In Attendance:  Sue Chandler, Jill Conrad, Mario Giardiello and Emily Hansen

Staff:  Leann Asgari, Meg Blair, Jim McDermott, Keri Melmed and Julie Stelzer

Guests:  Neil Schilling, Clifton Gunderson; Scott Siegfried, Cherry Creek Student Services; and Michael Aitken, Community Council Chair

Emily Hansen called the meeting to order at 5:40 p.m.

Approval of Minutes
Minutes from the October 17, 2007 board meeting were unanimously approved.

Executive Director Report
A final decision has not been made, but there will probably not be a formal Exhibition Night this year. Student work is being exhibited as it is completed. At a minimum, Exhibition Night will be scaled back. The lower school had a poetry café reading and presentations on the Lewis and Clark journals for the 4th & 5th grades. Some of the middle school crews are doing an expedition on capitalism. The students created their own products, applied for business loans and presented their products at First Friday on December 7th. Some of the students did quite well with their product sales. In science, the middle school’s expedition on solar energy concluded with a solar energy model car race, exciting for both students and spectators.

Our high school completed a week of intensives. The students picked a course for the week and studied that course deeply. The high school held an academic showcase night featuring information on the AIDS virus from the students’ expedition on disease. The evening included a debate on foreign policy in Africa. The high school has also had an elective showcase night featuring students with performance-based intensives including melodrama, dancing, singing and bands. Other intensives included rock climbing and an ACT course (students spent a week preparing for the ACT test). This intensive was completely student driven.

The National Expeditionary Learning Conference will be held in Denver this year. RMSEL has applied to be a site for conference, and we are hoping to be approved.

The modular is now fully functional and being actively used by students. We do not yet have telephones functioning for internet access. We asked the board to approve use of funds from the reserve account for this project. We will be requesting additional funds as the electrical and cabling costs were higher than estimated.

Audit Presentation
Neil Schilling of Clifton Gunderson presented the June 30, 2007 financial statement audit to the board. He stated that the audit has been reviewed, but will be going through one more partner level review before it is finalized. There may be some minor changes only.

Neil explained that the independent auditor’s report states that Clifton Gunderson audited the school’s books for the period ending June 30, 2007. It is their responsibility to form an opinion on the financial statements. The audit was performed in accordance with generally accepted auditing standards. The standards require the auditors, on a test basis, to work through the various expenditures and disclosures of the school. Obviously, every transaction cannot be examined, so Clifton Gunderson does a sampling and examines key account balances. The auditor explained that they are issuing a “clean” or “unqualified” opinion on financial statements.
They do present fairly the financial position of the school and the results of operations for the year ending June 30, 2007.

The next paragraph of the audit refers to the general fund. According to the Governmental Accounting Standards Board, it is required that the general fund budget be presented. Clifton Gunderson provides this but does not audit it, so there is not an opinion on this budget. The last paragraph concerns the Management Discussion and Analysis (MD and A) which is required to be in the financial statements. However, with the change in audit firms, Clifton Gunderson decided not to include the MD and A this year. Next year, there will be comparative numbers and the MD and A will be included.

Neil summarized and described the elements of the audit. The core financial statements are called the government-wide statements and are prepared using the accrual basis of accounting. These are the assets and not expenditures as in the general fund. The balance sheet and reconciliation to the statement of net assets follow. Investments and cash increased about $190,000 over last year. The accounts receivable line item includes about $150,000 of capital campaign pledges. Liabilities include accrued salaries to be paid in July 2007. The deferred revenue had only purpose restrictions, and since no other restrictions were on these funds, they should have been recorded as revenue instead of being deferred. Adjusting journal entries were made to recognize approximately $140,000 that should not have been deferred (see page 17 for details). Under the fund balance, the capital campaign deferred revenue was recognized. Only the amount received within sixty days of year end can be recognized. The $159,000 which has been pledged and not received should show as reserve fund balance. As the funds come in, that balance will go down, and those funds are disbursable. This leaves about $900,000 unreserved fund balance in the general fund. The income statement for the general fund shows that overall there is $167,000 of net income this year. The revenue and expenditures remained constant for the year. Per pupil revenue increased about 3% or $60,000 from last year. One of the largest expenses is payroll and benefits. This year, these line items were changed, breaking them down to instructional, support service and building. There was an increase of $110,000 or 7% due to salary increases and increased health insurance costs.

