

Policy 3.D – FINANCIAL CONDITION & ACTIVITIES

Date Adopted/Last Revised: January 27, 2009

Management Limitations

With respect to financial condition and activities, the Superintendent will not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from the Board's Ends priorities.

I interpret will not cause nor allow the development of to mean: shall not bring about or permit the occurrence of.

I interpret the condition of fiscal jeopardy to mean: entering an agreement to pay expenses when the source of income to pay for those expenses has not been determined or not having cash available to pay expenses when they are due.

I interpret a material deviation of actual expenditures from the Board's Ends priorities to mean that when reviewing the actual expenditures of the district, an informed person would not question whether District Ends priorities are being addressed.

Data Reported:

This monitoring report pertains to the first six (6) months of fiscal year 2013 (July 1, 2012-December 31, 2012). For FY 2013, the approved budget funds the entire TABOR reserve and the 3% Board Contingency in the general fund. Additional fund balance from FY 2012 will help in offsetting a shortfall in budgeted revenues in FY 2013 and future fiscal years.

Conclusion: I report compliance.

The Superintendent will not:

1. Expend more funds than have been received in the fiscal quarter to date unless the liquidity and long-term reserve requirements below are met.
 - a. The Superintendent will not borrow from reserves (defined as accumulated excess revenues) in an amount greater than can be replenished by certain, otherwise unencumbered revenues within 90 days.

I interpret this to mean:

The District must maintain the restricted reserves of 3% TABOR and 3% Board. These funds can be used for temporary cash flow purposes as long as they are replenished within a 90 day period.

Data Reported:

The FY 2013 budget was adopted with the expectation that the TABOR reserve as required under the provisions of section 20 (5) article X of the state constitution, and the Board Contingency Reserve, be maintained in the general fund. Both reserves were fully funded at the required 3%. The District is expected to end FY 2013 with a fund balance in the general fund of \$14.2 million. This includes \$2.7 million for the TABOR reserve, \$2.7 million for the Board Designated reserve, \$230,122 for Eagle Ridge Academy’s audited FY2012 negative fund balance, and \$8.6 million for non-appropriated general contingency.

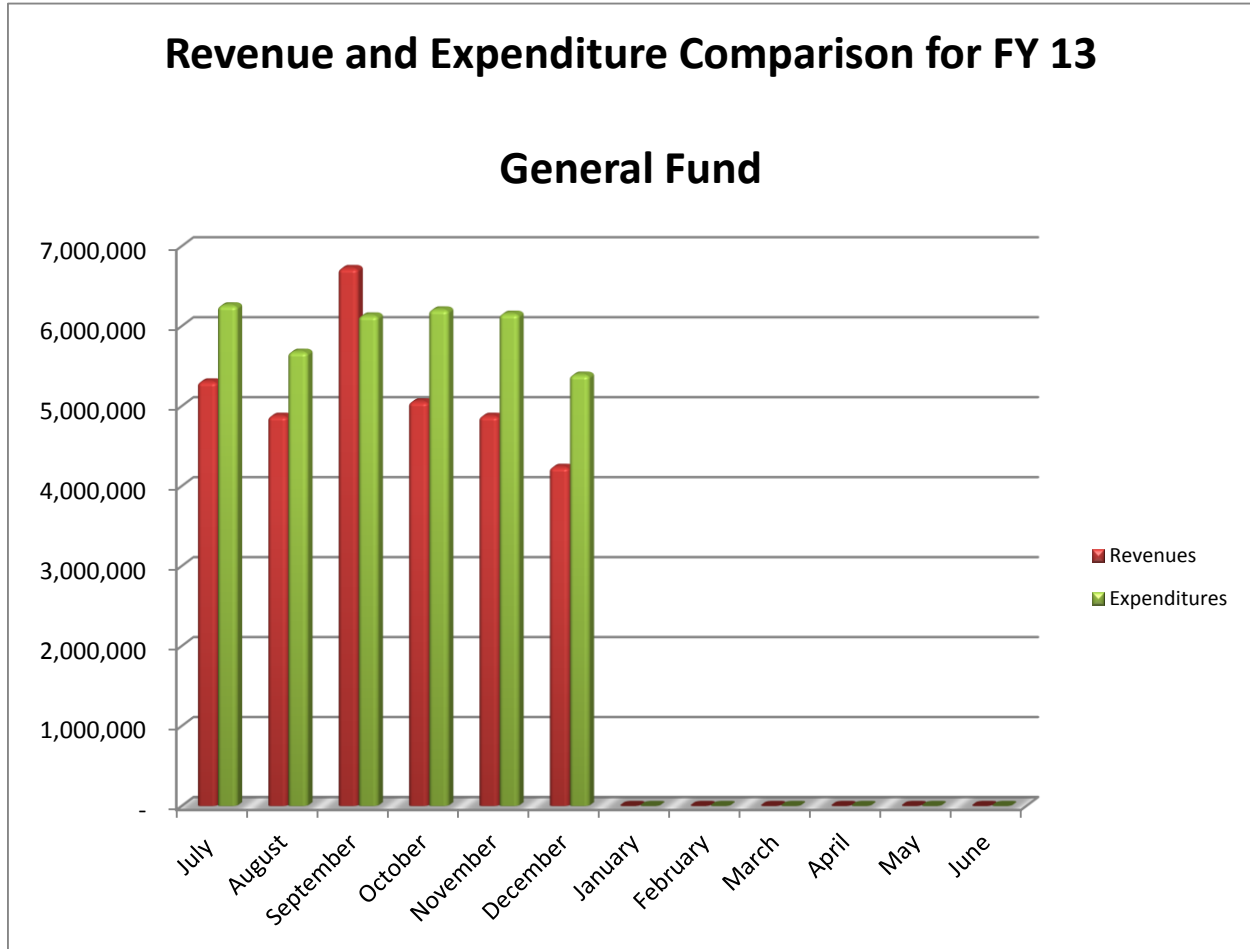
C.R.S 22-44-115 (a) states “a board of education of a school district shall not expend any moneys in excess of the amount appropriated by resolution for a particular fund”. The FY2012 audited financials for Eagle Ridge Academy state that the school expended funds in excess of the appropriations resolution and caused the school to have a negative ending fund balance. For the district to remain in compliance with TABOR it is required to reserve negative fund balance on Eagle Ridge Academy’s behalf.

