

## **INTERNAL MONITORING REPORT**

December 16, 2015

**POLICY: 2.4 FINANCIAL CONDITION AND ACTIVITIES**

**POLICY CATEGORY: OPERATING LIMITATIONS**

**PERIOD MONITORED: July 1, 2015 – September 30, 2015**

This is my monitoring report on the Board of Education's Executive Limitation policy "Financial Condition and Activities." I certify that the information contained in this report is true and complete, and it is presented in accordance with the routine monitoring report schedule. This report will monitor the policy starting at its more detailed prohibitions and end with the global prohibition.

Christopher Gdowski

Superintendent

December 11, 2015

- 1. POLICY PROHIBITION:** *Shall not at any time: (a) Use any reserves other than as intended and permitted by law; or (b) spend any discretionary reserves or allow discretionary reserves to be less than 3% of the general fund expenditures at any time; or (c) fail to provide for incremental growth of discretionary reserves, up to 5% of general fund expenditures, during fiscal years that funding to the District will increase and prudent to do so; (d) fail to maintain reasonable fund balances in other funds; and (e) fail to maintain sufficient appropriated reserves.*

**INTERPRETATION (2.4.1 a.):**

I interpret “(a) shall not use any reserves other than as intended and permitted by law” to mean:

The District (including charter schools) only expends designated funds, as shown in the table below, for purposes permitted by law throughout the identified monitoring period. Reserves are maintained as budgeted items not yet spent.

**DESIGNATED PURPOSE**

<b>TABOR</b>	An amount equal to 3% of the annual District expenditures must be held in reserve unless the Board adopts a resolution permitting expenditure of the funds and provides security for these funds by means of a letter of credit or by using District assets as collateral.
<b>Contract Reserves</b>	Multi-year contract obligations for payment of certified and classified employee retirement stipends.

**DATA REPORTED:** Reserves are maintained per legal designated purposes as shown below. There has been no expenditure of these funds.

	Beginning Reserve Balance July 1, 2015	Ending Reserve Balance September 30, 2015
TABOR	\$ 8,722,463	\$ 8,722,463
Charter TABOR Reserves	\$ 744,191	\$ 744,191
Contract Reserves	\$ 10,855,000	\$ 10,855,000

**COMPLIANCE:** The District’s performance complied with the standard.

**INTERPRETATION (2.4.1 b./c.):**

I interpret “(b) shall not spend any discretionary or allow discretionary reserves to be less than 3% of general fund expenditures at any time” to mean the amount of General Fund Reserves identified as “Carryover Funds – Unrestricted, Uncommitted, and Unassigned:

- A. A sum equal to 3% of General Fund Expenditures, which sum shall also be referred to as the TABOR Reserve.
- B. A sum sufficient to make four annual installments to former certified and classified employees of the District who have received the first installment payment of the applicable Career Longevity Stipend.
- C. Any cash funds which have been pledged irrevocably for the purpose of securing future payments pursuant to multiple year financial commitments of the District.
- D. The estimated amounts of funds which have been obligated for payment as of June 30<sup>th</sup> pursuant to contract, purchase order, or similar instruments, which shall also be referred to as Encumbered Funds.

I interpret “(c) shall not fail to provide incremental growth of discretionary reserves, up to 5% of general fund expenditures during fiscal years that funding to the District will increase and be prudent to do so” to mean:

- E. Discretionary reserves shall be increased in the District’s annual budget only when i) the District’s per pupil funding has been increased as compared to the prior fiscal year, ii) the District is in compliance with Operating Limitations regarding expenditures for deferred maintenance, and iii) the District is in compliance with all Ends requirements.

**DATA REPORTED:**

**General Fund Balance  
(\$ in millions)**

	July 2015	Aug 2015	Sept 2015
Beginning Fund Balance	\$ 39.9	\$ 39.9	\$ 39.9
Plus: Revenues	16.4	34.1	52.2
Less: Expenditures	21.1	41.5	65.0
Ending Fund Balance	<u>\$ 35.2</u>	<u>\$ 32.5</u>	<u>\$ 27.1</u>
A. TABOR Reserve (3%)	\$ 8.7	\$ 8.7	\$ 8.7
B. Career Longevity Stipend	10.9	10.9	10.9
C. Pledged Funds	-	-	-
D. Encumbered Funds	8.7	8.7	8.7
Other Amount Not Legally Reserved	6.9	4.2	(1.1)
Total Fund Balance	<u>\$ 35.2</u>	<u>\$ 32.5</u>	<u>\$ 27.1</u>

E. District per pupil funding in the 2015-2016 school year is \$7,115, an increase of \$253 as compared to per pupil funding of \$6,862 in the 2014-2015 school year.

