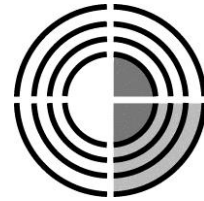




COLORADO SCHOOL DISTRICT 27J
GOVERNING POLICY OF
THE BOARD OF EDUCATION



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 Expectations of the Board Report pertains to the first six (6) months of fiscal year 2015 (July 1, 2014- December 31, 2014). The FY 2015 budget was adopted in May 2014 and will be adjusted in January 2015 due to changes in student count and other School Finance Act Formula factor changes. These budget adjustments will be reported in the 3.D Expectations of the Board report in October 2015. The FY 2015 Adopted Budget ensures adequate funds are available for the TABOR Reserve as required under the provisions of section 20 (5) article X of the state constitution, the Board Contingency Reserve as well as a reserve for multi-year obligations. Fund balance from FY 2014 was used to offset a shortfall in budgeted revenues in FY 2015. During the Adopted Budget process the District allocated \$4.3 million of one-time funds to schools and departments from prior 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:

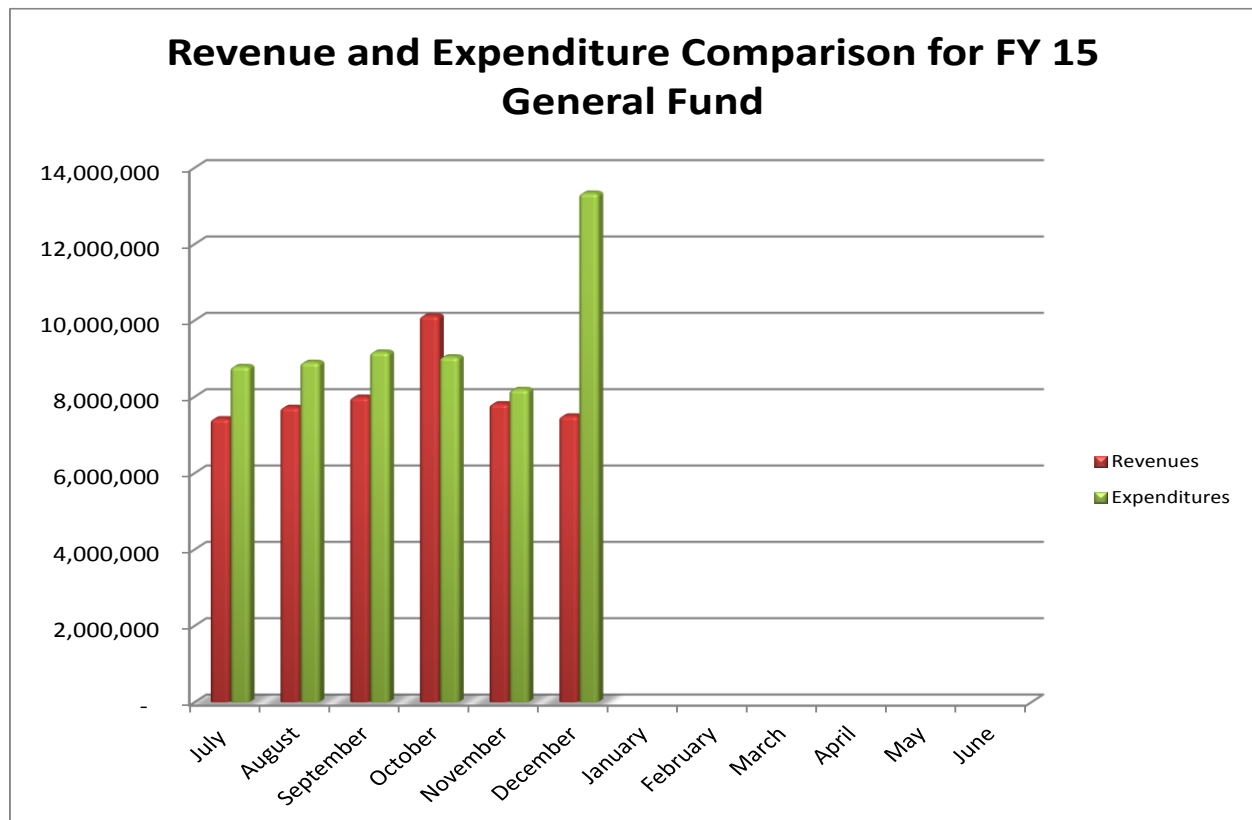
The FY 2015 budget was adopted with the expectation that the TABOR reserve as required under the provisions of section 20 (5) article X of the state constitution, the Board Contingency Reserve, and a reserve for multi-year obligations be maintained in the general fund. All three reserves are fully funded, the first two at the required 3% each and the last according to the current superintendent contract. In the Adopted Budget the District is expected to end FY 2015 with a fund balance in the general fund of \$13.5 million. This includes \$2.8 million for the TABOR reserve, \$2.9 million for the Board Designated reserve, \$155,956 for Eagle Ridge Academy's unaudited FY 2014 negative fund balance, \$487,866 of school carry forward that will be allocated during the Amended Budget process and \$6.1 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 FY 2014 audited financials for Eagle Ridge Academy state that the school expended funds less than the appropriations resolution. That was not the case during the school's first two fiscal years, which caused the school to have a negative ending fund balance. It is important to note that the negative fund balance declined \$90,565 compared to the FY 2013 audited financials. For the District to remain in compliance with TABOR it is required to reserve negative fund balance on Eagle Ridge Academy's behalf. The District has complied with this requirement.

