Internal Monitoring Report
December 10, 2024

Policy: **Financial Condition and Activities**
Policy Type: Executive Limitation Policy
No.: EL 2.3
Period Monitored: July 1, 2023 – June 30, 2024

This report monitors the Board of Education's Executive Limitation Policy:

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

Among other things, the Superintendent shall not cause or allow the District to:

1. *Expend more funds than have been received in the fiscal year to date unless the debt guideline below is met.*

2. *Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues by the end of the fiscal year.*

3. *(a) Allow fund reserves to be unreasonably low or (b) use Board-designated or long- term reserves.*

4. *Cause or allow a financially illiquid condition.*

5. *Expend funds for any purpose other than to achieve District Ends, unless required to comply with Executive Limitations.*

6. *Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues by the end of the fiscal year.*

7. *Acquire, lease, encumber or dispose of real property.*

8. *Sell any significant portion of the organization's assets.*

9. *Substantially change the principal educational purpose of a school by closing or repurposing it, or by consolidating or combining it with another school.*

10. *Cause or allow a material amount of undisputed accounts payable to be substantially overdue.*

11. *Violate any provision of any bond debt, lease, or other obligation.*

12. *Achieve compliance with these provisions by endangering future capacity to achieve District Ends.*

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13. *Fail to settle payroll, accounts, debts, and other fiscal obligations in a timely manner.*

14. *Fail to make tax payments and other government-ordered payments and filings timely and accurately.*

15. *Fail to aggressively pursue receivables after a reasonable grace period.*

16. *Fail to prudently dispose of surplus assets, as long as the guideline for selling significant portions of the organization's assets is not violated.*

17. *Fail to establish prudent reserves for contingent obligations.*

This report is presented in accordance with the Board's monitoring schedule. I certify that the information is true and complete.

Brian Kingsley
Superintendent of Schools

December 10, 2024

Executive Summary

This report monitors Executive Limitation 2.3, Financial Conditions and Activities and relates to the management of the District's financial resources to ensure fiscal stability and budgeting and spending in alignment with Board priorities.

Compliance with this executive limitation requires the District to establish and adhere to a system of fiscal internal controls. Fiscal internal controls consist of processes and structures that provide the framework for financial activities. They are designed to provide reasonable assurance that objectives related to reliability, timeliness, and transparency of financial activity are met in an efficient and effective way while adhering to applicable internal policies and externally imposed laws and regulations.

The evidence included in this monitoring report indicates that the District is not in fiscal jeopardy and actual expenditures did not deviate materially from Board priorities established in District Ends policies.

Policy Wording:

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

Interpretation:
The District interprets this to mean that fiscal decisions should not expose the District to unnecessary risk or otherwise cause damage to the District and that actual expenditures would not be questioned by an informed person about whether Board priorities are being considered.

Evidence:
The budget development process is conducted in an open and transparent manner in consideration of District Ends, current risks and anticipated future risks. Evaluating fund balance and/or comparing actual expenditures to projected, or budgeted, expenditures can be an indicator of whether either fiscal jeopardy or a material deviation from Board priorities has occurred. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, all funds maintained a favorable fund balance position and actual results for expenditures were favorable when compared to budgeted amounts.

Based on this evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.

Policy Wording:

Among other things, the Superintendent shall not:

1. *Expend more funds than have been received in the fiscal year to date unless the debt guideline below is met.*

Interpretation:
The District interprets this to mean that during the fiscal year, which is the period July 1 through June 30, expenditures in each of the District's funds may not exceed the amount of revenues collected unless the Board has authorized, through a resolution, the use of beginning fund balance.

Evidence:
A positive or zero result after subtracting expenditures from revenues indicates resources brought into the fund during the year were sufficient to pay for expenditures. A resolution to utilize fund balance is provided to the Board first in June when the budget is adopted and again, if necessary, in December in conjunction with the final, audited fiscal year expenditures presented in the Annual Comprehensive Financial Report.

As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, the General Fund, Capital Projects Fund, and Food Service Fund had expenditures that exceeded the amount of revenues collected.

At a meeting held on June 22, 2023, the Board authorized the use of the beginning fund balance in the General Fund, Food Service Fund, and Capital Projects Funds in the form of a resolution. At the meeting held on December 10, 2024, the Board of Education will be asked to approve a resolution for the use of beginning fund balance in the Food Service Fund and to increase the use of beginning fund balance in the General Fund by $4,500,918.

