

INTERNAL MONITORING REPORT

POLICY: 2.4 FINANCIAL CONDITION AND ACTIVITIES
POLICY CATEGORY: OPERATING LIMITATIONS
PERIOD MONITORED: July 1, 2024 – December 31, 2024

This is my monitoring report on the Board of Education's Executive Limitation policy "Financial Condition and Activities." I certify that the information contained in this report is true and complete, and it is presented in accordance with the routine monitoring report schedule. This report will monitor the policy starting at its more detailed prohibitions and end with the global prohibition.

Christopher Gdowski, Superintendent
February 26, 2025

- 1. POLICY PROHIBITION:** *Shall not at any time: (a) Use any reserves other than as intended and permitted by law; or (b) allow the unassigned fund balance at the conclusion of a fiscal year to be no less than 4% and no more than 8% of general fund revenues except as provided in section 2.4.2.*

INTERPRETATION (2.4.1 a.):

I interpret “(a) *shall not use any reserves other than as intended and permitted by law*” to mean:

The District (including charter schools) only expends restricted funds, as shown in the table below, for purposes permitted by law throughout the identified monitoring period. Reserves are maintained as budgeted items not yet spent.

TABOR	An amount equal to 3% of the annual District revenues must be held in reserve unless the Board adopts a resolution permitting expenditure of the funds and provides security for these funds by means of a letter of credit or by using District assets as collateral. (TABOR reserves are not required for federal and enterprise funds).
Contract Reserves	District: Reserves held for future year payments of certified and classified employee longevity stipend for employees who have separated from employment. Charter Schools: Reserves held per contract language for Special Education.

DATA REPORTED: Reserves are maintained for the designated purposes as shown below. There has been no expenditure of these funds. For the first quarter of the fiscal year, the TABOR and contract reserves are held at budget, as any variance is negligible.

	Budgeted Restricted Reserve Balance 7/1/2024	Restricted Reserved Balance 12/31/2024
TABOR Reserve	\$ 15,048,414	\$ 15,132,937
Contract Reserves	<u>11,665,208</u>	<u>16,388,129</u>
Total Restricted Reserve	\$ 26,713,622	\$ 31,521,066

Prospect Ridge

	Budgeted Restricted Reserve Balance 7/1/2024	Restricted Reserved Balance 12/31/2024
TABOR Reserve	\$ 563,925	\$ 403,913
Contract Reserves	<u>200,000</u>	<u>200,000</u>
Total Restricted Reserve	\$ 763,925	\$ 603,913

Stargate

	Budgeted Restricted Reserve Balance 7/1/2024	Restricted Reserved Balance 12/31/2024
TABOR Reserve	\$ 460,456	\$ 624,976
Contract Reserves	<u>200,000</u>	<u>200,000</u>
Total Restricted Reserve	\$ 660,456	\$ 824,976

Westgate

	Budgeted Restricted Reserve Balance 7/1/2024	Restricted Reserved Balance 12/31/2024
TABOR Reserve	\$ 242,488	\$ 223,118
Contract Reserves	<u>200,000</u>	<u>200,000</u>
Total Restricted Reserve	\$ 442,488	\$ 423,118

New America

	Budgeted Restricted Reserve Balance 7/1/2024	Restricted Reserved Balance 12/31/2024
TABOR Reserve	\$ 113,932	\$ 113,932
Contract Reserves	<u>200,000</u>	<u>200,000</u>
Total Restricted Reserve	\$ 313,932	\$ 313,932

COMPLIANCE: The District and Charter School performance comply with the standard.

