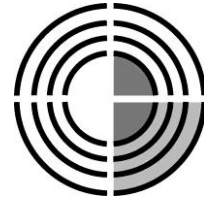




COLORADO SCHOOL DISTRICT 27J
GOVERNING POLICY OF
THE BOARD OF EDUCATION



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:

The Expectations of the Board Report pertains to the first six (6) months of fiscal year 2018 (July 1, 2017- December 31, 2017). The FY 2018 budget was adopted in May 2017 and will be adjusted in January 2018 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 2018. The FY 2018 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.

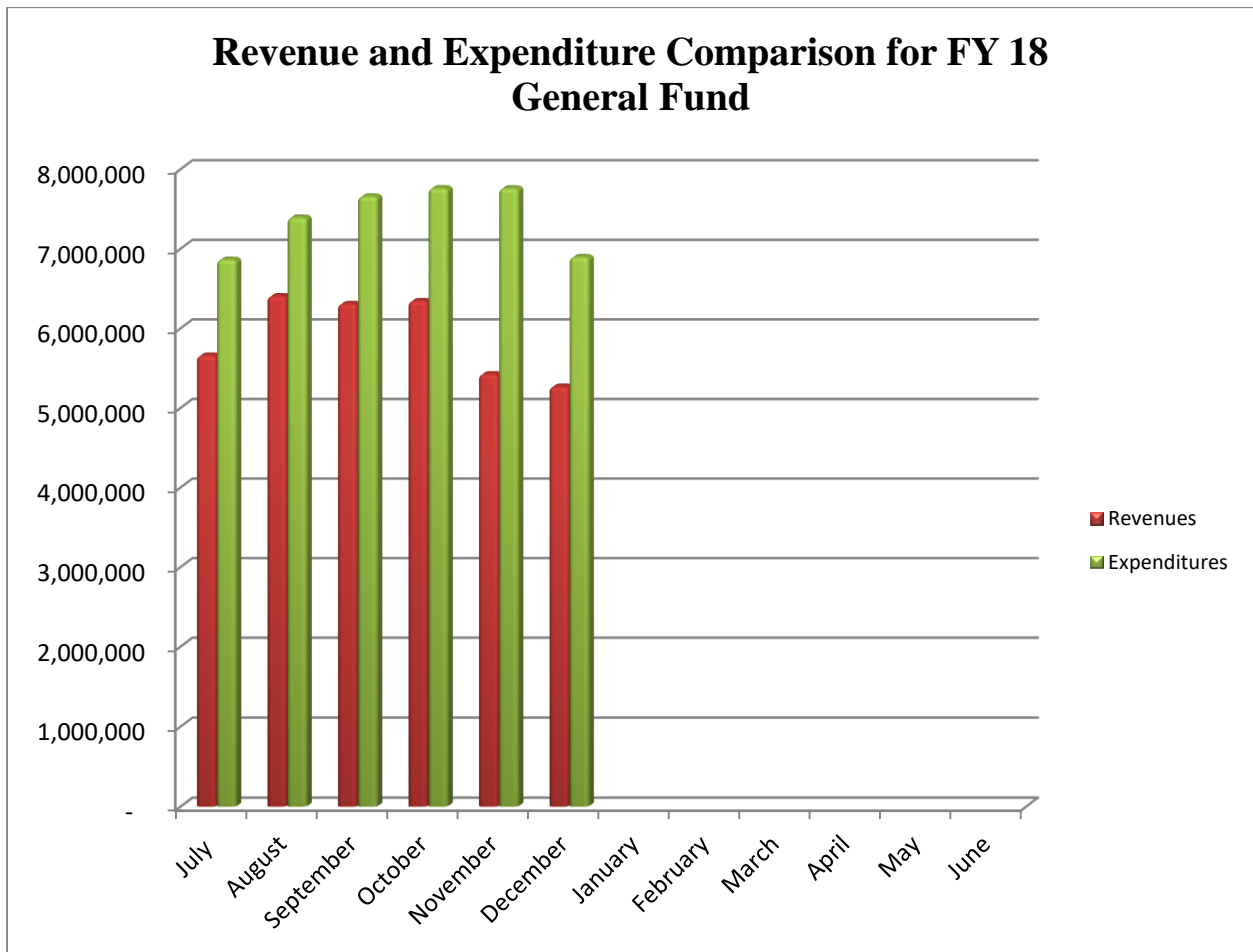
Data Reported:

The FY 2018 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 2018 with a fund balance in the general fund of \$13.9 million. This includes \$3.3 million for the TABOR reserve, \$3.2 million for the Board Designated reserve, \$398,910 of reserve for Multi-Year Obligations, \$563K Risk Management reserve, \$258K Career and Technical Education reserve and \$2.9 million for non-appropriated general contingency.