Based on the identified evidence, the District has met the expectations outlined in Executive Limitation 2.3.1.

Policy Wording:

Among other things, the Superintendent shall not:

2. *Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues by the end of the fiscal year.*

Interpretation:
The District interprets this to mean that by June 30 outstanding obligations in each District fund must have an identified and available source of funding.

Evidence:
As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, district obligations consisted of liabilities of $458,935,866 and encumbrances (purchase orders) related to unperformed contracts for goods or services of $18,595,325.

Bonded debit, including bond premium, totaling $396,636,184 represents approximately 86% of the liabilities. Funding in the form of future property tax collections will support the repayment of the bonded debt.

Compensation and vendor payments totaling $24,226,051 and $16,818,965 respectively, made in July and August 2024 for work performed during the fiscal year ended June 30, 2024, are included in the liabilities as accrued salaries and benefits. These costs are contemplated in the budget in the year in which they are paid and funded through available current resources.

Purchase orders are not approved until a funding source (budget or cash, as applicable) for the obligation that will result is identified.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.2.

Policy Wording:

Among other things, the Superintendent shall not:

3. *(a) Allow fund reserves to be unreasonably low or (b) use any Board-designated or long-term reserves.*

Interpretation:
The District interprets this to mean that fund balance/net assets must be at a reasonable level, based on the nature of the fund, to be considered reliable to address unforeseen circumstances or other events that create the need to use these resources. In addition, when reserves are restricted or designated for a specific use by the Board, they may not be utilized for any other purpose.

Evidence:
Policy DBAA – General Fund Balances requires an appropriated General Fund reserve within the range of 3 to 5 percent of each fiscal year's expenditures and other financing uses. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, the General Fund unassigned reserve represents approximately 3.8 percent of General Fund expenditures and other financing uses.

Reserves in the Debt Service (Bond Redemption) Fund at June 30, must be sufficient to fund bond principal and interest payments due on December 15. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, reserves of $68,618,126 were sufficient to fund the $40,375,238 in bond principal and interest payments due on December 15, 2024.

The Capital Projects Fund reserves are to be utilized to complete projects outlined in the District's long-range plan developed in preparation for the bonds issued in 2016. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, Capital Projects Fund reserves totaled $42,841,645.

As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, in accordance with grant revenue recognition requirements, the Designated Special Purpose Grants Fund does not report a reserve balance.

Based on industry standards and guidance from the Colorado Department of Education, the District strives to maintain reserves in the Food Service Fund at an amount not to exceed three months' average expenditures (based on a 10-month operating period) of average fund expenditures. Internally, the District strives to maintain a reserved level equal to 1.5 months of expenditures and elects not to recover any indirect costs from the National School Lunch Program that would cause the reserve to fall below 1.5 months of expenditures. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, reserves in the Food Service Fund of $1,208,349 represent less than one month of average expenditures and as such, $1,285,666 in indirect costs were not recovered. The reduction in reserves from the prior year of 12% is directly related to the implementation of the State's Healthy Meals for All program. The program has led to higher participation rates and increased the overall costs associated with providing the meals. The State has experienced funding shortfalls projected to be up to $50 million for the 2024-25 year. House Bill 24-1390 directed the Colorado Department of Education to convene a technical advisory group to work on strategies to balance the program's revenues and expenditures, the outcome of which will influence the District's long-term plans to support the Food Service Fund.

As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, reserves in the Public School Activities Fund were $5,353,775. There are no regulatory or internal requirements around reserve levels in the Public School Activities Fund.

For the Employee Self-Insurance Fund, the District follows industry standards and maintains reserves at a level to cover six to seven months of insurance claims expense. This level of reserves ensures the fund can handle unexpected claims and maintain financial stability. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, the Employee Self-Insurance Fund reserve represents approximately 8.5 months of insurance claims expense.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.3.

Policy Wording:

Among other things, the Superintendent shall not:

4. *Cause or allow a financially illiquid condition.*

Interpretation:
The District interprets this to mean available cash must be adequate to make payments when due.

Evidence:
In general, District revenues and expenditures are predictable, which allows for an uncomplicated analysis of cash flow trends to project how much money will be in the bank at a given point in time in comparison to expected expenditures.

In the General Fund, expenditures are higher than revenues for the months of October through February. This monthly cash flow variation occurs because most property tax revenues received in a lump sum during the latter part of a fiscal year while expenditures, primarily employee compensation, occur consistently throughout the year. To address this, if necessary, the District borrows from the State's Interest-Free Loan Program in October which is repaid as soon as property tax revenues are received in March. The District borrowed and repaid $28,609,641 in fiscal year 2024.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.4.