A review of revenue received, expenditures paid, and transfers completed during the first 6 months of FY 2015 shows that at this point in time, general fund expenditures and transfers exceed revenues requiring the use of \$8.9 million of beginning fund balance. This is typical as the majority of the property tax revenue is received from March to May of each year. The general fund includes inter-fund transfers as detailed out in the below schedule as well as the allocations of per pupil revenue to district approved charter schools. Inter-fund transfers that will occur in the second six months of the year, when the District receives the majority of the property taxes are: \$2.8 million capital reserve, \$2.5 million transportation, \$1.0 million risk management, and \$.9 million CPP allocation. Transportation revenue is comprised of \$1.2 million in state categorical funding and \$240,000 in assessed fees. The expenditures exceed revenues in the Government Designated Grants fund as well as Nutrition Services fund due to the timing of the expense reimbursements for the District's federal grants and in the Bond Redemption fund due to the timing of receipts for property taxes.

Fund	Beginning Balance	Revenues	Transfers	Expenditures	Ending Fund Balance
General	14,445,359	48,589,802	(15,655,729)	41,799,912	5,579,521
Risk Mgmt Insurance	905,571	3,169	-	884,975	23,765
Preschool	120,585	-	1,773,339	1,062,075	831,848
Capital Reserve	1,580,710	1,243,372	673,792	3,214,626	283,248
Growth Impact	39,779	38,277	-	10,021	68,034
Gov't Designated Grants	623,266	2,442,081	-	2,530,930	534,417
Pupil Activity	1,012,871	1,553,850	409,982	1,468,748	1,507,955
Other Special Programs	526,862	988,702	89,000	885,718	718,845
Transportation	371,539	1,465,365	988,074	2,343,961	481,017
Bond Redemption	13,575,545	261,235	-	10,697,027	3,139,752
Building	264,051	154	-	-	264,206
Nutrition Services	1,432,041	1,441,196	-	2,400,328	472,908
Day Care / Extended Kinder	242,121	468,344	-	394,600	315,865
Print Shop	-	77,827	-	80,270	(2,443)
Dental	475,591	393,875	-	332,226	537,240
Trust	48,987	27	-	9,000	40,014

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. The increase in general fund expenses in December relates to the inter-fund transfers detailed out in the above schedule.



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:

In FY 2015 the District closed on leases for eight school buses and 400 school computers with JPMorgan Chase, as well as 500 Chromebooks with Sun Trust. The District has additional outstanding Board approved debt in the form of bonds, certificates of participation (COPs), and capital leases with expenditures in FY 2015. The total outstanding debt is \$183.6 million as detailed out below, which is 10.0% or \$20.5 million less than the Expectations of the Board report issued on January 24, 2013.

