

**27J SCHOOLS**  
**GOVERNING POLICY OF THE BOARD OF EDUCATION**  
*Management Limitations*



**Policy 3.D – FINANCIAL CONDITION & ACTIVITIES**

*Date Adopted/Last Revised: January 27, 2009*

Period Monitored: July 1 through December 31, 2019

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 2020 (July 1 to December 31, 2019). The FY 2020 budget was adopted in May 2019 and will be adjusted in January 2020 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 2020. The FY 2020 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 2020 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.

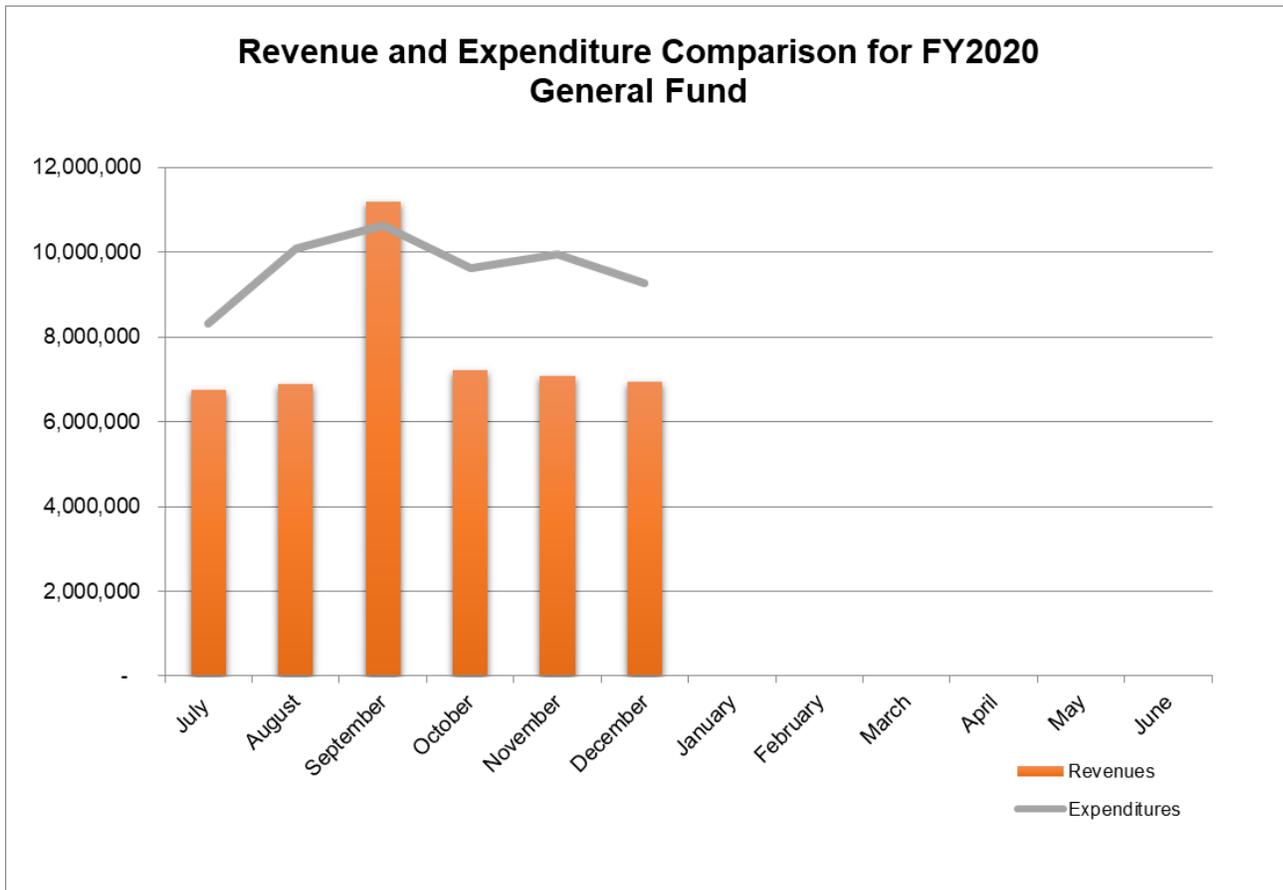
All three reserves are fully funded, the first two at the required 3% each and the last according to the current Superintendent contract. In the Adopted Budget the District is expected to end FY 2020 with a fund balance in the General Fund of \$14.9 million. This includes \$4.1 million for the TABOR reserve, \$4.2 million for the Board Designated reserve, \$829K of reserve for Multi-Year Obligations, \$382K Career and Technical Education reserve, \$2.5 million Assigned 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 2020 shows that General Fund expenditures and transfers exceed revenues requiring partial use of the \$27.9 million 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 Balances

