



Financial Oversight Committee Meeting

1829 Denver West – Building 27
Golden, CO 80401

Meeting Minutes October 7, 2015

Financial Oversight Committee Members Present:

Brian Ballard
Gordon Calahan
Mary Everson
Scott Tarbox

Staff Present:

Kathleen Askelson, Chief Financial Officer
Lisa Anderson, Manager – General Accounting
Suzi Thompson, Manager – Treasury & Analysis
Nicole Stewart, Manager – Budget & Analysis
Debbie Rainquet, Recorder

Committee Members and Staff Absent:

Mike Bestor
Chris Johnson
Bob West
Dan McMinimee, Superintendent
Steve Bell, Chief Operating Officer

Independent Auditor:

Paul Niedermuller, CliftonLarsonAllen, LLP

Approval of Minutes: The minutes of the September 3, 2015, FOC meeting were approved by a motion from Brian Ballard and seconded by Gordon Calahan. The motion carried unanimously.

There were introductions including Lisa Anderson, Manager of General Accounting; Suzi Thompson, Manager of Treasury & Analysis; and Nicole Stewart, Manager of Budget & Analysis.

2014/2015 Fourth Quarter Financial Report: Kathleen Askelson reviewed the Fourth Quarter Financial Report. Highlights included the increased cash balance due to underspend from significant vacancy and turnover savings that was directed to capital reserve, general fund revenues which were higher in part due to increased state funding, and reserves balances.

There was discussion regarding reserves balances including GFOA best practices and target percentages for the district. Askelson noted that while reserves are up slightly at the end of 2014/2015, the district will lose ground in the coming year with no planned funding directed to reserves. Askelson clarified that the underspend that was brought forward to the Board was identified by staff as a result of vacancy and turnover savings, and the Board directed \$15 million of the underspend to go to capital reserve to build a north area school.

Askelson fielded questions regarding COP refunding savings, special education expenditures, the technology fund billing, and reclassification of school site supervision as safety and security.

Askelson advised there were no surprises with governmental funds. Debt services ended predictably higher after receipt of property tax, and capital reserve was higher due to planned spending that occurred in June. The building fund will be closed at the end of bond program. There was little variation

in special revenue funds. In the transportation fund, external trip revenue was lower than prior year with state revenue slightly higher, and the transfer from the general fund was higher to cover increased special needs student expenses and funding for bus purchases that was moved from the capital reserve fund. The yellow flag status was lifted from food services with improvement as a result of increased revenue and participation, controlling purchased food expenses and staffing adjustments.

Kindergarten will move to the general fund so this is the last time for activity within the child care fund. Revenues were higher in the property management fund due to rental incomes and in-house concessions. Within the internal service fund, revenues in the central services fund were lower but offset by unfilled staffing vacancies; the employee benefits fund experienced decreased participation in dental and vision and increased claims costs; the insurance reserve fund ended in good shape due to lower number of claims; and technology fund expenditures were lower than planned due to staffing vacancies.

Askelson advised that Rocky Mountain Deaf School (RMDS) and Collegiate Academy are identified with a yellow flag status because they are approved for borrowing. Collegiate is in the process of closing their loan, and although RMDS is not currently borrowing it likely will be next year. The yellow flag status was removed from Two Roads High School and Mountain Phoenix.

There was discussion regarding overall progress and outlook, staffing, competition and enrollment growth of the charter schools.

Askelson noted that the numbers in the quarterly are considered preliminary until the audit is complete and advised that staff is aware of one variance with the CAFR that was due to a late entry for a charter school. Issues on the radar include facilities, health care reform, special education costs, and budget development for the 2016/2017 budget.

Other discussion included bond funded facilities priority one projects, unmet facilities needs, capital reserves, the five-year mobile device readiness project, grant status, and benefits eligibility due to the Affordable Health Care Act.

2014/2015 CAFR and Audit Update: Askelson advised that field work for the audit is complete and that documents are being drafted. The single audit that targeted Title II Federal programs is complete and the report is being drafted. It was noted that the district is aware of one single audit issue due to a student certified as Free and Reduced being vetted and resulting in an estimated loss of \$85. Askelson noted that the audit is not amount related but rather process related in order to assure the Federal Government that adequate controls are in place. The issue will be presented formally during the audit and Comprehensive Annual Financial Report review.

Askelson discussed work being done to implement GASB 68 which is a reporting change to how governments are required to disclose their long-term obligation for pension benefits as a liability for the first time to enhance accountability and transparency. Askelson discussed the challenges of the new requirement and the extra work that was involved due to the allocation to charter schools. There were questions and discussion regarding payroll and benefits at the charter schools, purchased services, statutes that cap fees and designate allocation and payment of per pupil funding but not mill levy override funding, and how variations in student enrollment are handled once funding has been allocated.

2016/2017 Budget Development and State Funding Update: Askelson presented the process and timeline for development of the 2016/2017 budget. She commented on the state funding outlook and early concerns about a rescission or increase in the negative factor, the challenges of TABOR limits on

education, misconceptions about tax revenues from marijuana. Askelson commented that staff will continue to fine tune the student based budgeting model but noted that the overall implementation has been successful. She noted that there have been some unique challenges at a few small neighborhood schools due to efficiencies, resources, and student mix. Changes will include changes how benefits are rolled out and more complete enrollment data.

An update on the budgeting strategy and process for development of the 2016/017 budget will be presented at the October 29 Board of Education meeting. The presentation will include information about the departmental budgeting model that will be introduced. Askelson confirmed that the priority based budgeting project did not yield the results needed for a school district but that the inventories will be used in the new process which is more of a modified zero-based budgeting model that focuses on Board ends, strategic planning goals and the long term financial plan.

There was discussion regarding how the district determines when and where to allow a new school model and what long-term goals are in place within the district.

2015/2016 Cash Flow Planning: Askelson reviewed preliminary plans for securing a line of credit as a contingency to cover cash flow needs prior to receipt of property tax revenue in the spring. She noted that the plan is the same as the previous year and like last year it is possible that no draws will be necessary. Staff will bring a resolution to the Board in December in order to have the line of credit in place by January.

Audit Committee Update: Askelson reported on the Audit Committee meeting in September. Highlights included review of the audit plan, fourth quarter financial report, the Colorado Department of Education data pipeline audit report, the external audit process, and an internal audit summary report.

Wrap Up and Next Meetings:

Askelson invited members of the Financial Oversight Committee to attend the October 15 Board meeting to address the Board as part of the presentation of the Fourth Quarter Financial Report.

Askelson fielded additional questions regarding the TIF grant, assessment of the negotiations process, transparency, and concerns about financial stewardship as it relates to Board directed decisions or the Financial Oversight Committee.

The meeting was adjourned at 1:10 p.m.