In the most recent monitoring reports submitted to the Board, the District has reported non-compliance with Policy 2.5.2 regarding annual deferred maintenance expenditures and non-compliance with several Ends policies regarding student achievement. Accordingly, the 2015-2016 budget does not allocate additional funds for growth of the District's discretionary reserves in the general fund.

**COMPLIANCE:** The District's performance complied with the standard.

Following is a summary of charter school fund balances:

**General Fund Balance  
Stargate  
(\$ in millions)**

	July 2015	Aug 2015	Sept 2015
A. TABOR Reserve (3%)	\$ 0.18	\$ 0.18	\$ 0.18
Other Amount Not Legally Reserved (Carryover)	1.53	1.74	1.72
Total Funds Available	\$ 1.71	\$ 1.92	\$ 1.90

**COMPLIANCE:** The school’s performance has complied with the standard.

**General Fund Balance  
Westgate  
(\$ in millions)**

	July 2015	Aug 2015	Sept 2015
A. TABOR Reserve (3%)	\$ 0.10	\$ 0.10	\$ 0.10
Other Amount Not Legally Reserved (Carryover)	0.18	0.27	0.26
Total Funds Available	\$ 0.28	\$ 0.37	\$ 0.36

**COMPLIANCE:** The school’s performance has complied with the standard.

**General Fund Balance**  
**Prospect Ridge Academy**  
(\$ in millions)

	July 2015	Aug 2015	Sept 2015
A. TABOR Reserve (3%)	\$ 0.28	\$ 0.28	\$ 0.28
Other Amount Not Legally Reserved (Carryover)	2.65	2.79	2.87
Total Funds Available	\$ 2.92	\$ 3.07	\$ 3.15

**COMPLIANCE:** The school's performance has complied with the standard.

**General Fund Balance**  
**Global Village**  
(\$ in millions)

	July 2015	Aug 2015	Sept 2015
A. TABOR Reserve (3%)	\$ 0.19	\$ 0.19	\$ 0.19
Other Amount Not Legally Reserved (Carryover)	0.49	0.61	0.28
Total Funds Available	\$ 0.69	\$ 0.80	\$ 0.47

**COMPLIANCE:** The school's performance has complied with the standard.

**INTERPRETATION (2.4.1 d.):**

I interpret “(d) shall not fail to maintain reasonable fund balance in other funds” to mean that the following funds, including those held by charter schools, maintain reasonable fund balances:

Insurance Reserve Fund –

- The Insurance Reserve fund has a year-end reserve which equals or exceeds the amount required to be held in the BOCES Insurance Pool.

**DATA REPORTED:** The balance in the Insurance Reserve Fund as of June 30, 2015, was \$2,492,101 and the minimum amount to be held in the BOCES Insurance Pool was \$1,473,355. The amount to be held in the BOCES Insurance Pool is determined annually by independent actuarial projections based upon case-basis evaluations, and includes a provision for incurred but not reported losses which are based on the Pool’s experience and insurance industry data. (These amounts do not change during the fiscal year as the amounts are determined on an annual basis.) A minimum fund balance is not required for charter schools as they are not members of the BOCES Insurance Pool, and they have the option of paying insurance premiums from the general fund.

**COMPLIANCE:** The District’s performance complied with the standard.

Transportation Fund –

- The Transportation Fund retains funds equal to at least one month of operating expenditures to allow for emergencies.

**DATA REPORTED:** At September 30, 2015, the Transportation Fund balance was \$6,715,992 and one month of operating expenses for the District transportation program is \$1,295,943. Charter schools do not have a Transportation Fund.

**COMPLIANCE:** The District’s performance complied with the standard.

Interscholastic Athletic Fund –

- The Athletic Fund retains funds equal to one month of operating expenditures to allow for emergencies.

**DATA REPORTED:** At September 30, 2015, the Athletic Fund balance was \$635,157 and one month of operating expenses for the District athletic program was \$81,389. Charter schools do not have an Interscholastic Athletic Fund.

**COMPLIANCE:** The District’s performance complied with the standard.

Bond Redemption Fund –

- The Bond Redemption fund balance at the end of the fiscal year is sufficient to pay the December debt service payment in the following fiscal year.

**DATA REPORTED:** Fund balance as of June 30, 2015, was \$53,111,796 and the December 2015 debt service payment totals \$33,375,149. (These amounts do not change during the fiscal year as they are determined annually based on audit and debt service payment information.) Charter schools do not have a Bond Redemption Fund.

