

INTERNAL MONITORING REPORT

November 16, 2016

POLICY: 2.4 FINANCIAL CONDITION AND ACTIVITIES
POLICY CATEGORY: OPERATING LIMITATIONS
PERIOD MONITORED: July 1, 2016 – September 30, 2016

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

November 16, 2016

- 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 restricted 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.

TABOR	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. (TABOR reserves are not required for federal and enterprise funds).
Contract Reserves	Multi-year contract obligations for payment of certified and classified employee retirement stipends.

DATA REPORTED: Reserves are maintained for the designated purposes as shown below. There has been no expenditure of these funds. The District’s cash and investment balance declines significantly from July through February each fiscal year because property tax revenues are not received until the spring.

	District	
	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 9/30/2016
TABOR Reserve	\$ 8,935,769	\$ 8,764,740
Contract Reserves	<u>10,641,224</u>	<u>10,641,224</u>
Total Restricted Reserve	\$ 19,576,993	\$ 19,405,964
General Fund Cash & Investment Balance	\$ 60,287,407	\$ 50,206,119

Prospect Ridge

	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 9/30/2016
TABOR Reserve	\$ 229,915	\$ 229,915
Contract Reserves	<u>200,005</u>	<u>200,005</u>
Total Restricted Reserve	\$ 429,920	\$ 429,920
General Fund Cash & Investment Balance	\$ 3,910,261	\$ 4,078,378

Stargate

	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 9/30/2016
TABOR Reserve	\$ 213,000	\$ 213,000
Contract Reserves	<u>200,000</u>	<u>200,000</u>
Total Restricted Reserve	\$ 413,000	\$ 413,000
General Fund Cash & Investment Balance	\$ 2,565,916	\$ 2,689,773

Westgate

	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 9/30/2016
TABOR Reserve	\$ 109,852	\$ 109,000
Contract Reserves	<u>50,000</u>	<u>50,000</u>
Total Restricted Reserve	\$ 159,852	\$ 159,000
General Fund Cash & Investment Balance	\$ 739,864	\$ 637,204

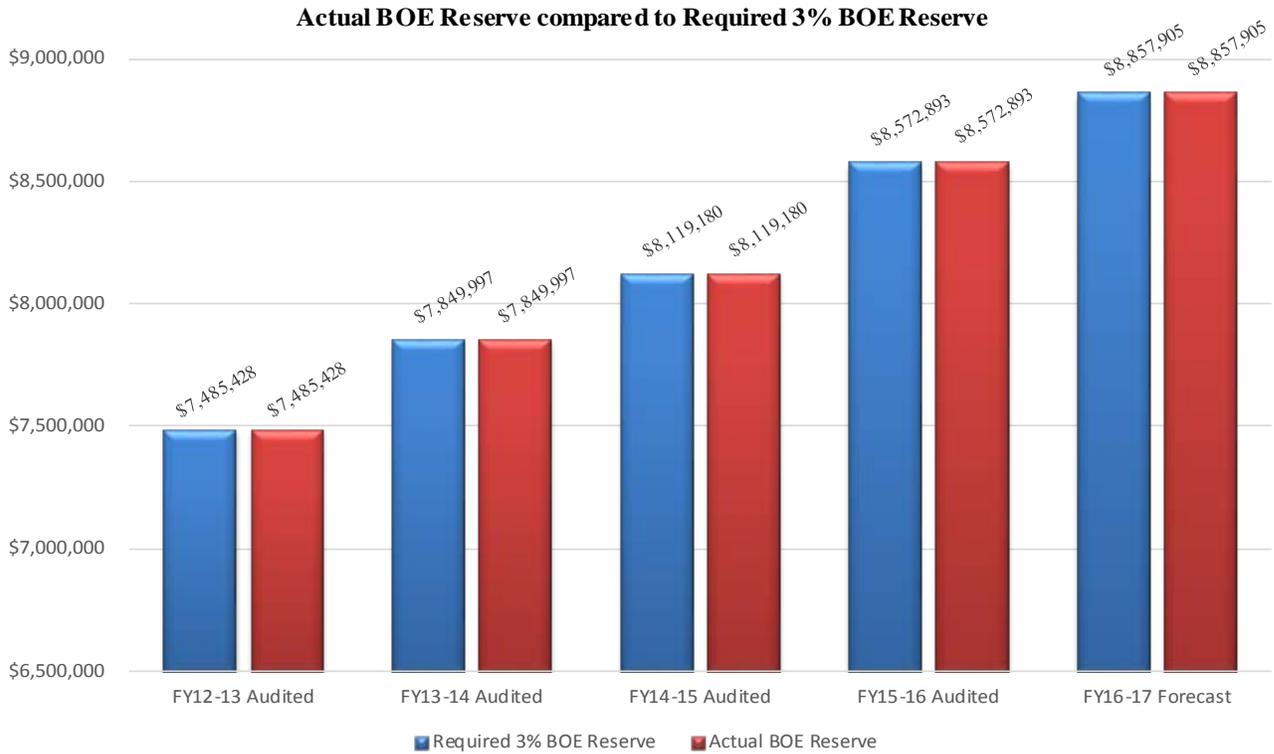
COMPLIANCE: The District and Charter School performance complies with the standard.

