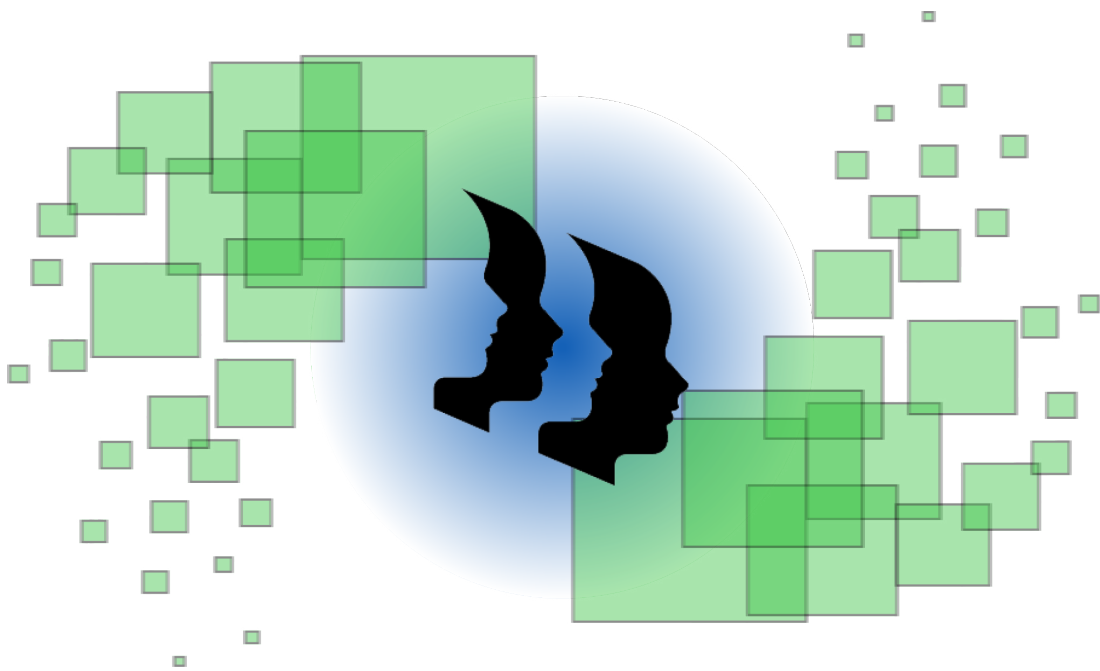


GUIDE TO UNDERSTANDING THE BUDGET

FISCAL YEAR 2011-12



CHERRY CREEK SCHOOL DISTRICT #5
Arapahoe County, Colorado

ACKNOWLEDGMENTS

We are honored to display the cover graphic design produced by

Sean Poelma

as an example of the quality work of our high school students in the
Cherry Creek School District Career and Technical Education Program

Thank you to the members of the Budget Department for their dedicated efforts in
preparing the Financial Plan and to the other staff members of the Fiscal Services
Division who assisted in this process.

Our utmost appreciation is extended to the members of the Board of Education for
the many hours contributed in providing direction to the Cherry Creek School
District and to the community for their continued support.

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CherryCreekSchools
Dedicated to Excellence

INTRODUCTION



This guide is designed to help you understand the Cherry Creek School District budget and how it was developed. It will provide information about the budget's main components: **revenue** and **expenditures**. You will learn about the District's funding sources, see how resources are used to fund educational success for our students, and learn how you can be involved in budgeting decisions.

This booklet was prepared to answer the following questions:

- ◆ How is the budget approved?
- ◆ Where does the funding (revenue) come from?
- ◆ How does the Cherry Creek School District distribute funding to provide for educational excellence and equity for all students?
- ◆ How are resources managed?
- ◆ How can you get involved?

THE ANNUAL BUDGET



The budget is a financial plan for the successful attainment of the District's strategic mission. Schools and departments develop a staffing plan that considers the resources available based on enrollment and funding permitted under the School Finance Act. The Cherry Creek School District's (CCSD) annual budget allocates resources for the purpose of teaching students, transporting them to and from school, feeding them breakfast and lunch, and maintaining school buildings and grounds. These funds provide salary, benefits, and professional development training for teachers and support staff, as well as necessary services, supplies, and equipment to enhance our student's educational experience. It also provides funding for special education and other programs such as English Language Acquisition. Bond funds, which voters approve in local elections, pay for building new schools, renovating and modernizing existing facilities and upgrading the schools' technology infrastructure.

BUDGET APPROVAL

The Cherry Creek School District must adopt an annual budget by June 30th for the following school year. The administrative staff of the District works together to recommend a budget to the Board of Education that considers the needs and values of students, parents, employees, and taxpayers. Our Board members are the fiscal stewards for the community who manage our educational resources in an effective and prudent manner consistent with District values.

Each year the Superintendent and District staff members build a budget based on the School Finance Act funding in accordance with policy guidelines established by the Board of Education. The budget is submitted to the Board for consideration and adoption at the regularly scheduled monthly Board meeting in June of each fiscal year.

Considerations during the budget process include:

- ◆ Level of state funding that the General Assembly authorizes under the School Finance Act
- ◆ Compensation agreements with instructional and support staff groups
- ◆ Cost and Resource Management Plan based on current funding and cost assumptions
- ◆ Capital outlay expenditures for schools and support facilities
- ◆ Projected student enrollment for the coming year
- ◆ Additional operations and maintenance costs for new schools and facilities
- ◆ Projected federal grants for programs including No Child Left Behind (NCLB), Individuals with Disabilities Education Act (IDEA) and American Recovery and Reinvestment Act (ARRA).



EFFECTIVE USE OF FUNDS FOR ACADEMIC ACHIEVEMENT

An independent study by The Center for American Progress has ranked the Cherry Creek School District among the highest in Colorado for effective use of funds for academic achievement.

The District received a “*Green*” rating indicating the highest return on investment (ROI) in the use of funding for student success. The return on investment measure rates the academic achievement of school districts for each dollar spent compared to other districts in the State.