Jill Conrad asked for an explanation of debt service. Neil explained that this is the capital lease expense on the four minibuses, and they have now been purchased. Jill asked if this is considered to be a large debt. Neil responded that RMSEL does not carry much debt, but the school does have the lease of the building from DPS. Neil noted that some of the charter schools have purchased their buildings making their debt quite high. Emily Hansen stated that Douglas County does not have any available space, so all of the charter schools have purchased their own buildings, so they have huge debt. Neil noted that the financial health of the school is strong with $167,000 of net income showing on the income statement.

Neil highlighted a few changes on the notes to the financial statements. The pledges receivable/deferred revenue disclosure is required because of the standard where revenue is needed to be recognized. Note 3 is the cash deposit and investment note. The investments are in the CSAFE which is stable without a lot of risk. Note 4 concerns the capital assets and shows a restatement of the June 30, 2006 balances. When the capital leases were recorded on the minibuses in 2005-2006 school year, it was not correctly reported because the embedded interest on the leases was not factored in. Through the whole process, there was about a $4,000 change which really is not that much in capital assets. The majority of that change shows in the capital lease which is note 7, also restated at the top. Last year, the amount reported as liability showed $104,000 which has been reduced to $68,000 and is basically the interest factor or component. The interest was 17%, very high. The decision to lease was made by prior administration. Jim stated that we may have been better off financially to buy the buses, rather than lease. Note 8 concerns the PERA retirement account information and is the longest note. Note 9 concerns tax, spending and debt limitation or the Taxpayer’s Bill of Rights (TABOR). Neil noted that RMSEL is not subject to TABOR. Note 10 concerns risk management and RMSEL’s membership in the Colorado School Districts Self Insurance Pool. Note 11 concerns the intergovernmental agreement (IGA) and the five sponsoring school districts. Note 12 is a description of the commitments that were entered into before the end of the year; however, the work and liability for the commitments did not exist at year end, specifically the air-conditioning project. Note 13 states that the capital assets and leases only
affected the government-wide statements and does not affect the general fund at all, whereas the deferred revenue affects both.

Page 19 shows the budget to actual for revenue and expense. The school’s revenue exceeded budget by about $360,000, and the expenditures exceeded budget by about $190,000. The budget was not amended during the year, meaning that there were a few items that weren’t budgeted from a revenue standpoint. These revenue items are fundraising and afterschool line items. Fundraising and afterschool should probably be included in the budget for next year. Julie Stelzer stated that historically the board did not want to see fundraising budgeted. Jill inquired as to the reason for this. Julie stated that the fundraising revenue would equal the expense leaving a zero balance. This is the reason that the board receives the fundraising and afterschool accounts separately.

Neil stated that with changes in accounting standards over the past couple of years, the auditor has less discretion about issues to be addressed in the management letter. Some of the issues that are raised are difficult to address in a small setting like RMSEL. The management letter specifically addresses internal controls, with the largest concern being segregation of duties. Because RMSEL is small, one person, the Finance Director, has a number of duties that would often be segregated in a larger organization. A concern was raised about cash disbursements, where one person receives, records, and deposits the cash. Additionally, there is concern that while the Executive Director signs checks and reviews all bank statements, there is a signature stamp that is used in his absence. The Finance Director uses this stamp when needed, typically during school breaks when the Executive Director is not available. A suggestion was made that the stamp be locked up and checked out, and the Finance Director not be able to sign checks.

A concern was raised that the Finance Director is responsible for approving new vendors, as well as paying invoices from these vendors. There was a recommendation to change the vendor approval process to have an additional person involved in the process. Julie suggested bonding the Finance Director position. Neil stated RMSEL could bond the position or the board could proceed as is with an understanding of the risk involved. If the board proceeds as is, the management letter will reflect these same issues every year. Jill asked whether the vendor approval process is similar to the rigorous process that DPS has for approving vendors. Julie responded positively noting that to some degree having an additional person involved independent of the vendor set-up confirms the legitimacy of the vendor. Emily stated that Douglas County bases their vendor issuance on a dollar limit and if the amount payable to the vendor is over a certain amount, it needs to go through a more rigorous process. Jill wanted to know if the RMSEL board has something implemented that is similar. Julie stated that most everything goes out for two to three bids. Leann Asgari, Operations Director, is the individual who requests bids and provides the information to Julie.