A review of revenue received, expenditures paid, and transfers completed during the first 6 months of FY 2018 shows that at this point in time, general fund expenditures and transfers exceed revenues requiring the use of \$22.2 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.

Fund	Beginning Fund Balance	Revenues	Transfers	Expenditures	Ending Fund Balance
General	19,918,108	35,406,612	(7,842,181)	44,330,170	3,152,369
Capital Reserve	1,038,709	25,727	1,312,850	582,339	1,794,947
Risk Mgmt Insurance	882,738	-	1,627,652	1,239,637	1,270,753
Preschool	355,594	2,873,897	165,569	1,575,513	1,819,547
Nutrition Services	2,220,051	2,120,683	-	2,458,053	1,882,681
Gov't Designated Grants	1,058,168	4,448,969	-	3,619,018	1,888,119
Pupil Activity	1,598,824	1,008,679	420,704	1,303,529	1,724,678
Transportation	-	1,667,382	4,035,916	2,898,347	2,804,951
Growth Impact	104,556	23,217	-	7,497	120,276
Day Care/Extended Kinder	709,268	508,133	-	589,035	628,366
Other Special Programs	751,596	1,356,345	205,496	785,563	1,527,874
Bond Redemption	18,631,384	320,072	-	18,550,394	401,062
Building	92,862,781	106,358,780	-	42,056,749	157,164,812
Print Shop	-	51,243	73,994	56,592	68,645
Dental	528,430	404,236	-	385,695	546,971
Trust	24,231	245	-	-	24,476
Pupil Activity Agency	193,819	156,270	-	113,020	237,069
	140,878,257	156,730,490	-	120,551,151	177,057,596

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. Inter-fund borrowing can take place for cash flow purposes as long as the funds are replenished within 90 days.

Data Reported:

In FY 2018 the District issued the Series 2017 GO Bonds of \$88 million; the second issuance of the GO Bonds from the 2015 election. The resolution was presented and approved by the Board on August 22, 2017. The issuance generated a \$17.7 million premium for a total of \$105.1 million after underwriting and costs of issuance. The first debt payment on the Series 2017 GO Bonds will be due June 1, 2018 of \$3.14 million with an outstanding balance of \$178.1 million at the end of FY 2018. The District also entered into a three-year lease with JP Morgan Chase for 800 computers in accordance with the cascade technology plan and 471 Chromebooks at an interest rate of 2.47%. The District has additional outstanding Board approved debt in the form of bonds, certificates of participation (COPs) and operating leases with expenditures in FY 2018. The District's total outstanding debt at December 31, 2017 is \$598.9 million.

Type of Borrowing	FY 2017/18 Debt Payment (P+I)	Outstanding Balance (P+I)	Year Debt Retires
ChromeBooks/Computers Lease	280,261	420,030	2020
Water Augmentation Note	102,208	-	2018
2005 COPs	211,366	2,100,847	2026
2008 GO and Refunding Bonds	2,097,000	46,800	2019
2011 Refunding Bonds	899,345	-	2018
2012A Refunding Bonds	2,821,125	26,742,600	2025
2014 GO and Refunding Bonds	2,233,313	59,063,650	2027
2015 Refunding Bonds	7,263,500	285,417,350	2041
2016A Refunding Bonds	633,163	40,072,325	2028
2016B Refunding Bonds	83,033	3,802,775	2028
2017 GO and Refunding Bonds	-	181,220,111	2043
	\$ 16,624,314	\$ 598,886,488	

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.

