Board of Education

Agenda

meeting of

September 15, 2015

Aurora Public Schools
15771 E. 1st Avenue
Aurora, Colorado 80011
I – PRELIMINARY

A. CALL TO ORDER - ROLL CALL

B. PLEDGE OF ALLEGIANCE

C. WELCOME TO VISITORS

The work session of the Aurora Public Schools Board of Education will convene in the Mt. Massive Conference Room of the Professional Learning and Conference Center. Individuals wishing to address the Board of Education on a specific agenda item are requested to sign up prior to discussion of the item. Individuals wishing to address the Board of Education on a non-agenda item are requested to sign up and will be provided an opportunity, limited to three minutes, at the beginning of the meeting and, limited to three minutes, at the end of the meeting during Opportunity for Audience.

Please contact the Aurora Public Schools at 303-344-8060, ext. 28988 if, because of a disability, you require special assistance (such as sign language or oral interpreting services) in order to participate in a meeting of the Board of Education. Persons with such needs are requested to make contact at least one week prior to the Board of Education meeting, if possible, in order to allow staff to coordinate arrangements.

D. APPROVAL OF AGENDA

The September 15, 2015, agenda is presented for approval.

E. APPROVAL OF MINUTES

The minutes of the regular meeting of the Board of Education held on September 1, 2015, are presented for approval.

F. OPPORTUNITY FOR AUDIENCE

6:30 - 6:40
I. PRELIMINARY

Shepherd called the September 1, 2015, meeting to order at 6:02 p.m.

Roll Call

The following members were present:

JulieMarie A. Shepherd, president
Cathy Wildman, vice president
Mary W. Lewis, secretary
Dan Jorgensen, treasurer
Amber Drevon, director
Eric D. Nelson, director
Barbara J. Yamrick, director

Also meeting with the Board of Education were:

D. Rico Munn, superintendent of schools
Marcelina Rivera, chief of staff
Brandon Eyre, district legal counsel
John Youngquist, chief academic officer
Damon Smith, chief personnel officer
Lisa Escárcega, chief accountability and research officer
Georgia Durán, chief communication officer
Anthony Sturges, chief operating officer
David Trautenberg, chief financial officer
Adrienne Bradshaw, controller
Tonia Norman, assistant to Board of Education

Pledge of Allegiance

Shepherd led the Board and audience in the pledge to the flag. She then welcomed visitors to the meeting.

Approval of Agenda

The September 1, 2015, agenda was approved as written.

Approval of Minutes

The minutes of the regular meeting of the Board of Education held on August 18, 2015, were approved as written.

Recognizing Excellence

Munn congratulated APS Chief Accountability and Research Officer Dr. Lisa Escárcega for earning the 2015 Colorado Association of School Executives Policy Leadership Award! This honor recognizes her significant contributions at the state capitol during the past legislative session. As the former president of the Colorado Association of School Executives, she became the voice for Colorado’s school leaders to the legislative body. She impacted policies by testifying on numerous bills and serving on the Colorado Department of Education’s Standards and Assessments Task Force. Thank you for working so
diligently to advocate for the excellence of Colorado’s public school system students.

APS will celebrate the grand opening of the Edna and John W. Mosley P-8 School on Thursday, October 1, at 5 p.m. The school is located at 55 N. Salida Way on the APS Community Campus near 2nd Avenue and Airport Boulevard. Please mark your calendars and plan to join us for this special event!

**Opportunity for Audience**

APS Board of Education candidate Grant Barrett introduced himself and invited Board members to meet with him individually or in small groups to discuss district assets and challenges.

Gwynn Moore, teacher at Aurora Frontier P-8, announced that October is Connected Educator Month. She invited Board members to join teachers at EdCamp Aurora, a joint event between the AEA Technology Integration Caucus and the APS Education Technology Department. The professional learning day was created by teachers to meet technology needs. The event is scheduled on Saturday, October 3, 8:30 a.m. to 3:30 p.m., at the Professional Learning and Conference Center.

Moore voiced frustrations regarding changes to the APS 403(b) retirement plan. She has been invested in the retirement plan for a number of years and is concerned about significant loss of retirement funds, surrender fees, and the absence of comparable structures under the new plan. She asked why a transition option was not offered that would have allowed new employees to set up 403(b) plans under the new provider and given veteran employees time to phase into the plan in order to minimize potential loss of retirement funds.

**II. INFORMATIONAL REPORT**

**Board of Education Report**

**APS Foundation**

Jay Grimm, new executive director of the APS Foundation, and Mary Spillane, chair of the APS Foundation and community investment manager for Comcast, provided an overview of Foundation strategies and priorities for the 2015-16 school year.

Grimm attended APS schools and is a graduate of Rangeview High School. He spent the majority of his career in the non-profit sector and is an advocate for underrepresented communities. He highlighted priorities of the Foundation for the 2015-16 school year, including providing direct philanthropic support to teachers, classrooms and schools; continue to grow a robust student scholarship program, which provided approximately $65,000 in scholarships to 139 APS students in the 2014-15 school year; and create a strong college and career-bound culture. He shared that the first career and college resource center was established at Hinkley last year, and noted that scholarship support for college-bound students doubled in the first couple of months. He invited the Board to the fourth annual gala to celebrate community partners on Thursday, September 17, at 5:30 p.m.

Grimm also serves as co-director of external affairs, which aligns with work of the
Foundation in terms of building new partnerships and supporting existing APS programs, including digital badging, job shadowing, asset mapping, and strategic planning work with non-profits currently housed at the Aurora Welcome Center.

Lewis asked for additional clarification around supports as director of external affairs. Grimm shares duties with Charles Dukes, director of postsecondary workforce readiness, and noted that Dukes is currently hiring additional external affairs staff to support both directors.

Lewis hopes that Foundation work includes outreach to district alumni. Grimm highlighted the importance of district alumni and outreach opportunities for alumni within the Foundation.

Spillane provided the Board with an update regarding the Comcast Leaders and Achievers Scholarship Program. She shared that high school staffs are asked to nominate one outstanding senior for the scholarship each fall. She indicated that scholarships are awarded to 57 students across the state. In the 2014-15 school year, 55 students received $1,000 scholarships and two students received $10,000 scholarships. Former Aurora Central High School student Yadap Adhikari received a $10,000 scholarship and is currently starting his freshman year at Colorado State University. A video link that highlights his story will be provided to the Board. Three additional former APS students received $1,000 scholarship awards.

Shepherd thanked Grimm and Spillane for providing an update to the Board.

Superintendent's Report

The Board will be provided with an overview of metrics for all three goals within the APS 2020: Shaping the Future Strategic Plan at the September 15 Board meeting. The process for each goal will be reviewed over a period of meetings.

Leadership Team Report

Policy Governance Audit Report

Peter Doan, internal auditor, provided a summary of rating changes for third quarter of the 2014-15 school year as outlined on Page 9 of the Policy Governance Audit Report.

Drevon asked about the time line for the 2014-15 fourth quarter report. Doan indicated that the Board would receive the fourth quarter report once interviews conclude and the Board has an opportunity to provide feedback on the survey, which is expected to be forwarded later this week.

Drevon asked about possible implementation of a Board approved waiver process if staff anticipates a specific policy violation. Eyre and Doan had planned to bring this to the Board's attention for review. Lewis suggested that Drevon include this in a list of future Board policy discussion topics.

Shepherd thanked Doan for providing information to the Board.

A copy of the APS Policy Governance – Executive Limitations, 2014-15 Fiscal Year, Third Quarter Report, is appended to the September 1 Board minutes.
Aurora Community-Based Transformation, Innovation and Opportunity Network (ACTION) Zone Update

Munn provided the Board with a spreadsheet that highlighted identified strategies and timelines to move achievement at 18 district schools. He shared that Boston K-8 and Aurora Central High School are further on the state accountability clock and noted that the Board approved implementation of an ACTION Zone as a turnaround strategy for both schools in June.

Escárcega reviewed a slide that outlined the APS ACTION Zone Design Platform, including the Zone Design Team, School Design Team, Zone Advisory Committee, and lead turnaround partner, Mass Insight. She discussed how Mass Insight Education would interface with the Zone Design Team, the Zone Advisory Committee and School Design Teams. The Zone Design Team will consist of School Design Team members and community stakeholders, and will support schools by providing feedback on criteria for site innovation plans that will be forwarded to both the Board and the State. The Zone Advisory Committee will consist of community stakeholders who will set the vision and alignment for APS 2020: Shaping the Future. Mass Insight will support all levels of design team and committee work for development and implementation of ACTION Zones.

Matt Bachand and Melissa Partridge, Mass Insight Education, provided a summary of the work and role of Mass Insight. Bachand shared that Mass Insight started in 1997 as a research institute to determine best practices and changes to help schools reach high standards. Based on research, a team was formed to visit districts and find partners to assist with the implementation of a turnaround model similar to the ACTION Zone concept being introduced in APS. At the state level, Mass Insight assists with conditions and capacity to help districts complete turnaround work and implementation of ACTION Zones. The Mass Insight team is excited that the innovation process in APS is school governed and is looking forward to helping the district create a process in which all applications are created and forwarded to allow schools within ACTION Zones to move simultaneously.

Bachand reviewed successes in the Jefferson Parish School District in Louisiana, which included a reduction of failing schools within their state accountability system through a significant district reorganization. He indicated that 43 of 71 schools improved by one letter grade and the district moved from a “D” to a “B.” He also highlighted successes in the Evansville Indiana School District, which rose one point out of a four point scale and is considered the largest gain in the state’s accountability system. He shared that the district is currently considered the highest performing urban state district, adding that the number of failing schools has decreased by approximately 50 percent.

Partridge was a classroom teacher in New York City and Boston. She served as the director of transformation strategy in her final role with Boston Public Schools and led the lowest performing schools through the accountability and school redesign process before joining Mass Insight. She introduced Michael Contompasis, executive chairman of Mass Insight and former superintendent of the Boston Public Schools.

Bachand taught secondary language arts for seven years in Baltimore and New Haven. He worked in the District of Columbia Public Schools, office of special education, for three years, which led turnaround efforts to improve services for
students with disabilities. He has been with Mass Insight for more than two years.

Jorgensen asked for clarification around time investment and support to the district. Bachand shared that the Mass Insight team includes himself, Partridge, and two other colleagues. He noted that two team members are dedicated to APS full time; the entire team will be in Aurora every other week. He added that one consultant is based in Colorado and works with the Mass Insight Team at the school level on a regular basis. Escárcega will request that an additional team member be added to support schools with technical writing of innovation plans. She noted that the contract with Mass Insight is year to year.

Drevon asked about standards and benchmarks that would determine extension of the yearly contract with Mass Insight. Munn shared that the contract proposal included specific deliverables in which most are incorporated in turnaround work and timelines. He emphasized that Mass Insight is supporting the district’s work, adding that expectations include dramatic or significant changes in the number of turnaround indicators in two years.

Lewis asked about the selection process for School Design Teams. Escárcega replied that school leaders would be responsible for ensuring teams have good, broad representation. Lewis hopes that parents, teachers, and classified staff are able to select representatives to serve on School Design Teams. Partridge concurred that School Design Teams must have great representation across the school community.

Nelson asked about the overall timeline of actions and steps for schools entering year one, two or three on the state accountability clock. Escárcega replied that yearly actions and steps are specific and escalate each year a school is on the accountability clock. She emphasized that a decision would be made to determine turnaround status and additional actions if a significant response is not demonstrated by year three.