Overall, the study found that school districts that target more dollars to the classroom and less on administration fared much better. Cherry Creek School District spends nearly 84% of its General Fund budget on direct and indirect instruction and less than 5% on central administration costs.

The District has maintained this investment in academic achievement in the face of difficult economic conditions. Declining State revenue led the State legislature to rescind funding to school districts statewide beginning in FY2008-09. The disparity between Cherry Creek funding prescribed in Amendment 23 and the actual funding authorized by the Legislature for fiscal years 2008-09 through 2011-12 has grown to a cumulative figure of \$81.0 million, including the anticipated impacts of Senate Bill 11-230.

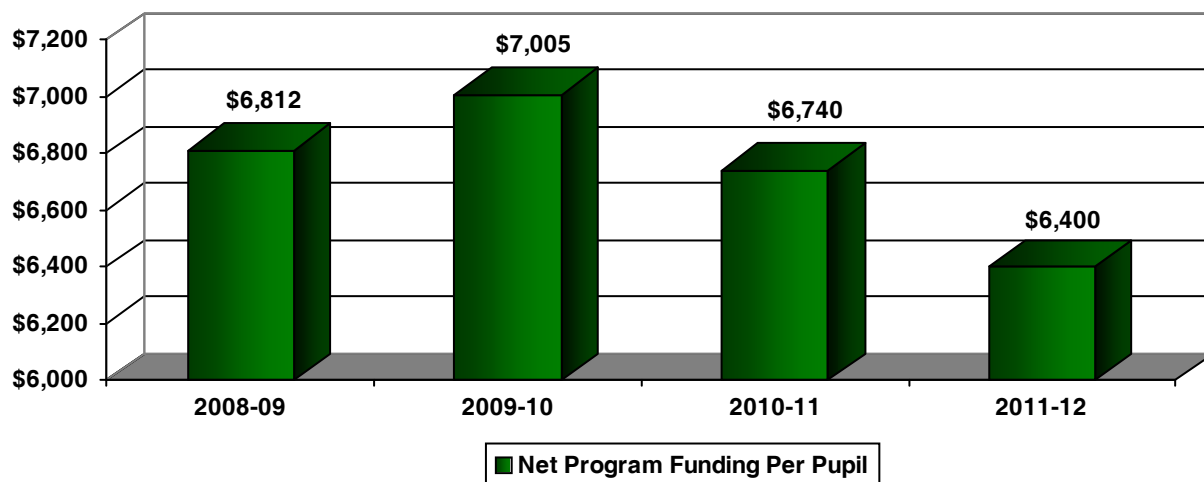
School Finance Act

Governor John Hickenlooper introduced a State Budget Balancing Plan for FY2011-12 on February 15, 2011. The Plan addressed a projected \$1.1 billion statewide shortfall in funding and recommended a \$332.0 million reduction in net Total Program Funding for K-12 education.

The School Finance Act, Senate Bill 11-230, was introduced on April 5, 2011. This annual legislation determines K-12 education funding for the following fiscal year. The bill was approved with an amended \$227.5 million reduction in net Total Program Funding for K-12 Education for FY2011-12. This represents the fourth consecutive year that funding reductions have been made to schools. The amount of these reductions is determined through a “*Negative Factor*” that is applied in the School Finance formula. For FY2011-12, the factor is a minus 12.97%, which equates to a \$47.5 million reduction for Cherry Creek. Total Program Funding statewide for K-12 education, including state and local sources of formula funding as calculated in accordance with Amendment 23, should be \$5.987 billion. The 12.97% *Negative Factor*, when deducted from the formula, yields a reduction of \$776 million from the formula, resulting in net statewide funding of \$5.211 billion.

Cherry Creek funding from the School Finance Act in FY2011-12 is estimated to decline by \$14.7 million, when compared to FY2010-11. Net Total Program Funding for the District in FY2010-11 was \$332.9 million. The figure for FY2011-12 is estimated to be \$318.2 million. Cherry Creek per pupil funding decreases 5% from \$6,740 in FY2010-11 to \$6,400 in FY2011-12.

Net Program Funding Per Pupil FY2008-09 to FY2011-12

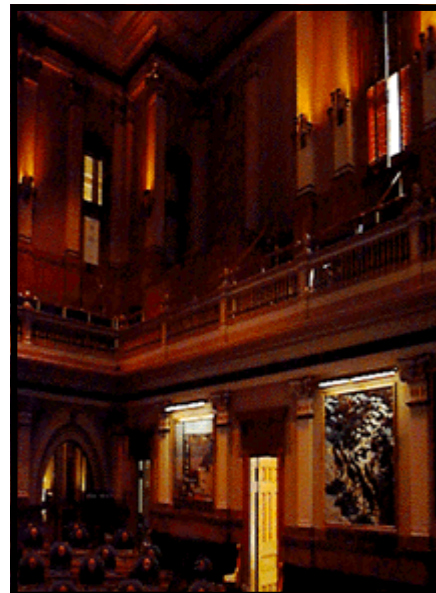


CURRENT IMPACTS ON DISTRICT FUNDING

The chart below illustrates the negative impact to the Cherry Creek School District per pupil funding resulting from statewide reductions in K-12 education funding. The “*Negative Factor*” is the mechanism by which funding for school districts statewide is reduced as a means to balance the State budget.