A review of beginning fund balance, revenue received, and expenditures paid during the first 6 months of FY 2013 shows that at this point in time, expenditures exceed revenues and fund balance available. This is typical as the majority of the property tax revenue is received from March to May of each year. The general expenditures include the following inter-fund transfers: \$1,511,861 capital reserve, \$1,216,432 risk management insurance, and \$1,303,601 CPP allocation. Inter-fund transfers will be made at the end of the fiscal year for pupil activity, preschool and transportation, with a combined budgeted total of \$2.8 million. Transportation revenue is comprised of \$1.2 million in state categorical funding and \$92,360 in assessed fees.

Fund	Beginning Balance	Revenues	Expenditures	Ending Fund Balance
General	\$17,943,842	\$40,584,201	\$48,950,815	\$9,577,228
Risk Mgmt Insurance	\$521,523	\$1,224,500	\$952,439	\$793,584
Preschool	\$0	\$1,303,601	\$623,687	\$679,914
Capital Reserve	\$798,935	\$1,581,010	\$1,138,710	\$1,241,235
Growth Impact	\$315,288	\$38,584	\$82,631	\$271,241
Gov’t Designated Grants	\$387,126	\$1,720,868	\$1,830,124	\$277,870
Pupil Activity	\$1,131,499	\$1,516,974	\$1,486,983	\$1,161,490
Other Special Programs	\$1,270,639	\$767,176	\$1,509,607	\$528,208
Transportation	\$286,614	\$1,294,916	\$1,967,521	\$385,991

The following is a chart that shows the comparison of revenues vs. expenditures for the General Fund only. As is demonstrated below, the District’s revenue for the General Fund varies

according to the receipt of property taxes.



Conclusion: I report compliance.

- b. The Superintendent will not borrow funds (with the exception of credit cards used for normal business purposes that are paid in full each month)

I interpret this to mean:

The District will not borrow funds through a bond issue, Certificates of Participation (COPs) or capital lease without express approval by the Board of Education. Interfund borrowing can take place for cash flow purposes as long as the funds are replenished within 90 days.