Jorgensen discussed the importance of having a proactive Board community engagement approach and plan to support the school accountability process, as well as having an authentic participation process for selection of School Design Team members. He will not support any plans that do not include an authentic participation process. Escárcega has seen an active participation process at two schools that are currently engaged in selection of School Design Team members.

Wildman asked about the number of School Design Team members. Bachand replied that it would be dependent on the number of engaged parties and the overall size of the faculty. He indicated that the primary role of the principal is to ensure that the School Design Team has good representation across the school community.

Shepherd asked about the role of the governing board. Bachand believes that the best school boards understand their policies, framework, and how to best fulfill their responsibilities. He discussed the importance of educating the community on imperative plans and changes during informal and formal conversations. Partridge noted that there would be a significant community engagement strategy as the ACTION Zone and theme is developed, and highlighted the importance of Board participation throughout the engagement process.
Jorgensen asked about monitoring of indicators throughout district schools. Escárcega and Youngquist will provide the Board with information that addresses how indicators will be monitored across district schools and how partnerships with the University of Virginia Turnaround School Leadership Program and the Relay Graduate School Education Turnaround Leadership Development Program will help prevent schools from entering the accountability clock.

Shepherd thanked Escárcega and Mass Insight staff for providing information to the Board.

The Aurora Community-Based Transformation, Innovation and Opportunity Network, ACTION Zone presentation is appended to the September 1 Board minutes.


The Board was presented with unaudited financial information as of June 30, 2015. The Board concluded that it was an acceptable practice to include quarterly financial reports on the consent agenda for action. If additional questions or clarification is needed, the Board can request that the item be pulled from the consent agenda for separate discussion and vote.

Wildman moved and Nelson seconded to move the quarterly financial report as of June 30, 2015, to the consent agenda for action.

Roll Call: Drevon, Jorgensen, Lewis, Nelson, Shepherd, Wildman, Yamrick #8360

Approved on a vote of 7-0

Policy IKA/IKAB, Grading Assessment Systems

Eyre provided an overview of Policy IKA/IKAB, Grading Assessment Systems, which is being revised to correspond with recommendations from the Colorado Association of School Boards. He will provide the Board with the regulation and statutory requirement for review.

This item will be included on the September 15 consent agenda for action.

III. CONSENT

Drevon moved and Yamrick seconded to approve the following items on the amended consent agenda as presented:

- Meadow Gold Dairy 2015-16 Purchase Agreement
- Andrews Foodservice 2015-16 Purchase Agreement
- Personnel

Roll Call: Drevon, Jorgensen, Lewis, Nelson, Shepherd, Wildman, Yamrick #8361

Approved on a vote of 7-0
IV. ACTION ITEM

Action on Arbitration Decision

Eyre shared that the Board was provided with the arbitration report related to the Paris grievance in advance of the meeting. Pursuant to the district’s grievance policy and collective bargaining agreement, once an arbitration decision is concluded, it is presented to the Board for review and action.

Amy Nichols, president of the Aurora Education Association (AEA), stated that in January 2015, we were informed that Paris Elementary teachers would be receiving an immediate pay increase, which at the time, was a half-step to base salaries. We felt that this would be a contract violation, and per our process, we filed a grievance. The association and the district had several conversations regarding this matter, and we decided to take it to an arbitrator, who would look at both sides and make a determination. The judge determined that the pay increase should have been negotiated.

Nichols understands that promises have been made to Paris Elementary teachers. She also acknowledged concerns related to teacher retention at Paris as noted by Superintendent Munn, and believes that it is important to have a strong teacher workforce that is consistent and can meet the needs of students. The association would be willing to enter into a Memorandum of Understanding (MOU) with the district to continue stipends for the 2015-16 school year, and form a task force to review the definition of a hard to staff school, determine supports to retain teachers at hard to staff schools, and develop an exit strategy once a school is no longer deemed hard to staff. Teachers at designated hard to staff schools should also be part of the task force.

Nichols highlighted a recent visit to Paris Elementary in which one teacher shared that the reason he stays is because of the kids, families and the community. Teachers were also appreciative of the culture and support under the new leadership, and felt they were moving in the right direction. The association would like the Board to accept the arbitrator’s ruling as salaries should always be negotiated as is the practice in APS.

Munn shared that teacher retention at Paris Elementary stood out as a significant issue. After reviewing the contract, he noted that Article 11 specifically states that the minimum salary for full-time employees covered in the agreement shall be set forth in Appendix A. He also reviewed district contracts around the state and the country, and noted that almost all included a definition of a step and a definition of placement on the salary schedule. He shared that language is not defined in the district’s contract, and Policy GCBA indicates that placement of an employee on an appropriate salary schedule shall be made by the chief personnel officer. He concurred that the arbitrator did not agree with findings, but expressed that the Board is the appellate body in this case and has the authority to determine the appropriate interpretation and the ability to look at the arbitrator’s decision to determine if the district was wrong for concluding that the language is open for interpretation.

Munn shared that six months of data indicates a positive change in retention numbers at Paris Elementary, which is currently in the mid 20 percent, and attributes this to a combination of programs. He reviewed TELL survey comments that indicated that the school is moving in the right direction. He shared that the step increase for teachers is part of a retention initiative and
converting this to a one-year stipend creates a bubble in terms of pay structure expectations. He noted that AEA currently has no interest in discussions around pay for performance, and shared that a hard to staff task force was convened, but work is currently on hold. He emphasized that this was given to Paris Elementary staff as a step increase, adding that support of the arbitrators’ decision would result in a pay cut for staff at the most impacted district school. He pointed out that he was hired to increase achievement and to utilize every tool at his disposal, noting that this tool has demonstrated effectiveness at an incredible low dollar amount.

Jorgensen requested that the following statement be included in the September 1 Board minutes:

Per the Board of Education’s approval, Superintendent Munn pursued the possibility of providing retention bonuses to teachers based on his perception of ambiguity within established contract language. The resultant arbitration report clearly articulated to me that the established language, based on past practice and legal precedent regarding wage negotiations, makes this action inappropriate based on contractual agreement. It is my belief that all contracts should be established in good faith with the terms of that contract being respected. Therefore, I will vote in support of the recommendation of the arbitrator. That being said, my expectation is that all teachers who would have benefited from this approach be given such promised monies for the current school year given the inappropriate action that was engaged in on our behalf. Given the possibility that flexible structures related to teacher compensation may lead to improved student outcomes and benefit all negotiating parties, I’m requesting that the AEA and District representatives convene a panel, in a timely fashion, to explore the viability, possible benefits, and limitations of such approaches. I believe it is also imperative that this conversation be grounded with the needs of students in mind. Specifically, I hope the panel will ask what the best approach is for our students.

Lewis does not disagree with the Paris retention plan and hopes it will stabilize the building and increase student achievement. She does take issue with how it was implemented in this instance.

Shepherd pointed out that the clear charge to Superintendent Munn when he was hired was to increase student achievement. She sees this as an important tool that has been identified to increase student achievement.

Drevon likes the basis of the retention program, but believes it should continue in a more collaborative manner.

Nelson is not in favor of cutting teacher’s pay, but noted the importance of the Board being better informed moving forward.

Lewis moved to uphold the arbitrator’s decision based of past practices regarding wage negotiations between the District and the Association, and that stipends continue for Paris Elementary staff for the 2015-16 school year.

Lewis requested that the motion be withdrawn, based on advice from legal counsel, to reflect the current compensation structure for Paris Elementary staff.

Jorgensen moved and Yamrick seconded to accept the arbitrator’s recommendation and enter into discussions with AEA for the development of a
Memorandum of Understanding to allow payment for Paris Elementary employees for the remainder of the 2015-16 school year.

Wildman asked if Paris teachers had received a stipend. Smith shared that additional compensation related to the Paris initiative has not been provided to teachers for the 2015-16 school year pending outcome of the Board’s decision.

Yamrick requested that the motion be amended to separate actions related to the arbitrator’s decision and compensation for Paris teachers.

Jorgensen moved and Yamrick seconded to accept the arbitrator’s report as presented.

Roll Call: Drevon, Jorgensen, Lewis, Nelson, Shepherd, Wildman, Yamrick #8362
Approved on a vote of 6 to 1
Shepherd voted against acceptance of the arbitrator’s report as presented.

Drevon asked if Paris teachers had received any compensation as part of the Paris Initiative. Smith shared that Paris staff received the equivalent of a half-step increase through an agreement for services contract, which is considered a stipend, from January through the end of their contract year in June. He reiterated that no additional compensation has been provided to teachers for the 2015-16 school year.

Jorgensen moved and Nelson seconded to direct Superintendent Munn to enter into a MOU process with AEA to determine a compensation mechanism that will fulfill the original intent of the Paris initiative.

Roll Call: Drevon, Jorgensen, Lewis, Nelson, Shepherd, Wildman, Yamrick #8363
Approved on a vote of 7-0

V. BOARD WORK

Ends Conversation

Standing Committee Report

Wildman invited the Board to the Aubrey’s Lemonade for Soul event on Saturday, September 5, 8:00 a.m. to 6:00 p.m., at Nick’s Garden Center. All proceeds will go directly to the July 20 Memorial Foundation that funds the Reflection Memorial Garden in honor of victims of the Aurora theater tragedy.

Lewis shared that the Classified Employees Council (CEC) will be providing informational brochures to classified staff that highlights the work of CEC.

Nelson had an opportunity to attend a meeting with the Rocky Mountain School of Expeditionary Learning and shared that expansion of the school is being considered. He will provide additional information to the Board at a later date.

Future Business

Munn shared that the Board would receive an update regarding the APS 2020:
Shaping the Future Strategic Plan at its September 15 Board meeting. A workshop will also be held around Nutrition Services.

Lewis asked if plans were in place to facilitate forums for Board of Education candidates. Munn shared that staff would look at holding a possible candidate forum.

Open Dialogue

Policy Perception Checklist

Did the Board receive information at tonight’s meeting that requires a policy change?

The Board did not receive information that required a policy change.

Did the Board receive information at tonight’s meeting that requires additional information or monitoring?

Additional information will be provided to the Board.

Board Self-Monitoring

Lewis acknowledged that the Board struggles with receiving last minute information. She concluded that the Board did well tonight under the circumstances.

VI. CONCLUDING ITEMS

Next meeting date

The next work session of the Board of Education will be held on September 15, 2015, at 6:30 p.m. in the Mt. Massive Conference Room of the Professional Learning and Conference Center.

The Board recessed into executive session under the authority of C.R.S. 24-6-402(4)(b) to receive legal advice specifically related to the Superintendent’s contract negotiations.

Adjournment

The regular meeting of the Board of Education adjourned at 8:45 p.m.

_________________________
President

ATTEST _______________________
Secretary
Aurora Public Schools
The Office of Internal Audit

Policy Governance – Executive Limitations
2014-2015 Fiscal Year
3rd Quarter Report

Issue Date: August 13, 2015
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Appendix A – Excerpt of Fiscal Health Analysis Report – Financial Ratio and Indicators
Executive Summary

BACKGROUND

Aurora Public Schools is governed by a seven member Board of Education elected by voters to set policy for, and provide governance and oversight of, the Adams-Arapahoe 28J School District. As part of their governance and oversight responsibilities, the Board of Education adopted a policy governance model. This model describes the board governance process, board-superintendent relationship, executive limitations and District goals.