School Finance Funding Per Pupil Estimate

DESCRIPTION	FY2010-11	DESCRIPTION	FY2011-12
TOTAL PROGRAM (49,395.8 FTE)	\$356,578,281	TOTAL PROGRAM (49,718.8 FTE)	\$365,729,130
LESS:		LESS:	
-6.6% “STATE BUDGET STABILIZATION FACTOR”	(23,547,185)	-12.97% “NEGATIVE FACTOR”	(47,435,068)
FEDERAL FUNDS RESCISSION - ED JOBS - SFSF ARRA	(9,708,777) (3,727,878)		
PLUS:			
FEDERAL FUNDS DISTRIBUTION - ED JOBS - SFSF ARRA	9,708,777 3,727,878		
LESS:		LESS:	
SCHOOL FINANCE ADMIN. RESCISSION	(104,177)	SCHOOL FINANCE ADMIN. RESCISSION	(104,177)
NET TOTAL PROGRAM	\$332,926,919	NET TOTAL PROGRAM	\$318,189,885
DIVIDED BY FUNDED PUPIL COUNT (FTE)	/ 49,395.8	DIVIDED BY ESTIMATED FUNDED PUPIL COUNT (FTE)	/ 49,718.8
EQUALS FUNDING PER PUPIL ESTIMATE	\$6,740	EQUALS FUNDING PER PUPIL ESTIMATE	\$6,400



PUBLIC SCHOOL FINANCE ACT

The Cherry Creek School District receives the majority of funding from the State of Colorado through the Public School Finance Act of 1994. This Act uses a formula to determine state and local funding amounts for school districts to provide PreK-12 public education. Each year, during the Legislative session, the General Assembly authorizes a Per Pupil Revenue (PPR) amount for each school district in the State. The formula begins with a statewide base per pupil funding amount. For FY2011-12, the base is \$5,635, which is a 1.9% increase from FY2010-11. This base amount is modified for each district to account for differences among the state's school districts. This Net Total Program Funding is budgeted in the General Fund.

Refer to the chart below for the calculation of the per pupil funding using the School Finance Act formula.

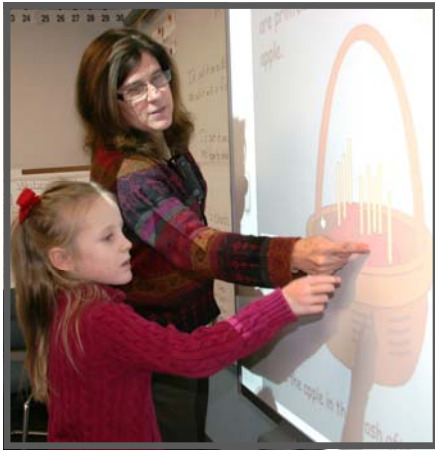
FY2011-12 SCHOOL FINANCE ACT FORMULA	
Statewide base per pupil funding ¹	\$5,635
Multiplied by District personnel costs factor ²	X .905
Multiplied by District cost-of-living factor ³	X 1.260
PLUS	+
Statewide base per pupil funding ¹	\$5,635
Multiplied by District non-personnel costs factor ⁴	X .095
TOTAL	\$6,960
Multiplied by District size factor ⁵	X 1.0297
Funding per pupil <i>without</i> At-Risk Pupils	\$7,167
Statutory funding per pupil <i>with</i> At-Risk Pupils	\$7,356
Net per pupil funding under SB11-230 (School Finance Act) ⁶	\$6,400

The following factors are considered in the calculation.

1. Statewide base per pupil funding is modified for each district to account for differences among the 178 districts in cost-of-living, the percentage allocated for personnel, and enrollment size.
2. District personnel costs factor is formula driven and differs by districts based on enrollment size. Districts with the largest enrollments receive the largest adjustments.
3. District cost of living factor reflects differences in the cost of housing, goods, and services within each of Colorado's 178 school districts. This factor is applied to the percentage of the statewide base allocated for personnel costs.
4. District non-personnel costs factor is the difference between 100 and the district's personnel costs factor.
5. District size factor compensates for the economies of scale created by differences in district enrollments. The districts with the smallest enrollments receive the largest size adjustments, although districts with over 32,000 students receive an increased rate adjustment.
6. -12.97% Negative Factor is the mechanism by which funding for school districts statewide is reduced as a means to balance the State budget.

The at-risk adjustment is based on the number of at-risk youth, and also includes those students who are considered under the category of "English Language Learner" (ELL) who are not eligible for free lunch.