**COMPLIANCE:** The District’s performance complied with the standard.

Capital Reserve Fund –

- Fund balance, including COP revenue, is sufficient to complete outstanding commitments on construction projects and large equipment purchases permitted by law to be made from the Capital Reserve Fund.

**DATA REPORTED:** Fund balance for the Capital Reserve Fund at June 30, 2015 was \$39,485,219. The amount committed for approved construction projects, including projects funded by COPs, was \$26,202,201.

Charter school’s Capital Reserve Funds and Building Foundations do not have any construction commitments as of July 1, 2015. Global Village, Prospect Ridge, Stargate, and Westgate charter schools have funded school construction and facility improvement through “building foundations” which agree to make long-term multiple year debt service payments which are subject to annual appropriations of funds.

**COMPLIANCE:** The District’s and the charter schools’ performance complied with the standard.

Nutrition Service Fund –

- The Nutrition Fund retains a fund balance equal to one month, but less than three months, of operating expenditures to allow for emergencies. This is reasonable because statutory regulations require that no more than three months of operating funds may be in reserve.

**DATA REPORTED:** Fund balance as of September 30, 2015, totaled \$4,329,175 and one month of operating expenses equaled \$736,040. The Nutrition Services department has a plan approved by the Colorado Department of Education (CDE), to offer additional training to Nutrition Services staff, to fund equipment and technology needs within the department, and to continue improving the quality of meals served to students. In addition, the Colorado Department of Education granted

the District a waiver to the increase in meal prices which would have otherwise required by the Healthy, Hunger-Free Kids Act of 2010. Maintaining meal prices at the same level is expected to reduce the balance in the Nutrition Fund during the 2015-2016 school year given price increases for food products and materials.

**COMPLIANCE:** The Nutrition Services department has a state approved plan to reduce the excess fund balance. The District's and the other charter school's performance complied with this standard.

BASE Fund –

- The BASE Fund retains a fund balance equal to one month, but less than three months, of operating expenditures to allow for emergencies.

**DATA REPORTED:** The District's fund balance in the BASE fund as of September 30, 2015, totaled \$3,367,314 and one month of operating expenses for BASE was \$658,667. District charter schools' BASE activity is recorded in their general fund and a minimum of one month of operating expenses is maintained.

**COMPLIANCE:** The BASE department has a plan to reduce excess fund balance. For example, in FY2015-2016, BASE will maintain rates for both the school year and summer programs. BASE will also continue to implement and provide training of the Love and Logic concept to its 29 BASE programs. BASE will also continue to explore additional ways to add value to their programs.

**INTERPRETATION (2.4.1 e.):**

I interpret “(e) *shall not fail to maintain reasonable sufficient appropriated reserves*” to mean:

Appropriated reserves are established for encumbrances, possible impact of negotiations, and other necessary but unanticipated operational needs. This is reasonable as it is fiscally responsible to plan for unexpected needs that develop throughout the year. Additionally, conservative revenue and enrollment projections are used and generally accepted accounting principles (GAAP) and historical data are integrated in the budget planning process.

**DATA REPORTED:**

Fiscal 2016 Appropriated Reserves:

Required TABOR Reserve	\$8,722,463
Encumbrance and Carryover Reserve	\$8,658,190
Contract Reserves	\$10,855,000
Reserve for Inventories and Prepaid	\$839,223

Charter schools are not required to report specific appropriated reserves.

**COMPLIANCE:** The District’s performance complied with the standard.

- 2. POLICY PROHIBITION:** *Shall not at any time, allow unrestricted cash and equivalents to drop below an amount necessary to meet operating expenditures over a 30-day period, except that during normal seasonal fluctuations in property tax receipts cash balances may drop below the 30-day threshold but shall not be less than restricted cash.*

**INTERPRETATION:**

I interpret this to mean the District and charter schools:

- A. Maintain cash (including amounts temporarily invested) at the end of each monthly accounting period at an amount that exceeds restricted cash in an amount equal to one month’s operating expenditures. Restricted cash includes TABOR reserves (both the 3% emergency reserve and the amount reserved for multiple year financial obligations) and cash in specifically designated funds including Capital Reserve Fund, Building Foundations, Building Fund, Pupil Activity Fund and the Bond Redemption Fund. This is reasonable because legal obligations are met and operating funds remain available for District use.
- B. Average monthly expenditures are calculated by using fiscal-year-to-date monthly expenditures for the following funds used for District day-to-day activities: General, Government Grants, Athletics, Transportation, Insurance Reserve, Nutrition Services, and Before/After School Child Care funds. This is reasonable as all operating funds are included.