The purpose of the Policy Governance system includes:

- Clarifying the purpose, job and role of the Board. Believing it acts on behalf of those who legally and morally "own" the District, the Board primarily owes its loyalty and attention to them.
- Distinguishing between what the Board should accomplish from what the Superintendent should accomplish—even though the Board is accountable for all that the Superintendent and District does or does not do.
- Helping staff and community better understand the role of the Board and the Superintendent, making it clearer about when the Board should become involved in District operations, and how the staff and community can help and influence the Board in carrying out its job.
- Evaluating Superintendent and District performance simultaneously, simply, rigorously and reasonably according to previously stated expectations of the Board as a whole.
- Establishing and measuring Superintendent and District performance standards for key stakeholders, including staff, students and parents.
- Helping the community better express its values and seeing them used by the Board and District, especially from an ownership perspective about what benefits should be created in the lives of which groups of students, and the priorities, trade-offs and costs of those benefits for those students, but also from an ownership perspective about any other community values concerning District performance.

The Board of Education has assigned the Office of Internal Audit the responsibility to evaluate if the District is in compliance with the Executive Limitations section of Policy Governance. In accordance with the Monitoring Calendar, The Office of Internal Audit has completed its review of the District for the third quarter of the 2014-2015 fiscal year.
PURPOSE

The purpose of the Office of Internal Audit is to provide independent and objective reviews and assessments of the District’s activities, operations, financial systems and internal controls. We seek to assist management in investigating fraud, promoting operational effectiveness and efficiency for department and programs, ensuring that adequate safeguards exist over district assets, and ensuring adherence to District policies and procedures. The Office of Internal Audit accomplishes this mission by carrying out an annual audit plan that utilizes a combination of rotation and risk analysis to review areas of operation.

SCOPE

This review consists of the Financial Conditions and Activity, Asset Protection, and Compensation and Benefits sections of the Executive Limitations category for Policy Governance. The period of review is the third quarter of the 2014-2015 fiscal year (January 1, 2015 – March 31, 2015).

AUDIT OBJECTIVES

The objective of the audit was to ensure compliance with the Executive Limitations category of Policy Governance for the following policies:

3.3 – Financial Conditions and Activity
The Superintendent shall not cause or allow 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 below are met.
2. Indebt or obligate the organization 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.
   ▪ For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.
3. Incur a financially illiquid condition.
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.
7. Achieve compliance with these provisions by endangering future capacity to achieve District Goals.

The Superintendent shall cause the District to:

8. Settle payroll, accounts and debts in a timely manner.
9. Make tax payments and other government ordered payments and filings timely and accurately.
10. Aggressively pursue receivables after a reasonable grace period.
11. Establish prudent reserves for contingent obligations.

3.6 – Asset Protection
The Superintendent shall not cause or allow the District to:

6. Make any purchase or financial commitment:
   - wherein normally prudent protection has not been given against conflict of interest;
   - of more than a minimal amount without having obtained comparative prices and quality (except for long term service contracts entered into with Superintendent approval);
   - of a significant amount without a stringent method of assuring a favorable balance of long term quality and cost;
   - over $750,000, excluding insurance premiums and approved capital projects.
   Orders may not be split to avoid these requirements.

3.7 – Compensation and Benefits
The Superintendent shall not cause or allow the District to:

1. Change his or her own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.
2. Promise or imply permanent or guaranteed employment.
3. Establish current compensation and benefits which materially deviate from the geographic or professional market for the skills employed. Create obligations over a longer term than revenues can be safely projected, in no event longer than one year in all events subject to losses in revenue.
4. Enter into agreement for services (“AFS”) with retired employees that exceed $50.00 per hour or $400.00 per day; and, whether hourly or daily, no retired employee may earn more than $44,000.00 pursuant to one or more AFS will be “cost neutral” for the District for all PERA retiree employees making $40.00 or more per hour or $320.00 or more per diem. Accordingly, $40.00 or greater hourly and $320.00 or greater per diem rates will be adjusted in order to compensate for the District’s employer contribution obligation for PERA retirees on AFS.
5. Establish or change pension or other benefits so as to cause unpredictable or inequitable situations, including those that
   - Incur unfunded liabilities;
   - Provide less than some basic level of benefits to all full time employees, though differential benefits to encourage longevity and District Goals performance are not prohibited;
- Permit any employee to lose benefits already accrued;
- Treat domestic partners of employees differently from spouses.

**Grading Rubric**

Each policy will receive a rating based on an evaluation criteria and the level of compliance.

**Ratings for Policy**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>District meets policy requirements</strong></td>
<td>There are no concerns with this policy. Internal Audit believes that the District is adhering to this policy.</td>
</tr>
<tr>
<td><strong>District marginally meets policy requirements</strong></td>
<td>There are minor concerns that District administration may or may not be aware of. District administration has developed or is developing an action plan to address the issues.</td>
</tr>
<tr>
<td><strong>District does not meet policy requirements</strong></td>
<td>There are major concerns that District administration may or may not be aware of. Violation of this policy may be adversely affecting the District.</td>
</tr>
</tbody>
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**X_________________________**

**Peter V. Doan**  
Internal Auditor  
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**X_________________________**

**Susan K. Bubar**  
Internal Audit Technician  
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303-365-5815 x28441
Results
<table>
<thead>
<tr>
<th>Policy Number</th>
<th>Policy Reviewed</th>
<th>Conclusion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3 – 1</td>
<td>Expend more funds in any fund than have been received in the fiscal year to date unless the debt, reserve and liquidity guidelines below are met.</td>
<td>District meets policy requirements</td>
<td></td>
</tr>
<tr>
<td>3.3 – 2</td>
<td>Indebt or obligate the organization 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. For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.</td>
<td>District meets policy requirements</td>
<td>The District did not receive any warning indicators in the 2015 Fiscal Health Analysis Information Report from the Colorado Office of the State Auditor. As a result, the rating has been increased for this policy.</td>
</tr>
<tr>
<td>3.3 – 3</td>
<td>Incur a financially illiquid condition.</td>
<td>District meets policy requirements</td>
<td></td>
</tr>
<tr>
<td>3.3 – 4</td>
<td>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.</td>
<td>District meets policy requirements</td>
<td></td>
</tr>
<tr>
<td>3.3 – 7</td>
<td>Achieve compliance with these provisions by endangering future capacity to achieve District Goals.</td>
<td>N/A</td>
<td>The District is in the process of defining District Goals. As a result, there were no indicators or metrics to review.</td>
</tr>
<tr>
<td>3.3 – 8</td>
<td>Settle payroll, accounts and debts in a timely manner.</td>
<td>District meets policy requirements</td>
<td></td>
</tr>
</tbody>
</table>
### Policy Governance – Executive Limitations
#### 2014-2015 Fiscal Year
#### 3rd Quarter Report

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>District meets policy requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3 – 9</td>
<td>Make tax payments and other government ordered payments and filings timely and accurately.</td>
<td>District meets policy requirements</td>
</tr>
<tr>
<td>3.3 – 10</td>
<td>Aggressively pursue receivables after a reasonable grace period.</td>
<td>District meets policy requirements</td>
</tr>
<tr>
<td>3.3 – 11</td>
<td>Establish prudent reserves for contingent obligations.</td>
<td>District meets policy requirements</td>
</tr>
</tbody>
</table>
| 3.6 – 6 | Make any purchase or financial commitment:  
- wherein normally prudent protection has not been given against conflict of interest;  
- of more than a minimal amount without having obtained comparative prices and quality (except for long term service contracts entered into with Superintendent approval);  
- of a significant amount without a stringent method of assuring a favorable balance of long term quality and cost;  
- over $750,000, excluding insurance premiums and approved capital projects. Orders may not be split to avoid these requirements. | District meets policy requirements |
<table>
<thead>
<tr>
<th>3.7 – 1</th>
<th>Change his or her own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.</th>
<th>District meets policy requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.7 – 2</td>
<td>Promise or imply permanent or guaranteed employment.</td>
<td>District meets policy requirements</td>
</tr>
<tr>
<td>3.7 – 3</td>
<td>Establish current compensation and benefits which materially deviate from the geographic or professional market for the skills employed. Create obligations over a longer term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.</td>
<td>District meets policy requirements</td>
</tr>
</tbody>
</table>
### 3.7 – 4
Enter into agreements for services ("AFS") with retired employees that exceed $50.00 per hour or $400.00 per day; and, whether hourly or daily, no retired employee may earn more than $44,000.00 pursuant to one or more AFS will be “cost neutral” for the District for all PERA retiree employees making $40.00 or more per hour or $320.00 or more per diem. Accordingly, $40.00 or greater hourly and $320.00 or greater per diem rates will be adjusted in order to compensate for the District’s employer contribution obligation for PERA retirees on AFS.

**District marginally meets policy requirements**

While there were two agreements for services that violated the policy, the percentage of violations was minimal when compared with the number of agreements for the year. For transparency purposes, we have disclosed the two agreements and have lowered the rating for this policy.

### 3.7 – 5
Establish or change pension or other benefits so as to cause unpredictable or inequitable situations, including those that
- incur unfunded liabilities;
- provide less than some basic level of benefits to all full time employees, though differential benefits to encourage longevity and District Goals performance are not prohibited;
- permit employee to lose benefits already accrued;
- treat domestic partners of employees differently from spouses.

**District meets policy requirements**
Areas of Review
AREAS OF REVIEW

This section includes the areas that Internal Audit reviewed and any findings related to those areas.

Financial Conditions and Activity

Spending Rate Analysis

Finding: There were no findings in this area.

Associated Policies:

- Expend more funds in any fund than have been received in the fiscal year to date unless the debt, reserve and liquidity guidelines below are met.
- Indebt or obligate the organization 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.
  - For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.
- Incur a financially illiquid condition.
- Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, other unencumbered revenues within each fiscal year.

Audit Results:

The following forecast data was obtained from the 2014-2015 2nd Quarter Financial Statements.

<table>
<thead>
<tr>
<th>Type of Fund</th>
<th>Spending Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>89.7%</td>
</tr>
<tr>
<td>Aurora Academy Charter School</td>
<td>93.4%</td>
</tr>
<tr>
<td>Lotus School for Excellence Charter School</td>
<td>104.7%</td>
</tr>
<tr>
<td>Global Village Academy Charter School</td>
<td>76.9%</td>
</tr>
<tr>
<td>Vanguard Classical Charter School (West Campus)</td>
<td>110.2%</td>
</tr>
</tbody>
</table>
Policy Governance – Executive Limitations
2014-2015 Fiscal Year
3rd Quarter Report

<table>
<thead>
<tr>
<th>Type of Fund</th>
<th>Spending Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Classical Charter School (East Campus)</td>
<td>88.0%</td>
</tr>
<tr>
<td>AXL Charter School</td>
<td>97.8%</td>
</tr>
<tr>
<td>Athletic Fund</td>
<td>81.9%</td>
</tr>
<tr>
<td>Bond Redemption Fund</td>
<td>82.6%</td>
</tr>
<tr>
<td>Building Fund</td>
<td>38.2%</td>
</tr>
<tr>
<td>Capital Reserve Fund</td>
<td>47.7%</td>
</tr>
<tr>
<td>Colorado Preschool Fund</td>
<td>75.6%</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>66.4%</td>
</tr>
<tr>
<td>Medicaid Fund</td>
<td>38.6%</td>
</tr>
<tr>
<td>Pickens Post-Secondary Fund</td>
<td>52.8%</td>
</tr>
<tr>
<td><strong>Risk-Related Activity Fund</strong></td>
<td><strong>107.0%</strong></td>
</tr>
<tr>
<td>Special Programs Fund</td>
<td>49.5%</td>
</tr>
<tr>
<td>Nutrition Services Fund</td>
<td>97.7%</td>
</tr>
<tr>
<td>Print Services Fund</td>
<td>96.7%</td>
</tr>
<tr>
<td>Pupil Activity - Agency Fund</td>
<td>70.6%</td>
</tr>
</tbody>
</table>

The District’s spending rate percentage is calculated by taking the year to date expenditures, dividing it by the current number of months in the fiscal year, multiplied by 12 months, and dividing that number by the budgeted expenditures.