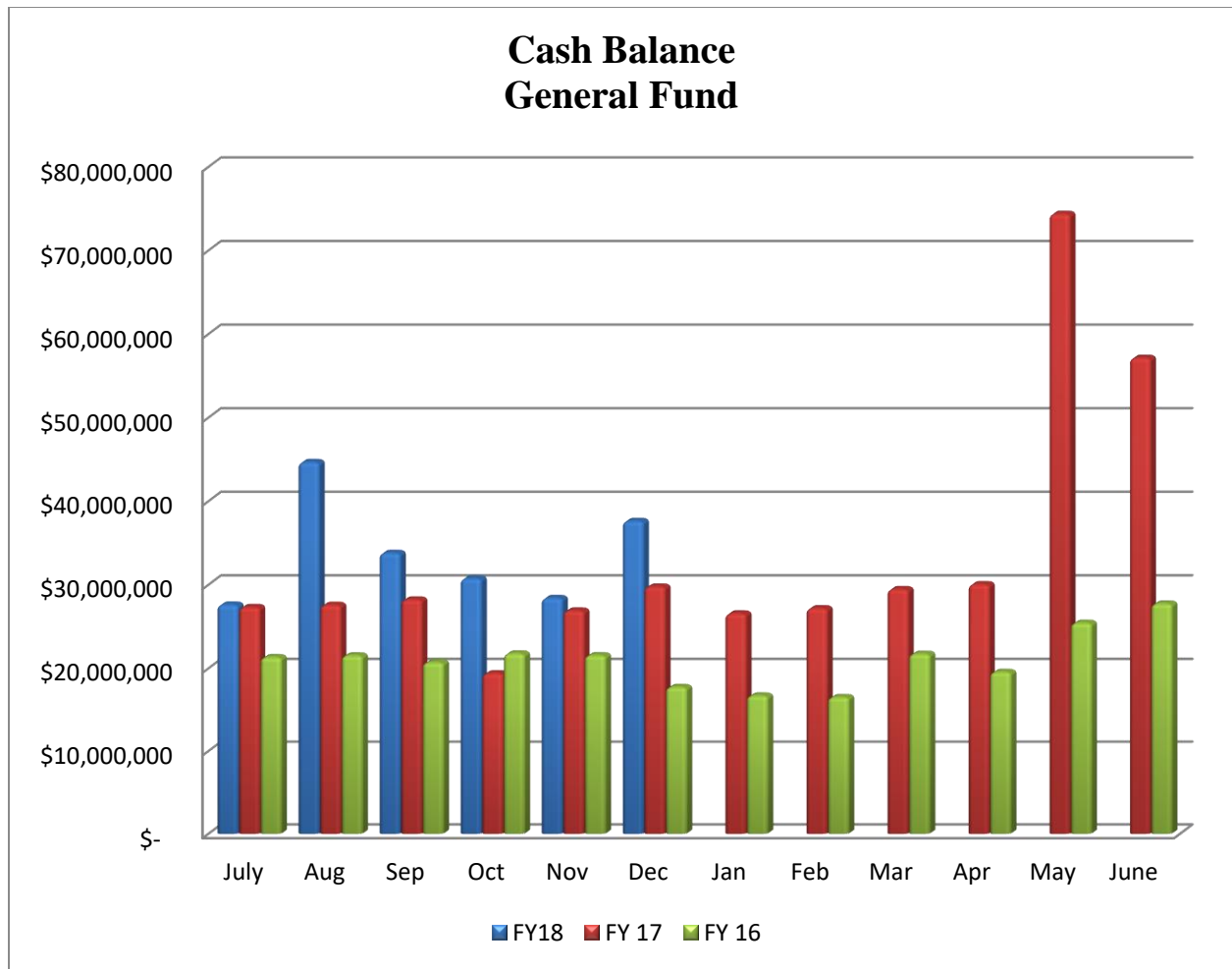
I interpret this to mean:

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 2018 the total unaudited expenditures in the general fund, as presented in the schedule on page 3 were \$47.7 million. The District's forecasted annual expenditure amount is \$102.8 million, with 6% equating to \$6.2 million. The total reserves planned in the general fund in the FY 2018 Adopted Budget are \$11.1 million. The \$4.9 million variance is due to the constitutional requirement to reserve for multi-year obligations, committed reserves for career and technical education and risk management and the assigned reserve for the costs associated with the opening of Riverdale Ridge High School in the fall of 2018.