Fund	Beginning Fund Balance	Revenues	Transfers	Expenditures	12/31/19 Ending Fund Balance
General	\$ 27,932,369	\$ 44,097,565	\$ (9,453,389)	\$ 57,896,996	\$ 4,679,549
Capital Reserve	1,455,927	5,051,064	2,378,933	6,035,684	2,850,240
Risk Mgmt Insurance	791,642	1,187	1,297,553	1,678,863	411,519
Preschool	287,197	2,377,466	559,892	1,317,342	1,907,213
Nutrition Services	1,880,206	2,600,767	-	2,805,259	1,675,714
Gov't Designated Grants	2,699,415	4,086,497	-	4,932,615	1,853,297
Pupil Activity	1,825,898	1,843,127	360,352	1,791,961	2,237,416
Transportation	-	1,681,977	4,911,599	3,480,135	3,113,441
Growth Impact	95,823	693	-	18,088	78,428
Child Care	726,009	588,556	-	915,827	398,738
Special Programs	883,452	872,982	(129,411)	410,987	1,216,036
Bond Redemption	24,494,347	523,370	-	17,055,480	7,962,237
Building	72,935,723	426,094	-	22,145,940	51,215,877
Print Shop	-	33,732	74,471	86,617	21,586
Dental	595,586	446,958	-	447,023	595,521
Trust	25,912	453	-	-	26,365
Pupil Activity Agency	-	-	-	-	-
<b>Total</b>	<b>\$ 136,629,506</b>	<b>\$ 64,632,488</b>	<b>\$ -</b>	<b>\$ 121,018,817</b>	<b>\$ 80,243,177</b>

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:**

The District has outstanding Board approved debt in the form of bonds, certificates of participation (COPs) and operating leases with expenditures in FY 2020. In September 2019, the District entered into a lease-purchase agreement, COPs, to finance the purchase of the Brighton Learning Resource Campus. The existing COPs for the Educational Service Center, outstanding balance of \$1.7 million, were included in the new lease-purchase agreement. The outstanding COPs balance at December 31, 2019 is \$5.1 million. The District's total outstanding debt at December 31, 2019 is \$551.8 million.

Type of Borrowing	FY 2019/2020 Debt Payment (P+I)	Outstanding Balance (P+I)	Year Debt Retires
ChromeBooks/Computers Lease	704,246	564,476	2021
2005 COPs	1,730,184	-	
2019 COPs	392,714	5,105,287	2033
2012A Refunding Bonds	2,901,625	19,992,500	2025
2014 GO and Refunding Bonds	2,266,413	52,570,650	2027
2015 Refunding Bonds	5,563,625	267,611,100	2041
2016A Refunding Bonds	4,022,363	30,926,275	2028
2016B Refunding Bonds	97,455	3,532,280	2028
2017 GO and Refunding Bonds	2,200,000	171,479,000	2043
	<b>\$19,878,625</b>	<b>\$551,781,568</b>	

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.

