</td>
<td>0.00%</td>
<td>6,242,663</td>
<td>93.62%</td>
<td>(6,223,913)</td>
<td>1,478,646</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>27,391,264</td>
<td>59.49%</td>
<td>25,133,812</td>
<td>54.59%</td>
<td>2,257,452</td>
<td>11,341,250</td>
</tr>
<tr>
<td>Campus Activity Fund</td>
<td>18,390,999</td>
<td>68.89%</td>
<td>16,632,683</td>
<td>64.16%</td>
<td>1,758,316</td>
<td>13,186,638</td>
</tr>
<tr>
<td>Transportation</td>
<td>21,453,274</td>
<td>79.64%</td>
<td>17,607,049</td>
<td>65.36%</td>
<td>3,846,225</td>
<td>4,404,237</td>
</tr>
<tr>
<td>Food Services Fund</td>
<td>20,070,073</td>
<td>79.87%</td>
<td>18,401,744</td>
<td>73.47%</td>
<td>1,668,329</td>
<td>9,956,630</td>
</tr>
<tr>
<td>Child Care Fund</td>
<td>10,238,348</td>
<td>79.68%</td>
<td>9,905,357</td>
<td>75.66%</td>
<td>332,991</td>
<td>5,600,949</td>
</tr>
<tr>
<td>Property Management Fund</td>
<td>1,721,344</td>
<td>76.85%</td>
<td>1,816,935</td>
<td>74.02%</td>
<td>(95,591)</td>
<td>5,810,487</td>
</tr>
<tr>
<td>Central Services Fund</td>
<td>2,735,698</td>
<td>78.16%</td>
<td>2,289,801</td>
<td>66.31%</td>
<td>445,897</td>
<td>2,489,705</td>
</tr>
<tr>
<td>Employee Benefits Fund</td>
<td>4,222,286</td>
<td>75.74%</td>
<td>4,907,642</td>
<td>79.42%</td>
<td>(685,356)</td>
<td>12,698,739</td>
</tr>
</tbody>
</table>
Continued

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Revenue 2016/2017 Y-T-D</th>
<th>Total Expenses 2016/2017 Y-T-D</th>
<th>Net Income</th>
<th>Fund Balance (or net assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Reserve Fund</td>
<td>4,644,405</td>
<td>4,834,546</td>
<td>(190,141)</td>
<td>8,298,048</td>
</tr>
<tr>
<td>Technology Fund</td>
<td>21,728,971</td>
<td>21,177,561</td>
<td>551,410</td>
<td>15,408,163</td>
</tr>
<tr>
<td>Charter Schools</td>
<td>83,855,265</td>
<td>80,284,672</td>
<td>3,570,593</td>
<td>34,415,141</td>
</tr>
</tbody>
</table>

Cash Management (pages 1–3):
- Cash balances for the third quarter are $246 million. This is an increase of $24 million over the prior year balance. This increase is due to underspend from fiscal year 2015/2016. Cash reserves will continue to increase with property tax collections in the fourth quarter.
- Cash disbursements for payroll and benefits increased over the prior year with compensation and PERA increases. Wage increases for staff have been implemented, including one-time compensation increases in October 2016.

General Fund (pages 4–12):
- General Fund revenues are at 60 percent of budget for the quarter. This percentage to budget will remain low until the next round of property tax is received in fourth quarters. Year-to-date revenues have decreased over the prior year as a result of decreased student enrollment at neighborhood schools.
- General Fund expenditures are at 72.43 percent of budget which is 3 percent behind target. Total expenditures are higher than the previous year, primarily due to wage and PERA increases. Board approved compensation increases were made in the first quarter and second quarter. Other expenses that continue to trend higher than the previous year include utilities and instructional materials (Chromebooks).
- Budget to actual expenditures is lower than planned due to retirement and turnover savings and underspend on other lines. If the trend continues, this will reduce planned spend down of reserves.
- Fund balance for the General Fund ended the quarter at $28.1 million. This is higher than prior year third quarter and will continue to grow in the fourth quarter with the collection of property tax receipts.

Debt Service/Capital Reserve/Capital Projects (pages 14–17):
- The Debt Service fund received a significant amount of property tax in the third quarter. Large collections of property tax will also happen in the fourth quarter as well as interest payments on general obligation debt that will happen in June.
- Capital Reserve Fund spending is at 61 percent of plan at the end of the quarter. Spending is higher than the previous year primarily due to the new K-8 school in Candelas.
- The Building Fund – Capital Projects is for the 2012 voter approved bond program. Expenditures are at 94 percent of budget for the quarter. The remaining bond funds will be spent by the end of fiscal year 2017.