There were three areas that were over the 100 percent spending rate in the 2nd Quarter: Lotus School for Excellence Charter School, Vanguard Classical Charter School (West Campus) and Risk-Related Activity Fund. Since this is not a year-end report, the District must provide a sufficient explanation for any funds with a spending rate over 100% to avoid a negative mark in this area. The District has provided the following explanations for the three areas below:

Lotus School for Excellence Charter School

- Renovation projects increased the spending rate over the 100 percent.
- In January 2015, the school submitted a readopted budget increase of $126,000. The new budget is expected to reduce the spending rate by two percent.
The District expects the spending rate to continue to decrease as the school year progresses.

Vanguard Classical Charter School (West Campus):

- With any interim reporting, there are management estimates incorporated into the numbers (Nutrition Services for example), and could be contributing to the over-spent rate, through that period of time.
- The spending rate has been over 100 percent for two quarters. Vanguard West’s 2nd quarter spending rate decreased slightly to 110.2 percent when compared to 1st quarter spending rate of 112.4 percent.
- The school did not submit a readopted budget in January 2015.
- District staff will continue to monitor the school’s spending rate of 110.2 percent. It is expected that the rate will moderate as the year progresses.

Risk-Related Activity Fund

- The spending rate of 107 percent is a result of $381,400 in unreimbursed expenditures related to the September 2013 flood.
- Risk Management is working with FEMA to obtain a reimbursement. It is expected that FEMA or the state will reimburse some or all of the expenditures.
- Without the FEMA expenditures, the adjusted spending rate is 91.2 percent.

We believed that the explanations provided by the District were satisfactory. The Office of Internal Audit will continue to monitor these funds and follow up if it is expected that the spending rate will exceed 100% by year-end.
Fund Balance Reserve Ratio

Finding: There were no findings in this area.

Associated Policies:

- Indebt or obligate the organization 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.
  - For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.
- Establish prudent reserves for contingent obligations.

Audit Results: The following data to perform the calculations was obtained from the 2014-2015 2nd Quarter Financial Statements and the 2014-2015 Re-Adopted Budget.

<table>
<thead>
<tr>
<th>Fund Balance Reserve Ratio</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Fund Balance As Of December 31, 2014</td>
<td>62,449,292</td>
</tr>
<tr>
<td>Total Required Reserves</td>
<td>12,431,995</td>
</tr>
<tr>
<td>Ending Fund Balance/Reserve Ratio (Must be greater than 1.00)</td>
<td>5.02</td>
</tr>
</tbody>
</table>

The Fund Balance Reserve Ratio is calculated as the year to date ending fund balance divided by the total required reserves. The District’s fund balance/reserve ratio for the 2nd quarter is 5.02. If the ratio is above 1.00, the District is in compliance with the policy by having funds available for the reserve in that quarter.
Quick Ratio Calculation

Findings: There were no findings in this area.

Associated Policies:

- Indebt or obligate the organization 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.
  - For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.
- Incur a financially illiquid condition.

Audit Results:

The quick ratio is an indicator of the District’s short-term liquidity. It measures the District’s ability to meet its short-term obligations with its most liquid assets. This number should be greater than 1.00. The following data to perform the calculations was obtained from the 2014-2015 2nd Quarter Financial Statements.

<table>
<thead>
<tr>
<th>Total Governmental Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled Cash and Investments</td>
<td>79,825,702</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>501,881</td>
</tr>
<tr>
<td>Accounts Receivable - Grants</td>
<td>5,078,582</td>
</tr>
<tr>
<td>Taxes Receivable</td>
<td>775,987</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>3,343,186</td>
</tr>
<tr>
<td>Provision for Future Claims</td>
<td>212,228</td>
</tr>
<tr>
<td><strong>Quick Ratio</strong></td>
<td><strong>24.24</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled Cash and Investments</td>
<td>20,123,581</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>501,881</td>
</tr>
<tr>
<td>Taxes Receivable</td>
<td>734,373</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>3,060,311</td>
</tr>
<tr>
<td><strong>Quick Ratio</strong></td>
<td><strong>6.98</strong></td>
</tr>
</tbody>
</table>
Fiscal Health Analysis of Colorado School Districts from State Auditors

Findings: There were no findings in this area.

Associated Policies:

- Expend more funds in any fund than have been received in the fiscal year to date unless the debt, reserve and liquidity guidelines below are met.
- Indebt or obligate the organization 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.
  - For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.
- Incur a financially illiquid condition.

Audit Results:

The State Auditor’s Fiscal Health Analysis of Colorado School Districts for the fiscal years ending 2012, 2013, and 2014 was released in May 2015. The Local Government Division of the Office of the State Auditor developed a set of financial indicators by which to assess the financial health of Colorado School Districts.

The Fiscal Health Analysis uses five ratios to assess school districts’ financial health. These ratios include the Asset Sufficiency Ratio (ASR), Debt Burden Ratio (DBR), Operating Reserve Ratio (ORR), Operating Margin Ratio (OMR), and Change in Fund Balance Ratio (CFBR). More information about the ratios can be found in Appendix A of this report.

Our District’s ratios have been provided in the following table:

<table>
<thead>
<tr>
<th></th>
<th>ASR Ratio</th>
<th>DBR Ratio</th>
<th>ORR Ratio</th>
<th>OMR Ratio</th>
<th>CFBR Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.35</td>
<td>0.81</td>
<td>0.13</td>
<td>0.02</td>
<td>0.18</td>
</tr>
<tr>
<td>2013</td>
<td>2.62</td>
<td>0.79</td>
<td>0.15</td>
<td>0.03</td>
<td>0.24</td>
</tr>
<tr>
<td>2014</td>
<td>2.58</td>
<td>1.04</td>
<td>0.15</td>
<td>0.01</td>
<td>0.04</td>
</tr>
</tbody>
</table>

The District has improved its DBR Ratio to exceed 1.00 and did not receive a warning indicator from the Office of the State Auditor this year.
Interfund Borrowing

Findings: There were no findings in this area.

Associated Policies:

- 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.

Audit Results: The following data to perform the calculations was obtained from the 2014-2015 2nd Quarter Financial Statements.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Interfund Borrowing:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receivable</td>
<td>Payable</td>
</tr>
<tr>
<td>General Fund</td>
<td>6,336,610</td>
<td>-</td>
</tr>
<tr>
<td>Grants Fund</td>
<td>-</td>
<td>4,219,125</td>
</tr>
<tr>
<td>Nutrition Services (Proprietary Fund)</td>
<td>-</td>
<td>2,117,485</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,336,610</strong></td>
<td><strong>6,336,610</strong></td>
</tr>
</tbody>
</table>

### Grants Fund

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled Cash and Investments</td>
<td>-</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>-</td>
</tr>
<tr>
<td>Accounts Receivable - Grants</td>
<td>5,078,582</td>
</tr>
<tr>
<td><strong>Total Cash + Cash Equiv + AR</strong></td>
<td><strong>5,078,582</strong></td>
</tr>
</tbody>
</table>

### Current Liabilities

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>63,849</td>
</tr>
<tr>
<td>Interfund Borrowing: Payable</td>
<td>4,219,125</td>
</tr>
<tr>
<td>Deferred Revenue Grants</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>4,283,024</strong></td>
</tr>
<tr>
<td><strong>Quick Ratio</strong></td>
<td><strong>1.19</strong></td>
</tr>
</tbody>
</table>

### Ratio of Cash/Receivables over Interfund Payables

**1.20**

### Nutrition Services

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled Cash and Investments</td>
<td>-</td>
</tr>
<tr>
<td>Accounts Receivable - Other</td>
<td>56,556</td>
</tr>
<tr>
<td>Accounts Receivable - Grants</td>
<td>5,572,838</td>
</tr>
<tr>
<td><strong>Total Cash + Cash Equiv + AR</strong></td>
<td><strong>5,629,394</strong></td>
</tr>
</tbody>
</table>

### Current Liabilities

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>1,005,578</td>
</tr>
<tr>
<td>Interfund Borrowing: Payable</td>
<td>2,117,485</td>
</tr>
<tr>
<td>Deferred Revenue Grants</td>
<td>162,826</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>3,285,889</strong></td>
</tr>
<tr>
<td><strong>Quick Ratio</strong></td>
<td><strong>1.71</strong></td>
</tr>
</tbody>
</table>

### Ratio of Cash/Receivables over Interfund Payables

**2.66**
Payroll, Accounts Payable and Long-Term Debt Review

Findings: There were no findings in this area.

Associated Policies:

- Indebt or obligate the organization 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.
  - For the general fund, allow reserves to be less than 4% of its annual revenues unless approved by the Board.
- Settle payroll, accounts, and debts in a timely manner.

Audit Results:

<table>
<thead>
<tr>
<th>Payroll Withholding Federal and State Variance</th>
<th>Federal/State Tax Date Wired</th>
<th>Variance (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>Payroll Date</td>
<td>Date Wired</td>
</tr>
<tr>
<td>January</td>
<td>1/30/2015</td>
<td>1/30/2015</td>
</tr>
<tr>
<td>February</td>
<td>2/27/2015</td>
<td>2/27/2015</td>
</tr>
<tr>
<td>March</td>
<td>3/31/2015</td>
<td>3/31/2015</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payroll Withholding City Variance</th>
<th>OPT Check Mailed</th>
<th>Variance (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>Payroll Date</td>
<td>Date Mailed</td>
</tr>
<tr>
<td>January</td>
<td>1/30/2015</td>
<td>1/30/2015</td>
</tr>
<tr>
<td>February</td>
<td>2/27/2015</td>
<td>3/3/2015</td>
</tr>
<tr>
<td>March</td>
<td>3/31/2015</td>
<td>3/31/2015</td>
</tr>
</tbody>
</table>

The number of days between the payroll date and the date that the federal/state tax has been wired or OPT check has been mailed must be under 15 days for the District to pass this indicator.

We met with the Senior Accountant to review the Invoice Aging Report for January through March. All invoices over 90 days had a sufficient explanation that was provided by Accounting.
Tax Payment and Filing Dates Review

Finding: There were no findings in this area.

Associated Policies:

- Make tax payments and other government ordered payments and filings timely and accurately.