Data Reported:

The District did not borrow new moneys in the first six months of FY2013. In November the District completed a current refunding of the remaining General Obligation Refunding Bonds, Series 2002. This transaction was approved by the Board in the Consent Agenda of the September 25, 2012 meeting for the aggregate principal amount of \$6,730,000. The District has

additional outstanding Board approved debt in the form of bonds, COPs, and capital leases. The total outstanding is \$218.3 million as detailed out below, which is 6.9% or \$16.3 million less than the monitoring report issued on January 24, 2012.

Type of Debt	FY 2012/13 Debt Payment	Outstanding Balance (P+I)	Year Paid Off
2002 Refunding Bonds/Refunded 2012 B	\$7,367,462.50	\$0.00	Refunded 2012
2004 GO Bonds	\$1,957,562.50	\$4,131,412.50	2014
2005 COPs	\$221,214.38	\$3,663,966.30	2025
2006A Refunding Bonds	\$885,687.49	\$36,034,281.32	2024
2006B Refunding Bonds	\$1,611,600.00	\$0.00	2012
2006C GO Bonds	\$3,941,918.73	\$93,497,031.26	2026
2008 GO and Refunding Bonds	\$771,129.37	\$28,881,822.60	2027
2011 Refunding Bonds	\$114,752.50	\$1,420,605.00	2017
2012 A Refunding Bonds	\$1,128,475.00	\$42,185,350.00	2024
2012 B Refunding Bonds	\$8,356.42	\$6,933,834.00	2015
Capital Bus Lease	\$395,000.00	\$1,050,384.80	2015
Computer Leases	\$152,544.62	\$457,531.25	2015

CRS 22-44-133 does allow internal borrowing from all funds except the bond redemption fund as long as the funds are paid back within three months. The District pools its funds in a ColoTrust account to maximize investments. There are times during the year when property tax collections are minimal (December, January, February) in the General Fund. During this time period, the ColoTrust accounts supplement the General Fund to allow the District to meet obligations. This practice has allowed the District to meet obligations without having to borrow money from the State of Colorado's Cash Flow Loan Program or from local banks. Funds are adjusted as soon as larger tax collections are deposited by the County.

Conclusion: I report compliance.

- c. The Superintendent will not allow cash to fall below a safety reserve of 6% of the General Fund.

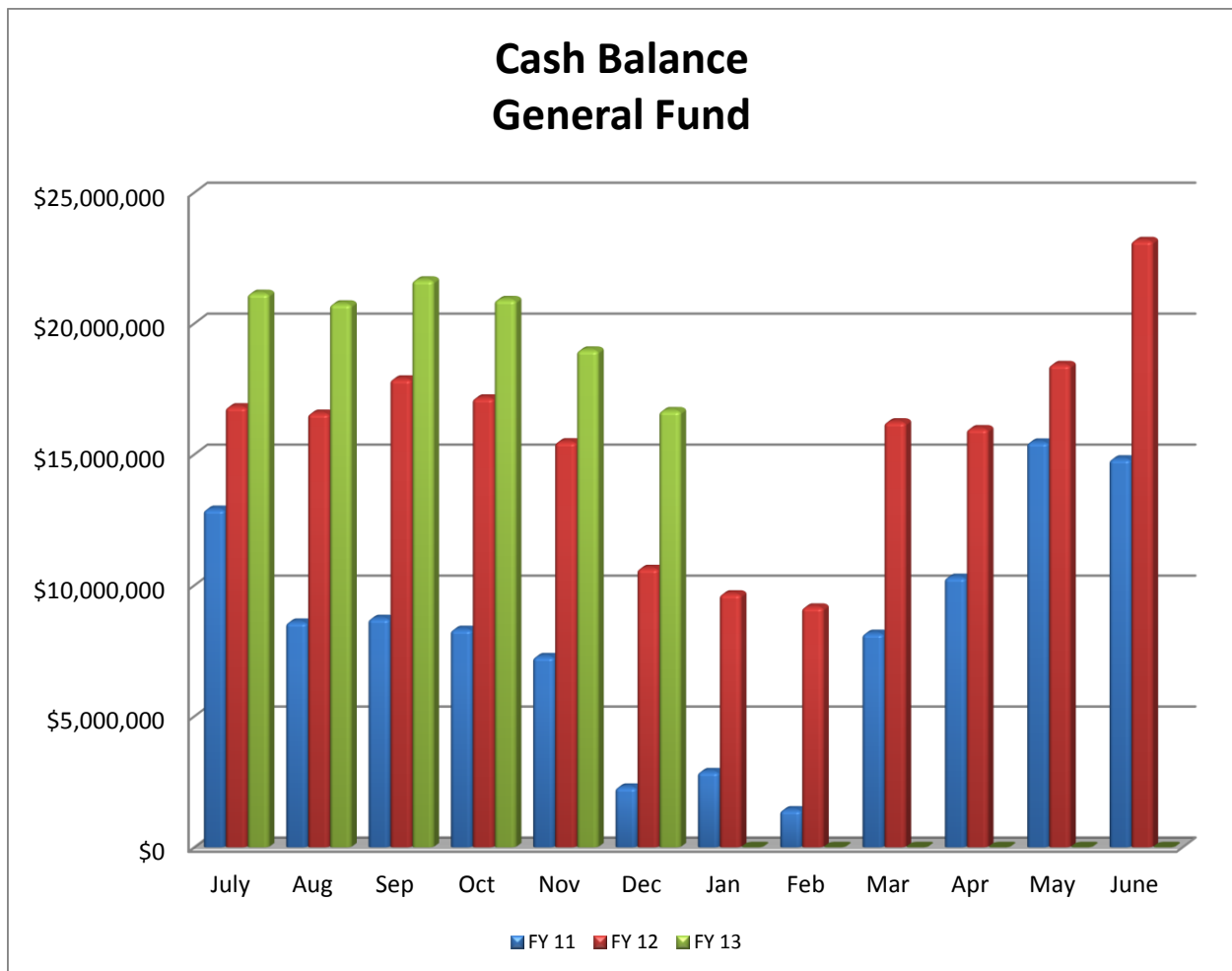
I interpret this to mean:

The general fund reserves will not be less than 6% of general fund expenditures for the previous twelve months.

Data Reported:

In the first six months of FY 2013 the total unaudited expenditures in the general fund as presented in the schedule on page 2 were \$49.4 million, a forecasted annual expenditure amount of \$71.1 million, with 6% equating to \$4.3 million. The total reserves planned in the general fund in the FY 2013 Revised Budget are \$5.7 million. The \$1.4 million variance is due to the TABOR calculation including expenditures from all funds except Bond Redemption, and Eagle Ridge Academy was projected to end the year with a negative fund balance requiring the District to account for their TABOR reserve.

The following chart tracks the cash balance during the first six months of the fiscal year for the General Fund only. As is illustrated below, the District’s cash balance never falls below the combined restricted reserve balance of \$5.7 million in FY 2013.



Conclusion: I report compliance.

2. Use Board-designated long-term reserves/endowment funds.

I interpret this to mean:

The District expends designated funds for allowed purposes only throughout the identified monitoring period.

Data Reported:

The District has spent all funds to date consistent with the FY 2013 budget. The anticipated undesignated ending general fund balance is estimated to be \$8.6 million.

Conclusion: I report compliance.

3. Conduct interfund shifting.

I interpret this to mean:

The District shall not comingle funds that, by strict statutory law, are prohibited from being moved

Data Reported:

CRS 22-44-112 - Transfer of moneys states that “a board of education shall not transfer moneys from one fund to another, except as authorized.” The District does transfer at the beginning of each year funds from the general fund to: capital reserve fund, the mill levy override fund, the risk management fund, and the preschool fund moneys identified in the Board of Education approved budget document. These transfers are allowable under state law.

Conclusion: I report compliance

4. Fail to settle payroll obligations and payables in a timely manner.

I interpret this to mean:

Payroll obligations are all compensation, both salary and benefits, paid to district employees through the district’s payroll system. Payables are all district bills that are not employee compensation which are processed through the district’s check request process or purchasing card. Ninety-five percent of payables should be paid within 90 days.

Data Reported:

Payroll : Human Resources and the Finance Department work together to pay employees on a monthly basis on the last working day of each month. The pay period ends the 12th of each month and internal control is very strict with segregation of duties between the two departments. Pay remittances or checks are issued to employees the last working day of the month.