Grants Fund/Campus Activity/Transportation (pages 18–21):
- 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 page 18 of the Quarterly Financial Report.
- Campus Activity Fund revenues and expenses are running slightly lower than the previous school year. The timing of events, activities and fundraising impact the collection of revenues and related expenditures.
Transportation Fund revenues while they are at 89.3 percent of budget are running lower than prior year for the same quarter from a decrease in State Transportation Revenue. Expenditures are running at 65.36 percent of budget primarily due to a savings in spending on vehicle parts and supplies as well as the timing of fuel invoices.

Enterprise Funds (pages 22–26):
- The Food Services Fund has net income of $1,668,329 for third quarter. Overall the fund is performing very well and is running revenues at 88.53 percent of budget and expenditures at 73.46 percent of budget.
- The Child Care Fund has net income of $332,991 for the quarter compared to a net loss of $(381,670) for the same quarter last year due to spend down of all-day kindergarten. Revenues are up over the prior year due to tuition increases, an additional preschool classroom, and a new program. Expenditures are in line with budget.
- The Property Management Fund has a planned spend down of fund balance and net loss of $(95,591) for the quarter. Rental income is higher than the previous year and running at 76.85 percent of budget. Expenditures are below budget but higher than the prior fiscal year. The net loss is driven by a planned transfer of $400,000 to reimburse schools for community use of their facilities. In addition to the school transfer, a year to date transfer of $187,500 to the capital reserve fund to cover the additional wear and tear to school facilities for repairs and maintenance from the increased use.

Internal Service Funds (page 27–31):
- The Central Services Fund has net income of $445,897 for the quarter. Revenues are slightly higher while expenditures are lower than both the previous year and the budgeted benchmark of 75 percent.
- The Employee Benefits Fund had a loss of $(685,356) for the quarter; a loss has been budgeted for the year reflecting the use of one time funds dedicated for employee wellness programs and excess dental reserves. Revenues are lower than prior year due to a one time refund of $95,000 that we have seen all year. Overall the fund is performing better than plan with revenues in line and lower expenses. Claims expenses are slightly higher than the previous year due to an increase in vision and group life death claims.
- The Insurance Reserve Fund has a net loss of $(190,141) for the quarter end. Claim costs are running higher than the previous year from two property claims that were incurred in first quarter however, the expenses overall are well below the 75 percent benchmark at 61.64 percent. The fund has adequate reserves for claims coverage.
- The Technology Fund has a net income of $551,410. Salary expenses continue to be slightly below budget due to unfilled positions. The timing of large expenditures related to Mobile Device Readiness reflected in the utilities and telephone category are inflating the percent of budget compared to the budgeted benchmark of 75 percent. Depreciation is running above budget for accelerated depreciation of an asset being replaced. Overall the fund is performing better than budget.

Charter Schools (pages 32–34):
- All charter schools have positive operating cash through third quarter.
- A new charter school, Great Work Montessori, met their conditional approval prior to the April 1 deadline and will be opening in the Fall for FY2017-2018.
- Rocky Mountain Academy Evergreen submitted a revised budget with two rounds of cuts to reduce the operating deficit; the budget reflects the new reductions and planned spend down of reserves to cover this loss ~$300k for the year. The school has been experiencing an increased volume of school tours and they anticipate growth for FY2017-2018.
ON THE RADAR: In addition to the attached reports, following is an update on processes, system improvements and current issues in finance:

Facilities Update:
Three Creeks K-8 school at the Candelas development continues to be on schedule and within budget with the project 80 percent complete. Furnishings have been ordered and are scheduled for June 2017 delivery. Phase II of the Sierra Elementary School is on schedule and within budget at approximately 70% complete; furnishings are also ordered and delivery scheduled for June 2017. Both the Three Creeks K-8 and Sierra projects will open for the 2017/2018 school year. The majority of capital projects scheduled for the 2017 summer construction period have bid. The majority of bids are at or below budget.

Design work for possible additions to certain middle schools is proceeding. A presentation to the Board of Education is scheduled for early in the fourth quarter.

The 2016-17 Enrollment Projections Report was delivered to the Board of Education and district leadership at the end of March. Environmental Services and Building Maintenance have completed plumbing component replacement work at schools with high lead test results.

Hiring and Staffing:
The district has tentative agreements with JCEA and JESPA and is awaiting ratification from the associations and final approval by the Board of Education. The agreements include step increases and cost of living increases contingent on state funding as well as the state-mandated PERA increase.

Benefits:
Open enrollment is currently underway for district staff. There have been some changes to next year’s benefit package. 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.

2017/2018 Budget Development:
The 2017/2018 budget development process continues to progress toward adoption. Principals have finalized plans with their staff and accountability groups and departments have submitted all revisions requests. The Board of Education gave direction to move forward with a $19.8M compensation placeholder, $10.8M reductions, conservative assumption of only $4M in new State funding, and retirement and turnover savings of $9M. The budget department will present the Proposed Budget to the BOE on Thursday, April 20, 2017. The State continues to try and balance the 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 of Education 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