Type of Borrowing	FY 2014/15 Debt Payment	Outstanding Balance (P+I)	Year Debt Retires
2004 General Obligation Bonds	\$2,029,175	\$0	2015
2005 COPs	\$224,997	\$3,102,544	2026
2006A Refunding Bonds	\$902,859	\$33,022,844	2025
2006C General Obligation Bonds	\$4,030,819	\$5,826,800	2017
2008 General Obligation and Refunding Bonds	\$701,379	\$26,627,693	2028
2011 Refunding Bonds	\$112,653	\$1,167,895	2018
2012 Refunding Bonds	\$683,075	\$39,453,050	2025
2012B Refunding Bonds	\$2,274,233	\$2,390,090	2016
2014A Refunding Bonds	\$0	\$70,397,004	2027
Capital Bus Lease	\$350,000	\$315,385	2016
Teacher Computer Lease	\$87,542	\$0	2015
Student Computer Lease	\$38,410	\$38,410	2015
Software Computer Lease	\$19,985	\$16,654	2015
Chase Bus & Computer Lease	\$159,844	\$159,844	2016
Water Augmentation Promissory Note	\$85,438	\$256,314	2018
Chase Bus & Computer Lease 2014	\$371,522	\$727,833	2017
Suntrust Chromebooks	\$48,352	\$96,704	2017

C.R.S. 22-44-113 does allow internal borrowing from all funds except the bond redemption fund as long as the funds are repaid not later than three months after the beginning of the following budget year. The District combines cash from eight funds in a ColoTrust account to maximize investments. Cash from Pupil Activity, Growth Impact, Bond Redemption, Building, Nutrition

Services and Trust funds are excluded due to the restricted use of each fund. During the first eight months of the fiscal year when property tax collections are minimal, the cash from other funds in the ColoTrust account is available to supplement general fund obligations if needed. Moneys are repaid in March of the same fiscal year when larger property tax collections are received from the counties of Adams, Weld and Broomfield. 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.

Conclusion: I report compliance.

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

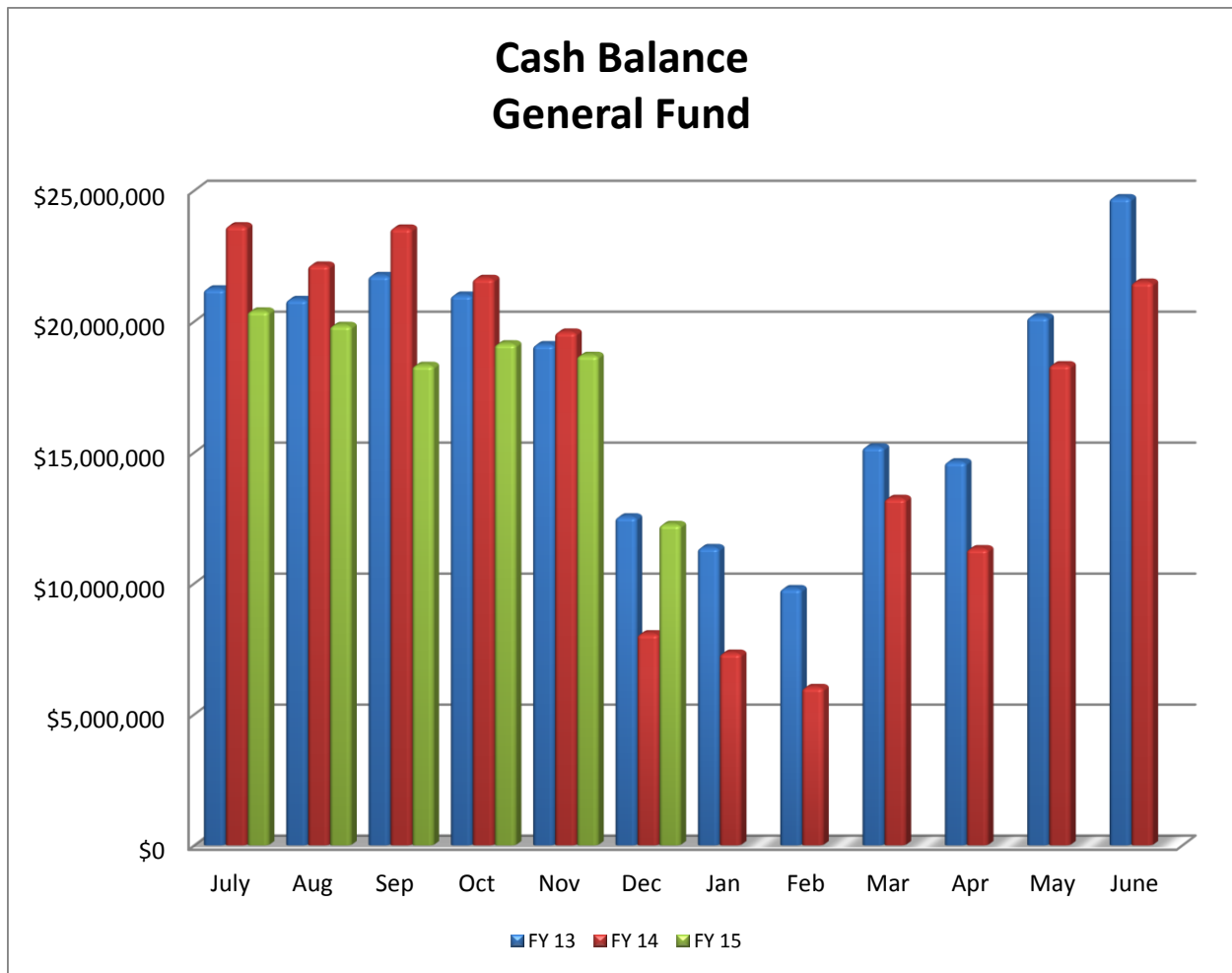
I interpret this to mean:

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 2015 the total unaudited expenditures in the general fund as presented in the schedule on page 2 were \$57.5 million, the District's forecasted annual expenditure amount is \$92.8 million, with 6% equating to \$5.6 million. The total reserves planned in the general fund in the FY 2015 Amended Budget are \$6.3 million. The \$0.7 million variance is due to the accounting for the 3.0% Board Contingency Reserve for transportation in the general fund, Eagle Ridge Academy was projected to end the year with a negative fund balance requiring the District to account for their TABOR reserve, the constitutional requirement to reserve for multi-year obligations, and the committed reserve for vocational categorical funding.

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 \$5.6 million in FY 2015.



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 2015 budget. The anticipated undesignated ending general fund balance in the Amended Budget is \$4.8 million which is \$1.3 million less than the Adopted Budget. This variance is primarily due to the additional salary increase in January 2015 and the corresponding impact to the required TABOR and Board reserves, as well as the increased reserve for multi-year obligations.

The FY 2015 Adopted and Amended Budgets plan for 94% of the recurring general fund resources to be used directly in schools or in direct support of schools.

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 FY 2015 Amended Budget includes \$11.3 million in transfers from the general operating fund to: Colorado Preschool Program fund, Capital Reserve fund, Risk Management fund, Transportation fund, Special Revenue fund and Pupil Activity fund.

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 for payment at the end of that 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
FY 2015 July – December	1,618	\$33,259,382	\$9,186,244	\$9,465,532

	Types of Employer Paid Deductions
Taxes	Taxes
Medical	Medical, Dental, Vision
PERA	PERA
Garnishments	Life Insurance
Voluntary (Life, 401K, 403b, Dues and HSA)	Health Savings Account
Credit Union	
125 Dependent Care/Health Care	

Accounts Payable: Checks are issued each Thursday afternoon. Below is a summary of checks issued for the period July 1, 2014 to December 31, 2014. 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. 97.3% of all payables were paid within 60 days of invoice date.

A review of accounts payable processes with our external auditor provided a few possible procedure modifications that would improve this percentage. The District will explore the practice of all invoices being mailed directly to accounts payable, and the accounts payable clerk will send to appropriate staff for approval prior to payment. This will allow a central point to monitor payment terms and avoid late payment of lost invoices at schools and other districts offices.