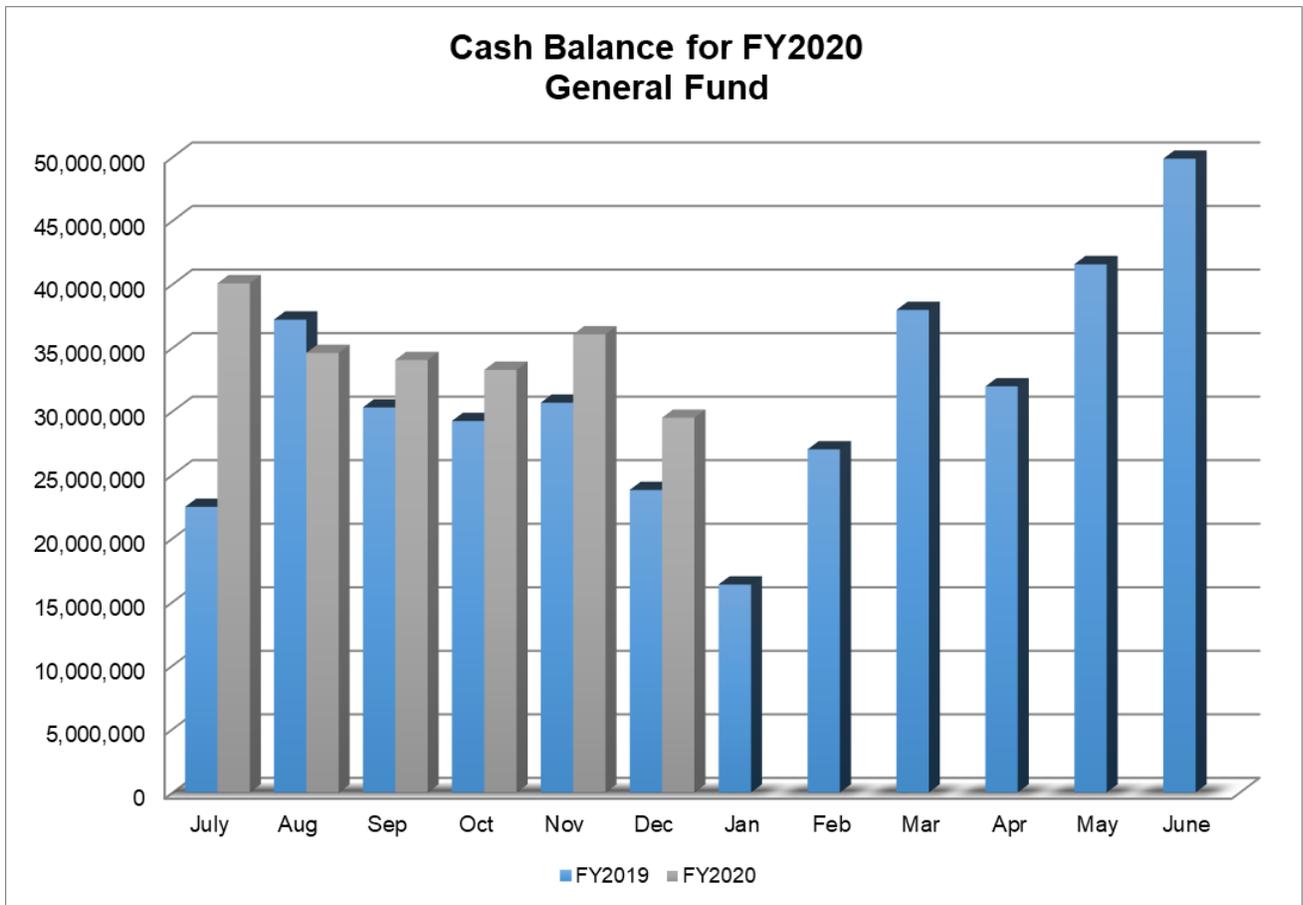
*I interpret this to mean:*

*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 2020 the total unaudited expenditures in the General Fund, not including transfers, as presented in the schedule on page 3 were \$57.9 million. The District’s forecasted annual expenditure amount is \$131.6 million, with 6% equating to \$7.9 million. The total reserves planned in the General Fund for the FY 2020 Adopted Budget are \$12.0 million. The \$4.1 million variance is due to the constitutional requirement to reserve for multi-year obligations, committed reserves for career and technical education and the assigned reserve for the costs associated with the opening of Padilla Elementary School and Quist Middle School.

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 reserve balance of \$7.9 million.



**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 2020 Adopted Budget. The anticipated undesignated ending General Fund balance in the Amended Budget is \$2.9 million which is no change from the FY 2020 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 2020 Adopted Budget includes \$11.7 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 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 12<sup>th</sup> 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.

Payroll Month	Average No. Employees Paid / Month	Gross Payroll Amount	Employee Paid Deductions	Employer Paid Deductions
FY 2020 July – December	2,028	\$45,263,812	\$11,701,682	\$15,389,577
Types of Employee 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 to December 31, 2019. 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 issued. Within 90 days of invoice date, 98% of all payables were paid.

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
1,967	1,718	177	41	31
Percentage of checks issued	87%	9%	2%	2%

**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.

<b>Mandatory Deduction</b>	<b>How Paid</b>
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 98 checks and 23 purchasing card transactions for \$25,000 or greater in the period July 1 to December 31, 2019 totaling \$11.5 million. All transactions listed were included in the FY 2020 operating budgets of the individual departments or schools. A summary of all transactions of \$25,000 or greater is below.