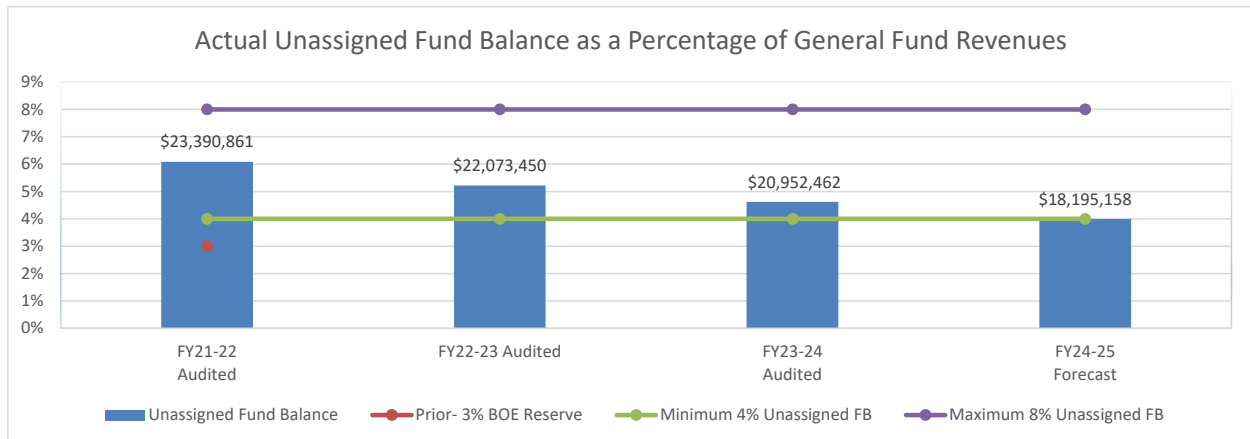
INTERPRETATION (2.4.1 b.):

I interpret “(b) shall not allow the unassigned fund balance at the conclusion of a fiscal year to be no less than 4% and no more than 8% of general fund revenues except as provided in section 2.4.2.” to mean:

- A. A sum no less than 4% and no more than 8% of general fund revenue will be held as unassigned fund balance.

DATA REPORTED:

As of December 31, 2024, our unaudited General Fund statements indicate a forecasted unassigned fund balance of \$18.2 million (4%). This amount is sufficient to meet the unassigned fund balance requirement.



COMPLIANCE: The District's performance complies with the standard.

- 2. POLICY PROHIBITION:** *The unassigned fund balance may be utilized for achievement of Board Ends and compliance with Operating Limitations Policies with prior Board approval and a specific plan for replenishing the reserves.*

INTERPRETATION:

The policy language is clear as written and requires no further interpretation.

DATA REPORTED: As of December 31, 2024, the District has not utilized or established a need for use of the unassigned fund balance during the reporting period.

COMPLIANCE: The District's performance complies with the standard.

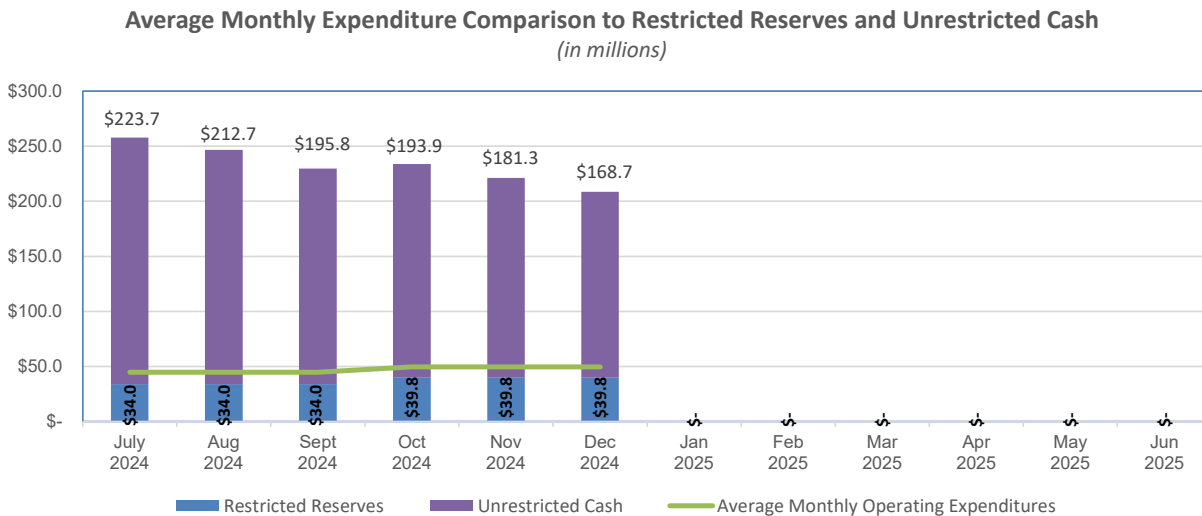
- 3. POLICY PROHIBITION:** *Shall not at any time, allow unrestricted cash and equivalents to drop below an amount necessary to meet operating expenditures over a 30-day period, except that during normal seasonal fluctuations in property tax receipts cash balances may drop below the 30-day threshold but shall not be less than restricted cash.*