Audit Results:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Action Taken</th>
<th>Amount (if Applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/28/2015</td>
<td>941 Quarterly Federal Tax Return (4th Quarter)</td>
<td>Mailed</td>
<td></td>
</tr>
<tr>
<td>1/30/2015</td>
<td>January City of Aurora Occupational Privilege Tax</td>
<td>Check Mailed</td>
<td>$10,424.00</td>
</tr>
<tr>
<td>1/30/2015</td>
<td>January Federal Withholding Taxes</td>
<td>Filed</td>
<td></td>
</tr>
<tr>
<td>1/30/2015</td>
<td>January State Withholding Taxes</td>
<td>Filed</td>
<td></td>
</tr>
<tr>
<td>1/30/2015</td>
<td>January Federal Withholding Taxes</td>
<td>Wired</td>
<td>$2,320,456.66</td>
</tr>
<tr>
<td>1/30/2015</td>
<td>January State Withholding Taxes</td>
<td>Wired</td>
<td>$567,075.00</td>
</tr>
<tr>
<td>2/27/2015</td>
<td>February Federal Withholding Taxes</td>
<td>Wired</td>
<td>$2,395,974.05</td>
</tr>
<tr>
<td>2/27/2015</td>
<td>February State Withholding Taxes</td>
<td>Wired</td>
<td>$588,711.00</td>
</tr>
<tr>
<td>2/27/2015</td>
<td>February Federal Withholding Taxes</td>
<td>Filed</td>
<td></td>
</tr>
<tr>
<td>2/27/2015</td>
<td>February State Withholding Taxes</td>
<td>Filed</td>
<td></td>
</tr>
<tr>
<td>3/3/2015</td>
<td>February City of Aurora Occupational Privilege Tax</td>
<td>Check Mailed</td>
<td>$10,650.00</td>
</tr>
<tr>
<td>3/31/2015</td>
<td>March State Withholding Taxes</td>
<td>Wired</td>
<td>$576,254.00</td>
</tr>
<tr>
<td>3/31/2015</td>
<td>March Federal Withholding Taxes</td>
<td>Wired</td>
<td>$2,341,904.14</td>
</tr>
<tr>
<td>3/31/2015</td>
<td>March State Withholding Taxes</td>
<td>Filed</td>
<td></td>
</tr>
<tr>
<td>3/31/2015</td>
<td>March Federal Withholding Taxes</td>
<td>Filed</td>
<td></td>
</tr>
<tr>
<td>3/31/2015</td>
<td>March City of Aurora Occupational Privilege Tax</td>
<td>Check Mailed</td>
<td>$10,612.00</td>
</tr>
</tbody>
</table>
**Receivables Review**

**Findings:** There were no findings in this area.

**Associated Policies:**
- Aggressively pursue receivables after a reasonable grace period.

**Audit Results:**

We reviewed the District’s receivables between January and March. Information was provided from Accounting regarding any extended receivables.

**CTA Claim**
- The District is expecting to collect $614,782 from the State of Colorado by the end of the year. The payment schedule is established by the state.
  - April 2015 – Expected $307,391
  - June 2015 – Expected $307,391

**Perkins Secondary Grant**
- The District is expecting to collect $329,333 from the State of Colorado. Payments are received as requests are submitted.
  - Second payment of $158,936 is expected in the 4th quarter.

**Perkins Post-Secondary Grant**
- The District is expecting to collect $250,234 from the State of Colorado. Payments are received as requests are submitted.
  - Second payment of $147,418 is expected in the 4th quarter.

**AXL Charter School**
- The District has deferred AXL’s fees for the 2014-2015 year in the approximate amount of $380,000. $50,000 of the $380,000 comes from the promissory note in the 2013-2014 year. As part of AXL’s contract, it is expected that the District will receive this deferral in fees over the course of the next three fiscal years (2015-2018) by authorizing APS to withhold equal monthly installments from AXL’s monthly funding.
Asset Protection

Purchasing Audit

Finding: There were no findings in this area.

Associated Policies:

- Make any purchase of financial commitment:
  - wherein normally prudent protection has not been given against conflict of interest;
  - of more than a minimal amount without having obtained comparative prices and quality (except for long term service contracts entered into the Superintendent approval);
  - of a significant amount without a stringent method of assuring a favorable balance of long term quality and cost; and
  - over $750,000, excluding insurance premiums and approved capital projects.

Orders may not be split to avoid these requirements.

- Create or purchase any affiliate or subsidiary.

Audit Results:

We reviewed the Purchasing Activity Register from September through December.

Purchases Over $750,000:

- PO 174488 amount is $758,058.00

Selected A Sample of 18 Purchases Over $50,000:

- PO 174103: Bid #2582-15
- PO 174247: Exempt – Instructional Material
- PO 174273: Exempt – Professional Services
- PO 174500: Bid #2579-14
- PO 174930: Exempt – Instructional Materials
- PO 174956: Exempt – Benefits
• PO 175034: RFP from Jeffco #22797
• PO 175081: Exempt – Professional Services
• PO 175129: Bid through MAPO
• PO 175313: Exempt – Instructional Material
• PO 175433: Exempt – Professional Services
• PO 175623: Exempt – Professional Services
• PO 175799: Exempt – Phone Services
• PO 176177: RFP #2511-13
• PO 176179: RFP #2511-13
• PO 176263: Exempt - Tuition
• PO 176452: Three competitive quotes obtained.
• PO 176957: Exempt - Benefits

We did not find any instances in which the District created or purchased an affiliate or subsidiary.
Compensation and Benefits

HR System Access

Finding: There were no findings in this area.

Associated Policies:

- Change his or her own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

Audit Results:

We reviewed the list of individuals that have access to the compensation and benefits systems provided by Human Resources. Only individuals that are currently working in Human Resources have access to the system.
Hiring Process Review

Finding: There were no findings in this area.

Associated Policies:

- Promise or imply permanent or guaranteed employment.

Audit Results:

Internal Audit interviewed the Chief Personnel Officer.

1. Human Resources requires an interview of two people minimum.
2. Once interviews are complete, the department or school provides a recommendation for who they want to hire.
3. Human Resources reviews the recommended individual. Paperwork submitted by the individual is reviewed to ensure that he or she is qualified for the position.
4. Licensed positions must go through the Teacher Insight Screen.
5. If the recommended individual fails one of these checks, HR will inform the department or school to revisit their applicants and provide another recommendation.

There were no situations in which Human Resources is aware of in which an individual was promised or implied permanent or guaranteed employment for the 2014-2015 school year.
Oehm Consulting Services (OCS) Report Review

Finding: There were no findings in this area.

Associated Policies:

- Establish current compensation and benefits which materially deviate from the geographic or professional market for the skills employed. Create obligations over a long term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.

Audit Results:

Four positions were identified by the OCS Report as being out of range by over 5% for three consecutive studies. The position and results are provided.

- Clerk, Department Human Resources
  - The position has been reclassified to Employment Office, Assistant.
- Assistant, Substitute Office
  - There will not be any changes to this position. The range was updated in 2012-2013.
- Risk Manager
  - Currently being reviewed by the Division of Finance.
- Deputy Superintendent
  - Position has been phased out.
Agreement for Services (AFS) for Active Retirees Review

Finding: While there were two agreements for services that violated the policy, the percentage of violations was minimal when compared with the number of agreements for the year. For transparency purposes, we have disclosed the two agreements and have lowered the rating for this policy. The rating for this policy is now at “District marginally meets policy requirements”.

Associated Policies:

- Enter into agreements for services ("AFS") with retired employees that exceed $50.00 per hour or $400.00 per day; and, whether hourly or daily, no retired employee may earn more than $44,000.00 pursuant to one or more AFS will be "cost neutral" for the District for all PERA retiree employees making $40.00 or more per hour or $320.00 or more per diem. Accordingly, $40.00 or greater hourly and $320.00 or greater per diem rates will be adjusted in order to compensate for the District's employer contribution obligation for PERA retirees on AFS.

Audit Results:

Internal Audit reviewed the Active Retiree Rates report from Human Resources (HR). All rates above $40.00 per hour or $320.00 per diem required an explanation from HR.

<table>
<thead>
<tr>
<th>Agreement for Services #</th>
<th>Payment / Rate</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>30141</td>
<td>$473.66/Per Diem</td>
<td>Exceptional Student Services was unable to find a qualified individual to serve as a Speech Language Pathologist, a position identified nationally as a hard to fill position. Hiring an individual from a placement agency would have cost APS more than entering into the AFS. Without the AFS, APS would not have had a full-time Speech Language Pathologist to serve at Rangeview High School, resulting in a failure to provide services and non-compliance with student IEPs or would have paid a higher per diem rate to a temporary agency.</td>
</tr>
<tr>
<td>33393</td>
<td>$50.00/Hour</td>
<td>Overlooked by Chief Personnel Officer</td>
</tr>
</tbody>
</table>
PERA Contribution Rates

Finding: There were no findings in this area.

Associated Policies:

- Establish or change pension or other benefits so as to cause unpredictable or inequitable situations, including those that
  - incur unfunded liabilities;
  - provide less than some basic level of benefits to all full time employees, though differential benefits to encourage longevity and District Goals performance are not prohibited;
  - permit any employee to lose benefits already accrued; and
  - treat domestic partners of employees differently from spouses.

Audit Results:

The total contribution percentage for the 2015-2016 calendar year is 18.35%. The rates are established by Colorado PERA.

<table>
<thead>
<tr>
<th>Start Date</th>
<th>Statutory Employer Contribution</th>
<th>AED</th>
<th>SAED</th>
<th>Total Contribution % for Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2010</td>
<td>10.15%</td>
<td>2.20%</td>
<td>1.50%</td>
<td>13.85%</td>
</tr>
<tr>
<td>Jan 2011</td>
<td>10.15%</td>
<td>2.60%</td>
<td>2.00%</td>
<td>14.75%</td>
</tr>
<tr>
<td>Jan 2012</td>
<td>10.15%</td>
<td>3.00%</td>
<td>2.50%</td>
<td>15.65%</td>
</tr>
<tr>
<td>Jan 2013</td>
<td>10.15%</td>
<td>3.40%</td>
<td>3.00%</td>
<td>16.55%</td>
</tr>
<tr>
<td>Jan 2014</td>
<td>10.15%</td>
<td>3.80%</td>
<td>3.50%</td>
<td>17.45%</td>
</tr>
<tr>
<td>Jan 2015</td>
<td>10.15%</td>
<td>4.20%</td>
<td>4.00%</td>
<td>18.35%</td>
</tr>
<tr>
<td>Jan 2016</td>
<td>10.15%</td>
<td>4.50%</td>
<td>4.50%</td>
<td>19.15%</td>
</tr>
<tr>
<td>Jan 2017</td>
<td>10.15%</td>
<td>4.50%</td>
<td>5.00%</td>
<td>19.65%</td>
</tr>
<tr>
<td>Jan 2018</td>
<td>10.15%</td>
<td>4.50%</td>
<td>5.50%</td>
<td>20.15%</td>
</tr>
</tbody>
</table>

Internal Audit reviewed the calculation and selected a sample of contribution report summaries to verify that the District is in compliance with Colorado PERA. There were no issues in this area.
Pension and Benefits Review

Finding: There were no findings in this area.

Associated Policies:

- Establish or change pension or other benefits so as to cause unpredictable or inequitable situations, including those that
  - incur unfunded liabilities;
  - provide less than some basic level of benefits to all full time employees, though differential benefits to encourage longevity and District Goals performance are not prohibited;
  - permit any employee to lose benefits already accrued; and
  - treat domestic partners of employees differently from spouses.

Audit Results:

PERA and benefits are budgeted and tracked by object code 0200 for each department or school. The District maintains reserves to cover any unexpected costs exceeding the budget.

