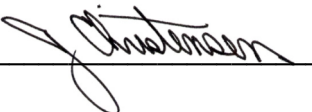


FINANCIAL PLANNING AND BUDGETING

January 20, 2009

To: Board of Education
 From: Superintendent - DCSD
 Regarding: ANNUAL MONITORING REPORT – EL 1.5 FINANCIAL PLANNING AND BUDGETING
 FOR 2008-2009 SCHOOL YEAR

I hereby present my monitoring report on your Financial Planning and Budgeting in accordance with the monitoring schedule set forth in board policy. I certify that the information contained in this report is true.

Signed: , Superintendent Date: January 15, 2009

EL 1.5 Financial Planning and Budgeting

Financial planning may not deviate materially from the Board's Ends priorities, risk financial jeopardy or fail to be derived from a plan projecting at least five years.

Interpretation: The District's annual budget submitted to and adopted by the Board of Education by June 30th each year will align with the Ends priorities identified by the Board each year. The plan shall not risk financial jeopardy; accordingly the District will maintain an ending fund balance greater than or equal to 5% of the budgeted revenues in its General, Capital and Insurance Reserve Funds. Other funds in the plan shall maintain positive balances to ensure the obligations of the upcoming year are met. The plan will be derived from at least a five year projection. Appendix C lists the General Fund Five Year Projection in relation to the Ending Fund Balance as a percent of total revenues.

REPORT

The Annual Financial Plan does not deviate from the Board's Ends priorities as evidenced by the dollar amount allocated for instructional expenditures on a per-pupil and a total dollar instructional basis.

| | FY '06-07 ACTUAL | FY '07-08 BUDGET | FY '07-08 ACTUAL | FY '08-09 BUDGET |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total General Fund Expenditures | \$359,118,563 | \$405,284,736 | \$406,949,413 | \$451,390,619 |
| Total Direct Instructional Expenditures | \$228,558,279 | \$256,219,520 | \$261,492,870 | \$293,615,728 |
| Funded Pupil Count | 47,363 | 50,063 | 49,695 | 56,331 * |
| Per Pupil Instructional Allocation | \$4,826 | \$5,118 | \$5,262 | \$5,212 |

Direct Instructional Expenditures As a Percent of Total General Fund

| | | | |
|-------|-------|-------|-------|
| 63.6% | 63.2% | 64.3% | 65.0% |
|-------|-------|-------|-------|

- Increase in pupil count is attributed to 52,081 for regular District students and 4,250 for online students.
- Online students incur a flat base amount of revenue per pupil as opposed to regular District students that generate a base amount per pupil dollar amount plus additional factors and weights sensitive to the District's unique makeup (i.e. size factor).

I report compliance.

The Superintendent shall not:

EL 1.5.1 Present an annual budget that risks incurring those situations or conditions described as unacceptable in Executive Limitation 1.6 "Fiscal Management and Controls."

Interpretation: The adopted budget includes staff and dollar resources to enable the District to: (a) pay obligations in an accurate, complete and timely manner; (b) comply with purchasing requirements; and (c) exercise adequate controls as identified within EL 1.6.

REPORT

| Resources to Meet Conditions of EL 1.5 | | | | | |
|----------------------------------------|------|-----------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| FY 2008-2009 | FTE | BUDGET | % OF TOTAL BUDGET | PERFORMANCE MEASURES | FY 07-08 Results |
| Accounts Payable | 7.00 | \$343,208 | .08% | 82% within 30 days 91% within 45 days 98% within 90 days 2% > 90 days | Meets |
| Payroll | 6.00 | \$393,079 | .09% | Payroll completed by the 20 th of each month. | 100% |
| Purchasing | 9.40 | \$622,204 | .14% | Document cost savings of a least 3 times the department budget. Achieve National Institute of Governmental Purchasing Agency Certification. (NIGP is the entity establishing industry standards and thresholds for certification). | Yes Yes |
| Finance/GL/Auditing | 5.65 | \$571,937 | .13% | The annual audit and single audit opinions issued by an independent, external auditor are unqualified. | FY 07-08 Audit presented 12-16-08. |

Other Resources:

As defined in C.R.S. 22-44-102, a contingency is defined as an event which could not have been reasonably foreseen at the time of the adoption of the budget. Annually, in order to meet such unforeseen expenditures, the District's budget allocates contingency dollars. For Fiscal Year 2008-2009 contingency funds in the amount of \$850K were set aside to meet any such District obligations.