Policy Wording:

Among other things, the Superintendent shall not:

5. *Expend funds for any purpose other than to achieve District Ends, unless required to comply with Executive Limitations.*

Interpretation:
The District interprets this to mean not to use funds for reasons that conflict with the objectives outlined by the Board of Education in the District Ends policy unless the expenditure is necessary to meet the requirements set forth in Executive Limitations.

Evidence:
The District utilizes a budget development process to identify the use of available District General Fund resources in consideration of priorities established in District Ends and Executive Limitations. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, actual expenditures, on a budgetary basis, exceeded budgeted amounts by $9.0 million. The budget to actual variance is attributable to:

- At the time of the January budget revision, the total program funding projection provided by the state was overstated by $3.0 million due to the erroneous inclusion of charter school institute students in the count used by the state.
- The Medicaid program reached its projected three-year reimbursement target in the first year of programmatic operation resulting in actual revenues exceeding budgeted revenues by $1.3 million.
- Lease and SBITA agreements entered into during the fiscal year, totaling $2.3 million, required the recording of capital outlay expenditures equal to the total contract amount. This was not budgeted for. There is a corresponding other financing source recorded, therefore there is no impact on the fund balance of the General Fund.
- The direct on-behalf payment made by the state to the Public Employees' Retirement Association of Colorado (PERA) was estimated for budget purposes at $4.5 million based on the prior year payment amount. The actual on behalf payment, which is not provided until after the budget has been revised, was only $1.1 million. The payment is offset by a corresponding expenditure so although there is a budget to actual variance in both the revenue and expenditure categories, there is no impact on the fund balance of the General Fund.
- Staff compensation was $1.3 million higher than expected due to increased overtime for transportation and maintenance classified staff and increased licensed substitute costs. The increased overtime is due to staffing shortages.
- The use of chartered transportation services was $1.0 million higher than anticipated due to bus driver shortages.
- Charter school funding expenditures exceeded the budgeted amount by $3.0 million due to intercept flow-through payments being budgeted at a net amount but included in expenditures at the gross amount.

In addition, fiscal-related Policies, Administrative Guidelines, and other procedural resources define internal control processes and limitations on how all District funds may be spent. These resources include guardrails put in place to ensure expenditures comply with applicable laws and regulations and are communicated to and made available, through an online resource library, to all staff who are responsible for financial decision-making and processing of financial transactions. In addition, the Finance Department dedicates staff to provide fiscal-related training, assistance, and support to staff who are responsible for decision-making and/or processing of financial transactions.

The fiscal year 2024 audit did not identify any material weakness or significant deficiencies in internal controls, which indicates those controls were working as designed and thus successfully mitigating the risk of material or significant transactions that deviate from District priorities.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.5.

Policy Wording:

Among other things, the Superintendent shall not:

6. *Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues by the end of the fiscal year.*

Interpretation:
The District interprets this to mean resources attributable to a certain District fund cannot be utilized to meet the needs of another District fund if those resources that have already been identified for a specific purpose or result in an unfavorable fund balance position at year-end unless a transfer of funds has been identified and included in the budgeting process.

Evidence:
Because the Designated Special Purposes Grant Fund and the Food Service Fund are funded by state and federal grants on a reimbursement basis, it is necessary to temporarily borrow General Fund resources to fund expenditures until the reimbursements are received. This activity is considered normal due to the nature of the grants. As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report, as of June 30, 2024, the amount due to the General Fund from the Designated Special Purpose Grants Fund was $5.9 million. These transactions are reported on the balance sheets of the respective funds as assets and liabilities, as appropriate, toensure fund balance in the General Fund was not adversely impacted. The General Fund is typically repaid within 90 days of the fiscal year- end.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.6.

Policy Wording:

Among other things, the Superintendent shall not:

7. Acquire, lease, encumber or dispose of real property.

Interpretation:
The District interprets this to mean that land and/or buildings may not be acquired or disposed of in any manner or leased without Board approval.

Evidence:
Additions or disposals of real property are accounted for in the District's financial system capital asset database and are reported, along with leases, in the District's Annual Comprehensive Financial Report. In addition, internal controls require that all transactions involving expenditures of $5,000 or more and all funds received for leased property are processed by the Finance Department. This ensures that transactions involving real property are identified.