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 \$6.2 million in FY 2018.



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 2018 Adopted Budget. The anticipated undesignated ending general fund balance in the Amended Budget is \$2.9 million which is no change from the FY18 Adopted Budget.

Conclusion: I report compliance

3. Conduct inter-fund 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 2018 Adopted Budget includes \$7.8 million in transfers from the General Fund to: Capital Reserve Fund, Risk Management Fund, Colorado Preschool Fund, Pupil Activity Fund, Transportation Fund, Other Special Programs-Detention Center and Wellness and Print Shop 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 Per Month	Gross Payroll Amount	Employee Paid Deductions	Employer Paid Deductions
FY 2018 July – December	1,765	\$36,705,725	\$9,69,350	\$12,260,106
Types of Employer Paid Deductions		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, 2017 to December 31, 2017. 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% 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
1,811	1,563	170	48	30
Percentage of checks issued	87%	10%	2%	1%

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 57 checks and 16 purchasing card transactions for \$25,000 or greater in the period July 1, 2017 to December 31, 2017 totaling \$6.95 million. All transactions listed were included in the FY 2018 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
00118857	\$ 45,675.00	ADAMS 12 FIVE STAR SCHOOLS	OUT OF DISTRICT TUITION
00118861	\$ 35,574.00	BERRY COMPANIES, INC.	SKIDTEER
6 Checks	\$ 237,098.72	BRIGHTON EDUCATION ASSOCIATION	UNION DUES
5 Checks	\$ 127,062.15	BROMLEY EAST CHARTER SCHOOL	IDEA B, ECEA, CAPITAL CONSTRUCTION
00117358	\$ 99,900.00	CDW GOVERNMENT INC	SOFTWARE LICENSES
1 PCARD TRANSACTION	\$ 120,160.00	CDW GOVERNMENT INC	SERVERS
3 Checks	\$ 185,208.00	CHILDREN'S HOSPITAL	DIST NURSE SERVICES
00118519	\$ 83,354.10	CITY OF BRIGHTON	WATER
4 PCARD TRANSACTIONS	\$ 134,211.66	CITY OF BRIGHTON	UTLTS-ELCTRC GAS HEATING OIL SANITARY WATER
2 Checks	\$ 130,219.17	CITY OF BRIGHTON POLICE DEPARTMENT	3RD QUARTER OFFICER
00117250	\$ 150,161.00	COMPUTER INFORMATION CONCEPTS INC.	CIC/INFINITE CAMOUS/PEOPLEWARE & SUPPORT
00117360	\$ 61,380.26	DELL USA LP ACCT	COMPUTERS
00117561	\$ 38,594.34	EVERBANK COMMERCIAL FINANCE, INC	COPIER LEASE OVERAGE CHARGES
18 Checks	\$ 872,169.34	FOOD SERVICE OF AMERICA	FOOD SERVICE
00118328	\$ 106,187.20	FRONT RANGE COMMUNITY COLLEGE ATTN: CAS	CONCURRENT ENROLLMENT STUDENT TUITION
7 PCARD TRANSACTION	\$ 428,965.00	GOVCNCTN	ANNUAL RENEWAL - VMWARE- LICENSING- LAPTOPS
1 PCARD TRANSACTION	\$ 27,671.40	HERFF JONES SCHOOL	YEARBOOKS
00117700	\$ 145,704.00	ILLUMINATE EDUCATION INC.	SOFTWARE
6 Checks	\$ 3,325,821.14	KAISER PERMANENTE	HEALTH CARE PREMIUMS
00118541	\$ 26,870.75	LARADON HALL SOCIETY FOR EXCEPTIONAL CHI	OUT OF DISTRICT TUITION
1 PCARD TRANSACTION	\$ 26,019.00	ONELOGIN LLC	ANNUAL ONELOGIN RENEWAL
00117367	\$ 168,884.92	PEARSON EDUCATION	3RD, 4TH, 5TH GRADE BOOKS
00118889	\$ 29,950.00	RUBINBROWN LLP	FINANCIAL STATEMENTS/SINGLE AUDIT
3 Checks	\$ 151,051.00	SANITY SOLUTIONS, INC	ONSITE PROFESSIONAL SERVICES
2 PCARD TRANSACTION	\$ 64,692.05	SOUTH ADAMS COUNTY	WATER/SEWAGE
00117372	\$ 97,141.22	VLCM TECH	HPE FOUNDATION CARE SERVICE
00118155	\$ 35,000.00	VOX MOBILE INC	SILVER SUBSCRIPTION LICENSE
	\$ 6,954,725.42		