C. From December to March, the unrestricted cash balance maintained may be insufficient to meet the 30 day operating expenditure requirement provided that such deficiency does not exceed 3% of that month's average monthly expenditures. This exception is reasonable because property tax collections occur primarily in February through June of each year, and so unrestricted cash becomes depleted during the December to March period of each fiscal year. Given the reliability of these tax revenues, the short-term depletion of unrestricted cash does not cause fiscal jeopardy to the District.

**DATA REPORTED:** Cash and investment balances, as reported below, exceed restricted cash.

**TOTAL CASH AND INVESTMENTS**

**(\$ in millions)**

	July 2015	Aug 2015	Sept 2015
<b>A. Total Cash</b>	<u>\$ 172.9</u>	<u>\$ 177.3</u>	<u>\$ 171.8</u>
Less Restricted:			
Capital Reserve Fund	(48.2)	(47.5)	(45.4)
Pupil Activity	(4.2)	(4.6)	(5.0)
Bond Redemption Fund	(53.1)	(53.4)	(53.6)
TABOR/Legal Requirements	<u>(19.6)</u>	<u>(19.6)</u>	<u>(19.6)</u>
Sub-Total Restricted:	<u>(125.2)</u>	<u>(125.0)</u>	<u>(123.7)</u>
Balance Available for Day-to-Day Activities	<u>47.7</u>	<u>52.3</u>	<u>48.2</u>
 <b>B. Less: Average Monthly Expenditures Cash Requirement</b>	 <u>(27.3)</u>	 <u>(24.4)</u>	 <u>(26.0)</u>
 <b>C. Cash Excess (Deficiency)</b>	 <u><u>\$ 20.5</u></u>	 <u><u>\$ 27.9</u></u>	 <u><u>\$ 22.2</u></u>
 Cash Excess (Deficiency) Percent	 <b>11.8%</b>	 <b>15.7%</b>	 <b>12.9%</b>
 Percentage Range of Cash Excess (Deficiency)	 11.8% to 30.1%	 15.7% to 29.8%	 12.3% to 29.9%

Balances fall within the normal range calculated based on available historical information up to five prior fiscal years.

Following is a summary of charter school cash balances.

## TOTAL CASH AND INVESTMENTS

### Stargate

(\$ in millions)

	July 2015	Aug 2015	Sept 2015
<b>A.</b> Total Cash	\$ 46.04	\$ 45.71	\$ 36.01
Less Restricted:			
Foundation	(43.79)	(43.36)	(33.68)
Pupil Activity	(0.27)	(0.35)	(0.35)
Special Ed Contract Reserve	(0.13)	(0.13)	(0.13)
TABOR/Legal Requirements	(0.18)	(0.18)	(0.18)
Sub-Total Restricted:	(44.37)	(44.02)	(34.34)
Balance Available for Day-to-Day Activities	1.68	1.69	1.67
 <b>B.</b> Less: Average Monthly Expenditures Cash Requirement	(0.23)	(0.28)	(0.39)
 <b>C.</b> Cash Excess (Deficiency)	\$ 1.44	\$ 1.41	\$ 1.28
Cash Excess (Deficiency) Percent	<b>3.1%</b>	<b>3.1%</b>	<b>3.6%</b>
Percentage Range of Cash Excess (Deficiency)	3.1% to 71.5%	3.1% to 76.3%	3.6% to 48.3%

Balances fall within the normal range calculated based on available historical information up to five prior fiscal years.

## TOTAL CASH AND INVESTMENTS

### Westgate

(\$ in millions)

	July 2015	Aug 2015	Sept 2015
<b>A.</b> Total Cash	\$ 0.69	\$ 0.84	\$ 0.87
Less Restricted:			
Building Fund	(0.41)	(0.46)	(0.51)
Special Ed Contract Reserve	(0.08)	(0.08)	(0.08)
TABOR/Legal Requirements	(0.10)	(0.10)	(0.10)
Sub-Total Restricted:	(0.58)	(0.63)	(0.68)
Balance Available for Day-to-Day Activities	0.11	0.21	0.18
 <b>B.</b> Less: Average Monthly Expenditures Cash Requirement	 (0.13)	 (0.18)	 (0.22)
 <b>C.</b> Cash Excess (Deficiency)	 \$ (0.02)	 \$ 0.02	 \$ (0.04)
 Cash Excess (Deficiency) Percent	 <b>-2.5%</b>	 <b>2.9%</b>	 <b>-4.6%</b>
 Percentage Range of Cash Excess (Deficiency)	 -2.5% to 76.3%	 2.9% to 78.9%	 -4.6% to 81.0%

Balances fall within the normal range calculated based on available historical information up to five prior fiscal years.

