



SUPERINTENDENT MONITORING REPORT
August 23, 2011
Executive Limitations: 3.3 Financial Conditions (Balance Sheet)
and Activity (Income Statement)

Policy 3.3 Summary

The Superintendent shall neither cause nor allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in *District Goals* policies.

Interpretation of policy elements 1, 2 and 4. Policy elements 1, 2 and 4 address activities found in the district's income statement. These activities relate to changes in the district's net assets at year end as reflected on the district's balance sheet. Activities that would result in a net deficit position arising within the General Fund at year-end, and after netting interfund borrowing and maintenance of required reserves, are prohibited and the Superintendent will not cause or allow the district or any school chartered by the district to:

1. Expend more funds in any fund than have been received in the fiscal year to date unless the debt, reserve and liquidity guidelines identified in policy elements 2, 3, 4 and 11 below are met.
2. Incur or obligate the district in an amount greater than can be repaid by certain, otherwise unencumbered revenues by the end of the fiscal year. For any fund, have inadequate reserves, use any reserve other than intended, or use any Board-designated reserves.
 - a. For the General Fund, allow reserves to be less than 4 percent of its annual revenues.
4. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues within each fiscal year.

Interpretation of policy elements 3, 5, 6, 7 and 11. Policy elements 3, 5, 6, 7 and 11 address district assets and liabilities as reflected in its balance sheet and as related to the district's capacity to continue activities as a going concern. Actions that would change the district's position with regard to fixed real assets or other significant assets are prohibited and the Superintendent will not cause or allow the district or any school chartered by the district to:

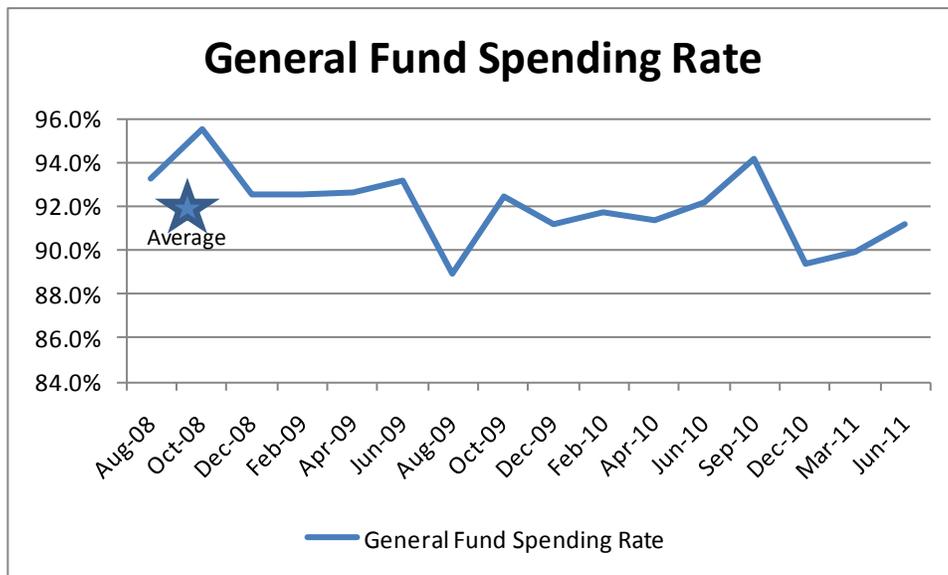
3. Incur a financially illiquid condition.
5. Receive, acquire, encumber, improve or dispose of real property. Maintenance and replacement of building components are permitted improvements.

6. Sell any significant portion of the district's assets.
7. Achieve compliance with Policy 3.3 by endangering the district's future capacity to achieve its Goals.
11. Establish and retain less than prudent reserves for contingent obligations.

Interpretation of policy elements 8 through 10. Policy elements 8 through 10 address the timely conduct of financial and business transactions that affect the district's cash flows. The Superintendent shall accomplish these transactions so as to:

8. Settle payroll, accounts and debts in a timely manner.
9. Make timely and accurate tax and other government ordered payments.
10. Aggressively pursue receivables after a reasonable grace period.

Report of Financial Activities. As of June 30, 2011, the General Fund spending rate was 91.2 percent. The average spending rate over the last 16 reporting periods was 92 percent.



As reflected in the unaudited June 30, 2011, Consolidated Quarterly Financial Report, financial activities were accomplished so as to comply with policy. After taking into account the additional reductions in state equalization funding, \$14.9 million of accrued compensation and the 3 percent TABOR reserve, the General Fund's fund balance is estimated to be \$15.3 million or 6.0 percent of budgeted General Fund revenues, before year-end adjustments and accruals. This number is subject to change, since the audit has not been completed as of the date of this report. The superintendent will be provided additional reports on fund balance, as the audit takes place.