INTERPRETATION:

I interpret this to mean the District:

- A. Maintains cash at the end of each monthly accounting period at an amount that exceeds restricted cash and an amount equal to one month's operating expenditures. Restricted cash includes Restricted Reserves and Reserves required in other funds.
- B. Operating expenditures over a 30-day period shall be calculated by using forecasted year-end expenditures.

DATA REPORTED: The District's combined cash balance in all funds exceed the policy standard as of December 31, 2024. The following graph illustrates that cash balance is maintained above required levels.



Note: Bond Redemption-Debt Service and Building-Capital Project funds are excluded, as they are not considered part of available operating funds.

Restricted Reserves include TABOR, Contract Reserves, Insurance Reserve, Governmental Designated-Purpose Grants and one month of operating reserves for Capital Reserve-Capital Projects, Food Service and the Before, After, and Summer Enrichment Funds.

Governmental Funds Average Monthly Expenditures include General Fund, Information Technology, Insurance Reserve, Governmental Designated-Purpose Grants, Capital Reserve-Capital Projects, Pupil Activity Special Revenue, Other Special Revenue, Instructional Special Revenue, Interscholastic Athletic Special Revenue, Food Service and the Before, After, and Summer Enrichment Funds.

COMPLIANCE: The District's performance complies with the standard.

- 4. POLICY PROHIBITIONS:** *Shall not expend more operating funds than have been received in the fiscal year to date unless both the liquidity requirement and reserve requirement above are met.*

INTERPRETATION:

I interpret this to mean:

That at any time within a budget year, except when liquidity (unrestricted cash) and reserves are maintained in accordance with this Policy 2.4, the District expenditures will not exceed revenues and transfers used for day-to-day activities in the General Fund, Information Technology Fund, Insurance Reserve Fund, Governmental Designated-Purpose Grant Fund, Capital Reserve Fund, Pupil Activity Special Revenue Fund, Other Special Revenue Fund, Instructional Special Revenue Fund, Interscholastic Athletic Fund, Food Service Fund and the Before, After, and Summer Enrichment Special Revenue Fund.

DATA REPORTED: As of December 31, 2024, Governmental Funds revenues exceeded expenditures and transfers by \$61.9 million due to timing of property taxes, state receipts, and grant reimbursement receipts from CDE, as well as the bond redemption prepayment.

In some funds, expenditures may exceed revenue in normal operations as revenues and expenditures fluctuate. In these instances, the funds have available fund balances to cover the fluctuations (e.g., the general fund, other special revenue fund, food service, and BASE).