ENROLLMENT

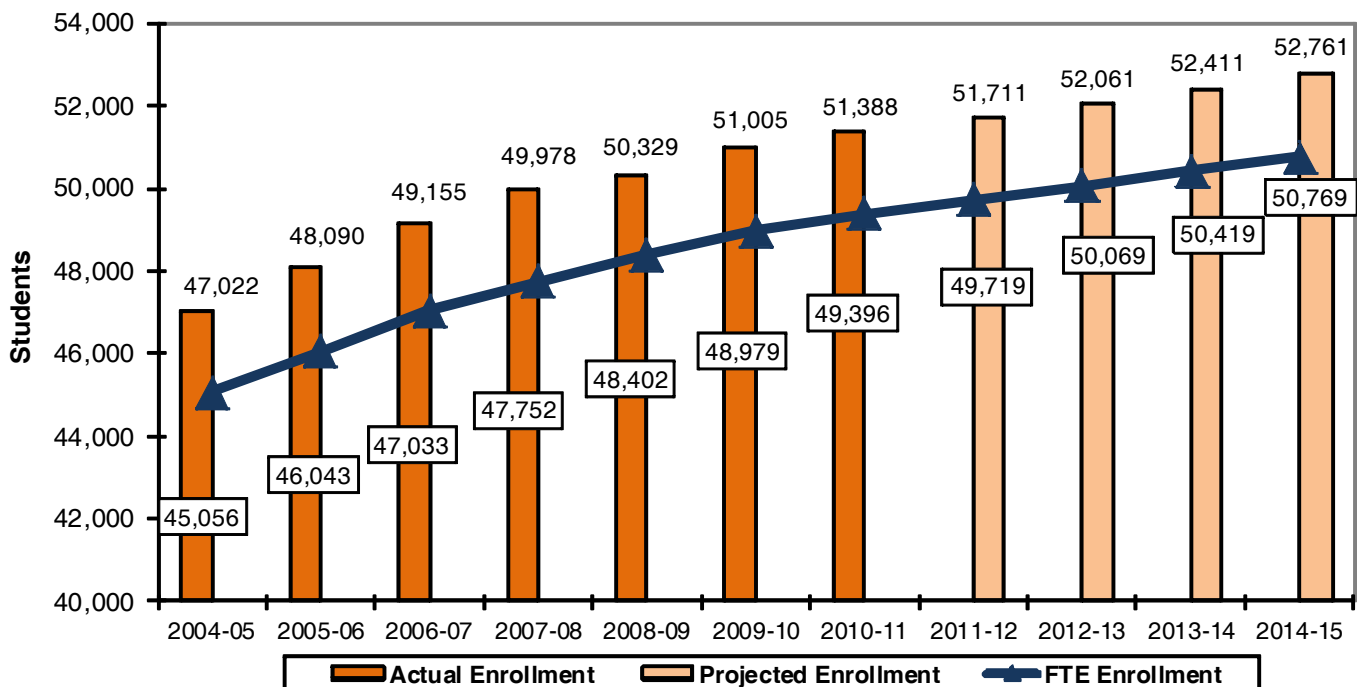


Student enrollment is a significant component in developing the budget. The Public School Finance Act determines the amount of Net Total Program Funding the Cherry Creek School District receives per student, which is based on an annual funded pupil count. For the 2011-12 school year, this count date is September 30, 2011. Generally, students in grades 1 through 12 are counted either as full-time or part-time depending on the number of scheduled hours of coursework. Kindergarten and preschool special education students are counted as part-time. This *count* is referred to as a Full-time Equivalent (FTE) student count. As enrollment circumstances change at the school level, funding and staffing allocations are adjusted appropriately.

The District offers full-day kindergarten at six schools (Eastridge, Highline Community, Holly Hills/Ridge, Independence, Ponderosa, and Village East). Partial funding through the School Finance Act is given to the districts across the state to support these programs. The District will continue to run the full-day program at the same six schools in 2011-12. Future funding for full-day kindergarten expansion has been suspended by the General Assembly due to the State funding shortfall.

CCSD has experienced steady enrollment growth and is projected to continue to grow. The graph below illustrates the trend.

Enrollment Growth & Projections



DISTRICT REVENUE SOURCES GENERAL FUND

District revenue is generated primarily from property taxes, other local taxes, and state equalization funding. A small amount comes from the federal government through the American Recovery & Reinvestment Act (ARRA).

LOCAL REVENUE – \$199.44 MILLION IN 2011-12

PROPERTY TAXES

Every homeowner and business owner in Colorado pays property taxes for schools, along with taxes for other public services. Each year, the budget crafted by the governor and legislature determines how much of the total budget is allocated to education. The portion for K-12 education is then divided among the 178 school districts in Colorado using the School Finance Act funding formulas. These formulas determine how much money each district receives per student as well as how much of that funding is paid by the state and how much is paid through local taxes. Currently property taxes make up 44% of the District's **General Fund** revenue.

LOCAL REFERENDA

Colorado law allows local school districts to ask voters to approve additional funding through local tax increases referred to as mill levy overrides. Cherry Creek School District voters have approved such overrides as follows:

1991 - \$10,263,000

1998 - \$10,500,000

2003 - \$14,000,000

2008 - \$18,000,000

This additional funding is permitted by state regulation within statutory limits. All override revenues are part of property taxes. The District's authorization to raise and expend override revenues does not affect the amount of state funding the District receives.

OTHER LOCAL REVENUE

The District also receives revenue from the Specific Ownership Tax, investment income, tuition, and miscellaneous fees (including rent for the use of District facilities).



DISTRICT REVENUE SOURCES GENERAL FUND

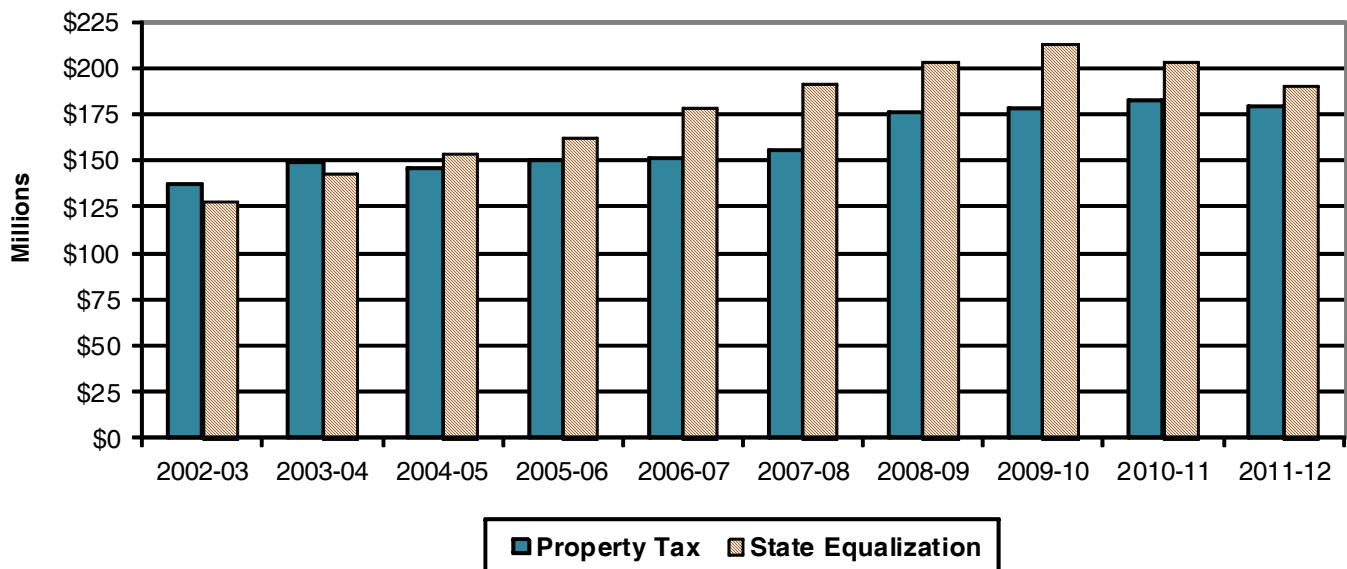
STATE REVENUE – \$204.84 MILLION IN 2011-12

As previously explained in the “*Public School Finance Act*” section, the School Finance Act Program Funding authorized by the State Legislature for the **General Fund** is based on a per pupil allocation with adjustment for each district based on personnel, non-personnel, cost-of-living, size, and a “-12.97% *Negative Factor*.” The Colorado Department of Education distributes funding to the state’s 178 school districts based on this allocation. Per pupil funding for Cherry Creek School District is estimated to be \$6,400 in FY2011-12.