All employees have access to the APS online benefits system. Open enrollment occurs in May 2015 if employees need to update their medical insurance provider, medical and/or dental insurance coverage status, or initiate or change a Medical Flexible Spending and/or Dependent Care Flexible Spending Account.

At the time of review, there are no benefits provided to any full-time employees that are more than the basic level of benefits. Any additional compensation above the base rate is tracked through an Agreement for Services process.

Adjustments to vacation and sick hours can only be completed by Human Resources personnel and must require approval from a supervisor and include appropriate documentation.

Enrollment forms for benefits include an option for domestic partners.
Appendix A

Excerpt of Fiscal Health Analysis Report

Financial Ratios and Indicators
The Division’s Fiscal Health Analysis is composed of a set of financial indicators by which to assess the financial health of Colorado school districts. The Division developed these fiscal health ratios by researching school district analyses conducted by other states, state agencies, and public accounting firms. These ratios, when tracked over time, offer trend information that can warn of potential financial deterioration in a particular school district, when compared with a standard benchmark. The Fiscal Health Analysis uses a 3-year period to evaluate trends.
The Fiscal Health Analysis focuses on the areas of highest risk for school districts. Accordingly, the analysis focuses primarily on each school district’s general fund, because this fund accounts for state funding and local property tax revenue received and expended for operations and discretionary items. The analysis also focuses on the school districts’ debt and includes any fund balance deficits. For the purpose of this analysis, we excluded proprietary funds, such as the school lunch program, because school districts can usually address deficits in these funds through increases in charges.

The Fiscal Health Analysis uses five ratios to assess school districts’ financial health. Following are general descriptions of the five ratios, together with the associated benchmarks that are indicators of potential financial stress when evaluated over a 3-year period. APPENDIX A contains further information on each ratio, financial indicators, and benchmarks.

**RATIO 1: ASSET SUFFICIENCY RATIO**
(ASR)

*What will this ratio tell me?*

This ratio shows how much coverage a school district’s general fund total assets has over its current liabilities and provides a good indication as to whether the school district has the ability to pay its bills in the short term.

*What will a trend in this ratio tell me?*

An ASR that is trending downward indicates that a school district has decreasing assets, increasing liabilities, or both. This could be due to a timing issue, meaning the school district has incurred more liabilities at the end of the financial period, resulting in increased liabilities as of the balance sheet date. Alternatively, it could mean that the school district has paid off more liabilities at the end of the year, decreasing its assets as of the balance sheet date.
Where do I find the information?

The information for this ratio comes from the general fund in the governmental funds balance sheet. If the school district has deferred outflows, they should be included with the total assets. If the school district has deferred inflows, they should be included with the total liabilities.

How do I calculate the ratio?

To calculate this ratio, divide the general fund total assets and deferred outflows by the general fund total liabilities and deferred inflows.

ASR Formula

\[
\frac{\text{General Fund Total Assets} + \text{Deferred Outflows}}{\text{General Fund Total Liabilities} + \text{Deferred Inflows}}
\]

What is the benchmark?

The numeric benchmark for this ratio is 1.0. When a school district has an ASR of 1.0, it means that it has exactly enough total assets to cover its total liabilities. An ASR of less than 1.0 means that the school district’s liabilities exceed its assets.

Financial Indicator Criteria

Continuous decline in ASR from year one to year three, with year three less than 1.0

— OR —

ASR less than 1.0 all 3 years

This ratio has two different criteria. First, the ratio should not consistently decrease over time. Second, it should not consistently remain below 1.0. A decreasing ratio may mean a school district could be facing liquidity problems.
For analysis purposes, a school district is below the benchmark when there are consistent decreases in the ratio with the last year less than 1.0 or all 3 years less than 1.0.

What questions should I consider if my school district is below the benchmark?

- Does the school district have consistent decreases in the ratio over time?
- Does the school district have trouble paying debts as they become due?
- Is the school district incurring more liabilities?
- Are more liabilities coming due faster than cash is coming in to pay them?
- Is the school district below the benchmark due to timing issues? For example, does the school district have significant cash flows in the early part of the year, after the balance sheet date?
- Is the school district’s cash flow structure sufficient to continue paying liabilities as they become due?

**RATIO 2: DEBT BURDEN RATIO (DBR)**

What will this ratio tell me?

The ratio indicates whether the school district’s annual revenue will cover its annual debt payments, including principal and interest. The DBR is a very important way to assess a school district’s ability to continue to meet its debt service payments. This ratio shows the relationship between a school district’s revenue, or debt-paying capacity, and its required debt payment.
What will a trend in this ratio tell me?

If the DBR shrinks every year, it might be a sign that the school district’s debt payment is becoming more burdensome, and concerning. This ratio can also provide other insights into how a school district is paying off its debt. In general, if a school district pays its debt service with revenues outside the general fund revenue in one year, and then uses general funds the next year, the DBR will fluctuate significantly. This becomes important if a school district has been paying its debt service with other revenue, not reported in the general fund, and then it begins to use general fund revenue. This could be a sign that the revenue stream the school district intended to use to pay off its debt might not be sufficient.

Where do I find the information?

To find the total governmental revenue of funds paying debt service, total all the revenue from any governmental fund with debt service expenditures. Then, examine transfers into any funds paying debt service, and add the revenue from the fund that is the source of the transfer into that fund. Total governmental debt payments are the sum of all debt service payments reported in all governmental funds. Additionally, this information could be located in a few different places within the audit report. Aside from the statement of revenues, expenditures, and changes in fund balance, the information could be in the long-term debt disclosure or in a related schedule of long-term debt. Sometimes it is necessary to dig deeper into the financial statements by examining the combining statements to determine specifically which non-major fund made debt service payments or transferred money into a fund that actually paid the debt service.

How do I calculate the ratio?

To calculate this ratio, divide the total governmental revenue of funds that pay debt service by the total governmental fund debt service payments, including principal and interest.
**DBR FORMULA**

\[
\frac{\text{Total Governmental Revenue of Fund(s) Paying Debt}}{\text{Total Governmental Debt Payments}}
\]

**What is the benchmark?**

A DBR of 1.0 would indicate that annual debt service expenditures equals the annual revenue of the fund supporting the debt.

**Financial Indicator Criteria**

- Continuous decline in DBR from year one to year three, with year three less than 1.0
- or —
- DBR less than 1.0 all 3 years

This ratio has a two-part criteria and both must apply. The first part of the criteria is that the ratio should remain constant or increase. When the ratio is consistently less than 1.0, it means that the school district does not have the appropriate amount of revenue in funds making debt service payments. The second part of the criteria is whether the ratio is less than 1.0 in the third year. A school district with a DBR of 1.0 has just enough revenue in its funds with debt service payments to pay those debt service expenditures. A DBR of less than 1.0 means that a school district does not have enough revenue in its funds paying debt service to cover those debt service expenditures and it must use fund balance to make up the difference.

In our analysis, a school district is below the benchmark when it has a consistently decreasing DBR with the most recent year’s ratio less than 1.0 or all 3 years less than 1.0.
What questions should I consider if my school district is below the benchmark?

- Does this ratio indicate that the school district does not have the ability to pay its future debt service expenditures?
- Is the ratio consistently decreasing because the school district has decreasing revenue available to make debt service payments?
- Does the school district have plans to change the cause of the consistently decreasing DBR ratio?

**RATIO 3: OPERATING RESERVE RATIO (ORR)**

What will this ratio tell me?

The ORR indicates the period of time (with 1.0 being one year) the school district’s general fund balance reserve is sufficient to cover future expenditures. Specifically, this ratio shows the amount of fund balance a school district has to pay its future expenditures. The ratio provides information based on the assumption that future expenditures will resemble past expenditures. This means that a school district with a high ORR should have reserves to pay for its expenditures further into the future, if expenditures remain consistent. This ratio also provides insight into how long a school district could operate if it were unable to collect any revenue.

What will a trend in this ratio tell me?

If the ORR decreases over time, it means the school district has either
increasing expenditures or has less fund balance to cover its expenditures. Translated into a time measurement, the fund balance will not cover the same amount of time of operational expenditures as in previous years, assuming expenditures have remained consistent. There are many reasons that a school district might be decreasing its available fund balance, so even 3 years of consistent decline may not automatically mean there is a problem. Regardless of the actual results of calculating this ratio, the school district should evaluate the trend to determine the sufficiency of its reserves. The key to this ratio is that management is aware of the changes and they are intentional or planned.

Where do I find the information?

The information necessary to calculate the ORR is located on the governmental funds balance sheet, specifically in the general fund. Total general fund balance includes nonspendable, restricted, committed, assigned and unassigned. Expenditure information is located on the governmental funds statement of revenues, expenditures, and changes in fund balance. General fund total expenditures (net of transfers) are the total expenditures for the general fund, and add transfers out and subtract transfers in.

How do I calculate the ratio?

To calculate this ratio, divide general fund balance by general fund total expenditures (net of transfers).

\[
\text{ORR Formula} = \frac{\text{Fund Balance of the General Fund}}{\text{General Fund Total Expenditures (net of transfers)}}
\]
What is the benchmark?

The benchmark for ORR is general fund balance of no less than one week of regular current general fund expenditures, or a ratio of 0.0192 (1/52, or one week).

FINANCIAL INDICATOR CRITERIA

- CONTINUOUS DECLINE IN ORR FROM YEAR ONE TO YEAR THREE, WITH YEAR THREE LESS THAN 0.0192
- ORR LESS THAN 0.0192 ALL 3 YEARS

The ORR has two different criteria. First, a school district with an ORR of 0.0192 can pay for one week of expenditures in the event of a total loss of revenue inflows. A school district would be below the benchmark if it has consistent decreases in the ratio, with the most recent year less than 0.0192. This means that either expenditures are increasing or fund balance is decreasing to the point where the school district can no longer pay for one week of future expenditures. The second part of the criteria is whether a school district has less than one week of reserves in all 3 years.

For our purposes, a school district is below the benchmark if it has consistent decreases in the ratio with the most current year’s ORR less than 0.0192, or all 3 years are less than 0.0192.

EXAMPLE TREND DATA

- RATIO YEAR ONE: 0.0519
- RATIO YEAR TWO: 0.0327
- RATIO YEAR THREE: 0.0164

—

BELOW BENCHMARK? YES
What questions should I consider if my school district is below the benchmark?

- Will the school district have a problem paying its future expenditures?
- Does the school district understand the circumstances that resulted in a consistently decreasing ORR and was it planned?
- Do consistent decreases in the ratio mean that expenditures are increasing or fund balance is decreasing, or both?

RATIO 4: OPERATING MARGIN RATIO (OMR)

What will this ratio tell me?

The OMR is a traditional financial performance indicator that private and public entities use for analysis. The OMR looks at revenues and expenditures in the general fund. The ratio indicates the amount added to the school district’s reserves for every $1 generated in revenue.

In general, a school district that has sustainable operations will have more operating revenue than expenditures at any given time. There are numerous reasons why a school district would have more expenditures than revenues for a given year, but if the school district continually has more expenditures than revenue, it might be financing its expenditures with long-term debt or fund balance, which is not a sustainable operational model.

What will a trend in this ratio tell me?