Board approval was obtained for all transactions involving real property identified:

- Lease of building space to house the School to Work Alliance Program (SWAP)
- Lease of building space to house the Future Ready Center
- Lease for office space to house Employee Assistance Services
- Lease of District land (Cherry Heights site) for grazing and farming purposes
- Lease of space at French Field with a cellular service provider for placement of a cell tower
- Lease of space at Fort Collins High School, with a cellular service provider, for placement of a cell tower
- Lease of land located at Lincoln Middle School to the Boys and Girls Club of Larimer County to provide after-school and summer programming

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.7.

Policy Wording:

Among other things, the Superintendent shall not:

8. Sell any significant portion of the organization's assets.

Interpretation:
The District interprets this to mean a capital asset with a per-unit value of $250,000 or more (except real property, which was discussed above) cannot be sold without Board approval.

Evidence:
Additions or disposals of capital assets with a per-unit value of $5,000 or more are accounted for in the District's capital asset database and are reported in the District's Annual Comprehensive Financial Report. During the 2024 fiscal year, the District did not sell any capital assets with a per-unit value equal to or greater than $250,000.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.8.

Policy Wording:

Among other things, the Superintendent shall not:

9. *Substantially change the principal educational purpose of a school by closing or repurposing it or by consolidating or combining it with another school.*

Interpretation:
The District interprets this to mean schools may not be closed, repurposed, consolidated, or combined with another school without Board approval.

Evidence:
During fiscal year 2024, no instances of closing, repurposing, consolidating, or combining a school occurred.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.9.

Policy Wording:

Among other things, the Superintendent shall not:

10. *Cause or allow a material amount of undisputed accounts payable to be substantially overdue.*

Interpretation:
The District interprets this to mean that payments for invoices related to purchases of $5,000 or more must be processed within 30 days if the invoice is for an authorized purchase, is accurate, and represents an authorized purchase for which the goods and/or service have been received (unless prepayment is required).

Evidence:
All payments related to invoices for purchases of $5,000 or more must be processed through Accounts Payable in the Finance Department. Accounts payable staff verify that the school or site has indicated goods and/or services have been received and that invoices are accurate and represent authorized expenditures. Payments are processed on a weekly basis for all invoices that meet that criterion.

Additionally, notices of significantly overdue balances or collection actions were not received by the District for any material undisputed accounts payable.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.10.

Policy Wording:

Among other things, the Superintendent shall not:

11. Violate any provision of any bond debt, lease or other obligation.

Interpretation:
The District interprets this to mean that terms and conditions included in agreements/contracts related all District obligations must be adhered to.

Evidence:
For obligations such as debt and certain lease obligations, the Finance Department maintains detailed procedural documentation that identifies contractual requirements. Detailed reconciliation processes provide an additional level of assurance. Compliance with terms and conditions related to other agreements/contracts is the responsibility of the department managing the agreement or contract. The District's purchasing and contract manager is available as a resource to assist with contract compliance issues.

The District is not aware of any violations of contract provisions.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.11.

Policy Wording:

Among other things, the Superintendent shall not:

12. Achieve compliance with these provisions by endangering future capacity to achieve District Ends.

Interpretation:
The District interprets this to mean that financial decision-making necessary to comply with these executive limitations should not occur at the expense of future financial needs.

Evidence:
The District's financial planning and budgeting are derived from a multi-year plan. Professional staff is responsible for analyzing primary factors which impact projected revenues and expenditures and effectively determining ongoing versus one-time revenues and costs. Considering multi-year impacts in the budgeting process helps reduce the risk that current compliance with provisions related to bond debt, lease or other obligations would jeopardize future ability to meet priorities established in District Ends.

Based on the multi-year plans, the District has met the expectations outlined in Executive Limitation (EL) 2.3.12.

Policy Wording:

Among other things, the Superintendent shall not:

13. Fail to settle payroll, accounts, debts, and other fiscal obligations in a timely manner.

Interpretation:
The District interprets this to mean that employees should be paid for services performed and external vendors should be paid for goods or services provided within the contractually specified timeframe or 30 days, whichever is less.

Evidence:
Payroll is processed monthly, and employees are paid on the last business day of the month. Payments for employees who are paid based on pro-rated annual amounts are adjusted for non-paid absences occurring from the 16^{th} day of the previous month and the 15^{th} of the current month. Employees who are paid based on scheduled hours receive pay for schedule hours for the month adjusted for any exceptions occurring between the 16^{th} of the previous month and the 15^{th} of the current month.

