Aurora Public Schools

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SUPERINTENDENT MONITORING REPORT
November 15, 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. Indebt 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 interfund 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:

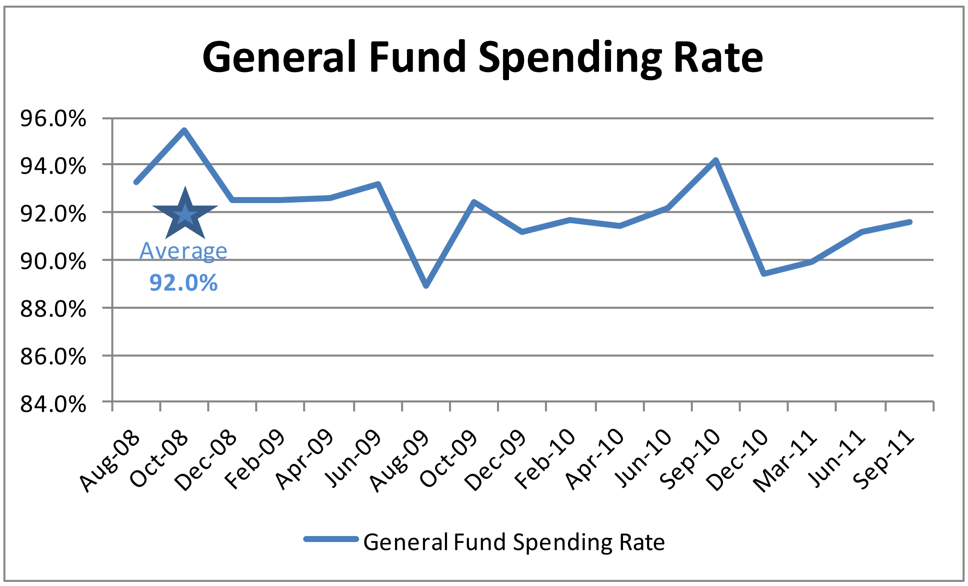
3. Incur a financially illiquid condition.
5. Receive, acquire, encumber, improve or dispose of real property. Maintenance and replacement of building components are permitted improvements.

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 September 30, 2011, the General Fund spending rate was 91.6 percent. The average spending rate over the last 17 reporting periods was 92 percent.



As reflected in the Consolidated Quarterly Financial Report for September 30, 2011, financial activities were accomplished so as to comply with policy. This fiscal year begins with a budgeted beginning fund balance of $22.4 million, of which $11.7 million has been reserved for the three percent TABOR emergency reserve and the board's contingency reserve. The remaining $10.7 million has been appropriated for district programs and activities in the General Fund. Fund balance is one of the most important measures of financial activities. It represents the surplus of revenues over expenditures and gives the district a measure of flexibility and safety during these challenging budget times. Only 19.7 percent of budgeted revenues have been collected so far this year, due to the cyclical nature of property tax collections. Most property tax revenue is collected in the spring. General Fund revenue collections and spending patterns will continue to be monitored and reported throughout the year.

With regard to interfund lending, as of September 30, a balance of $2.7 million was on loan to the Grants Fund from the General Fund, pending receipt of reimbursements from federal grant sources. A balance of $0.4 million was on loan to the Nutrition Services Fund from the General Fund, pending federal lunch reimbursements.

In order to ensure sufficient cash balances to finance district operations throughout FY 2011-12, the board approved a $20 million borrowing resolution on June 21, 2011, from the state treasurer's interest-free loan program. For the first sixth months of FY2011-12, estimated borrowing requirements are as follows:

Fund	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec 20 2011	Dec-11
General	$ 25,118,077	$ 16,864,477	$ 15,900,586	$ 9,674,664	$ 5,776,613	$ (13,420,112)	$ 2,021,073
Sp Programs	3,690,780	3,721,201	3,570,753	3,489,838	3,545,983	3,413,999	3,455,226
Risk	(172,126)	(121,444)	5,774	(482,583)	(356,082)	(390,244)	(251,039)
CPP	604,718	585,835	557,259	516,310	496,321	118,333	449,950
Grants	(5,085,557)	(4,978,632)	(5,585,377)	(5,375,262)	(4,913,258)	(5,806,127)	(3,749,761)
Pickens	1,363,528	1,479,206	1,430,862	1,465,445	1,568,645	1,429,204	1,640,867
Athletic	67,113	77,822	81,824	71,160	88,718	112,885	102,623
Medicaid	1,103,980	1,072,499	1,010,166	953,751	913,827	881,392	977,488
Nutrition Serv	(312,207)	(692,060)	(1,345,368)	(2,152,816)	(1,532,929)	246,396	1,424,627
Print Serv	369,717	362,907	366,789	363,249	363,021	338,855	331,463
Total	$ 26,748,024	$ 18,371,810	$ 15,993,269	$ 8,523,755	$ 5,950,861	$ (13,075,418)	$ 6,402,515

Amounts in (parentheses) indicate negative cash balances requiring interfund borrowing. Estimated interfund cash borrowing, as shown in the table above, exceeded actual interfund cash borrowing. Cash balances will continue to be monitored throughout the year.

Interest payments of $10.1 million for the district's general obligation debt were made on June 1, 2011, from the Bond Redemption Fund.

The district ended Q1 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 September 30, 2011, Consolidated Quarterly Financial Report.

Statement of Financial Position. For the previous fiscal year, the district recorded TABOR emergency reserves of $8.1 million, as required by the Colorado Constitution. In the current year's budget, as addressed above, the district has reserved $7.9 million for the TABOR requirement. Therefore, the district has 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 charter school:

Lotus School for Excellence	108.3%

Charter school reporting is as of August 31, 2011, so it is possible that the spending pattern for these schools will even out and drop below 100% as the year progresses. Funds will be monitored to ensure that appropriated budgets are not exceeded at year end.

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 though 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 is sufficient to serve the needs of the district throughout the year.

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 September 30, 2011, invoice aging reflected an outstanding payable balance of $645,368. Of this amount, 62 percent was for invoices received in the past 30 days, 22 percent in the past 60 days, and 16 percent with an age of 60 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.