First, the OMR will tend to change consistently over time. It is possible that a school district will have a negative OMR one year if there are one time capital expenditures, and a positive OMR the next. However, if a school district has a consistently negative OMR, it could indicate structural problems in the school district’s operating decisions, or generally poor economic conditions. A consistent decrease in the OMR, or an OMR consistently less than zero is not sustainable in the
long term because eventually a school district will run out of fund balance to cover the difference. Consistent increases in this ratio could indicate that a school district has a generally improving economic environment, or that it has made operating decisions that have created more sustainable operations.

*Where do I find the information?*

The information for this ratio is located on the governmental funds statement of revenues, expenditures, and changes in fund balance. General fund total revenue is the total revenues for the general fund. General fund total expenditures (net of transfers), are the total expenditures for the fund, adding any transfers out and subtracting any transfers in.

*How do I calculate the ratio?*

To calculate this ratio, subtract total general fund expenditures, net of transfers, from general fund total revenue. Divide that result by general fund total revenue.

**OMR Formula**

\[
\frac{\text{General Fund Total Revenue} - (\text{General Fund Total Expenditures, Net of Transfers})}{\text{General Fund Total Revenue}}
\]

*What is the benchmark?*

The benchmark for the OMR is zero. An OMR of zero means that a government has equal revenue and expenditures. An OMR greater than zero is positive and indicates that the government has more revenue than expenditures. For example, An OMR of 0.01 would indicate that $.01 would result in net income for every $1 produced in gross revenue.
An OMR of less than zero means that the government has more expenditures than revenues.

The OMR has a two part criteria. First, the OMR can fluctuate based on the district’s budget decisions, but should not consistently decrease over time. Second, it should not consistently be below zero.

For our analysis, a school district is below the benchmark if it has consistently decreasing OMR with the most recent year less than zero, or a negative OMR for all 3 years under analysis.

What questions should I consider if my school district is below the benchmark?

- Is the school district aware that it has a consistently negative OMR?
- Does this ratio indicate that the school district is spending too much money?
- Does the decrease in OMR indicate planned reductions in fund balance?
- Are there one-time capital expenditures that led to the decrease in OMR?
- What is causing the OMR to be consistently less than zero and can the school district fix this issue?
Is the consistent decrease due to a timing issue?

RATIO 5: CHANGE IN FUND BALANCE RATIO (CFBR)

What will this ratio tell me?

The CFBR indicates whether the school district’s fund balance in its general fund is increasing or decreasing. This ratio could show that a school district needs to adjust its revenue and expense structure in order to remain solvent over time. This ratio subtracts the prior year general fund balance from the current year general fund balance; then divides that amount by the prior year general fund balance. This ratio evaluates a potential concern of declining fund balance and highlights when a school district’s general fund balance has reached the lowest point in four years.

This ratio shows the change in a school district’s general fund balance, as a whole, over time. The CFBR goes beyond a traditional operating margin analysis and encompasses all sources and uses of resources for the general fund.

What will a trend in this ratio tell me?

A consistently decreasing CFBR over time could provide an indication that general fund activities are not sustainable without potential changes.

A school district should ascertain why the general fund balance has declined to avoid a deficit and should determine how to return the general fund to operating sustainability.

Where do I find the information?

The information for this ratio is located on the governmental funds statement of revenues, expenditures, and changes in fund balance.
Current year fund balance of the general fund is located on generally the last line of the statement. Prior year or beginning fund balance of the general fund is located on the same statement, generally just above the current year ending value.

*How do I calculate the ratio?*

To calculate this ratio, subtract the prior year general fund balance from the current year general fund balance; then divide that amount by the prior year general fund balance.

**CFBR Formula**

\[
\frac{\text{Current Year Fund Balance of the General Fund} - \text{Prior Year Fund Balance}}{\text{Prior Year General Fund Balance}}
\]

*What is the benchmark?*

The benchmark for the CFBR is zero. A CFBR of zero would indicate that the fund balance has not changed from the prior year.

**Financial Indicator Criteria**

- Decrease in CFBR from year one to three, with year three fund balance less than year one beginning fund balance
- CFBR less than zero for all 3 years

The CFBR has a two part criteria. The CFBR is similar to OMR in that a consistently declining or negative CFBR is not a sustainable operating model. Eventually, remaining fund balance will run out to cover the deficiency.

For our purposes, a school district is below the benchmark if it has consistent decreases in the ratio and with year three fund balance less than year one beginning fund balance, or a ratio of less than zero for
all 3 years, and with the most recent year’s fund balance less than zero.

**Example Trend Data**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year One</td>
<td>0.10</td>
</tr>
<tr>
<td>Year Two</td>
<td>0.02</td>
</tr>
<tr>
<td>Year Three</td>
<td>-0.15</td>
</tr>
</tbody>
</table>

—

**Below benchmark?** YES

What questions should I consider if my school district misses the benchmark?

- Do changes in this ratio indicate that the school district is spending too much?
- What does the school district plan to do to reverse this trend?
- Should the school district maintain more or less reserves?
Aurora Community-Based Transformation, Innovation and Opportunity Network

ACTION ZONES

Board of Education
September 1, 2015
Call to Action

• In the 2013-14 School Year, the APS Board of Education directed Supt. Munn to develop and implement a strategy to address the growing number of schools identified on the state accountability clock. In addition, the district itself was identified on the clock.

• The administration began to identify areas of culture and capacity that needed realignment to the task of school turnaround.

• The administration also implemented key components of a cohesive turnaround strategy.
Theory of Action

• Build the culture and capacity and provide the on-going supports to maintain schools at a strong performance level.

  But, if schools do struggle...

• When we connect leaders, teachers and learners to strong communities of practice, those leaders, teachers and learners can identify and build upon assets to rapidly improve the school community.
APS’ B.E.S.T.

• APS identifies this systemic body of work as the Building Excellent Schools Together or “B.E.S.T.” program.
• B.E.S.T. schools are schools that are identified on the state accountability clock under SB-163.
• B.E.S.T. schools are identified to receive designated interventions, resources and other types of initiatives designed to address their specific challenges.
• Each intervention, resource, and initiative is meant to connect the leaders, teachers and learners with a community of practice in targeted areas.
• This approach aligns with the Core Beliefs set forth in “Shaping the Future”.
B.E.S.T. Timeline

• B.E.S.T. schools have a clear and predictable timeline for designation and implementation of strategies

• Goal:
  – To rapidly move out of designation and sustain improvement
  – To have conditions in place for Turnaround implementation or the successful engagement of a coherent school improvement strategy.

• Expectations:
  – Implementation of a Turnaround Strategy should yield identified results within two years.
  – Implementation of a School Improvement Strategy should yield identified results in one year.

• Designation identified via SPF. Designation removed upon demonstration of sustainability.
In 2014-15, 13 new schools were identified by the accountability clock. All schools have been engaged in Year 1 activities on the B.E.S.T. timeline.

Year 2 schools have engaged in Year 2 B.E.S.T. strategies. One Year 2 school is being considered for a turnaround strategy.

Year 3 school has implemented a school improvement strategy.

Year 4 and 5 schools have been recommended for school turnaround.
APS ACTION Zone Design Platform

Innovation School Structure

Zone Design Team (ZDT)
School Design Team (SDT)
Lead Turnaround Partner (LTP)
Zone Advisory Committee (ZAC)
APS ACTION ZONE + MIE Partnership

**Zone Advisory Committee (ZAC):** stakeholders set vision, align with APS 2020, leverage resources and present final design to APS Board of Education

**Zone Design Team (ZDT):** stakeholders set design pillars, define common features amongst schools and address 4 innovation areas: people, time, program and money

**School Design Teams (SDTs):** stakeholders develop transformational school designs aligned with ZAC & ZDT

Mass Insight Education:
- Coordinate design work
- Facilitate and support ZAC & ZDT
- Conduct SRAs
- Support SDTs
- Provide national perspective & expertise
- Advise on autonomies
- Provide partnership management tools
## Zone Governance Structure

<table>
<thead>
<tr>
<th>School Design Team (SDT)</th>
<th>Zone Design Team (ZDT)</th>
<th>Zone Advisory Committee (ZAC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11 Core Members from the following groups: Parents Teachers Administration Classified Staff Students (HS) Community Members Principal/Designee (Convener)</td>
<td>9-15 Core Members demonstrating the following characteristics: Academic Rigor Innovation Practitioner Logistics/Operations Equity Theme Expertise School Representation Public Accountability Dr. Lisa Escarcega (Convener)</td>
<td>5-9 Core Members demonstrating the following characteristics Expertise in the themes Community connections Strategic guidance expertise Familiarity with education Issues Adept at reading the business environment Reflect the diversity of Aurora Board Superintendent Munn (Convener)</td>
</tr>
<tr>
<td>Stakeholders to Inform Specific school communities APS Schools stakeholders more broadly Community Based Organizations Local government Business community Media</td>
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</tr>
<tr>
<td>Roles and Responsibilities</td>
<td></td>
<td>R&amp;R</td>
</tr>
<tr>
<td>Develop school design</td>
<td>R&amp;R –commonalities</td>
<td>Zone ambassadors</td>
</tr>
<tr>
<td>Prepare the innovation application</td>
<td>Address People, Time, Money, Program</td>
<td>Delivering proposal to APS Board of Education</td>
</tr>
<tr>
<td>Seek and receive the advice and input of the local school community</td>
<td>Develop the Design Process (MIE heavy lift)</td>
<td>Framework of workforce outcomes</td>
</tr>
<tr>
<td>Educate community about the school’s purpose and performance</td>
<td>Feedback to the design plans</td>
<td>Be a panel review according to parameters</td>
</tr>
</tbody>
</table>

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- **SDT**: School Design Team
- **ZDT**: Zone Design Team
- **ZAC**: Zone Advisory Committee
- **APS**: Albuquerque Public Schools
- **MIE**: Master of Innovation in Education
- **R&R**: R&D
II – INFORMATIONAL REPORTS

A. SUPERINTENDENT’S REPORT

1. **APS 2020: Shaping the Future Strategic Plan**  
   6:40 - 7:10  
   (Attachment under separate cover)

   The Board of Education will be presented with an overview of metrics for goals within the APS 2020: Shaping the Future Strategic Plan.
III – BOARD WORKSHOP

A. 1. Nutrition Services Program Update 7:10 - 8:10

(Attachment III-A-1)

The Board will be provided with a status update of the APS Nutrition Services Program. Topics will include current program description, services provided to APS students and staff, key accomplishments and challenges, and future plans.

Five-Minute Recess 8:10 - 8:15
IV – CONSENT AGENDA

A. BOARD OF EDUCATION

No Items

B. SUPERINTENDENT OF SCHOOLS

1. Policy IKA/IKAB, Grading Assessment Systems

   Staff Responsible – Eyre

   8:15 - 8:16

   (Attachment IV-B-1)

   Policy IKA/IKAB, Grading Assessment Systems, has been revised to correspond with CASB recommendations.

   RECOMMENDATION: The Board of Education approve policy IKA/IKAB, Grading Assessment Systems, as presented.

C. DIVISION OF ACCOUNTABILITY AND RESEARCH

No Items

D. DIVISION OF EQUITY IN LEARNING

No Items

E. DIVISION OF FINANCE

No Items

F. DIVISION OF HUMAN RESOURCES

No Items

G. DIVISION OF SUPPORT SERVICES

No Items
V – BOARD WORK

A. Ends Conversation

1. Open Dialogue 8:16 - 8:36
   - Standing Committee Report
   - Future Business

2. Policy Perception Checklist 8:36 - 8:46
   - Did the Board receive information at tonight’s meeting that requires a policy change?
   - Did the Board receive information at tonight’s meeting that requires additional information or monitoring?

