

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:

The Expectations of the Board Report pertains to the first six (6) months of fiscal year 2016 (July 1, 2015- December 31, 2015). The FY 2016 budget was adopted in May 2015 and will be adjusted in January 2016 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 2016. The FY 2016 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.

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.

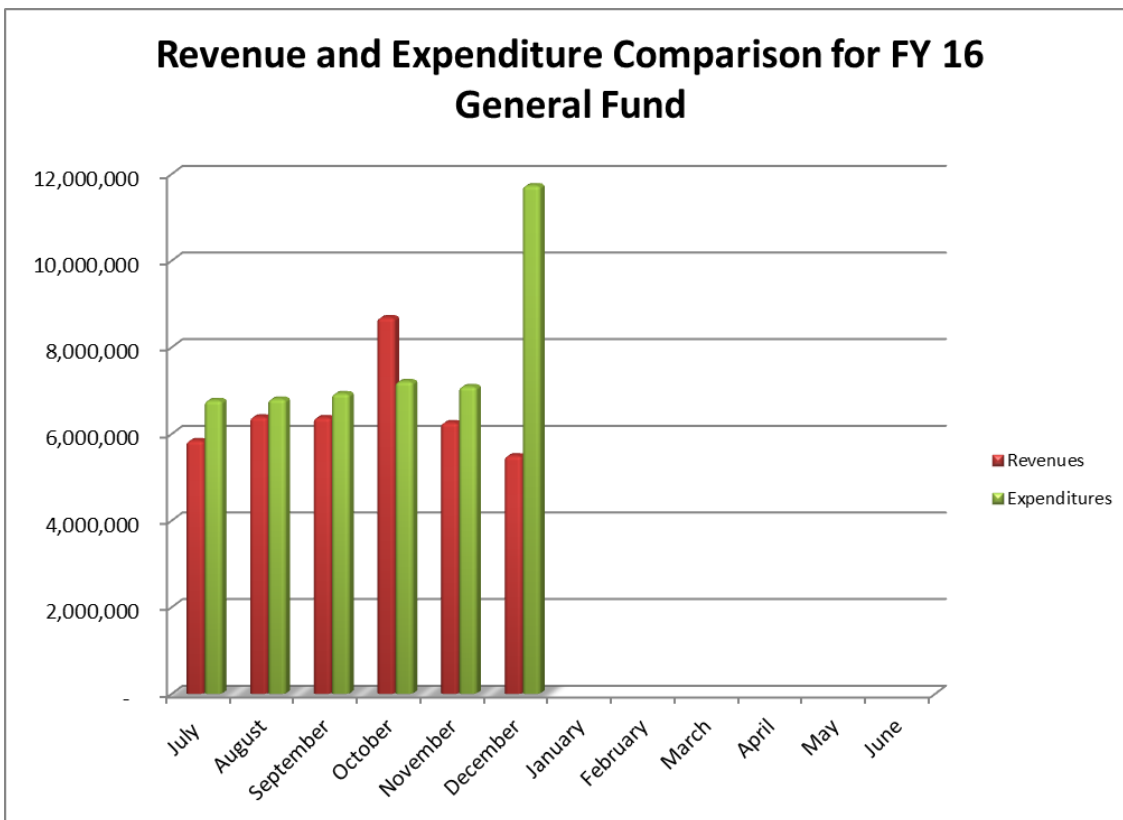
Data Reported:

The FY 2016 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 2016 with a fund balance in the general fund of \$11.8 million. This includes \$2.7 million for the TABOR reserve, \$3.2 million for the Board Designated reserve, \$199,455 of reserve for Multi-Year Obligations, \$144,200 Career and Technical Education reserve and \$5.7 million for non-appropriated general contingency.