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
1,765	1,574	143	23	25
Percentage of checks issued	89.2%	8.1%	1.31%	1.4%

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
Federal/Medicare Taxes-IRS	Wire transfer and taxes called in and completion of Form 941 quarterly
Public Employees Retirement Association	Wire transfer of both employees and District contribution
State Taxes	Wire transfer and taxes called in 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/Wire issued to appropriate vendor
OMNI (403b), HSA and 401K	Wire transferred and report sent via secured web link

All deductions have been paid in a timely manner.

Conclusion: I report compliance

6. 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:

The 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 71 checks and 6 purchasing card transactions for \$25,000 or greater in the period July 1, 2014 to December 31, 2014 totaling over \$7.7 million. All transactions listed were included in the FY 2015 operating budgets of the individual departments or schools. A summary of all transactions of \$25,000 or greater is below.

Check Number	Check Amount	Vendor	Description
106057	\$ 831,819.00	ADAMS COUNTY BOCES	SELF INS POOL PRGM
107354	94,602.90	ALPINE ACHIEVEMENT SYSTEMS	ALPINE ACHIEVEMENT SUBSCRIPTION
19 Checks	998,638.74	ANDREWS FOOD SERVICE	DISTRICTS NUTRITION SUPPLIER
107159	45,672.00	ATS ROCKY MTN, INC	CONTRACT PRJCT VIKAN/PENN
106593	46,126.25	BC INTERIORS, INC	BOLT ACADEMY FURNITURE
107691	63,021.33	BP ENERGY COMPANY	UTILITIES - GAS
5 Checks	182,413.43	BRIGHTON EDUCATION ASSOCIAT	UNION DUES
107045	31,785.67	BUILDING TECHNOLOGY SYSTEMS	CHILLER REPAIR
107674	45,000.00	BUTLER / SNOW	BOND COUNSEL
4 Checks	229,292.50	CHILDREN'S HOSPITAL	DIST NURSE SERVICES
3 Checks	155,535.35	CITY OF BRIGHTON	WATER PROMISSORY NOTE/RESOURCE OFFICERS
2 PCARD TRANSACTION	59,604.41	CITY OF BRIGHTON	UTILITIES - WATER
1 PCARD TRANSACTION	30,915.00	CLA SW-DENVER	AUDIT OF 6/30/14
107174	25,096.33	COLORADO STATE TREASURER	UNEMPLOYMENT BENEFITS
106176	146,173.00	COMPUTER INFORMATION CONCEP	CIC/INFINITE CAMPUS/PEOPLEWARE & SUPPORT
106379	31,610.00	DLR GROUP INC	SCHEMATIC DESIGNS
106549	25,866.00	EDULINK SYSTEMS	INTOUCH PARENT NOTIFICATION
2 Checks	390,027.38	EVERBANK COMMERCIAL FINANCE	COPY MACHINE RENTAL CONTRACT
107676	39,000.00	FIRSTSOUTHWEST	FINANCIAL ADVISING FEES
106917	47,058.25	FRONT RANGE COMMUNITY COLLE	CONCURRENT ENROLLMENT STUDENT TUITION
2 Checks	327,765.52	GOV CONNECTION, INC.	ANNUAL RENEWAL VMWARE LIC/PROCESSORS
1 PCARD TRANSACTION	28,350.00	GOVCNCTN	VMWARE ANNUAL RENEWAL
1 PCARD TRANSACTION	25,375.74	GOVCNCTN	SERVERS NETWORK PROJECT
1 PCARD TRANSACTION	72,315.00	GOVCNCTN	MICROSOFT LICENSING RENEWAL
5 Checks	2,385,600.87	KAISER PERMANENTE	HEALTH CARE PREMIUMS
3 Checks	89,191.50	LARSON INCITTI ARCHITECTS	BRANTNER ADDITION
106184	26,000.00	LOGISOFT COMPUTER PRODUCTS	COMPUTER PROD/ADOBE LICENSE
106294	114,425.00	NORTHWEST EVALUATION ASSN.	WEB BASED MEASURES OF ACADEMIC PROGRESS
107636	33,915.00	PIPER COMMUNICATION SERVICE	NOC CABLING AND WIRING
106188	110,476.00	SANITY SOLUTIONS, INC	ZEBI STORAGE SOLUTIONS
106190	27,000.00	SCHOOLWIRES, INC	CENTRICITY2 ESSENTIAL FY15
2 Checks	158,606.80	SLATERPAULL ARCHITECTS, INC	SCHEMATIC DESIGN
106192	40,758.51	SOF-TECH MAINTENANCE COMPANY	ANNUAL PHONE SYSTEM MAINTENANCE/EQUIP
107764	29,963.80	TEGILE SYSTEMS, INC.	MEMORY & DUAL CONTROLLER
106199	98,000.00	UNIDESK CORPORATION	PRODUCT LICENSE
106348	130,523.66	UNITED RESTAURANT SUPPLY	APPLIANCES AND INSTALATION
106087	87,542.72	VALLEY BANK & TRUST	LEASE
2 Checks	418,215.95	VCLM	HP CORE SWITCHING BUNDLE
106165	25,396.59	VIRCO MANUFACTURING CORP	HERITAGE ACADEMY FURNITURE