Fund	Beginning Fund Balance	Revenues	Transfers	Expenditures	Net Change	12/31/2024 Fund Balance
General	\$ 97,428,630	209,035,418	(35,052,993)	216,166,942	(42,184,517)	\$ 55,244,113
Instructional Revenue	\$ 10,098,227	-	4,379,632	1,363,328	3,016,304	\$ 13,114,531
Information Technology	\$ 7,196,765	256,737	20,448,152	9,869,794	10,835,095	\$ 18,031,860
Insurance Reserve	\$ 5,000,000	493,854	4,469,437	3,716,351	1,246,941	\$ 6,246,941
Bond Redemption	\$ 110,880,343	777,659	-	33,343,552	(32,565,893)	\$ 78,314,450
Capital Reserve	\$ 28,545,570	4,267,601	2,902,004	5,809,593	1,360,012	\$ 29,905,582
Gov't Designated Grants	\$ -	9,592,223	-	13,096,927	(3,504,704)	\$ (3,504,704)
Food Service	\$ 12,714,736	5,582,630	-	7,610,576	(2,027,946)	\$ 10,686,790
Before, After, and Summer Enrichment	\$ 4,875,309	3,407,974	-	3,466,369	(58,396)	\$ 4,816,913
Pupil Activity	\$ 5,033,355	2,061,564	255,019	1,802,989	513,594	\$ 5,546,949
Interscholastic Athletic	\$ 1,874,778	636,033	2,598,749	1,754,502	1,480,279	\$ 3,355,057
Other Special Revenue	\$ 3,332,605	1,275,207	-	1,279,137	(3,930)	\$ 3,328,674

Note: General fund expenditures include flow thru funding to Charter Schools for their share of School Finance Act funding

COMPLIANCE: Operating expenditures have exceeded revenues and transfers in six funds as noted above. This policy provides, however, that when policy section 2.4.1(b) fund balance requirements and policy 2.4.3 cash liquidity requirements are met, policy section 2.4.4 will be in compliance even if a deficiency is reported. The District's performance has complied with both section 2.4.1(b) and section 2.4.3. Accordingly, the District's performance complies with section 2.4.4.

5. POLICY PROHIBITION: *Shall not allow the organization to incur penalties in material amounts for tax payments, other government ordered payments, or other payments, or allow any filings that are overdue or inaccurately filed.*

INTERPRETATION:

I interpret this to mean:

All payments are made without incurring late payment fees in excess of the aggregate amount of \$1,000 for any fiscal year; further, reports and other required documents are submitted and accepted in accordance with Colorado Department of Education and Federal timelines. This is reasonable as it represents compliance with external requirements, and the \$1,000 amount has minimal impact on operations of the District.

DATA REPORTED: As of December 31, 2024, the District has met all filing requirements and is not aware of any penalties or fines.

COMPLIANCE: The District's performance complies with the standard.

6. POLICY PROHIBITION: *Shall not fail to aggressively pursue receivables after a reasonable grace period.*

INTERPRETATION:

I interpret this to mean:

A monthly attempt is made to collect accounts receivable that are past due by more than thirty days.

DATA REPORTED: District accounts receivable that are unpaid for more than thirty days are pursued by phone, email, mail and/or certified mail. Receivable accounts monitored by the district include, but not limited to, revenue for facility, athletic venue, tenant rentals, cell tower leases, inter-district special population students, federal grant reimbursements, before, after, and summer enrichment programs (BASE) and student fees. Accounts that are generally considered past due can be attributed to BASE and student fee obligations. As of December 31, 2024, student fee obligations for active students that remain unpaid for more than thirty days total \$2,028,345. Inactive student account balances account for an additional \$722,814. Additionally, unpaid BASE balances for inactive students total \$13,948.

COMPLIANCE: The District's performance during this monitoring period complies with the standard.

7. POLICY PROHIBITION: *Shall not allow (a) bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended, or (b) override funds to be commingled with other funds or spent other than to directly achieve Ends.*

INTERPRETATION (2.4.7 a):

I interpret "(a) *Shall not allow bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended*" to mean:

A. Bond funds shall be spent in a manner consistent with plans and commitments presented to District voters.

- B. Certificates of participation (COP) shall be spent in a manner consistent with plans and commitments approved by the Board of Education.
- C. Bond and certificate of participation proceeds are spent efficiently when they meet the following criteria:
 - 1. District construction shall comply with the District Educational Specifications and Technical Guidelines in place at the time of construction.
 - 2. District construction costs shall be controlled through a competitive process that will be utilized to bring the best value to the District and ensure alignment with market pricing.
 - 3. Cost of services provided by District staff shall not exceed 5 percent of the sale of proceeds of an issue as required under IRS Regulation 1.148-6(d)(3)(ii)(5).
 - 4. Projects shall be managed and completed so that the start date of the school year is not adversely impacted by construction.