Payroll Month	Average Number of Employees Paid	Gross Payroll Amount	Employee Paid Deductions	Employer Paid Deductions
July – December	1513	\$29,379,656.13	\$8,214,009.60	\$7,901,764.60

Types of Employee Paid Deductions	Types of Employer Paid Deductions
Taxes	Taxes
Medical	Medical
PERA	PERA
Garnishments	Life Insurance
Union Dues	
401(k)	
403(b)	
Voluntary Life Insurance	

Accounts Payable: Checks are issued each Thursday afternoon. Below is a summary of checks issued for the period July 1, 2012 to December 31, 2012. The chart lists the total number of checks issued and shows the length of time from the date of the invoice to the date of the check being issued. 96.2% of all payables were paid within 60 days of invoice date.

Number of Checks Issued	Paid within 30 days or less of Invoice Date	Paid within 31 – 60 days of Invoice Date	Paid within 61 – 90 days of Invoice Date	Paid in excess of 90 days of Invoice Date
1682	1457	161	35	29
Percentage of checks issued	86.6%	9.6%	2.1%	1.7%

Conclusion: I report compliance

5. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

Data Reported:

Each time payroll is processed mandatory deductions are made along with the accompanying checks or wire transfers to the appropriate vendors.

Mandatory Deduction	How Paid
Internal Revenue Service	Wire transfer and completion of Form 941
Public Employees Retirement Association	Wire transfer of both employees and District contribution
Medicare	Wire transfer for contribution
Garnishments	Mailed to the appropriate authority after deducted from payroll
If Full-Time Employee Deductions made for Health, Dental, Vision, Life Insurances	Check issued to appropriate vendor

All deductions have been paid in a timely manner.

Conclusion: I report compliance

- Execute a check or purchase commitment of greater than \$25,000 unless such purchase was explicitly itemized in budget monitoring data previously disclosed to the Board or subsequently disclosed at the next regular meeting of the Board. Splitting orders to avoid this limit is not acceptable.

I interpret this to mean:

There will be no causation of a fiscal encumbrance which has not been disclosed to, or previously approved by the Board of Education either through an appropriations resolution, supplemental budget, or budgeted for this purpose in the annually approved budget.

Data Reported:

There were 66 checks and 10 P-Card transactions for \$25,000 or greater in the period July 1, 2012 to December 31, 2012 totaling \$6.8 million. All transactions listed were included in the FY 2013 operating budgets of the individual departments or schools. Please see summary on the next page.