Type	No.	Amount	Vendor	Description
<b>Check</b>	1	\$ 41,392.00	ADAMS 12 FIVE STAR SCHOOLS	Out of District Tuition
	1	25,200.00	ASO INC.	League Officials Assignment Fee
	1	49,427.00	AVID CENTER	AVID Membership
	1	31,427.69	BC INTERIORS, INC	Furniture
	2	96,653.54	BELLE CREEK CHARTER SCHOOL	ELPA and Capital Construction
	2	64,100.58	BP ENERGY COMPANY	Utilities - Gas for Multiple Locations
	5	245,704.07	BRIGHTON EDUCATION ASSOC	Monthly Union Dues
	8	371,618.29	BROMLEY EAST CHARTER SCHOOL	Monthly Capital Construction Payments
	1	47,993.25	BUILDING TECH SYSTEMS INC	Compressor for PVMS, Turnberry and BHS Chiller
	3	205,253.28	CHILDREN'S HOSPITAL	District Nurse Services
	2	176,374.01	CITY OF BRIGHTON POLICE DEPT	Resource Officers 2nd and 3rd Qtr 2019
	1	115,790.06	COLORADO STATE TREASURER	Quarterly - Unemployment Benefit
	1	223,001.00	COMPUTER INFO CONCEPTS INC.	Annual Agreement 7/1/19-06/30/20
	1	33,995.00	CONVERGINT TECHNOLOGIES LLC	All Fire Systems and Extinguisher Testing
	1	39,932.00	DAKTRONICS INC	ESC Marquee
	1	37,900.00	EQUAL OPPORTUNITY SCHOOLS	50% of Services Fees for School Yr 19/20
	17	924,878.80	FOOD SERVICE OF AMERICA	Nutrition Supplies
	1	35,752.00	FOOTHILLS IMPROVEMENT, INC	PVHS Bathroom Repairs
	4	121,125.32	FOUNDATIONS ACADEMY	Capital Construction/ECEA/Read Act
	1	74,736.60	G-FORCE POWERSPORTS	Polaris Snow Machines
	1	38,500.00	HERFF JONES INC	18/19 Yearbooks-BHS
	1	284,063.70	ILLUMINATE EDUCATION INC.	Software/Licenses
	1	126,230.00	IMAGINE LEARNING INC	2 Year Licenses - 1000 Licenses K-12
	6	3,944,101.34	KAISER PERMANENTE	Health Care Premiums
	1	43,723.00	KEYSTONE SCIENCE SCHOOL	6th Grade Outdoor Ed Trip - Quist
	4	117,525.36	LANDMARK ACADEMY	Capital Construction FY 18-19/Read Act FY 19-20
	3	97,194.40	LARADON HALL SOCIETY	Out of District Tuition
	3	520,280.00	MOTOROLA SOLUTIONS	Radio Software-SAFER Grant
	1	28,236.75	PUEBLO HOTEL SUPPLY	Yearly Smallware Orders
	1	27,500.00	RUBINBROWN	Financial Single Audit
	1	118,885.08	SAVIO MANAGEMENT GROUP	Certified Teacher Employment Cost
	1	47,600.00	SCHOOLGY, INC.	Enterprise Subscription 7/1/19-6/30/20
	1	256,796.75	SCHOOLS SAFE	Tech Tower Upgrades
	2	121,092.48	SOF-TECH MAINTENANCE CO	Annual Maintenance 7/1/19-06/30/20
	1	100,000.00	STEP, LLC	Licensing Fee for Step Program
	1	28,525.65	SUMMIT PARTNERS	Hardware/Software Maintenance Support
	3	114,020.72	THE JOSHUA SCHOOL	Out of District Tuition
	3	140,024.64	TIAA COMMERCIAL FINANCE, INC.	Copy Machine Rental/Lease Agreement
	6	996,395.68	UNITED POWER INC	Utilities - Electricity for Multiple Locations
	1	26,567.30	UNITED RESTAURANT SUPPLY	Refrigerator, Freezer, and Convection Oven - BHS
	1	55,183.29	US FOODS, INC	Nutrition Supplies
<b>Total</b>	<b>98</b>	<b>\$ 10,194,700.63</b>		
<b>Card</b>	1	\$ 53,280.00	BLACKBOARD INC	License 07/01/20-06/30/20
	3	117,870.52	CAPLAN AND EARNEST LLC	Legal Services
	9	338,466.77	CITY OF BRIGHTON	Utilities - Water and Sewer Multiple Locations
	6	640,722.65	GOVCNCTN	Microsoft and Malware Renewals/Chromebooks
	1	25,362.28	IRECEIVABLES	Destiny Library Renewals
	1	39,250.00	ONELOGIN LLC	Annual Renewal
	2	81,827.64	SOUTH ADAMS COUNTY WATER	Utilities - Water and Sewer Multiple Locations
<b>Total</b>	<b>23</b>	<b>\$ 1,296,779.86</b>		
<b>TOTAL</b>		<b>\$ 11,491,480.49</b>		