DATA REPORTED:

As of June 30, 2024, proceeds from bond series 2016 and series 2018 have been spent within the parameters of voter approved bond projects. The bonds approved by voters at the November 2024 election were not issued during this monitoring period.

COMPLIANCE: Not applicable.

INTERPRETATION (2.4.7 b):

I interpret “(b) *Shall not allow override funds to be commingled with other funds or spent other than to directly achieve Ends*” to mean:

Additional operating funds received annually by the District per voter approval in November 1991, 2000, 2004, 2008, and 2018 shall be accounted for in the District’s General Fund. All override funds shall be spent for the purposes described in the voter-approved ballot question to achieve the Ends established by Board policy.

DATA REPORTED: Override funds are budgeted to support achievement of Ends and adopted by the Board of Education on an annual basis. If adjustments are needed based on updated net assessed valuations, the Board of Education amends the budget by January of each year. As of December 31, 2024, expenditures and allocations have been made in accordance with promises made to voters for use in directly supporting Board of Education Ends.

The mill levy funds do not keep pace with inflation or pupil growth. 52% of the mill levy funds are set dollars and do not grow over time. Therefore, inflation adjusted from the original passage, the purchasing power of these funds has diminished.

- A. \$6.0 million. Mill levy override funds are shared with charter schools on an equal per pupil allocation based on actual enrollment. The amounts are trued up after October count is final. All calculations are shared with charter school staff. As charter school enrollment as a percentage of overall enrollment increases, the amount of funds allocated to the charter increases.

- B. \$4.3 million. Textbooks and materials which are accounted for in separate funds to avoid commingling amongst other general funds. A portion of these funds are allocated directly to all schools. Unused funds, if any, carry forward in the same fund for future use.
- C. \$2.7 million. Expands CTE programming with both program materials and staffing.
- D. \$1.3 million. Supports schools with reductions of student fees. Monies are shared with all schools and transferred to a separate fund to avoid commingling. Unused funds, if any, carry forward in the same fund for future use.
- E. \$1.1 million. Supports the increased budgets in utilities and transportation. The allocation partially covers increased costs since passage in 2004 and 2008.
- F. \$0.5 million. Helps to support technology devices, systems, and facilities access systems and cards. These funds are transferred to a separate fund to avoid commingling. Unused funds, if any, carry forward in the same fund for future use.
- G. \$52.0 million. The largest component of the mill levy funds is to support salaries, staffing, and programming amongst various schools and departments as well as general salary increases.
 - a. \$3.5 million. Includes funds for staff and substitute costs for staff development (PD coverage) and a manager to support school choice. [1991 MLO].
 - b. \$9.3 million. Includes funds for elementary school certified staffing compensation, additional funding for staff and substitute costs for staff development, increased special education services, and campus supervision at the middle schools. [2000 MLO].
 - c. \$7.9 million. Includes funds for high school certified staffing compensation and teachers to cover increased graduation requirements, funding to support ELL staffing as state funding is insufficient, and an engagement coordinator. [2004 MLO].
 - d. \$8.4 million. Includes funds for middle school and K-8 certified staffing compensation, additional funding to support ELL staffing, and funds to support the senior citizen work / volunteer programs and tax relief. [2008 MLO].
 - e. \$22.3 million. Included funding to support an all staff salary increase, funds increased early career compensation, helps to reduce class sizes and increase high school course options, supports interventionist program expansion, supports the teacher leadership program and instructional coaches, supports increased counselors and social workers, and the crisis response team and campus supervision at high schools. [2018 MLO].

COMPLIANCE: The District's performance complies with this standard.

8. POLICY PROHIBITION: *Shall not achieve compliance with these provisions by endangering future capacity to accomplish Ends.*

INTERPRETATION:

I interpret this to mean:

Endangering future capacity means committing to multiple-year expenditures without a reliable funding source.

DATA REPORTED: The district has not entered into any multiple-year expenditures without a reliable funding source.