Due to a decline in the State’s revenues, the 2011 State Legislature put funding limitations on K-12 Education and most other areas of the State budget. The revenue from Public School Finance funding in FY2011-12 is estimated to decline by \$14.7 million, when compared to FY2010-11. The cumulative revenue loss to the Cherry Creek School District when compared to funding prescribed under Amendment 23 is \$81.0 million since FY2008-09.

The chart below shows the two largest General Fund revenue sources (local property taxes and State Equalization).

**Ten Year History of General Fund Property Tax and
State Equalization Revenue**



The State of Colorado also provides categorical State revenue sources for special education, pupil transportation, gifted and talented programming, vocational education and English Language Acquisition programs.

FEDERAL REVENUE – \$1.57 MILLION IN 2011-12

The amount shown above is ongoing revenue from the American Recovery and Reinvestment Act funding, received in the General Fund as part of the Build America Bonds program.

LOCAL PROPERTY TAXES

PROPERTY TAX ASSESSMENTS

Local tax money goes to the county treasurer who distributes it to each governmental entity in the county. State law sets the property tax assessment rate, which is re-evaluated every two years. In 2011, homeowners will have an assessment rate of 7.96% of the market value of their home, while businesses will have a 29% assessment rate. Property taxes are based on mill rate times the taxable value of property.

A mill rate of one mill means \$1 of taxes per \$1,000 of taxable assessed value.

RESIDENTIAL PROPERTY TAXES

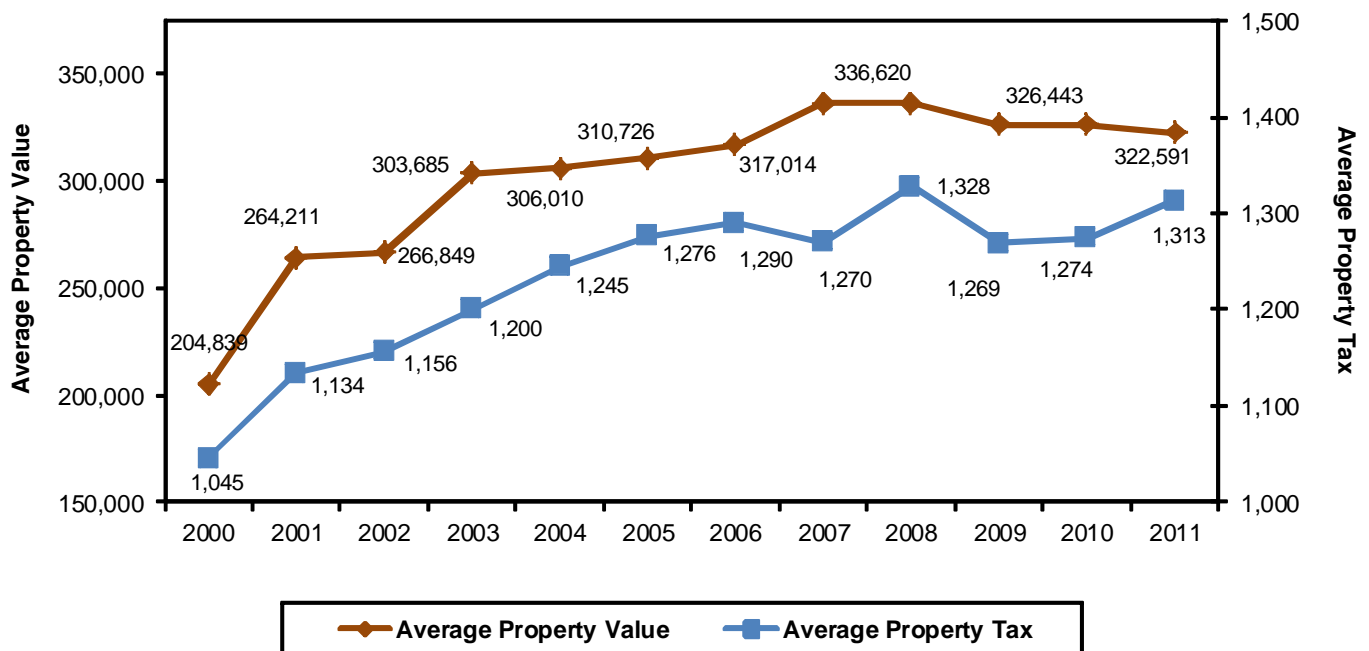
To estimate how much the school district portion of your property tax bill is, use the following formula:

Residential		Assessment		School Tax		School
Property	X	Rate	X	Mill Rate - Estimated	/1000=	Property Tax
Value		7.96%		51.129 for 2011		