**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 2019, as part of the annual audit of the District’s financial statements, we reported \$49.1 million of Construction in Progress (CIP). The CIP balance is a result of bond projects that were in progress in FY 2019. As of December 31, 2019, the District has added \$22.1 million of CIP for bond projects. Of the total \$71.2 million of CIP, \$53.9 million has been completed and capitalized. This is primarily due to the completion of Rodger Quist Middle School.

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, 2019.

Description	School / Program	Capitalized Amount
Servers (6)	Technology	\$ 99,293
Backup Battery Unit	Technology	5,683
HVAC Chiller	Turnberry Elementary Facilities	11,642
F-350 Pickup Add-on Tool Bins/Bed/Plow	Grounds/Maintenance	6,220
HVAC Compressor & Water Heater	Prairie View MS	17,973
Marquee	ESC Administration	39,175
Snow Removal Machines (10)	NE, South, SE, Henderson, Pennock, Second Creek, Turnberry and Brantner, Vikan MS and Prairie View MS Custodial Program.	74,737
Cappuccino Machine, Refrigerator & Breakfast Cart	Brighton HS Nutrition Services	29,054
Golf Cart (2)	Brighton HS Athletics & Security	20,735
Golf Cart	Prairie View HS Athletics	8,755
	<b>Total Additions</b>	<b>\$ 313,267</b>

**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:**

<b>Name of Donator</b>	<b>School / Program</b>	<b>Item or Amount</b>	<b>Purpose</b>
Kirk Vanderbeek	Riverdale Ridge High School	\$ 800	Cheerleading
Project Lead the Way	Riverdale Ridge High School	15,000	Engineering
Northern Hills Church	North Elementary	5,000	Technology
Precious Child	South Elementary	500	General Supplies
Unlocking Equity LLC	Riverdale Ridge High School	1,000	Boy's Basketball
Hurtado Project	South Elementary	1,200	General Supplies
Pam & Josh Hawkins	Riverdale Ridge High School	2,500	Boy's Basketball
Stacy & Scott Bushlack	Riverdale Ridge High School	1,300	Girl's Basketball
<b>TOTAL DONATIONS</b>		<b>\$ 27,300</b>	

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.

In November 2018, the District began sending electronic reminders to families that have an outstanding student fee balance. If no outstanding balance exists, the family will not receive a reminder.

Receivables	Invoices Issued	Amount	Collected				
			0-30 Days	31-60 Days	61-90 Days	90+ Days	O/S
July-December 2019			%	%	%	%	%
Property Taxes	n/a		monthly				
State Equalization	n/a		monthly				
Charter Administration Fees	n/a		monthly				
Reimbursements from Granting Agencies	n/a		funding based on grantees requirements				
Athletic Fees	2,517	\$ 234,624	93%	1%	0%	0%	6%
Course Fees	33,374	\$ 709,737	51%	6%	4%	1%	38%
Tech / Other Fees	47,961	\$ 1,032,792	47%	9%	4%	1%	39%
Lost / Equipment Fees	4,546	\$ 149,164	50%	1%	0%	0%	49%
Print Shop	39	\$ 11,757	99%	1%	0%	0%	0%
Transportation	6,208	\$ 188,120	59%	5%	1%	0%	35%
Child Care	2,828	\$ 595,728	97%	1%	1%	0%	1%
Detention Center	23	\$ 330,211	59%	40%	0%	0%	1%

## Nutrition Services

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

Meals	# of Meals	Free	Reduced	Paid
Breakfast	96,175	59,462	13,657	23,056
Lunch	639,143	255,639	67,875	315,629
Total	735,318	315,101	81,532	338,685
%		43%	11%	46%

### **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 2019 audit at the December 10, 2019 Board Meeting. Their management letter stated no audit findings.

### **Conclusion: I report compliance**