A review of revenue received, expenditures paid, and transfers completed during the first 6 months of FY 2016 shows that at this point in time, general fund expenditures and transfers exceed revenues requiring the use of \$12.4 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 next page 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: \$1.5 million capital reserve, \$2.8 million transportation, \$.7 million risk management, and \$1.1 million CPP allocation. Transportation revenue is comprised of \$1.3 million in state categorical funding and \$200,000 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	15,078,350	34,099,250	(10,660,806)	35,860,936	2,655,858
Capital Reserve	1,466,201	4,398	2,160,186	1,557,945	2,072,840
Risk Mgmt Insurance	590,784	7,794	810,412	843,504	565,486
Preschool	120,585	874,953	3,017,474	1,214,780	2,798,232
Nutrition Services	1,552,832	3,535,645		2,080,968	3,007,509
Gov't Designated Grants	1,055,541	1,317,643		2,794,109	(420,925)
Pupil Activity	1,129,284	1,539,559	420,704	1,204,945	1,884,602
Transportation	169,773	39,978	4,138,492	2,170,109	2,178,134
Growth Impact	70,477	451,418		21,320	500,575
Day Care/Extended Kinder	465,041	874,546		365,865	973,722
Other Special Programs	466,906	345,248	89,000	626,463	274,691
Bond Redemption	16,963,689	345,248		14,111,355	3,197,582
Building	202,344	185,354,113		44,812	185,511,645
Print Shop	-	46,239	24,538	63,973	6,804
Dental	524,311	337,691		282,097	579,905
Trust	40,041	34		11,166	28,909
Pupil Activity Agency	157,442	236,471		123,091	270,822

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 2016 the District refinanced its 2005 COPs and realized a net present savings of \$237,228. Stated interest rate was reduced from 4.25% to 2.03%. The District has additional outstanding Board approved debt in the form of bonds, certificates of participation (COPs), and capital leases with expenditures in FY 2016. The total outstanding debt is \$165.6 million as detailed out below, which is 10.0% or \$18 million less than the Expectations of the Board report issued on January 24, 2015.

Type of Borrowing	FY 2015/16 Debt Payment	Outstanding Balance (P+I)	Year Debt Retires
2012B Refunding Bonds	2,372,545		2016
Capital Bus Lease	315,385		2016
Bus/Computer Lease	159,844		2016
Bus/Computers	371,522	366,428	2017
Computer Lease	48,352	47,586	2017
2011 Refunding Bonds	116,602	1,039,690	2018
Water Augmentation Note	85,437	170,876	2018
2006A Refunding Bonds	906,759	31,524,325	2025
2012 Refunding Bonds	2,748,075	36,021,900	2025
2005 COPs	279,594	3,047,947	2026
2006C GO Bonds	2,804,900	2,912,000	2027
2014 GO and Refunding Bonds	4,462,962	64,923,100	2027
2008 GO and Refunding Bonds	696,910	25,508,871	2028
2016 GO Bond	No payment until Dec 2016 (FY17)		

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.

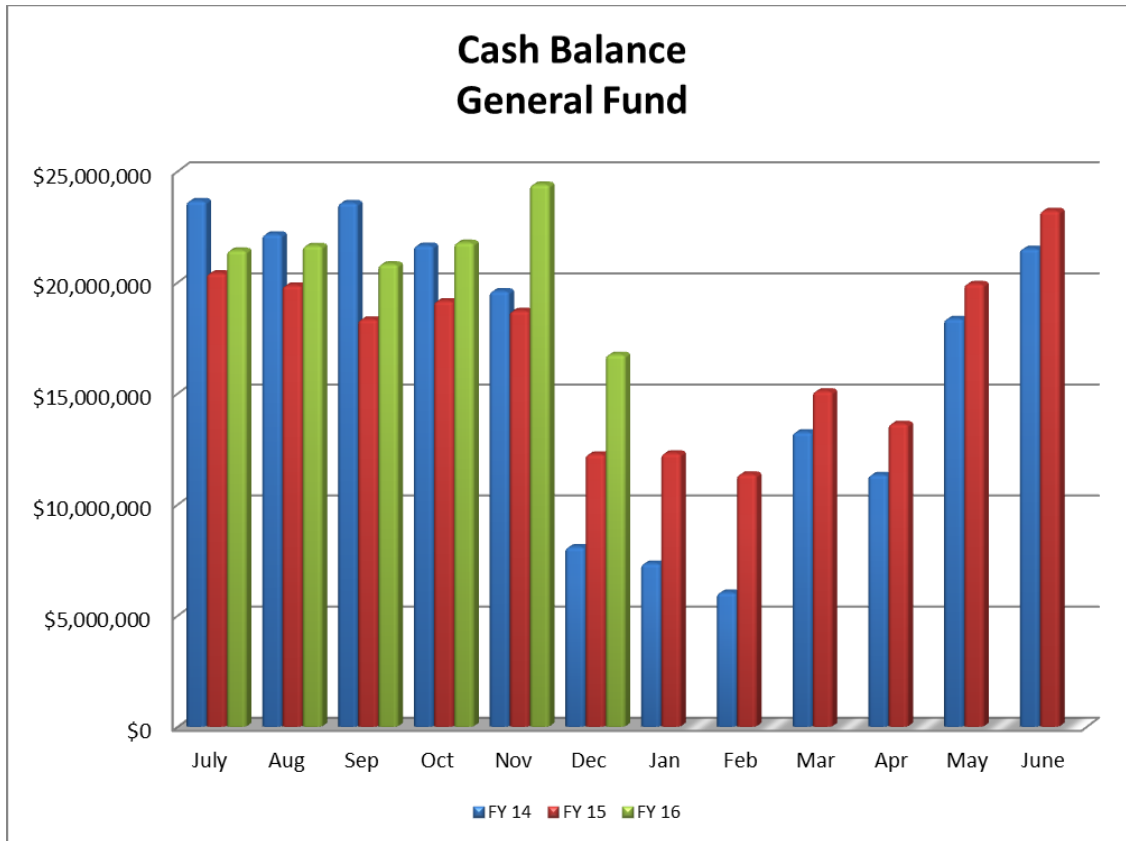
I interpret this to mean:

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 2016 the total unaudited expenditures in the general fund as presented in the schedule on page 3 were \$46.5 million, the District's forecasted annual expenditure amount is \$89.4 million, with 6% equating to \$5.3 million. The total reserves planned in the general fund in the FY 2016 Adopted Budget are \$5.6 million. The \$0.3 million variance is due to the accounting for the 3.0% Board Contingency Reserve for transportation in the general fund, 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 \$5.3 million in FY 2016.



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 2016 budget. The anticipated undesignated ending general fund balance in the Amended Budget is \$3.8 million which is \$1.7 million less than the Adopted Budget. This variance is primarily due to lower enrollment and lower state funding. We used one time funds in our undesignated reserve General fund balance to cover the decrease in the Amended Budget.

The FY 2016 Adopted and Amended Budgets plan for 95% 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 2016 Amended Budget includes \$10.7 million in transfers from the general operating fund to: Colorado Preschool Program fund, Capital Reserve fund, Risk Management fund, Transportation fund, Special Revenue fund, Print Shop 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 2016 July – December	1,657	\$34,290,149	\$9,466,585	\$10,639,780

	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, 2015 to December 31, 2015. 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. 97.1% 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
1,628	1,392	189	23	24
Percentage of checks issued	85.5%	11.6%	1.4%	1.5%

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

- 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 59 checks and 7 purchasing card transactions for \$25,000 or greater in the period July 1, 2015 to December 31, 2015 totaling over \$5.87 million. All transactions listed were included in the FY 2016 operating budgets of the individual departments or schools. A summary of all transactions of \$25,000 or greater is below.