B. Board Self-Monitoring 8:46 - 8:56

Dan Jorgensen, Self-Monitoring Facilitator
VI – CONCLUDING ITEMS

A. OPPORTUNITY FOR AUDIENCE

B. NEXT MEETING DATE

The next work session of the Board of Education will be held on September 29, 2015, at 6:00 p.m. in the Mt. Massive Conference Room of the Professional Learning and Conference Center.

C. ADJOURNMENT
Attachment III-A-1

Nutrition Services Program Update
Nutrition Services Mission Statement:

Nutrition Services supports education by providing nutritious quality meals and excellent customer service to our students.
Nutrition Services Programs

- Breakfast
  - Breakfast After the Bell
- Lunch
- After School Care Snack Program
- Special Milk Program
- Community Eligibility Program
- Go Slow Whoa
- Healthy U.S. School Challenge
- Child and Adult Food Care Program
Services Provided

It is our job to provide high quality nutritious meals to our students through our breakfast, lunch, after care school snack, and summer food service programs.

Through the processing of applications we provide the district with additional sources of funding. i.e. Title I, E-rate, school-level grant funding

We provide approximately 350 jobs for the community
Services Provided

Meals served per day
- 16,000 breakfast
- 22,000 lunches per day

Wellness Activities – District Health Fair

District Back to School Kickoff
### Services Provided – August 2009 vs August 2015

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2009</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Schools</td>
<td>47</td>
<td>59</td>
<td>+12</td>
</tr>
<tr>
<td># of Charter Schools</td>
<td>1</td>
<td>7</td>
<td>+6</td>
</tr>
<tr>
<td># of Healthy U.S. Schools</td>
<td>0</td>
<td>35</td>
<td>+33</td>
</tr>
<tr>
<td># of Breakfast After the Bell Schools</td>
<td>0</td>
<td>32</td>
<td>+32</td>
</tr>
</tbody>
</table>
Services Provided –
August 2009 vs August 2015

2009 -- # of 100% Free Meal Schools (CEP) – 0
2015 -- # of 100% Free Meal Schools (CEP) – 4

2009 -- # of Go Slow Whoa! Schools – 0
2015 -- # of Go Slow Whoa! Schools – 29

2009 -- # of Special Milk Program Schools – 0
2015 -- # of Special Milk Program Schools – 4

2009 -- # of After School Snack Program Schools – 7
2015 -- # of After School Snack Program Schools – 19
Services Provided –
August 2009 vs August 2015

2009 -- # of Child and Adult Care Food Programs – 0
2015 -- # of Child and Adult Care Food Programs – 4

2009 -- # of Integrated Nutrition Education Schools – 17
2015 -- # of Integrated Nutrition Education Schools – 0
How

We recruit, hire, train, and develop employees
- Attend job fairs
- Advertise through various media and community venues
- Interview
- New employee orientation
- Back to school kick-off meetings
- Manager training program/career development
- Local, state, and national professional development
- Network with peers

Develop and maintain positive working relationships
- Student, parents, and community partners
- District and building administration
- Schools
- All district departments
- BOE
Key Accomplishments

**Scratch Cooking**
- Culinary Boot Camp – CHF Grant
- Hired a Chef – Chef Katie Lopez

**HUSSC (Healthy US School Challenge)**
- Silver 2
- Bronze 33

**Public Health Hero Award**

**Grants**
- Communities Putting Prevention to Work
- Action for Healthy Kids
- Broncos and the Western Dairy Association
Key Accomplishments

- 32 Breakfast After the Bell Programs
- Charter Schools requesting our services
- Implementation of new software
  - Processing for Free & Reduced Price meal applications
  - Online Free & Reduced Price meal applications
  - Inventory management system
  - AESOP substitute calling system
- Grow Your Own promotions
  - 12 managers
  - 4 coordinators
  - 2 assistant directors
  - assistant to the director
  - Training technician
  - HVAC Refrigeration Technician
Challenges

Regulatory Changes
- Meal patterns
- Smart Snacks
- Breakfast After the Bell
- Affordable Health Care Act

Staffing
- Economy – low selection pool
- Low pay
- Competition from other school districts
- Affordable Health Care Act
- Temp agency

Food Supply
- USDA commodity supply
- Distributor issues

Training
- Regulatory changes
- Career path
Challenges

Breakfast After the Bell (BAB)
- Unfunded mandate
- Increased portion size and no additional funding
- Teacher Time
- Lack of Accountability
- Food Waste
- Custodial Time
Needs

- Portable Tablets for BAB
- Replacement equipment
- Warehouse storage capacity
- Delivery Trucks
Strategy & Innovation

- Breakfast After the Bell (BAB)
- Community Eligibility Program (CEP)
- School Garden to Cafeteria Pilot – North
- Trendsetter District – School Nutrition Association
- APS Food Truck

School Club/Organizations
- We Don’t Waste Program
- Cooking clubs
- Focus groups/food tastings
- Mini Culinary Boot Camps
- APS Food Truck i.e. Boulder Valley SD concept

Next Level

Funding/Grants
- Mini Culinary Boot Camps
- APS Food Truck i.e. Boulder Valley SD concept
Questions
Attachment IV-B-1

Policy IKA/IKAB, Grading Assessment Systems
GRADING/ASSESSMENT SYSTEMS

Student evaluation is a multi-faceted process for identifying and communicating student progress. Evaluation occurs before, during and after specific learning experiences. Evaluation takes place in an educational setting which stresses the needs, characteristics and well-being of the learner. Multiple evaluation techniques are used to determine the progress of the students.

State Assessment System

State and federal law require district students to take standardized assessments in the instructional areas of English language arts, math and science. State law also requires students to take standardized assessments in the instructional area of social studies. Accordingly, the district shall administer standardized assessments pursuant to these state and federal legal requirements.

State law also requires the district to adopt policies and/or procedures concerning the use of pencil and paper on the computerized portion of state assessments; parent requests to excuse their children from taking state assessments; and the district’s assessment calendar. This policy and its accompanying regulation represent the district’s processes to address these requirements.

Pencil and Paper Testing Option

The district may determine that a specific classroom or school within the district will use pencil and paper to complete the computerized portions of a state assessment. Factors that will be considered in making this determination include:

- the technological capacity and resources of the particular school/classroom;
- students’ previous experience with computerized and written assessments;
- whether the instructional methodology of the particular school/classroom is consistent with the use of computerized assessments or written assessments; and
- the logistics of administering the state assessment in different formats at a particular school or schools.

Prior to making this determination, the superintendent or designee shall consult with the school principal(s) affected by this determination as well as parents/guardians of students enrolled in the district.

For students with disabilities, the use of pencil and paper instead of a computer to complete a state assessment shall be determined by the student’s Individualized Education Program (IEP) team or Section 504 team, in accordance with applicable law.

Parent/Guardian Request for Exemption
GRADING/ASSESSMENT SYSTEMS

A parent/guardian who wishes to exempt his or her child from a particular state assessment or assessments shall make this request in accordance with this policy’s accompanying regulation.

In accordance with state law, the district shall not impose a negative consequence upon a student whose parent/guardian has requested an exemption from a state assessment or assessments.

This policy’s exemption process shall apply only to state assessments and shall not apply to district or classroom assessments.

Sharing of Student State Assessment Results with Parents/Guardians

The Colorado Department of Education is required to provide diagnostic academic growth information for each student enrolled in the district and for each public school in the district based on the state assessment results for the preceding school years. This information shall be included in each student’s individual student record. Appropriate school personnel, including those who work directly with the student, shall have access to the student’s state assessment results and longitudinal academic growth information and shall share with and explain that information to the student’s parent/guardian.

District Assessment System

In addition to the state assessment system, the district has developed a comprehensive assessment system that:

- challenges students to think critically, apply what they have learned and gives them the opportunity to demonstrate their skills and knowledge;
- includes “early warning” features that allow problems to be diagnosed promptly to let students, teachers and parents/guardians know that extra effort is necessary;
- provides reliable and valid information on student and school performance to educators, parents/guardians and employers; and
- provides timely and useful data for instructional improvement and improved student learning, including feedback, useful in determining whether the curriculum is aligned with the district’s academic standards.

Additional Assessment Information for Parents/Guardians

In accordance with state law and this policy’s accompanying regulation, the district shall distribute an assessment calendar and related information to parents/guardians on an annual basis to inform them about the state and district assessments that the district plans to administer during the school year.

Classroom assessment system
GRADING/ASSESSMENT SYSTEMS

Classroom assessment practices shall be aligned with the district’s academic standards and assessment program. Assessment is an integral part of the teaching and learning process that should occur continuously in the classroom. The primary purpose of classroom assessment shall be to enable teachers to make instructional decisions for students on a continual basis.

Students are encouraged to engage in informal self-assessments as they study and attempt to solve problems, monitor their own progress and improve their learning.

Student progress communication to parents/guardians

Student progress is communicated to both students and their families in many forms. One method for this communication is the report card. The report card seeks to accurately report the progress of the whole child based on information from many sources. In support of the child, this report reflects achievement, effort and the professional judgment of teaching personnel.

Student report cards shall be completed at the end of each quarter (nine weeks) of the school year. Schools requesting a reporting system other than by quarters shall require prior approval of the Superintendent or Deputy Superintendent.

Teachers, counselors and administrators are encouraged to contact parents or guardians by phone, e-mail, U.S. mail, home visits or conferences to discuss student progress at any point throughout the quarter for any student who is 1) failing a particular course; and/or 2) in the opinion of the teacher, not performing to potential. This does not preclude sending progress reports in the form of commendation or utilization of additional appropriate means to enhance the reporting of student progress.

Understanding, concern and involvement are necessary among family, student and teachers to make communication about student progress most effective.

Criteria for grading student progress will be prescribed by the Superintendent of Schools.

LEGAL REFS.:  
C.R.S. 22-7-1006.3 (1) (state assessment implementation schedule)
C.R.S. 22-7-1006.3 (1)(d) (district must report to CDE the number of students who will take the state assessment in a pencil and paper format)
GRADING/ASSESSMENT SYSTEMS

C.R.S. 22-7-1006.3(7)(d) (state assessment results included on student report card if feasible)
C.R.S. 22-7-1006.3 (8)(a) (policy required to ensure explanation of student state assessment results)
C.R.S. 22-7-1013 (1) (district academic standards)
C.R.S. 22-7-1013 (6) (policy required regarding the use of pencil and paper on state assessments)
C.R.S. 22-7-1013 (7) (procedure required concerning distribution of assessment calendar to parents/guardians)
C.R.S. 22-7-1013 (8) (policy and procedure required to allow parents to excuse their children from participation in state assessments)
C.R.S. 22-11-101 et seq. (Education Accountability Act of 2009)
C.R.S. 22-11-203 (2)(a) (principal required to provide educators access to their students’ academic growth information “upon receipt” of that information)
C.R.S. 22-11-504 (3) (policy required to ensure explanation of student state assessment results and longitudinal growth information)

CROSS REFS.: AED, Accreditation
IKAE-R, Grading – Student-Initiated Course Withdrawal
JE-R, Student Attendance
JRA/JRC, Student Records/Release of Information on Students