



Financial Oversight Committee Meeting

1829 Denver West Dr., Building 27
Golden, CO 80401

Meeting Minutes February 5, 2019 – 10:00 a.m.

Financial Oversight Committee (FOC)

Members Present:

Brian Ballard
Gordon Calahan
Mary Everson
Scott Tarbox
Bob West

Staff Present:

Dr. Jason Glass, Superintendent
Kathleen Askelson, Chief Financial Officer
Steve Bell, Chief Operating Officer
Nicole Stewart, Director, Budget and Treasury
Stephanie Corbo, Director, Finance
Debbie Rainguet, Exec. Assist. to CFO

Committee Members and Staff Absent:

Mike Bestor

Independent Auditor and Other:

Paul Niedermuller, CliftonLarsonAllen, LLP

Welcome and Introductions: Brian Ballard declared a quorum.

Approval of the Minutes: Bob West moved to approve the minutes for January 8, 2019. Gordon Calahan seconded. The motion carried unanimously, and the minutes were approved as presented.

Committee Application Process: Following discussion, the committee reviewed the timeline and draft of the committee vacancy announcement and application criteria. Staff will submit the information to the superintendent's office to be integrated into the process for filling vacancies on all Board advisory committees. Askelson requested that if any members are planning to resign from the committee this year to please let staff know so that the vacancy can align with the annual process for filling vacancies and appointments in June.

2nd Quarter Financial Report: Paul Niedermuller with the independent audit firm of CliftonLarsonAllen reviewed the report on applying agreed upon procedures for the financial report for the quarter ending December 31, 2018. The quarterly independent review by the independent auditors provides a different perspective and fresh look at the district's finances that includes interviews with district management and the district's legal counsel, trends analysis, review of Board and Financial Oversight Committee (FOC) minutes, and identification of funds per the district's flag system that will be monitored or flagged. Items of note included Free Horizon Montessori's change to a school of innovation for FY 2019, no change in district business activities or accounting principles and practices as confirmed by discussions with district officials, an overview of funds projected to have deficit fund balances or trending to be over budget at yearend and which may require a supplemental budget adjustment, and a review of the district's Food Services Fund which was identified as yellow-flagged and being monitored per the district's two-color flag system.

There was discussion regarding the positive benefits of having quarterly financial reviews by the independent audit firm. Niedermuller confirmed that the quarterly reviews provide an opportunity for the independent auditors to stay in tune with what is occurring at the district throughout the year which they feel is beneficial when conducting the yearend and single financial audits. There was discussion and

clarification that as part of the request for proposal process for audit services, the quarterly audit reviews were reinstated with no change to annual fees.

Niedermuller reported on a staff training that was presented to financial and purchasing staff to create awareness for potential fraud due to the passage of the bond. The training included case scenarios, strategies for identifying fraud through staff education and awareness, and procedural enhancements. Askelson and Corbo discussed steps being taken to educate staff, define expectations, and tighten procedures.

Corbo stepped through the 2018/2019 second quarter financial report. Key highlights included an update on cash management, comparative analysis schedules for the General Fund as well as narrative and comparative schedules for all other district funds that provide transparency and detail with regard to the district's financial condition, an update on the charter school fund, and information on the yellow flag status of the Food Services Fund.

FTE Discussion: Members of the committee requested further clarification on comments about declining enrollment and additional FTE during the discussion of the Comprehensive Annual Financial Report at the January meeting. Discussion covered declining student enrollment as it may relate to the number of full time employees at the district, restoration over time of positions that were cut, unfilled vacancies, class size, flexibilities for school-level staffing decisions under student based budgeting (SBB), expenditure of school carryforward, staffing fluctuations over time due to additional programs/schools, staffing as a result of board-directed priorities, consideration as to whether staffing levels prior to budget cuts were sufficient as basis for current FTE level comparisons, how loss of students does not directly result in fewer teachers, and the process and professional practices that district leadership relies on to support staffing levels and placements. Following discussion, staff will provide a historical analysis of FTE based on Colorado Department of Education's audited numbers from 2009/2010 to present that includes student enrollment.

Status of Bond Proceeds Investment: Askelson updated the committee on the status of the investment of bond proceeds. She noted that staff had intended to invest the funds through a repurchase agreement as discussed with the Financial Oversight Committee (FOC) and the Board of Education (BOE) in December; however, market rates have not been favorable to justify moving the funds from CSafe. There was discussion regarding market conditions, interest rates, yield curve and other options through Insight Investment. The committee supports the staff's decision to continue to hold the proceeds with CSafe and monitor the market until such time that moving the funds is favorable for the district.

Budget Update – 5A Funding and Supplemental Appropriation, 2019/2020 Budget Development

Groundwork and Employee Negotiations Update: Askelson presented an overview on recommendations for use of 5A mill levy override funds and the status of integration of 5A funds into the budget process. The information included a summary of and detail for recommended uses for 5A funds that were prioritized by the categories per the 5A ballot language and by the expenditure percentages as directed by the current BOE. Askelson confirmed that the funds will not be received until the spring when revenue from property taxes is received. She noted that approval of a supplemental budget request for use of approximately \$2.5 million of 5A funds for 2018/2019 will be required to allow the district to begin work on the requests as presented. Askelson advised that the request for a supplemental budget appropriation and information on the 2019/2020 budget development groundwork will be presented to the BOE on February 7. There was discussion regarding the recommendations, the prioritization process, detail included on the Budgeting for Outcomes forms to support each request, and FOC's oversight obligation for use of 5A funds per the ballot language.

FOC Conclusions/Recommendations: The committee reviewed and approved the FOC conclusions/recommendations from the January 8, 2019, meeting with regard to the bond sale and fund

balance/reserves. The document will be attached to the agenda item for the budget update at the February 7, 2019, BOE meeting.

The committee confirmed that supports the reinstatement of quarterly reviews by the independent audit firm. Staff will submit the FOC conclusions/recommendations to the Board as an attachment to the agenda item for the quarterly financial review and FOC dialogue with the Board scheduled for the February 13, 2019, BOE Study Session.

With regard to 5A funds, the committee confirmed that the Cabinet recommendations for use of the 5A funds align with the categories and intent of the ballot language for 5A and the Board-directed expenditure percentages by category. The committee further confirmed that the process for identifying the recommended uses was transparent and that it broadly considered input from school and district leadership through the Budgeting for Outcomes process, the community, and the Safety and Security Task Force. Staff will submit the FOC conclusions/recommendations document stating FOC's support for the Cabinet recommendations for use of 5A funds as an attachment to the 5A supplemental budget appropriation agenda item scheduled for the February 7, 2019, BOE meeting.

Wrap Up and Next Meetings: Askelson advised that the budget groundwork and supplemental appropriation for use of 5A funds will be presented to the Board at the meeting on February 7. The second quarter financial report and dialogue with the FOC is scheduled for the February 13 study session to be held at Sierra Elementary. The next FOC meeting is scheduled for March 5.

The meeting adjourned at 12:05 p.m.