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:

At the end of FY 2017, as part of the annual audit of the District’s financial statements, we reported \$81.5 million of Construction in Progress (CIP). The CIP balance is a result of bond projects that were in progress in FY 2017. As of December 31, 2017, the District has added an additional \$40.5 million of CIP for bond projects. Of the total \$122 million of CIP, \$9.8 million has been capitalized. This is primarily due to the completion of the Vikan Middle School expansion and the Brighton High School renovation completed in September 2017.

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. The following chart lists the additions of fixed assets at December 31, 2017.

Description	School / Program	Capitalized Amount
Tegile 4700 Intelligent Flash Array	Technology	\$ 104,357
6 Physical Servers	Technology	120,160
Skidster	Grounds/Maintenance	35,574
	Total Additions	\$ 260,091

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
United States Coast Guard	Prairie View High School	\$3,000	Sponsorship
US Army	Prairie View High School	\$1,500	Supplies
Fidelity Charitable	Overland Trail Middle School	\$8,800	Chromebooks
Judy Nichols	Prairie View High School	\$2,000	Girls Soccer
Sampson Construction	Vikan Middle School	\$1,000	School Store Supplies
Green Valley Grange	Transportation Department	\$1,000	Transp CPR Manikins
Youth Initiative	Vikan Middle School	\$2,200	Supplies
27J Education Foundation	Northeast Elementary	\$1,100	Laminator
27J Education Foundation	Second Creek Elementary	\$506	Active Inside Recess
27J Education Foundation	Vikan Middle School	\$3,000	Chromebooks
27J Education Foundation	North Elementary School	\$600	Field Trip - movie Wonder
27J Education Foundation	South Elementary	\$351	Field Trip - movie Wonder

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.

For fiscal year 2018, the District is exploring additional collection processes to include electronic statements. This approach will remind families of any outstanding fees more frequently, which should result in more timely receipt of fees assessed.

Receivables	Invoices Issued	Collected within 30 days	Collected 31-60 days	Collected 61-90 days	Collected 90+ days	Outstanding
	Number	%	%	%	%	%
Property Taxes	N/A	monthly				
State Funds	N/A	monthly				
Facility Rental	30	97%	3%	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 based on the grantees requirements				
Athletic Fees	3,656	73%	24%	1%	1%	1%
Class Fees	36,696	60%	7%	9%	11%	13%
Lost Book/Equipment Fees	1,515	31%	26%	18%	17%	8%
Print Shop	42	100%	0%	0%	0%	0%
Before & After School Care	2,307	95%	2%	2%	1%	0%
Detention Center	24	83%	4%	0%	0%	13%
Full Day Kinder Tuition	1,530	95%	2%	1%	1%	1%
Transportation	1,305	38%	10%	28%	9%	15%

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

Meals	Number of Meals	Free	Reduced	Paid
Breakfast	129,841	76,294	21,557	31,990
Lunch	640,933	272,220	76,241	292,472
Total	770,774	348,514	97,798	324,462
%		45.2%	12.7%	42.1%

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 additional information on internal control and providing suggestions for improvement.

The auditors presented their comments and observations of the FY 2017 audit at the December 12, 2017 Board Meeting. Their management letter included a deficiency surrounding the year-end review and reconciliation process for construction accounts payable. Four construction payment applications which crossed over fiscal years 2017 and 2018 were not included in the accrual for FY 2017. Since the year-end audit, the District has included this process in our documented internal control framework. The District does not anticipate this finding to be recurring or an issue in the audit of FY 2018.

Conclusion: I report non-compliance