CHECK NUMBER	CHECK AMOUNT	VENDOR	DESCRIPTION
99617	\$ 45,590.00	360 FUNDRAISING	SCHOOL FUNDRAISERS
99766	\$ 32,640.00	ADAMS COUNTY HEAD START	ADAMS COUNTY HEAD START SERVICES
2 CHECKS	\$ 78,301.00	ADAMS 12 FIVE STAR SCHOOL	DHH PROGRAM TUITION
99546	\$ 101,127.00	ALPINE ACHIEVEMENT SYSTEM	2012-2013 SUBSCRIPTION
17 CHECKS	\$ 961,824.66	ANDREWS FOODSERVICE SYSTEMS	FOOD INVENTORY
2 CHECKS	\$ 89,418.11	BELLE CREEK CHARTER SCHOOL	ECEA PAYMENTS
2 CHECKS	\$ 83,342.08	BP ENERGY COMPANY	UTILITIES-GAS
6 CHECKS	\$ 209,298.50	BRIGHTON EDUCATION ASSOCIATION	UNION DUES
100046	\$ 83,034.68	BROMLEY EAST CHARTER SCHOOL	ECEA PAYMENTS
1 P-CARD TRANSACTION	\$ 35,025.00	CAMBIUM EDUCATION	LANGUAGE TEXTBOOKS
2 CHECKS & 2 P-CARD TRANSACTIONS	\$ 129,645.39	CITY OF BRIGHTON	SCHOOL RESOURCE OFFICERS AND UTILITIES-WATER
99927	\$ 25,000.00	CLIFTONLARSONALLEN LLP	AUDIT SERVICES
99931	\$ 29,957.00	COLORADO DESIGNSCAPES, INC	LANDSCAPE SERVICES
100179	\$ 44,355.99	COLORADO STATE TREASURER	STATE OF COLORADO UNEMPLOYMENT
98800	\$ 121,634.00	COMPUTER INFORMATION CONC	SOFTWARE AND SUPPORT
2 CHECKS	\$ 229,491.02	CONTRAX FURNISHINGS	CLASSROOM FURNISHINGS
98805	\$ 25,866.00	EDULINK SYSTEMS	PARENT NOTIFICATION SYSTEM
99128	\$ 107,669.22	FOLLETT LIBRARY RESOURCES	BRANTNER LIBRARY COLLECCION
100066	\$ 84,517.45	FOUNDATIONS ACADEMY	ECEA PAYMENTS
99874	\$ 52,688.40	FRONT RANGE COMMUNITY COLLEGE	TUITION
4 P-CARD TRANSACTIONS	\$ 204,953.92	GOVCNCTN	COMPUTERS
100068	\$ 25,784.56	GREAT COPIER SERVICE	COPIER USAGE
1 P-CARD TRANSACTION	\$ 25,161.62	HMCO ECOMMERCE	MATH BOOKS PENNOCK
99508	\$ 90,789.03	HOUGHTON MIFFLIN CO.	TEXTBOOKS
6 CHECKS	\$ 2,529,025.97	KAISER PERMANENTE	HEALTHCARE PREMIUMS
100080	\$ 50,413.92	LANDMARK ACADEMY AT REUNION	ECEA PAYMENTS
2 CHECKS	\$ 77,552.16	MARTIN MARIETTA MATERIALS	ASPHALT SERVICES AND MAINTENANCE
1 P-CARD TRANSACTION	\$ 55,387.21	MCGRAW HILL EMPLOYEES	BRANTNER CAPITAL PROJECT FUND
99055	\$ 107,450.00	NORTHWEST EVALUATION ASSN	TEST LICENSES
98923	\$ 25,460.00	RAINBOW VENDING INC	VENDING MACHINE
100120	\$ 50,000.00	RAKAN LLC	TECHNOLOGY SERVICE AND MAINTENANCE
4 CHECKS	\$ 855,321.91	SAUNDERS CONSTRUCTION CO	BRANTNER CONSTRUCTION COSTS
1 P-CARD TRANSACTION	\$ 62,350.00	SSI DELTACPOFREYNEOSCI	TEXTBOOKS
99532	\$ 27,000.00	THE TABLET AND TICKET COMPANY	DISPLAY CASE
99885	\$ 40,000.00	US POSTAL SERVICE	POSTAGE FOR METER MACHINE
98785	\$ 88,044.30	VALLEY BANK & TRUST	LEASE PAYMENT
TOTAL	\$ 6,839,530.10		

Conclusion: I report compliance

7. Acquire, encumber, lease or dispose of real property.

I interpret “acquire” to mean: gain possession or control of; to get or obtain

I interpret “encumber” to mean: a claim or liability that is attached to property or some other right and that may lessen its value, such as a lien; any property right that is not an ownership interest

I interpret “lease” to mean: a contract by which a rightful possessor of real property conveys the right to use and occupy the property in exchange for consideration, usually rent

I interpret “dispose” to mean: to transfer control to another; to place, distribute, or arrange, especially in an orderly way; to get rid of

I interpret “real property” to mean: land, including land improvements, structures and appurtenances thereto, excluding movable machinery and equipment

Data Reported: No real property transactions occurred in the first six months of FY2013.

The fixed asset threshold of \$5,000 was approved by the Board in 2004. Items retired or fully depreciated are removed from the list of fixed assets. If replacements are purchased for these items, these are additions to the list. Between July 2012 and December 2012, no items have been removed from the asset list. This is typical as this work is usually done as part of the annual audit.

Conclusion: I report compliance

- 8. Accept revenues from sources not, in fact and appearance, consistent with the mission and values of the organization.