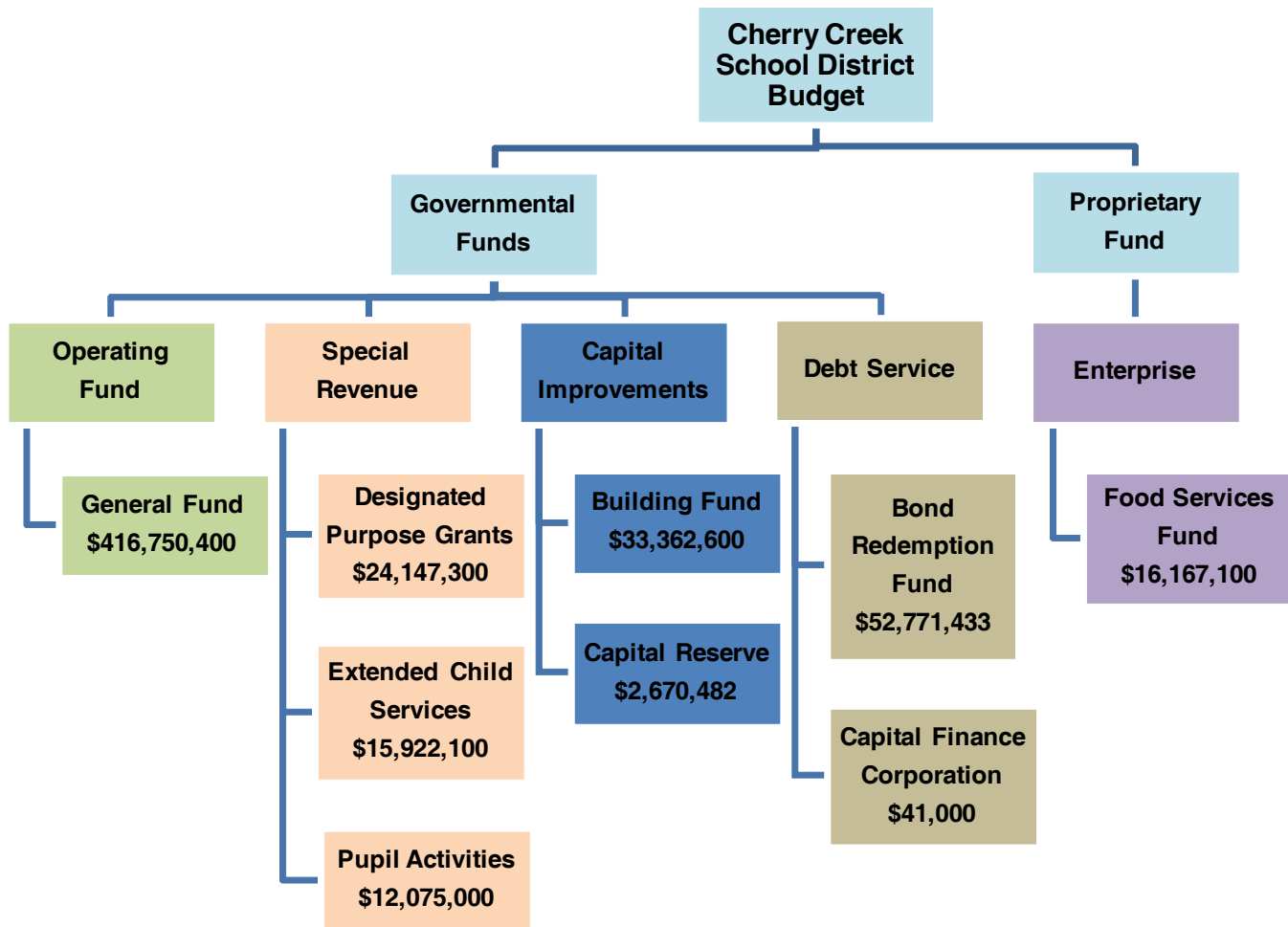
Since 2000, property taxes have risen at a lower rate than property values. In 2000, the owner of an average value \$204,839 home in the Cherry Creek School District paid \$1,045 in property taxes for schools. In 2011 the estimated average value is now 57.5% higher at \$322,591, while the property tax has only increased 25.6% to \$1,313 for schools.

The following graph presents an historical look at the property tax a homeowner pays based on the "average value" of a residence.

Residential Property Value and Tax History



DISTRICT FUNDS—FY2011-12 BUDGETED EXPENDITURES AND TRANSFERS—\$573,907,415



The Cherry Creek School District budget reflects the costs to educate a projected 51,711 students in 66 schools and programs. The funds of the District are classified as Operating, Special Revenue, Capital Improvement, Debt Service, and Enterprise. The following describes each fund:

- ◆ **General Fund** pays for day-to-day expenses of running the school system and includes salaries, benefits, supplies, purchased services, transportation, maintenance, and utilities.
- ◆ **Designated Purpose Grants Fund** accounts for the restricted or categorically funded grants; most of the funding comes from the federal government.
- ◆ **Extended Child Services Fund** provides enrichment programs for preschool, kindergarten, before and after school child care, academic summer school, sports camps, and instrumental music.
- ◆ **Pupil Activities Fund** accounts for financial transactions related to certain school-sponsored pupil athletics and activities.
- ◆ **Capital Reserve Fund** accounts for the ongoing capital outlay needs of the District.
- ◆ **Capital Finance Corporation** is considered to be a component unit for financial reporting purposes. In October 2002, certificates of participation were issued by the District to provide financing for the purchase of 107 buses over a four-year period.
- ◆ **Building Fund** is the capital improvements fund that accounts for the construction and renovation of facilities with the proceeds from District bonds.
- ◆ **Bond Redemption Fund** is the debt service fund, accounting for property tax revenue to repay the annual principal and interest on outstanding bonds.
- ◆ **Food Services Fund** is the only enterprise fund in the District, providing food services to all District schools. Breakfasts and lunches are served to students and staff and are partially funded by state and federal programs.

GENERAL FUND BUDGET EXPENDITURES BY ACTIVITY

The largest share of the General Fund, ***approximately 84 cents out of every dollar***, is allocated to direct and indirect instruction. This includes salaries and benefits paid to teachers, para-educators, school-level administration, and learning support provided by counselors, librarians, nurses, and other professional personnel.



INSTRUCTION SERVICES



DIRECT INSTRUCTION

Costs associated with the delivery of instructional services to students, which include teachers, supplies, & equipment for regular & special education programs

69¢

INDIRECT INSTRUCTION

Student support services, instructional staff services, curriculum, staff development, and school-level administration

15¢

84¢

OPERATIONS & SUPPORT SERVICES



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Cherry Creek Schools



OPERATIONS & MAINTENANCE

Facility maintenance, operations, utilities, & custodial services

8¢

TRANSPORTATION

Bus transportation for students & vehicle maintenance

3.5¢

16¢

CENTRAL, FISCAL, & COMMUNITY SERVICES

Fiscal services, county treasurer's fees, purchasing, information systems, community services, interest, & transfers

3.5¢



GENERAL ADMINISTRATION

Board of Education, executive administration, & instructional administration

1¢

DESCRIPTION OF EXPENDITURES BY OBJECT

The six categories of expenditures for the District are listed below.