Jim stated that he will present a formal response to the management letter issues at the January meeting. This will include recommendations for any changes. Emily noted that the amount that RMSEL deals with is on a much smaller scale than a large district. Jim also pointed out that the larger districts have accounts payable and receivable and payroll departments, and RMSEL has Julie. There is not a concern about Julie but rather the controls that are required of the position. Julie stated that all expenses submitted to her are approved by one of the directors. RMSEL actually does have several controls currently in place.

Neil stated that another area examined was the use of school credit cards and class expenses. There are five credit cards issued to the school’s directors and the adventure coordinator that staff can check out. Clifton Gunderson recommended that there be a log in place to keep track of the credit card expenditures. Clifton Gunderson did testing of credit card statements and the three statements reviewed all had supporting documentation accompanying the statements. The one issue is that no one really looks at Julie’s credit card statement. Jim stated that he will begin to review her monthly statement along with other issues mentioned.

Another issue had to do with the sales tax paid. Julie stated that when an employee uses a personal check or credit card, some companies will not accept the school’s sales tax exemption number. Jim stated that the RMSEL attorney is writing a letter to Pitney Bowes and CIT because they continue to charge us personal property tax for our postage meter and copier leases, respectively.
The next issue was with fieldwork expenses. They selected two teacher’s accounts to review. One of the teachers was given a $10,000 advance, but did not receive receipts for the total amount; it was short by $2,500. However, the other auditor in the office stated there was a log showing the total amount of $10,000. Julie stated that it is often very difficult to get receipts during some of the trips due to location. Julie explained that some of the trips are in desolate areas, but a log is kept identifying each expenditure. Jill asked if this is one organization or individuals. Leann explained that if a student sprained an ankle and was unable to walk the teacher would rent a burro from the nearest farmer, so this is a possible situation of why a receipt is not feasible. Jim suggested that we have another person initial each transaction. Neil responded that this would be acceptable.

The next issue is cash receipting to ensure the amount of money coming in is the same amount being deposited to the bank. Incoming money is being logged in different sources, but not one list. This change has already been implemented, and funds received are now being logged in a cash receipts log.

Colorado law states that the capital reserve portion of the PPR (per pupil revenue) is considered revenue and needs to be tracked in a separate fund. Emily noted the PPR does not come from the member districts but from one district. Neil stated that the member districts pay DPS. Jim explained that the member districts do not pay DPS. Jill asked if we send a count to DPS. Leann explained that she sends a count to DPS and to the State of Colorado. Jill asked if DPS is including the RMSEL count in their count. Leann stated that they include us in their count; however, it is broken down by district. DPS gets the PPR from the state for the RMSEL students, and DPS sends RMSEL the PPR funds. Emily asked if RMSEL receives the free and reduced lunch money. Leann stated that those funds go to DPS. There has always been some confusion for staff at DPS about whether or not RMSEL is a charter school. RMSEL is its own school district and neither a charter school nor any district’s school of choice.

Neil noted that fundraising needed some prior period adjustments. When a contribution is received, it needs to be recognized in the year the funds were received. The only deferred revenue RMSEL should have is prepaid fieldwork fees. Julie stated that this makes internal tracking difficult, because there are different reports and end users of the information. Neil agreed that a year end entry at the audit level may be the solution to this problem, so that the day-to-day financial statements and budgets are not compromised. Neil stated that follow-up needs to occur on all outstanding pledges if funds are not coming in. Jim noted that we are sending quarterly statements for the pledges receivable.

Finally, Neil stated that the final buy-out of the minibuses was not made until July 2007, so the budget should have been amended to move those funds into the 2007-2008 budget, rather than 2006-2007 budget.

Since Neil stated at the beginning of the audit presentation that although there will be one more review, he asked if it is acceptable for the board to approve the audit conditionally. Julie stated the board should accept the draft audit subject to minor changes. Neil explained that he did not feel there would be any changes to the numbers, just wording changes. Emily stated if there are any comments or wording changes, he should communicate those to Julie or Jim and they will forward them to the board. Neil also stated that the motion to approve the audit be upon final approval of Jim and Julie. Jill motioned that the draft audit, with Jim and Julie’s final approval, be accepted. The motion was seconded and unanimously approved by roll call vote.