I interpret “revenues” to mean: fiscal and non-fiscal donated economic resources

I interpret “mission and values of the organization” to mean: the organizational Ends that have been identified by the Board of Education

Data Reported:

Name of Donator	School / Program	Item or Amount	Purpose
Gary Nixon	PVHS	\$200.00 of camera equipment	Student Education
TCI, the Industrial Company	PVHS	\$1,000.00 of welding rods	PVHS Welding
Westlake Middle School	PVHS	\$100.00	PVHS Welding
Bob and Margie Mercer	BHS	\$4,150 kiln and pottery wheel	BHS Art
Alicia McKinney	All Schools	\$4,495 in supplies	Student Services Motor Team
Tony Heatherton	BHS	\$500.00 1987 Toyota Corolla	BHS Auto Shop
Bogaslaw Gontar	BHS	\$1,950.00 1997 Chevy Blazer	BHS Auto Shop
Doris Schwartz	All Schools	20 bags of toys	Holiday items for needy students

All cash and non-cash donations support the organizational ends.

Conclusion: I report compliance

9. Fail to aggressively pursue material receivables after a reasonable grace period.

I interpret this to mean:

A timely attempt is made to collect monies owed to the District (including charter schools) that are older than thirty days, or other period of time deemed reasonable within the normal course of business as follows:

Major Categories of Receivables:

- *Amounts Due from Other Governments – 30 to 90 days following submission of reports or other required information.*
- *Accrued Investment Earnings – 30 to 180 days as defined by Investment Agreement.*

Data Reported:

The following is a chart that shows the type of revenue, the number of invoices issued if applicable, and the percentage of invoices that were collected within 30 days, 31-60 days, 61-90 days, and over 90 days.

Fund	Receivable	Invoices Issued	Collected within 30 days	Collected 31-60 days	Collected 61-90 days	Collected 90+ days
General	Property Taxes	N/A	Monthly wire			
General	State Funds	N/A	Monthly wire			
General	Facility Rental	98	90.2%	8.9%	.9%	
General	Transportation (not student fees)	37	92.5%	7.5%		
General	Charter Administration Fees	N/A	Collected monthly			
Grants	Reimbursements from Granting Agencies	N/A	Reimbursement reports submitted monthly			
Pupil Activity	Organization Fund raisers	N/A	Collected at each school			
Other Special	Print Shop	123	90.2%	5.7%	3.3%	.8%
Other Special	Before & After School Care	Compt each school	Reconciled at end of fiscal year			
Other Special	Detention Center	0	Invoices are sent to all			

			participating districts in June			
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Nutrition Services

With the charging policy that the District has in place, no meals are written off.

Meal	Number of Meals	Free	Reduced	Paid
Breakfast	182,093	119,633	21,284	41,176
Lunch	573,458	261,675	60,789	250,994
Total	755,551	381,308	82,073	292,170
%	100%	50%	11%	39%

Conclusion: I report compliance

- 10. Operate without adequate internal controls over receipts and disbursements to avoid unauthorized payments or material dissipation of assets.

I interpret “without adequate internal controls” to mean: not having policies and procedures that are designed to prevent and detect fraud. Inadequate controls may give cause to an external auditor finding that an entity has a “material weakness” which is commonly described as more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

I interpret “material dissipation of assets” to mean: non-compliance with Colorado Revised Statute which requires an entity to properly account for the assets and liabilities as ensured through the annual independent audit.

Data Reported:

Each school district in the state is required to have an independent audit completed annually according to CRS 29-1-600-608 - Local Government Audit Law. The District’s audit must include the financials for the six component units (Capital Facility Fee Foundation, Belle Creek Charter School, Bromley East Charter School, Eagle Ridge Academy Charter School, Foundations Academy Charter School and Landmark Academy Charter School). A review of internal controls in the Finance Office is included in that audit. The Comprehensive Annual Financial Report (CAFR) provides any internal control issues identified during the audit process. A management letter is also provided adding information on internal control and providing suggestions for improvement.

Due to the ongoing investigation at Eagle Ridge Academy the District requested a 60 day extension from the Office of the State Auditor. That request was granted on November 6, 2012

and the CAFR must be submitted no later than March 1, 2013. The audit team from CliftonLarsonAllen will present the audit to the Board of Education at the meeting on February 12, 2013. Any information provided on the FY 2011-12 financial and A-133 audits to the Board will also be documented in the next Policy 3.D – Financial Condition & Activities report issued in October 2013.

In the first six months of FY2013 the District implemented changes to the policies and procedures in response to the lack of prevention and detection of fraud in a prior reporting period. The changes impact grant funds because the District is defined as a fiscal agent, all funds flow through the District, and as such the District is responsible for misuse.

Conclusion: I report compliance