SALARIES in the General Fund alone make up 70.6% of the operating fund budget. Staff salaries are not paid from the Bond Redemption Fund, Capital Finance Corporation, or Capital Reserve Fund.

BENEFITS consist of District PERA contributions, Medicare, health and life insurance, as well as short and long term disability payments. The PERA employer contribution rate will increase each year to January 2018 when it will be set at 20.15%. Health insurance costs have increased over the past five years and are expected to continue the upward trend. The District contribution for health insurance costs will remain at the same funding level for FY2011-12.

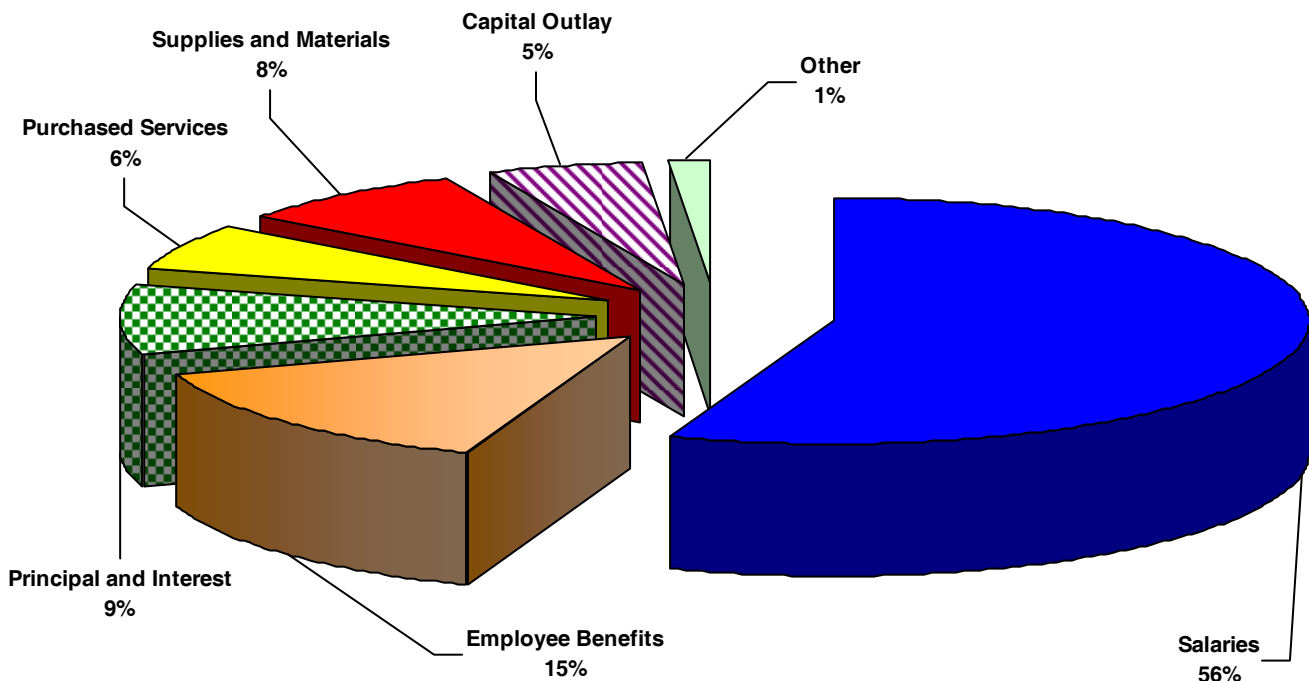
CAPITAL OUTLAY includes planned expenditures for new construction and renovations of schools and support facilities. The successful \$203.55 million bond election in November 2008 has been financing these projects, including the construction of Elementary #42 in FY2011-12.

PURCHASED SERVICES comprise payments to outside custodial services, student athletic and activity transportation costs, printing expenses, and payments for professional services provided by outside companies or individuals.

BOND PRINCIPAL AND INTEREST REPAYMENT is the repayment of bonds issued by the District to build and renovate schools and other facilities in the District.

SUPPLIES AND MATERIALS expenditures include textbooks and library books as well as other classroom supplies.

All Funds Expenditures by Object

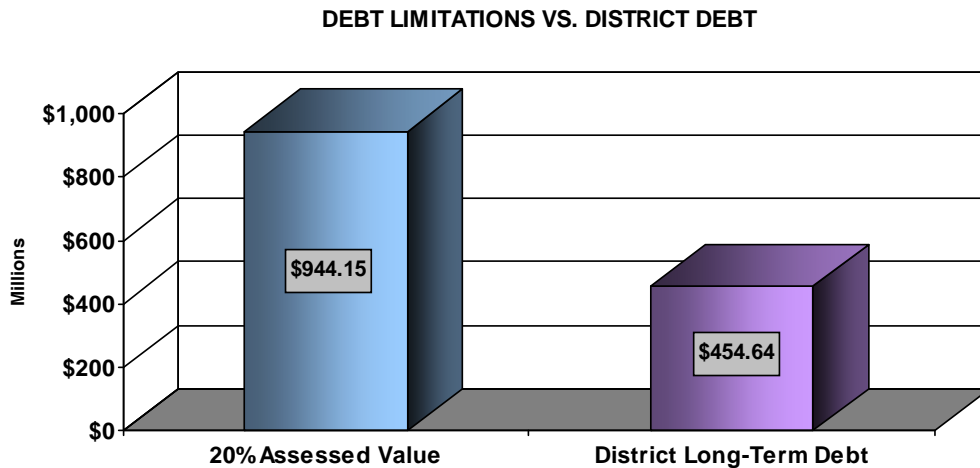


BONDED GENERAL OBLIGATION DEBT FOR SCHOOL FACILITIES

Funds for building, renovation, and expansion of schools are provided through the issuance of bonded debt. These bonds are authorized by voter approval only and are managed in a separate fund as required by Colorado Law. The District uses the Building Fund for this purpose and provides for debt repayment costs in the Bond Redemption Fund.