**TOTAL CASH AND INVESTMENTS**  
**Prospect Ridge Academy**  
(\$ in millions)

	July 2015	Aug 2015	Sept 2015
<b>A.</b> Total Cash	\$ 4.30	\$ 4.06	\$ 4.07
Less Restricted:			
Capital Reserve Fund	-	-	-
Pupil Activity	-	-	-
Special Ed Contract Reserve	(0.08)	(0.08)	(0.08)
TABOR/Legal Requirements	(0.28)	(0.28)	(0.28)
Building Fund	(1.42)	(1.03)	(1.03)
Sub-Total Restricted:	(1.77)	(1.39)	(1.39)
Balance Available for Day-to-Day Activities	2.53	2.67	2.68
 <b>B.</b> Less: Average Monthly Expenditures Cash Requirement	 (0.41)	 (0.70)	 (0.72)
 <b>C.</b> Cash Excess (Deficiency)	 \$ 2.12	 \$ 1.98	 \$ 1.96
 Cash Excess (Deficiency) Percent	 <b>49.4%</b>	 <b>48.7%</b>	 <b>48.3%</b>
 Percentage Range of Cash Excess (Deficiency)	 (29.9%) to 63.1%	 (208.2%) to 61.2%	 (370.6%) to 59.9%

**TOTAL CASH AND INVESTMENTS**  
**Global Village Academy**  
(\$ in millions)

	July 2015	Aug 2015	Sept 2015
<b>A.</b> Total Cash	\$ 0.75	\$ 0.96	\$ 0.80
Less Restricted:			
Special Ed Contract Reserve	(0.08)	(0.08)	(0.08)
TABOR/Legal Requirements	(0.19)	(0.19)	(0.19)
Sub-Total Restricted:	(0.27)	(0.27)	(0.27)
Balance Available for Day-to-Day Activities	0.49	0.69	0.54
 <b>B.</b> Less: Average Monthly Expenditures Cash Requirement	 (0.34)	 (0.41)	 (0.89)
 <b>C.</b> Cash Excess (Deficiency)	 \$ 0.15	 \$ 0.28	 \$ (0.35)
 Cash Excess (Deficiency) Percent	 <b>19.3%</b>	 <b>29.5%</b>	 <b>-43.6%</b>
 Percentage Range of Cash Excess (Deficiency)	 (110.8%) to 29.2%	 (460.3%) 37.3%	 (146.5%) (8.2%)

Balances fall within the normal range calculated based on available historical information up to five prior fiscal years.

**COMPLIANCE:** The District's, Stargate's and Prospect Ridge performance complied with the standard. I report non-compliance for Westgate and Global Village. Although Westgate and Global Village are reported as non-compliant, it is important to note that they do have a positive cash flow after removing their restricted components.

**3. POLICY PROHIBITIONS:** *Shall not expend more operating funds than have been received in the fiscal year to date unless both the liquidity requirement and reserve requirement above are met.*

**INTERPRETATION:**

I interpret this to mean:

That at any time within a budget year, except when liquidity (unrestricted cash) and reserves are maintained in accordance with this Policy 2.4, the District and charter school expenditures will not exceed revenues in the following funds used for day-to-day activities: General, Government Grants, Athletic, Transportation, Insurance Reserve, Nutrition Services, and Before/After School Child Care funds.

**DATA REPORTED:**

**DISTRICT  
As of September 30, 2015**

Operating Receipts through 9/30/15:	\$	65,369,616
Less: Operating Expenditures through 9/30/15:		(78,054,320)
Excess/(Deficiency):	\$	(12,684,704)
Excess/(Deficiency) %:		(16.25%)
Percentage Range (5 years) of Excess/(Deficiency):		(35.64%) to 24.4%

**CHARTER SCHOOLS  
As of September 30, 2015**

	<u>Stargate</u>	<u>Westgate</u>	<u>Prospect Ridge</u>	<u>Global Village</u>
Operating Receipts through 9/30/15:	\$ 1,803,194	\$ 1,027,257	\$ 2,383,804	\$ 2,817,277
Less: Operating Expenditures through 9/30/15:	(1,167,328)	(668,509)	(2,158,776)	(2,656,072)
Excess/(Deficiency):	\$ 635,866	\$ 358,748	\$ 225,028	\$ 161,205
Excess/(Deficiency) %:	54.47%	53.66%	10.42%	6.07%

**COMPLIANCE:** When policy section 2.4.1(b) fund balance requirements and policy 2.4.2 cash liquidity requirements are met, policy section 2.4.3 will be in compliance even if a deficiency is reported. Section 2.4.1(b) and 2.4.2 requirements have been met as reported above. Expenses may exceed revenues periodically due to use of excess fund balance and because the majority of property tax revenues are received between February and June. The District's and the charter schools' performance complied with the standard.