Check #	Check Amount	Vendor	Description
00111203	\$ 25,526.42	ADAMS COUNTY ELECTION OFFICE	2015 ELECTION DUES
2 Checks	\$ 74,706.80	ALPINE ACHIEVEMENT SYSTEMS INC	ASSESS
11 Checks	\$ 417,113.22	ANDREWS FOODSERVICE SYSTEMS	DISTRICTS NUTRITION SUPPLIER
00111015	\$ 25,000.00	ASO INC.	EMAC OFFICIALS
6 Checks	\$ 227,725.14	BRIGHTON EDUCATION ASSOCIATION	UNION DUES
1 PCARD TRANSACTION	\$ 41,200.00	CDW GOVERNMENT	Annual Adobe Renewal
00109807	\$ 195,510.00	CDW GOVERNMENT INC	HP DESKTOP / IMAGING
4 Checks	\$ 179,651.25	CHILDREN'S HOSPITAL	DIST NURSE SERVICES
3 Checks	\$ 146,946.30	CITY OF BRIGHTON	WATER PROMISSORY NOTE/RESOURCE OFFICERS
3 PCARD TRANSACTION	\$ 90,933.19	CITY OF BRIGHTON	Water/Sewer service
00110822	\$ 26,592.76	COLORADO STATE TREASURER	UNEMPLOYMENT BENEFITS
00109763	\$ 150,057.00	COMPUTER INFORMATION CONCEPTS INC.	CIC/INFINITE CAMPUS/PEOPLEWARE & SUPPORT
00110670	\$ 99,147.84	DIRSEC INC	ARUBA WIRELESS ACCESS POINTS
2 Checks	\$ 394,665.07	EVERBANK COMMERCIAL FINANCE, INC	COPY MACHINE RENTAL CONTRACT
2 Checks	\$ 126,976.50	FRONT RANGE COMMUNITY COLLEGE ATTN: CAS	CONCURRENT ENROLLMENT STUDENT TUITION
00110159	\$ 66,843.80	GOV CONNECTION, INC.	RENEWAL FOR VmWare
1 PCARD TRANSACTION	\$ 31,500.00	GOVCNCTN	VmWare renewal
00109801	\$ 28,360.80	GREEN VALLEY TURF COMPANY	PVHS SWING FIELD TURF
2 Checks	\$ 112,040.00	INSPIRED SOLUTIONS LLC	SUMMER SCHOOL PROGRAM / TUTORING SERVICES PROVIDED
23 Checks	\$ 2,902,530.93	KAISER PERMANENTE	HEALTH CARE PREMIUMS
2 Checks	\$ 119,400.00	LARSON INCITTI ARCHITECTS	CONSTRUCTION DOCUMENTS
00110000	\$ 120,175.00	NORTHWEST EVALUATION ASSN.	WEB BASED MEASURES OF ACADEMIC PROGRESS
1 PCARD TRANSACTION	\$ 25,000.00	ONELOGIN LLC	RENEWAL
00110075	\$ 31,525.00	PROTECTIVE FINISHES COMPANY	WESTRIDGE ELEMENTARY GRAFITTI CONTROL
00110934	\$ 26,185.00	RUBINBROWN LLP	FINANCIAL STATEMENTS/SINGLE AUDIT
1 PCARD TRANSACTION	\$ 25,253.62	SENTRY FIRE AND SAFETY	Fire systems service and inspections- all facilities
00109791	\$ 40,163.51	SOF-TECH MAINTENANCE COMPANY	ANNUAL PHONE SYSTEM MAINTENANCE/EQUIP
00110401	\$ 28,065.00	SPRADLEY BARR FORD LINCOLN OF GREELEY, I	FORD F250 3/4 TON
00110085	\$ 46,831.96	SUNTRUST EQUIPMENT FINANCE & LEASING COR	CHROME BOOKS
2 Checks	\$ 50,000.00	TEMPUS NOVA, INC.	AO DOCS SERVER LICENSES

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 2015 and December 2015 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
Legacy Foundation	BHS	\$1,000	Art program
United Power	VIKAN	\$ 650	Saturday School
Target Field Trips	PVHS	\$ 700	Field Trip To Anschutz Medical Campus
The Colorado Health Foundation	PVHS	\$5,000	HOSA Trips and Biomedical Instruments

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 2016 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.

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
	<u>Number</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Property Taxes	N/A	Funds wired monthly				
State Funds	N/A	Funds wired monthly				
Facility Rental	80	95%	5%	0%	0%	0%
Charter Administration Fees	N/A	Paid monthly and reconciled at year end				
Reimbursements from Granting Agencies	N/A	Collected at various times of the year. Most grants are not billed, funds are paid based on the grantees requirements				
Athletic Fees	1,631	92%	3%	3%	2%	0%
Class Fees	40,987	62%	3%	13%	10%	12%
Lost Book/Equipment Fees	1,678	14%	6%	29%	11%	40%
Print Shop	123	98%	2%	0%	0%	0%
Before & After School Care	2,145	93%	2%	1%	4%	0%
Detention Center	23	0%	36%	32%	32%	0%
Full Day Kinder Tuition	1,398	85%	10%	3%	0%	2%
Transportation	2,574	35%	7%	30%	11%	17%

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

Meal	Number of Meals	Free	Reduced	Paid
Breakfast	112,343	74,375	14,074	23,894
Lunch	576,969	261,639	60,234	255,096
Total	689,312	336,014	74,308	278,990
%	100%	49%	11%	40%

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 2015 financial and A-133 audit which was presented to the Board of Education at the December 8, 2015 meeting.

Conclusion: I report compliance