Budget Update
Julie stated the financial aid has not been completely used for this year. Jill asked about the amount of financial aid requested per year. Julie stated that the applications are down from last year. Jill asked if everyone knows it is available. Jim explained everyone knows and some folks do not qualify for financial aid. However, we have a Belay Committee which is a group of parents who have offered to help out families needing assistance. Sue Chandler asked if we have a problem with the grocery certificates and the bookkeeping of the certificates. Julie stated that we did two years ago when someone came in and bought
certificates with a check on a closed account. We changed our policy to only sell to individuals that we know. Mario Giardelli asked about the instructional coaching payroll. Is it correct that the account is 41% over-budget? Julie stated that it is where it should be at this time of year. We have two half-time coaches. Jen Wood is split with Odyssey. We pay her salary and benefits and then Odyssey is billed for their portion. There are some accounts in the professional development section that are showing credit balances because we have visitors attending our labs and paying us $800/day for the training. The teacher being observed is also paid a stipend.

Enrollment Policy
Leann distributed our formal enrollment policy. This policy has been reviewed by Community Council, Leadership Team and Administrative Team. We made one change: if students move out of district, they will be allowed to complete their level of schooling, i.e. lower school, middle school or high school. Out of district students are accepted only if we are unable to fill slots. We have one enrolled family under these circumstances, and we have grandfathered them under this policy. We do have a student that has moved to another district. She stays through 8th grade but will need to reapply if she wants to stay at RMSEL.

Leann explained that expulsion of a student is also an issue. If a student is expelled, they are sent back to their home district. There is then an issue of who pays for the expulsion hearing. Jim noted that we do not want to take spots away from our member districts. Emily asked if there is less demand for high school. Leann replied that right now all of our high school students will be returning, and we are over-enrolled by two students already. Jill asked how we market the school or is it just by word of mouth. Leann explained that we participate in school recruiting fairs. She also has had several calls from parents wanting to enroll mid-year, and she has responded that we are full. Jill announced the opening of the Denver Venture High School (an expeditionary learning charter school) which was approved in November.

With regard to students who move out of district and would not be allowed to stay, Jill noted that RMSEL could allow for waivers to be approved by the board on a case by case basis. Jim noted that we could do this, but we would want to be aware of any disciplinary concerns. A BOCES cannot expel a student. If issues come up that lead to expulsion, RMSEL disenrolls the student and sends them back to the home school district which conducts the expulsion process. Emily asked how this works. Douglas County open enrolls students from any district. If the child lives in Cherry Creek and open enrolls in Douglas County, and if the child is expelled, the child returns to the school district of residence. This should be a legal question. The hearing occurs at the district where registered, but the student returns to the home district. Julie asked if the board wants all requests for waivers to come to them. Emily stated that she was not sure that the board wants to be making that decision. Julie stated we have one student right now that has moved out of district. Jill suggested that the board authorize the Executive Director to make the determination whether this student should be allowed to remain if they move out of district. He will also present the information to the board at the end of each year. Emily said we should get legal advice on this situation. Sue asked if a student who was expelled from a member district could apply to RMSEL. Jim explained a student that has been expelled from a member district may not apply to RMSEL. Emily asked if it would be helpful for members to contact their district in-house legal department about the issue. Jim agreed that legal counsel be sought and then presented to the board. Emily noted that the board was not ready to approve changes at this point. She asked when we needed to let the student who was seeking to stay at RMSEL know about next year. Leann stated that she has been discussing this with the parents and explained that we are rewriting the policy and as soon as it has been completed she will give her an answer. Emily emphasized that Jim should make the final decision for this student. The board will obtain the information from their perspective legal departments, so a final draft of the policy can be presented.

Election of Officers
The board needs to establish officers for the year, because board members have left. After discussion and a vote, it was determined that Emily Hansen will continue to serve as President, Mario Giardelli will be Vice President and Jill Conrad will serve as Secretary/Treasurer. Sue Chandler moved that Emily Hansen remain
President, Mario Giardiello be elected as Vice President and Jill Conrad be elected as Secretary/Treasurer. The motion was seconded and unanimously approved.

The meeting was adjourned at 7:17 p.m.

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Emily Hansen, President

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Mario Giardiello, Vice President