With regard to interfund lending, as of June 30, a balance of \$2,555,674 was on loan from the General Fund to the Grants Fund, pending receipt of reimbursements from federal grant sources.

During FY2010-11, revised borrowing requirements were as follows:

<u>Fund</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>
General	\$ 10,166,720	\$ 6,247,767	\$ 6,272,696	\$ 8,413,496	\$ 20,949,693	\$ 30,183,243
Sp Programs	3,001,145	2,786,012	2,595,165	2,417,167	2,501,296	2,638,327
Risk	(426,710)	(260,390)	(133,574)	(288,860)	(93,339)	469,953
CPP	393,947	367,076	339,665	301,231	218,245	404,306
Grants	(4,910,332)	(5,619,485)	(2,708,266)	(3,081,009)	(4,092,600)	(2,706,920)
Pickens	2,104,598	1,995,932	1,901,162	1,978,084	1,930,535	2,759,353
Athletic	82,185	86,691	89,654	123,995	350,070	119,222
Medicaid	1,094,494	1,104,057	1,210,277	1,159,043	1,109,883	1,161,044
Cap Reserve	696,319	968,648	1,267,874	1,481,361	1,513,914	1,514,809
Nutrition	(318,754)	(390,457)	886,188	161,003	607,557	1,309,200
Copier Serv	298,365	296,735	300,824	324,024	311,093	244,744
Print Serv	397,723	410,761	436,786	441,944	423,243	419,370
Total	\$ 12,579,701	\$ 7,993,348	\$ 12,458,452	\$ 13,431,481	\$ 25,729,589	\$ 38,516,651

Amounts in (parentheses) indicate negative cash balances requiring interfund borrowing. On November 16, 2010, the board approved a \$25 million borrowing resolution from the state treasurer's interest-free loan program. However, the district required only the December borrowing from the state treasurer under the interest-free loan program. The district drew down \$16,821,059 from the authorized amount on December 16, 2010. The loan was paid in full on March 25, 2011. Cash balances will continue to be monitored.

The district ended Q4 of FY2010-11 in a liquid and sound financial condition. Moreover, I can report that its financial activities complied with the requirements of Policy 3.3, elements 1, 2 and 4. The district's financial condition is stable and liquid, barring any future economic shocks or reductions in state funding.

Evidence of Compliance with Policy 3.3, elements 1, 2 and 4. Detailed evidence of financial activity compliance can be found on pages 11 through 14 of the June 30, 2011, Consolidated Quarterly Financial Report.

Statement of Financial Position. As addressed above, the district retained reserves required by Board Policy 3.3 and TABOR.

Spending rates as an annualized percentage of appropriated budget exceeded 100 percent for the following funds or charter schools:

Global Village Academy	105.9 %
AXL Charter School	102.2 %

Charter school reporting is as of May 31, 2011, so it is possible that the spending pattern for these schools will even out and drop below 100% as of June 30, 2011. Funds will be monitored to ensure that appropriated budgets are not exceeded at year end. Both of these schools have submitted supplemental budget requests.

Evidence of Compliance with Policy 3.3, elements 3, 5, 6, 7 and 11. Detailed evidence of the district's financial position with regard to assets, liabilities and capacity

to continue operations is presented on pages 7 through 9 of the Consolidated Quarterly Financial Report.

With regard to liquidity, as illustrated on page 6, "Cash Flow Analysis," of the Consolidated Financial Report, district cash on hand was sufficient to serve the needs of the district throughout the year ending June 30, 2011.

Statement of Compliance with Policy 3.3, elements 8 through 10. During this monitoring period, the district made tax withholding, retirement account, medical insurance and other payments in a timely manner. It also completed payroll and debt service payments in a timely manner. With regard to receivables, the district promptly sought reimbursement for Medicare, transportation, food service and federal grants, thereby minimizing the need for interfund borrowing.

Evidence of timely accomplishment of financial and business transactions. As of June 30, 2011, invoice aging reflected an outstanding payable balance of \$1,002,796. Of this amount, 99.9 percent was for invoices received in the past 30 days and 0.1 percent was on invoices with an age of 30 days or longer. The district makes payment on invoices in accordance with invoice payment terms and following receipt of invoiced goods and services. Where goods are purchased on a purchase order, payment is made following a match between the purchase order, receipt of an invoice and receipt of goods. Payments made with P-cards are generally negotiated with the merchant within 1-3 working days; the district reconciles merchant payments on a monthly basis and pays the balance due on the fifth day of each month.