COMPLIANCE: The District's performance complies with this standard.

9. POLICY PROHIBITION: *Shall not commit revenues due to student enrollment growth to continuing line item or program expenditures without considering needs associated with the opening of new schools.*

INTERPRETATION:

I interpret this to mean:

The annual budget plan developed by the Superintendent shall allocate adequate funds for teaching staff, school operations, and transportation services necessary for student enrollment growth in the District before any remaining revenues received for those new students are allocated for expenditures to continue in future years.

DATA REPORTED: For the 2024-2025 school year, the district planned for a sixth consecutive year of declining enrollment. Accordingly, the District is not in a position in which it is increasing student enrollment as assumed in this policy statement.

COMPLIANCE: The District's performance complied with the standard.

10. POLICY PROHIBITION: *Shall not determine borrowing levels.*

INTERPRETATION:

I interpret this to mean:

Shall not approve or complete certificates of participation, bonds, multiple-year lease-purchase agreements, or similar financing transactions obligating the District for repayment without approval by the Board of Education. This is reasonable as these types of financing transactions represent borrowing by the District.

DATA REPORTED: The District did not enter into any borrowing agreements.

COMPLIANCE: The District's performance complied with the standard.

11. POLICY PROHIBITION: *Shall not fail to provide for an annual audit of the financial statements of the District each fiscal year by a qualified third party and make provisions for payment of the expenses of conducting the audit.*

INTERPRETATION:

The Board of Education's policy is clear and requires no further interpretation.

DATA REPORTED: CliftonLarsonAllen, LLP (CLA) completed the fiscal year 2023-2024 audit. Payment for these audit fees was appropriated in the fiscal year 2024-2025 adopted budget.

COMPLIANCE: The District's performance complied with the standard.

12. POLICY PROHIBITION: *Shall not commit District support to, or commit District resources, monetary or in kind, to join or support litigation initiated between third parties.*

INTERPRETATION:

The Board of Education's policy is clear and requires no further interpretation.

DATA REPORTED: The District has not entered into litigation initiated between third parties and has not provided monetary or in kind support during the reporting period.

COMPLIANCE: The District's performance complied with this standard.

13. POLICY PROHIBITION: *Shall not fail to undertake a full-scale competitive process for the selection of independent auditors pursuant to the most current Government Finance Officers Association recommendations regarding the selection of auditing services.*

INTERPRETATION:

The policy language is clear as written and requires no further interpretation.

DATA REPORTED: A competitive process for the selection of an independent auditor was completed as of March 31, 2021. CliftonLarsonAllen, LLP (CLA) was awarded the contract starting with fiscal year 2020-2021 with the option to extend up to four additional years. The Government Finance Officers Association (GFOA) best practice recommends that when a change in auditing firms does not result from a competitive process, the district consider requesting a rotation in senior engagement staff in the retained auditing firm. CLA has served as the District's independent auditors for more than twenty years. As such, the district and finance and audit committee requested a new Senior Audit Manager and engagement team. This new team was in fact assigned by CLA for the fiscal year 2022-2023 audit.

COMPLIANCE: The District's performance complied with the standard.

14. POLICY PROHIBITION: *Shall not receive, process or disburse funds under controls which are insufficient to meet the Board-appointed auditor's standards.*

INTERPRETATION:

I interpret this to mean:

The District manages money and money-related transactions using a system of internal controls which provide for separation of duties, fraud protection, and an authorization process providing reasonable assurance that appropriate controls exist. This is

reasonable because independent auditors and the Finance and Audit Committee review these controls on an annual basis and report their findings to the District administration and the Board of Education.

DATA REPORTED: The fiscal year 2023-2024 Annual Comprehensive Financial Report was formally completed, delivered, and presented to the Board in December 2024 by the district's independent auditors. The audit does not identify deficiencies in internal controls. The Finance and Audit Committee will review the District's internal controls on March 20, 2025. They last reviewed on May 22, 2024, and did not find deficiencies.

COMPLIANCE: The District's performance complies with the standard.