**4. POLICY PROHIBITION:** *Shall not allow the organization to incur penalties in material amounts for tax payments, other government ordered payments, or other payments, or allow any filings that are overdue or inaccurately filed.*

**INTERPRETATION:**

I interpret this to mean:

All payments are made without incurring late payment fees in excess of the aggregate amount of \$1,000 for any fiscal year; further, reports and other required documents are submitted and accepted in accordance with Colorado Department of Education and Federal timelines. This is reasonable as it represents compliance with external requirements, and the \$1,000 amount has minimal impact on operations of the District.

**DATA REPORTED:** Financial Services staff has been notified to report to the Chief Financial Officer any occurrences of penalties related to late payments or payroll reporting requirements, and any occurrences of overdue filings or inaccurately filed financial or payroll reports. There have been no incidents reported in this monitoring period.

**COMPLIANCE:** The District complied with this standard.

**5. POLICY PROHIBITION:** *Shall not fail to aggressively pursue receivables after a reasonable grace period.*

**INTERPRETATION:**

I interpret this to mean:

A timely attempt is made to collect monies owed to the District (including charter schools) that are older than thirty days, or other period of time deemed reasonable according to common business practices as follows:

Major Categories of Receivables:

- Amounts Due from Other Governments – 30 to 90 days following submission of reports or other required information.
- Accrued Investment Earnings – 30 to 180 days as defined by Investment Agreement.

**DATA REPORTED:** District and charter school receivables recorded for the period ending September 30, 2015 are as follows:

July 2015	\$	613,919
August 2015	\$	421,736
September 2015	\$	407,217

All amounts due to the District have been received within normal business timelines.

**COMPLIANCE:** The District's and charter schools' performance complied with the standard.

**6. POLICY PROHIBITION:** *Shall not allow (a) bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended, or (b) override funds to be commingled with other funds or spent other than to directly achieve Ends.*

**INTERPRETATION (2.4.6 a):**

I interpret “(a) *Shall not allow bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended*” to mean:

- A. Bond funds and certificates of participation shall be spent in a manner that does not deviate from plans and commitments presented to District voters.
- B. Proceeds received from debt instruments approved by voters and spent for projects planned and committed are compared and evaluated as follows:
  - 1. District 12 new school construction cost per student and per square foot is less than or equal to national and regional cost data as published by School Planning and Management Journal.
  - 2. District 12 cost per square foot/other appropriate unit cost of construction of other facilities is less than or equal to cost data provided by architects for the related District 12 construction projects.
  - 3. Cost of services provided by District staff is less than or equal to the cost of outsourcing the same services.
  - 4. Projects are completed so that the start of the school year is not delayed at any school.

**DATA REPORTED:**

A. The District has completed all projects described in the \$180 million bond approved in 2000, the \$180 million bond approved in 2004, and the \$32,985,000 Certificates of Participation approved in 2008. The \$27,500,000 approved in June of 2015 for site improvements is estimated

to be complete by the spring of 2017. The balance remaining in this fund as of September 30, 2015 was:

2015 COPs	\$25,371,201
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**COMPLIANCE:** Expenditures from these funds shall be spent only for capital projects permissible pursuant to the terms of the bond and COP agreements. The District’s performance during the monitoring period complied with the standard.

**DATA REPORTED:**

B. Expenditures in FY2015-2016 through September 30, 2015 were:

2015 COPs	\$2,128,799
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**COMPLIANCE:** The District’s performance has complied with the standard.

**INTERPRETATION (2.4.6 b):**

I interpret “(b) *Shall not allow override funds to be commingled with other funds or spent other than to directly achieve Ends*” to mean:

Additional operating funds received annually by the District per voter approval in November 1991, 2000, 2004 and 2008 shall be maintained in distinct accounts separate from other District expenditures when the ballot question proposes to allocate additional revenues to specific expenditures (e.g., the \$10.2 million 2000 override and the \$9.9 million 2004 override) and through the use of spreadsheet allocation (in the case of the \$5.4 million 1991 override and the \$9.9 million 2008 override) when the ballot question does not commit additional revenues to specific expenditures. All override funds shall be spent for the purposes described in the voter-approved ballot question to achieve the Ends established by Board policy.