The 1994 school finance legislation includes a limitation on school district bonded debt of:
 ♦ 20% of assessed value

- ♦ The District refers to the 20% of assessed value limit for purposes of debt issuance limits.
- ♦ Under the 20% of assessed value limit, the District debt is approximately 48.2% of the legal debt limit.
- ♦ The following graph represents the legal debt limitations versus the current long-term debt of the District.



OPERATIONS & MAINTENANCE FOR NEW FACILITIES

The District continues to receive support from the community and has been successful in the passage of bond issues to provide funding for construction of new schools and facilities. As new facilities are constructed to accommodate enrollment growth, *additional* costs are incurred for the operations and maintenance of the new schools. These *additional* costs can have a significant impact on the general operating fund.

Operations and maintenance costs of new facilities include salaries and benefits for administration, secretarial support, security specialists, bus drivers and custodial, nursing, and mental health services. Other operations and maintenance costs are contracted building cleaning services, utility costs for electricity, gas, telephone, water, sewer and trash services, and costs associated with athletic and activity programs for the new schools.

School additions and renovations are not expected to add substantial O&M costs. New, energy efficient, more easily maintained HVAC systems may initially lower utility costs in the facilities in which they are installed. Anticipated future operations and maintenance costs for the 2008 bond issue projects are approximately \$5.0 million.

(In millions)	
Facility	Future Costs
3 Elementary Schools	\$2.64
STEM Facility	1.13
Other Facilities	<u>1.25</u>
Total	\$5.02

SCHOOL FACILITY PROJECTS

Enrollment growth necessitates the need for additional schools. To meet the needs of additional students, voters approved the issuance of \$203.55 million in general obligation school bonds in November 2008. Three new elementary schools and a Science, Technology, Engineering, and Math (STEM) Program Facility have been or will be built. Renovations will be completed on 14 elementary schools, two middle schools, and two high schools built between 1958 and 1982. Upgrades to wiring, fire protection, heating, air conditioning, and plumbing systems at 50 schools and other facilities will also be funded with this money.

USING ENERGY-EFFICIENT TECHNOLOGIES TO MINIMIZE UTILITY COSTS

Heating Our Facilities

◆ **Solar Panels, Solar Tubes, & Skylights**

- Create more natural daylight & warmth to decrease the need for costly electrical lighting & reduce demand for heating

◆ **Reflective Roofing**

- Roof membrane rejects additional heat gain through the roof and reduces the heat island effect

Cooling Our Facilities

◆ **Ice Storage air conditioning systems**

- Makes ice at night to cool during day

◆ **Translucent panels over windows**

- Reduces heat loss & stabilizes indoor temperature year-round

Lighting Our Facilities

◆ **Converting to More Efficient Electrical Lighting**

- Transitioning from T12 to T8 ballasts, reducing the number of ballasts, & transitioning from magnetic to electronic ballasts

Conserving Energy Usage

◆ **Daylight Harvesting**

- Daylight harvesting reduces the heating load on the building while reducing electricity usage

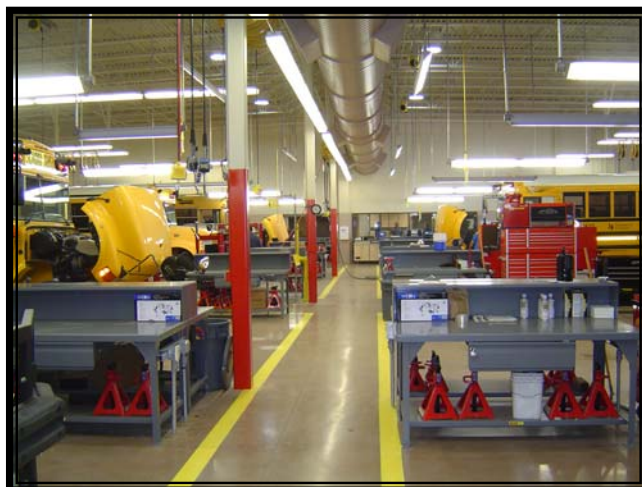
Conserving Water Resources

◆ **Minimizing Water Consumption**

- Low flow & touch-free fixtures
- Smart Controllers & rain sensors on sprinklers



Interior of Institute of Science and Technology, opening August 2011



Arapahoe Park Transportation Facility

ACCOUNTABILITY FOR PUBLIC EDUCATION RESOURCES

The Cherry Creek School District Board of Education is accountable to the community (the taxpayers) for wisely and efficiently using public funds to support District schools. The Board holds the Superintendent responsible for developing and properly managing the District's budget. The State of Colorado also monitors District spending to a certain degree. Federal grants are regulated at the national and state level. Independent auditors, who report their findings to the Board of Education and the public, audit the District's budget and financial condition annually.

The District has been awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association (GFOA) every year since 1994 and the Meritorious Budget Award from the Association of School Business Officials International (ASBO) every year since 1997. In addition, the District has received both the Certificate of Achievement for Excellence in Financial Reporting from GFOA and the Certificate of Excellence in Financial Reporting from ASBO each year since 1993.

The financial plan is available for review on the District website or at the following District locations:

District web site – www.cherrycreekschools.org

LOCATIONS	
Educational Services Center	Auxiliary Services Center
4700 S. Yosemite Street Greenwood Village, CO 80111	4850 S. Yosemite Street Greenwood Village, CO 80111

PARTICIPATING IN THE BUDGET PROCESS

Schools are successful only if they have public support. We encourage the Cherry Creek School District Community to get involved. Parents can join their school's Accountability Committee to learn about budget decisions at the school level. All community members are invited to the monthly School Board meetings to share their opinions.

To obtain more information about the Cherry Creek School District's budget process or to find out when public meetings are being held, call 720-554-4436, or access the District's web site at www.cherrycreekschools.org.

For information on Colorado state education policy and budget, call the Colorado Department of Education at 303-866-6600 or access their web site at <http://www.cde.state.co.us>.



June 2011



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