15. POLICY PROHIBITION: *Shall not invest or hold operating, capital, bond and reserve funds without following the "prudent investor" standard and complying with the legal investment of public funds requirements under C.R.S. 24-75-601.1 and other applicable law.*

INTERPRETATION:

I interpret this to mean:

All funds are invested in compliance with C.R.S. 24-75-601.1 and other applicable law as follows:

- A. Cash is deposited in eligible depository banks subject to FDIC insurance or which pledge collateral in accordance with the Colorado Public Deposit Protection Act ("CPDPA"), or
- B. Cash is deposited in money market funds or local government investment pools with the highest credit rating assigned by a nationally recognized credit rating agency, or
- C. Investments in securities comply with applicable Colorado law and the credit rating, diversification and maturity restrictions as specified by the District's investment policy, and
- D. Cash and other funds are not invested in instruments other than those permitted by Interpretations A-C.

DATA REPORTED: As of the December 31, 2024, financials, the District maintained cash and investments as follows:

	Market Values	Investment Policy	Investment Policy	Actual
	All Portfolios	Limit	Compliance	Allocation
Depository Banks	\$ 13,844,797	100%	✓	5.6%
Investment pools and money market funds	191,017,583	100%	✓	77.1%
United States Treasury bonds	5,246,780	100%	✓	2.1%
Federal agency bonds and notes	36,350,239	75%	✓	14.7%
Corporate notes	-	35%	✓	0.0%
Municipal bonds and notes	1,416,950	35%	✓	0.6%
Total cash and investments through 9/30/2024	\$ 247,876,348			

COMPLIANCE: The District's performance complies with the standard.

16. POLICY PROHIBITION: *Shall not endanger the district's public image or credibility, particularly in ways that would hinder the accomplishment of its Ends.*

INTERPRETATION:

I interpret this to mean:

Maintaining positive public image is measured through the compliance with 2.4 policy prohibitions and/or the implementation of corrective actions for any non-compliance with the 2.4 policy prohibitions.

DATA REPORTED: The District has reported compliance with all provisions of policy 2.4.

COMPLIANCE: The District's performance complies with the standard.

GLOBAL POLICY PROHIBITION: *With respect to the actual, ongoing financial condition and activities, the Superintendent shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.*

I interpret the condition of fiscal jeopardy to mean: entering an agreement to pay expenses when the source of funding 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 and reasonable person would question whether District Ends priorities are being addressed.

DATA REPORTED:

1. The Board of Education adopted and approved on June 7, 2024, the 2024-2025 Recommended Budget, which provides that the district budget will have adequate resources in place to pay all expenses incurred through June 30, 2025. The Board of Education may amend the budget by January 31, 2025.
2. On June 7, 2024, the Board of Education adopted a resolution authorizing the use of beginning fund balance for 2024-2025 in the General Fund, Insurance Reserve Fund, Information Technology Fund, Capital Reserve Fund, Interscholastic Athletic Fund, Pupil Activity Special Revenue Fund, Other Special Revenue Fund, Instructional Special Revenue Fund, Food Services Fund, Before After and Summer Enrichment Program Fund, Bond Redemption Fund, and Building Fund to provide for prior-approval of the intentional drawdown of fund balance for one-time expenditures. The Board of Education may amended this resolution by January 31, 2025.
3. Current year expenditures are allocated to support implementation of the District's ELEVATE plan, Unified Improvement Plan and achieving Ends.
4. The District has not entered into financial transactions that will result in fiscal jeopardy for the District.

COMPLIANCE: The District's performance complies with the standard.

17. POLICY PROHIBITION: *Shall not fail to ensure that mill levy override revenues are used and distributed according to the plan established by the Board.*

INTERPRETATION:

I interpret this to mean:

The policy language is clear as written and requires no further interpretation.

DATA REPORTED: Mill levy override revenues have been distributed and are being used according to the 2018 ELEVATE Plan as approved by the Board of Education on August 15, 2018.

Additional information on spending priorities and allocations is set forth in 2.4.7(b) above.

COMPLIANCE: The District's performance complies with the standard.