All payments related to invoices for purchases of $5,000 or more must be processed through Accounts Payable in the Finance Department. Accounts payable staff verify that the school or site has indicated goods and/or services have been received and that invoices are accurate and represent authorized expenditures. Payments are processed on a weekly basis for all invoices that meet that criterion. Ensuring the timeliness of payments related to invoices for purchases under $5,000 is the responsibility of the school or site that made the purchase.

Payments for obligations that are not invoiced, such as debt and certain lease obligations, are based on payment terms included in the bond issuance or other contractual documents. The Finance Department maintains detailed procedural documentation that includes specific deadlines related to these types of obligations and utilizes checklists to ensure payments are not missed. Detailed reconciliation processes provide an additional level of assurance.

Based on the evidence that the obligations have been met in the timeliness prescribed, the District has met the expectations outlined in Executive Limitation (EL) 2.3.13.

Policy Wording:

Among other things, the Superintendent shall not:

14. Fail to make tax payments and other government-ordered payments and filings timely and accurately.

Interpretation:
The District interprets this to mean all government-required filings that include a payment are made in accordance within the timeframe established by the applicable regulatory or oversight agency.

Evidence:
Most applicable payments are the result of payroll transactions. During the monthly payroll process, income taxes, Medicare taxes, retirement contributions, and government-ordered wage garnishments are withheld from employees' gross pay and remitted to the federal and state government, along with the District's position of contributions, when applicable, within one business day. Quarterly 941 returns, which report income taxes and Medicare taxes withheld from employees' pay are filed with the IRS no later than the last day of the month that follows the quarter the return is reporting on. On an annual basis, a Form W-2, which summarizes income and withholding, is provided to each employee by January 31. In addition, W-2 information is provided to the Social Security Administration by January 31.

When independent contractors provide services, the District issues 1099s to the contractors by January 31. The 1099s provide information on amounts paid to the contractors during the calendar year. In addition, 1099s are filed with the Internal Revenue Service (IRS) by January 31. Starting in January 2024, the IRS implemented significant changes regarding transmitter control codes for filing 1099 forms. The changes required the District to transition to a new information return platform, which required the completion of an application for a new transmitter control code. The IRS did not assign the District's code until June of 2024; as such, the calendar year 2023 1099s were not submitted by the January 2024 IRS deadline. It is not anticipated that there will be a delay in the submission of the calendar year 2024 filing, due in January 2025.

The District provides employee health insurance through a self-insurance plan. Under the provisions of the Affordable Care Act, the District is required to pay a Patient-Centered Outcomes Research Trust Fund fee and file IRS Form 720 by July 31. For fiscal year 2024, the fee was $12,444.

The District makes sales tax-free purchases. The Colorado Department of Revenue and other local jurisdictions require that if any of the goods purchased tax-free are resold, sales tax, net of any allowable exemptions, must be remitted to the appropriate agency. Sales tax returns and related payments are remitted by the 20th of the following month.

The Revised Uniform Unclaimed Property Act requires the District remit uncashed checks issued by the District to the State of Colorado after a specified dormancy period. Unclaimed property reports and remittances must be filed with the State of Colorado by November 1st.

During the 2024 fiscal year, outside of the delay in the 1099 submission discussed above, all filing deadlines were met, and related payments were made timely and accurately.

Based on proper payments, the District has met the expectations outlined in Executive Limitation (EL) 2.3.14.

Policy Wording:

Among other things, the Superintendent shall not:

15. Fail to aggressively pursue receivables after a reasonable grace period.

Interpretation:
The District interprets this to mean a process should be established and followed to ensure that moneys owed to the District are collected within 90 days.

Evidence:
Accounting staff perform monthly reconciliations to ensure that all property tax revenues, per-pupil funding, grant reimbursements, and other non-exchange revenues or revenues for which the District does not provide a benefit in exchange for the payment owed to the District have been provided and are in alignment with agreed-upon and expected amounts.

For exchange revenues or revenues where the District has provided a benefit in exchange for payment (e.g., preschool tuition and facilities rentals), invoicing is handled through the accounts receivable in the Finance Department. In general, if payment is not received within 30 days, an overdue notice is sent. A second overdue notice is sent after 60 days. If payment is not received within 90 days, the account is placed with a third-party accounts receivable collection agency to pursue payment.

