



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

Activities for the third quarter of the 2011-2012 fiscal year are presented in the accompanying financial statements.

In the presentation of current year activity, the Adopted Budget column is the 2011-12 Revised Adopted Budget adopted by the Board of Education in November 2011. The Adjusted Budget column is the amounts from the Adopted Budget plus or minus approved budget transfers. The Adjusted Budget column for prior year's activity includes the 2010-11 Revised Adopted Budget plus or minus budget transfers.

General Operating Fund

As of March 31, 2012, the General Operating Fund revenues are 50.1% of budget compared to 54.2% last year. Current year revenues are approximately \$10.3 million less than last year. This variance is caused by a prior year increase in state equalization funding as the State funded our operating deficit with equalization revenues until the Interest Free Loan Program became available in December 2010.

Property tax revenues are collected based upon a calendar year levy cycle. Therefore, property tax revenues (both current and budget election) are for the second half of calendar year 2011's tax levy. Collections for calendar year 2012's levy began in February and the District expects to collect approximately 95.5% of this levy in this fiscal year. At March 31, 2012 and 2011, the District collected 36.5% and 36.3%, respectively, of its current levy.

State categorical revenues for Special Education and Talented and Gifted are larger than budgeted amounts, but are correct because of additional allocations from the State distributed after the 2011-12 revised budget was adopted.

Specific Ownership Taxes have increased by 3.37% from the prior year, a trend that is expected to continue for the rest of this fiscal year. Miscellaneous Local Revenues have increased by almost \$55,000 due to the Commerce Bank revenue sharing program. Grants Indirect Cost Reimbursement revenues have decreased due to decreased grant revenues (ARRA funds) and a lower indirect cost reimbursement rate. Finally, the increase in Medicaid revenues is due primarily to the timing of reimbursements; beginning in the current fiscal year, the District will be reimbursed approximately 1/12th of its estimated Medicaid reimbursement each month.

Other revenues sources are in line with current year budgeted amounts and with prior year actual amounts.



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

Expenditures as of March 31, 2012 total just over \$159.3 million or 69.8% of budget, compared to \$158.6 million or 75.9% of budget last year. For the current year, salary and benefit costs represent 90.5% of General Fund spending compared to 92.04% for the prior year. Current year non-personnel spending is 54.2% of budget compared to 56.7% for the prior year.

Salary costs at March 31, 2012 are approximately \$2.8 million lower than last year. This decrease is primarily attributable to the change in the contract year in the BVEA negotiated agreement. The 2010-11 agreement began on August 1, 2010. The result of this change is that returning BVEA members received two paychecks in August 2010, the first representing the final payment on the 2009-2010 contract and the second representing the first payment on the 2010-2011 contract. This additional payment was offset by a reduction in the 2010-11 year end summer salary accrual.

Staff has updated the mid-year analysis of 2011-12 revenues and expenditures to include 3rd quarter activity. Based upon this analysis, unrestricted fund balance at June 30, 2012 is projected to be \$4,164,173.

The \$33.2 million deficit is being funded by cash on hand and advances from the State of Colorado Interest Free Loan Program. At March 31, 2012, the District has borrowed \$73,182,982 and repaid \$60,534,546 and will continue to borrow funds from the Interest Free Loan Program until 2012 property tax collections are sufficient to cover the District's cash needs.

Overall third quarter results of operations for the General Operating Fund are on target with budgeted amounts for the current year.

Athletics Fund

Athletics Fund revenue as a percent of budget is 1.1% higher than last year with collections of 75.7% of budget for the current year compared to 74.6% of budget in the prior year. Expenditures as a percent of budget continue at a steady 2.2% higher than last year. As of March 31, 2012, revenues and expenditures are on track with budget expectations. It is projected the fund will end the year with a positive fund balance in excess of reserve requirements.



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

Risk Management Fund

Risk Management Fund expenditures at March 31, 2012 were 68.7% of budget compared to 65.0% for the prior year. This variance is caused primarily by the District's property and liability insurance premiums which are paid in July of each year. The current year premium amount for property insurance has increased due to increased property values of building improvements funded by the District's 2007 bond program. Deductible reserves are estimated to be close to the 2011-12 budgeted amount as the District incurred approximately \$30,000 of wind damages in March. Budgeted transfers from the General Fund are expected to be sufficient to cover remaining budgeted expenditures for the current year.