**DATA REPORTED:** A spreadsheet allocation of expenditures related to the 1991 override in the amount of \$5.4 million shows expenditures totaling \$1.35 million as of September 30, 2015. All expenditures have been made in accordance with promises made to voters and are school-based for use in directly supporting Board of Education Ends. The following schedule also reflects combined expenditures totaling \$3.1 million related to the 2000 \$10.2 million override and the 2004 \$9.9 million override, also being spent in accordance with promises made to voters and in supporting Board of Education Ends.

**MILL LEVY FUND ACTUAL EXPENDITURES**  
**As of September 30, 2015**

	<u>1991</u>	<u>2000</u>	<u>2004</u>
Instruction:			
General	\$ 679,763	\$ 90,014	\$ 361,287
Pre-School	153,815	-	-
Special Education	300,485	37,391	-
Instructional Staff Training & Support	215,937	68,611	1,691
Operations & Maintenance	-	63,141	-
Student Transportation	-	550,000	440,000
Business and Other Support	-	57,341	36,650
Total	<u>\$ 1,350,000</u>	<u>\$ 866,498</u>	<u>\$ 839,628</u>

**COMPLIANCE:** The District’s performance complied with this standard.

**7. POLICY PROHIBITION:** *Shall not achieve compliance with these provisions by endangering future capacity to accomplish Ends.*

**INTERPRETATION:**

I interpret this to mean:

Endangering future capacity means committing multiple-year expenditures without a reliable funding source.

**DATA REPORTED:** For Fiscal Year 2015-2016, revenues and expenses are currently being received and expended as anticipated. The District has not expended funds anticipated from third parties prior to receipt and has not committed to multiple-year expenditures without a reliable funding source.

**COMPLIANCE:** The District’s performance complied with this standard.

**8. POLICY PROHIBITION:** *Shall not commit revenues due to student enrollment growth to continuing line item or program expenditures without considering needs associated with the opening of new schools.*

**INTERPRETATION:**

I interpret this to mean:

The annual budget plan developed by the Superintendent shall allocate adequate funds for teaching staff, school operations, and transportation services necessary for student enrollment growth in the District before any remaining revenues received for those new students are allocated for other purposes.

**DATA REPORTED:** Data to determine District enrollment growth for the 2015-2016 school year is not available in the current reporting period.

**COMPLIANCE:** The District's performance complied with the standard.

**9. POLICY PROHIBITION:** *Shall not determine borrowing levels.*

**INTERPRETATION:**

I interpret this to mean:

Shall not conclude and take actions on Certificates of Participation, bonds, multiple-year lease-purchase agreements, or similar financing transactions obligating the District (including charter schools) for repayment without approval by the Board of Education. This is reasonable as these types of financing transactions represent borrowing by the District.

**DATA REPORTED:** The District entered into a Bus lease on July 7, 2015 for the purchase of 25 buses and additional equipment. During the current reporting period the District acquired 14 of the buses through this lease.

**COMPLIANCE:** The District's performance complied with the standard.

**10. POLICY PROHIBITION:** *Shall not fail to provide for an annual audit of the financial statements of the District each fiscal year by a qualified third party and make provisions for payment of the expenses of conducting the audit.*

**INTERPRETATION:**

The Board of Education's policy is clear and requires no further interpretation.

**DATA REPORTED:** An audit was completed by Clifton Larson Allen LLP for the fiscal year ended June 30, 2015. The adopted budget included amounts necessary to pay for the audit contract.

**COMPLIANCE:** The District's performance complied with the standard.

**11. POLICY PROHIBITION:** *Shall not commit District support to, or commit District resources, monetary or in kind, to join or support litigation initiated between third parties.*

**INTERPRETATION:**

The Board of Education's policy is clear and requires no further interpretation.

**DATA REPORTED:** The District has not entered into litigation initiated between third parties and has not provided monetary or in kind support following the adoption of this policy provision.

**COMPLIANCE:** The District's performance complied with this standard.

**12. POLICY PROHIBITION:** *Shall not fail to undertake a full-scale competitive process for the selection of independent auditors pursuant to the most current Government Finance Officers Association recommendations regarding the selection of auditing services.*

**INTERPRETATION:**

The Board of Education's policy is clear and requires no further interpretation.

**DATA REPORTED:** The District undertook a full-scale competitive process for the selection of independent auditors for the Fiscal Year 2011-2012 audit in February 2011. The Government Finance Officers Association (GFOA) recommends that a competitive process for the selection of independent auditors be completed every five years, and so the February 2011 process was within the recommended timeline.