Under the terms of the Employee Agreement the District invoices the Poudre Education Association (PEA) for one-half of the PEA president's salary and the cost of substitutes necessary for PEA members to attend certain association activities. As of June 30, 2024, the Poudre Education Association owed the District $47,193 for unpaid invoices for the 2023-24 fiscal year. The overdue account has not been placed with a third-party accounts receivable collection agency to pursue payment.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.15.

Policy Wording:

Among other things, the Superintendent shall not:

16. Fail to prudently dispose of surplus assets, as long as the guideline for selling significant portions of the organization's assets is not violated.

Interpretation:
The District interprets this to mean if surplus assets are disposed of, they must be disposed of in a manner that provides the maximum benefit to the District and/or doesnot create harm to the environment, violate laws/regulations, or jeopardize confidential data. In addition, previously discussed limitations on disposal of real property or selling a significant portion of the District's assets must be considered.

Evidence:
It is the responsibility of each school's/site's department manager, director, or principal to determine when assets other than real property assigned to their building or department are no longer needed. For non-technology related assets that do not meet the District's capital asset threshold (assets with a per-unit cost of $5,000 or more), the responsible individual determines if the asset should be offered for use elsewhere in the District, can be recycled, or is obsolete.

The process for disposal of surplus non-technology-related capital assets is managed by Facilities Services. Prior to disposition of capital assets, schools and sites are required to ensure that the asset cannot be of use elsewhere in the District. Once it is established that the capital asset is in fact surplus, Facilities Services staff determine the appropriate method of disposal. Capital assets are evaluated and then determined to be recyclable, eligible for posting on a public auction website, or unusable and obsolete.

The process for disposal of technology items is managed by the Information Technology Department. The District has a contract in place for the recycling of retired computers.

During fiscal year 2024, $176,920 was received related to the disposal of District assets.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.16.

Policy Wording:

Among other things, the Superintendent shall not:

17. Fail to establish prudent reserves for contingent obligations.

Interpretation:
The District interprets this to mean that reserves should be adequate to fund liabilities or potential losses that may occur depending on the outcome of an uncertain future event.

Evidence:
As illustrated in the District's fiscal year 2024 Annual Comprehensive Financial Report at June 30, 2024, the following contingent liabilities existed:

- Construction commitments – construction commitments related to various capital projects for site renovations and repairs were $3.0 million. These commitments will be due and payable contingent upon the completion of work in accordance with the terms and conditions in the related contracts. Construction commitments will be liquidated from the Capital Projects Fund utilizing bond proceeds. Reserves in the Capital Project Fund at June 30 totaled $42.8 million and are sufficient to fund the construction commitments.

- Grant awards – amounts received or receivable from grantor agencies are subject to audit adjustment by grantor agencies. Any disallowed expenditures, including amounts already reimbursed, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined. In the event that disallowed expenditures are identified, it will be necessary to utilize General Fund resources to repay the disallowed amounts. Consideration for this contingent liability was included in the development of the previously described required appropriated General Fund reserve range of three to five percent of each fiscal year's expenditures and other financing uses.

- Lawsuits – the District is a defendant in various lawsuits arising through the normal course of business. Although the outcome of these lawsuits is not presently determinable, the District does not expect resolution of these matters to have a material adverse effect on the financial condition of the District. Consideration for this contingent liability was included in the development of the previously described required appropriated General Fund reserve range of three to five percent of each fiscal year's expenditures and other financing uses.

  In addition, the District is a defendant in Federal and State lawsuits filed by the families of nine students who were the victims of child abuse by a former employee during the 2022-23 fiscal year. The plaintiffs claim that the District knowingly hired the individual, who had previously been convicted of child abuse, to work with vulnerable children and for systemically ignoring complaints brought forward about the individual. The potential financial impact, if any, cannot be determined at this time, and no liability has been recorded. The District's potential exposure would be for amounts, if any, in excess of the $10 million insurance policy in effect at the time of the abuse. The Colorado State Legislature limits the amount of money that can be recovered from a school district through a State lawsuit to $424,000 per person per occurrence and $1.195 million for any injury to two or more people in a single occurrence, with the individual maximum capped at $424,000.

- Arbitrage - The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The amount owed, if any, is contingent upon interest rates. Based on current interest rates and expected future trends, it is not expected that the District will be required to make an arbitrage payment. However, in the event that one is required, consideration for this contingent liability was included in the development of the previously described required appropriated General Fund reserve range of three to five percent of each fiscal year's expenditures and other financing uses.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.3.17.