I report compliance.

The Superintendent shall not:

EL 1.5.2 Present an annual budget with too little information to enable credible projection of revenues and expenses, separation of capital and operational items, cash flow projections and disclosure of planning assumptions.

Interpretation: The annual budget (defined as General Fund and all Other Funds) presented considers revenue assumptions from Legislative Council and Office of State Planning and Budgeting that validates the credibility of the expense projections. District projection assumptions were provided for the annual budget and will be revised as new information is received.

To prepare budget projections for the ensuing and subsequent fiscal years, the District shall develop and disclose the assumptions underlying forecast source(s) and use(s) of funds. Consistent with the suggested practices of CDE's Handbook, this includes the following:

a. Beginning Fund Balance

- i.) A best estimate of the end-of-year fund balance(s) shall be carried forward to the ensuing year as a beginning fund balance(s).
- ii.) If any portion of the beginning fund balance is used to cover expenditures, inter fund transfers, or reserves, a "specific resolution" shall be adopted by the Board authorizing the use of that portion of the beginning fund balance in the budget.

b. Revenues

- i.) Revenues from the Public School Finance Act of 1994 are estimated upon five primary factors:
 - Funded pupil enrollment count
 - Specific ownership taxes
 - District's assessed valuation
 - Allowable mil levy
 - Per pupil funding

c. Expenditures

- i.) Districts must allocate the statutorily defined minimum dollar amount per pupil for instructional supplies and materials and other instructional purposes.
- ii.) Salaries, both current and anticipated, for full and part-time employees are to be calculated using the District's existing and projected staff levels and the timing of salary increases, if any, upon existing salary schedules.
- iii.) Benefits will be calculated based upon number of eligible staff and the specified amounts required to be budgeted to fund mandated and elected benefits.
- iv.) District operating costs are to be calculated using current estimates as determined by historical data, projected use and the program/service level to be provided in future periods.

d. Transfers/Allocations

Transfers of any unencumbered monies from one fund to another shall be accomplished in the context of the budget resolution. Allocations will be made by the statutorily defined minimum dollar amount per pupil to Capital Reserve and Insurance Reserve Funds.

e. Reserves

District shall set aside the Board of Education required 5% of budgeted revenues, which is inclusive of the constitutionally mandated TABOR reserve (3% or more of fiscal year spending).

f. Cash Flow Projections

There are several components that make up the process for cash flow projections as follows: review prior year history, estimate beginning year cash balances, estimate current monthly expenditures and revenues and estimate the monthly cash flow on the annual budget. Cash flow projections will be provided in conjunction with the state-loan program.

REPORT

a. Beginning Fund Balance

i.)

| | Actual 2006-2007 | Actual 2007-2008 | Budget 2008-2009 | Projected 2009-2010 | Projected 2010-2011 |
|--------------------------------------|---------------------|---------------------|---------------------|------------------------|------------------------|
| Beginning Fund Balance | \$ 34,885,681 | \$ 33,900,987 | \$ 24,453,296 | \$ 22,305,557 | \$ 24,021,509 |
| Total Revenue | 358,133,869 | 387,959,742 | 449,242,880 | 480,430,190 | 511,172,823 |
| Total Expense | 359,118,563 | 397,407,433 | 451,390,619 | 478,714,238 | 509,635,692 |
| Ending Fund Balance | \$ 33,900,987 | \$ 24,453,296 | \$ 22,305,557 | \$ 24,021,509 | \$ 25,558,640 |
| Ending Fund Bal as % of Total Rev | 9.5% | 6.3% | 5.0% | 5.0% | 5.0% |

ii.) Appendix A lists the Resolution Authorizing FY 2008-2009 Use of Beginning Fund Balance.