**COMPLIANCE:** The District's performance complied with the standard.

**13. POLICY PROHIBITION:** *Shall not fail to receive process or disburse funds under controls which are insufficient to meet the Board-appointed auditor's standards.*

**INTERPRETATION:**

I interpret this to mean:

The District manages money and money-related transactions using a system of internal controls which provide for separation of duties, fraud protection, and an authorization process providing reasonable assurance that appropriate controls exist. This is reasonable because independent auditors review these controls on an annual basis and report their findings to the District administration and the Board of Education.

**DATA REPORTED:** Funds have been managed in accordance with professionally appropriate standards as demonstrated by the most recent independent audit for the period ending June 30, 2015, performed by CliftonLarsonAllen LLP, except for the item described below. The following steps have been taken to correct the item of noncompliance.

**I. District:**

**Context:**

- Audit Finding:** In accordance with OMB Circular A-87, employees whose compensation is funded by federal programs are required to complete applicable time reporting documentation, either time and effort reports or semi-annual time certifications per monthly personnel activity report which meet the specifications of the circular. During testing, it was noted that one of the employees whose salary was charged to the grant did not have the proper time reporting documentation.
- Audit Recommendation:** The District should implement procedures to comply with OMB Circular A-87. The District should ensure that semi-annual time certifications, or time and effort reports, are completed for all employees to support the amount of salary and related benefit costs charged to the Title I grant.
- Management Response:** The District will comply with this recommendation of ensuring that semi-annual time certifications are completed for all employees with the appropriate salary and benefit costs for the Title I grant by maintaining the required documentation.

**COMPLIANCE:** The District will perform compliance with this finding.

**14. POLICY PROHIBITION:** *Shall not invest or hold operating, capital, bond and reserve funds without following the “prudent investor” standard and complying with the legal investment of public funds requirements under C.R.S. 24-75-601.1 and other applicable law.*

**INTERPRETATION:**

I interpret this to mean:

All funds are invested in compliance with C.R.S. 24-75-601.1 and other applicable law as follows:

- A. Cash is deposited in eligible depository banks subject to FDIC Insurance or which pledge collateral in accordance with the Colorado Public Deposit Protection Act (“CPDPA”), and
- B. Cash is deposited in money market funds or local government investment pools with the highest credit rating assigned by a nationally recognized credit rating agency, and

- C. Security investments comply with applicable Colorado law and the credit rating, diversification and maturity restrictions as specified by the District's investment policy, and
- D. Cash and other funds are not invested in instruments other than those permitted by Interpretations A-C.

**DATA REPORTED:** As of September 30, 2015, the District maintained cash as follows:

- A. Cash is deposited in eligible depository banks in the amount of \$14,999,824 subject to FDIC Insurance or which pledge collateral in accordance with the CPDPA in compliance with Interpretation A.
- B. Cash deposited in money market funds totaling \$26,953,290 and in local government investment pools totaling \$89,591,845 in compliance with Interpretation B.
- C. Security investments with a market value of \$40,282,639 in compliance with Interpretation C.
- D. Cash and securities were not invested in instruments other than those permitted in Interpretations A-C.

**COMPLIANCE:** The District's performance complied with the standard.

**15. POLICY PROHIBITION:** *Shall not endanger the district's public image or credibility, particularly in ways that would hinder the accomplishment of its ends.*

**INTERPRETATION:**

I interpret this to mean:

Maintaining positive public image is measured through the compliance with 2.4 policy prohibitions and/or the implementation of corrective actions for any non-compliance with the 2.4 policy prohibitions.

**DATA REPORTED:** There are no instances of non-compliance.

**COMPLIANCE:** The District's performance complied with the standard.

**GLOBAL POLICY PROHIBITION:** *With respect to the actual, ongoing financial condition and activities, the Superintendent shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.*

I submit that the Board's policy is comprehensively interpreted in the preceding provisions. This is reasonable because my interpretations, data reported and compliance statements concerning these provisions address issues of fiscal jeopardy and compliance of expenditures with Board priorities as required by the global policy provision.

**COMPLIANCE:** The District's performance complied with the standard.

**The Board acknowledged receipt of a monitoring report as of December 16, 2015, for the period, July 1, 2015 through September 30, 2015, of the Superintendent, concerning Operating Limitations Policy 2.4 Financial Condition and Activities, and found the superintendent's interpretations were reasonable and supported by data that was relevant, justified and complete.**