Community Schools Fund

Community Schools Fund revenue is higher in the current year at 79.9% of budget compared to 78.3% of budget in the prior year. On a program basis, Kindergarten Enrichment revenue is similar to last year as the tuition increase has offset the decline in enrollment due to additional full day Kindergarten programming in three schools. Lifelong Learning enrollments and revenues have increased by 21% due to expanded marketing techniques. School Age Care enrollment and revenue is up by 15% and 10% respectively. Facility Use revenues reflect a 4% decline in rental hours from last year.

Expenditures are 71.7% of budget at March 31, 2012 compared to 72.2% last year. This decrease is attributable to a contract date change for Kindergarten Enrichment Specialists and School Age Care Supervisors. An additional month of salary was expensed in August 2010 to reflect the contract change.

The Community School Fund is on track with budget expectations and will end the year with a positive fund balance in excess of budgeted reserves.

Transportation Fund

Transportation Fund revenue as a percent of budget is 3.7% higher in the current year; 60.0%, compared to prior year's 56.3%. This increase is due primarily to an increase in the General Fund Transfer of \$902,074; \$425,000 of the increase is to cover rising fuel costs. In addition, the state's categorical reimbursement payment increased by \$243,551 from prior year.

On a program basis, current year expenditures are 73.2% of budget compared to 70.9% last year. This increase is primarily in Monitoring Services due to increased monitors used in transporting preschool students. Additionally, last year's expenditures were



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

higher than normal due to one-time costs associated with the new GPS tracking program and higher than expected fuel costs. As noted above the General Fund Transfer was increased by \$425,000 in 2012 to offset these costs.

Staff will closely monitor these costs to ensure that they do not exceed budgeted amounts for the current year.

The fund is on course to end the year with a fund balance sufficient to cover its budgeted reserves.

Capital Reserve Fund

As of March 31, 2012, Capital Reserve Fund expenditures were 50.8% of budget compared to 39.3% of budget for the previous year. It is estimated that \$5.5 million of projects budgeted in 2011-2012 will be carried over for completion in 2012-2013. Included in this amount is \$770,000 for bus replacement and \$475,000 for a mechanic work bay, \$100,000 in miscellaneous projects and \$4.1 million for early childhood education.

Food Services Fund

Food Service Fund operating revenues (not including transfers) at March 31, 2012 are 78.3% of budget compared to 69.4% of budget last year. The 2011-12 budget was built assuming a 6% increase in participation. After 134 days of service, lunch participation has exceeded budget expectations by 1% and breakfast participation has exceeded budget expectations by 7%. Average daily lunch participation of 7,460 meals per day continues to surpass budget expectations of 7,407 meals per day. Breakfast and snack program's daily participation has also surpassed all prior year's participation levels. Expenditures as a percent of budget are at 77.4% compared 65.2% last year. The move to regional kitchens has helped reduce labor costs from the prior year, but these savings have been lost due to higher food costs. Food costs have increased as a percentage of sales to 34.1% compared to 31.2% last year. Additionally, uncollectable accounts have been recorded on a monthly basis this year compared with a year-end adjustment.

The Food Service Fund is on pace to meet 2011-12 budget expectations.



NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012

Health and Dental Insurance Funds

The following table shows the balance sheets of the Health Insurance and Dental Insurance Funds as of March 31, 2012:

	<u>Health Insurance</u>	<u>Dental Insurance</u>
Assets		
Cash and Investments	<u>\$ 10,385,637</u>	<u>\$ 886,941</u>
Liabilities		
Claims Incurred But Not Reported	1,712,337	252,954
Fund Balance		
Unrestricted Fund Balance	<u>\$ 8,673,300</u>	<u>\$ 633,987</u>
Total Liabilities and Fund Balance	<u>\$ 10,385,637</u>	<u>\$ 886,941</u>

Claims/premiums for the Cigna, Kaiser, and Prescription Plans are 66.5%, 83.7% and 66.2% respectively, of budgeted amounts at March 31, 2012. Unrestricted fund balances at March 31, 2012 are 76.8% and 65.3% of assets for the Health Insurance and Dental Insurance Funds, respectively, compared to 83.3% and 71.1% respectively, for the prior year.

Because of the large ending fund balances due to lower than expected claim costs, the 2012-13 budgets for these funds have been built without a rate increase.

Other Funds

Activities for the Technology Fund, the Preschool Fund, Preschool Tuition Fund, the Bond Redemption Fund, the Building Fund, and the Charter Schools Fund are on track with budget and are expected to end the fiscal year with a fund balance in excess of required TABOR reserves.