b. Revenues

| Student Growth | | |
|----------------|------------|--------------------------|
| Year | Type | Funded Pupil Count |
| 06-07 | Actual | 47,363 |
| 07-08 | Actual | 49,695 |
| 08-09 | Budget | 56,331 |
| 09-10 | Projection | 58,338 |
| 10-11 | Projection | 60,393 |

| Specific Ownership Tax | | | | | |
|------------------------|-----------|-----------|----------|------------|---|
| Year | Type | \$ Amount | Increase | % Increase | |
| 06-07 | Actual | \$18.3 | \$0.40 | 2.23% | |
| 07-08 | Actual | \$20.0 | \$1.70 | 9.29% | * |
| 08-09 | Budget | \$20.5 | \$0.50 | 2.50% | |
| 09-10 | Projected | \$21.4 | \$0.90 | 4.39% | |
| 10-11 | Projected | \$22.2 | \$0.80 | 3.74% | |

* Change in accounting method

Assessed Value and Mil Levy

| District Mil Levy <i>(Per \$1,000 of AV)</i> | 2008 Budget | 2009 Budget |
|---------------------------------------------------------|--------------------|--------------------|
| Mil Certified, December: | 2007 | 2008 |
| Property Taxes Collected: | 2008 | 2009 |
| Program Funding including Abatements & Omitted Property | 25.440 0.215 | 25.440 0.215 |
| Overrides ('89, '97, '03 & '06) | 8.319 | 6.885 |
| Bond Redemption | 12.526 | 13.960 |
| Total Mil Levy | 46.500 | 46.500 |
| Total Assessed Value | \$4,412,063,598 | \$4,889,179,198 |

| <u>Per-Pupil Funding</u> | | |
|--------------------------|-------------|---------------|
| <i>Year</i> | <i>Type</i> | <i>Amount</i> |
| 06-07 | Actual | \$6,131 |
| 07-08 | Actual | \$6,416 |
| 08-09 | Budget | \$6,646 |
| 09-10 | Projection | \$6,861 |
| 10-11 | Projection | \$7,130 |

c. Expenditures/Revenue Allocation

i.)

| Minimum Instruction Amount | |
|-----------------------------------|------------------------------------|
| \$184 | Per Pupil Amount |
| 48,924 | Funded Pupils (less Charters) |
| \$9,002,016 | Calculated Amount (\$184 x 48,924) |
| \$10,211,929 | Budgeted for FY08-09 |

ii.)

| <u>Salary Increases (not including insurance)</u> | | | | | |
|---------------------------------------------------|-------------|------------------|-------------------|------------------|------------------------------|
| <i>Year</i> | <i>Type</i> | <i>Avg Steps</i> | <i>Additional</i> | <i>Infla-CPI</i> | <i>Total Salary Increase</i> |
| 08-09 | All Staff | 2.1% | 0.6% | 0.0% | 2.7% |

iii.)

| <u>Benefit Increases</u> | | | | |
|--------------------------|--------------------|-------------------|-------------------|-------------------|
| <i>Year</i> | <i>PERA Annual</i> | <i>Health Inc</i> | <i>Dental Inc</i> | <i>Vision Inc</i> |
| 08-09 | 12.50% | 12.10% | 0.00% | 0.00% |

iv.) Comply with CDE's budgeting guidelines in regards to the minimum amount to budget for pupil instructional operating expenditures.

d. Transfers/Allocations

Appendix B lists FY 2008-2009 Resolution Authorizing Borrowing Unencumbered Money From Other District Funds.

| Per Pupil Cap/Ins Reserve Dollars |
|----------------------------------------|
| FY 2008-2009 Budget |
| \$298 Per Pupil Required |
| \$14.5M Total Allocation |
| Cap Reserve: \$10.7M \$226/pupil (76%) |
| Ins Reserve: \$3.5M \$72/pupil (24%) |

e. Reserves

Appendix C lists the General Fund Five Year Projection which shows the Board of Education required reserves of 5% are met.

f. Cash Flow Projections

Appendix D provides information explaining the components utilized in the FY 2008-2009 cash flow projections.

Additional Resources: Oehms, Inc. for staffing and salary information
Office of State Planning and Budgeting
Mountain States Employees' Council for salary information
State Legislative Council for inflation factors
RBC Capital Markets for financial advice
Mercer Human Resource Consulting for benefit cost projections
Colorado Department of Education for per pupil funding projections
Douglas and Elbert Counties for property tax estimates
DCSD Planning Department for student enrollment forecasting
FY 2008-2009 Budget Process Calendar

I report compliance.