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 FY 2014.

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 2014 and December 2014 no items have been removed from the asset list. This is typical as this work is done at the end of the fiscal year 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
Random Acts of Kindness Foundation	BHS	\$500.00	LINK program
Paula and Russell Redig	North Elementary	\$13,000.00	Technology
Joanna Sakata	North Elementary	\$5,000.00	Technology
Brighton Early Rotary Club	All Schools	\$1,100.00	Families in need support

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

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.

A review of the fee assessment and collection process highlighted several areas of improvement. The first area the finance staff addressed was improved and continuous communication to families. In FY 2015 the District finance staff attended registration at both high schools to support the collection process. In addition, fee statements were sent out to all families prior to registration, and each month families are notified when transportation fees and full day kindergarten tuition has been assessed. The accounts receivable clerk is responsible for all fee collections, inclusive of supporting our elementary schools with full day kindergarten tuition. The collection rate for both transportation fees and full day kindergarten improved in FY 2015 as compared to FY 2014.

In addition a policy change was implemented for facility rentals. All building usage is prepaid so there is no delay in collections of this fee.

Receivable	Invoices Issued	Collected within 30 days	Collected 31-60 days	Collected 61-90 days	Collected 90+ days	Outstanding
	Number	%	%	%	%	%
Property Taxes	N/A	Funds wired monthly				
State Funds	N/A	Funds wired monthly				
Facility Rental	19	100%				
Charter Administration Fees	N/A	Paid monthly and reconciled at year end				
Reimbursements from Granting Agencies	N/A	Reimbursed in accordance with grant requirements.				
Athletic Fees	1,971	87%	1%	<1%	<1%	10%
Class Fees	30,832	60%	3%	2%	2%	33%
Lost Book/Equipment Fees	1,825	16%	2%	1%	<1%	80%
Print Shop	65	91%	5%	5%	0%	0%
Before & After School Care	1,760	90%	7%	2%	1%	
Detention Center	Billed in June of each Fiscal Year					
Full Day Kinder Tuition	1,032	67%	12%	6%	12%	3%
Transportation	6,580	26%	7%	4%	<1%	63%

With the charging policy Nutrition Services has in place, no meals are written off.

Meal	Number of Meals	Free	Reduced	Paid
Breakfast	152,671	99,046	21,345	32,280
Lunch	599,563	269,303	71,601	258,659
Total	752,234	368,349	92,946	290,939
%	100%	49%	12%	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:

The Local Government Audit Law (C.R.S. 29-1-601 et seq) requires the District to have an annual audit of their financial statements. The law states that the audit must be performed by an independent Certified Public Accountant (CPA) and be in accordance with generally accepted auditing standards. The Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement, and according to Section 29-1-606, C.R.S., financial statements must be approved, published, and submitted to the state auditor within six months of the close of each fiscal year. The District management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal control that it has established for this purpose. The independent CPA publishes a management letter providing adding information on internal control and providing suggestions for improvement.

The auditors presented no additional finding information in the FY 2014 financial and A-133 audit which was presented to the Board of Education at the December 9, 2014 meeting.

Conclusion: I report compliance