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:

- A. A sum equal to 3% of General Fund Expenditures in funds 10 and 19, excluding charter school transfers, will be held as discretionary reserve (Board of Education Reserve) and shall not include funds designated as Committed, Reserved or Assigned.

DATA REPORTED:



Note: FY16-17 forecast is based on the current forecasted year end expenditures of \$295,263,489

COMPLIANCE: The District’s performance complies with the standard. Prior monitoring report through 3/31/16 identified that the District did not comply with the standard. Based on FY15-16 underspend, the ending fund balance maintained an amount sufficient to comply with the standard. Additionally, after further analysis, it has been identified that unassigned and/or assigned fund balance was sufficient to comply with the standard in all prior years.

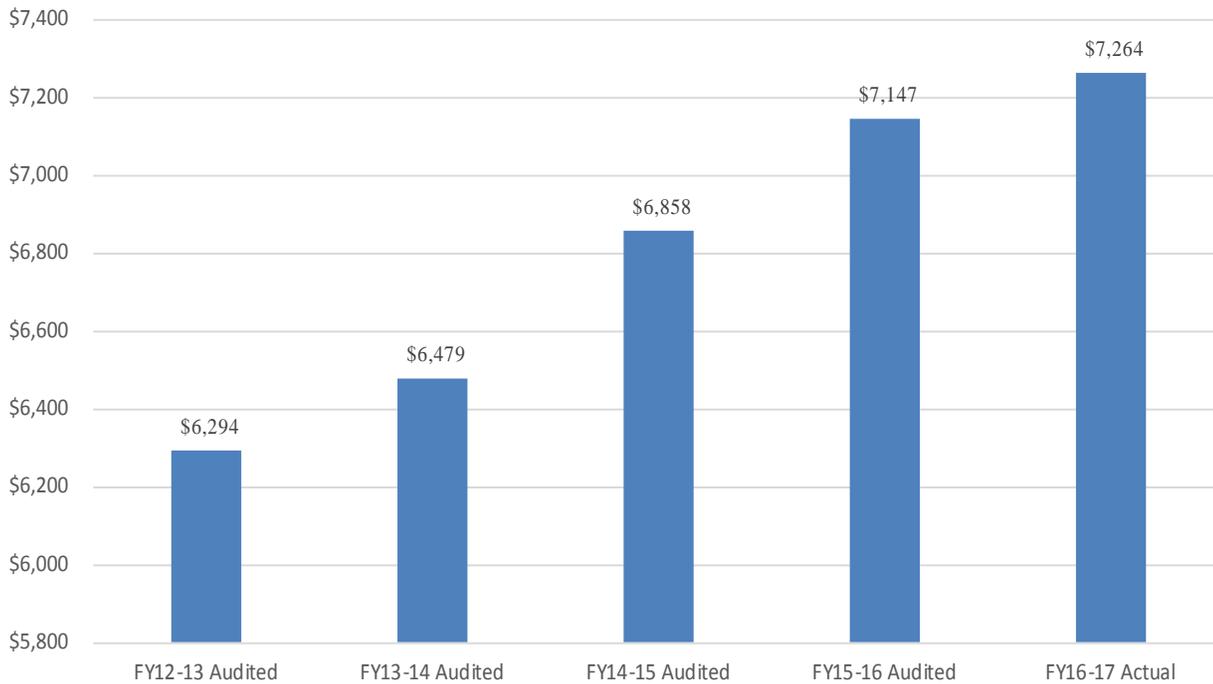
I interpret “(c) shall not fail to provide for incremental growth of discretionary reserves, up to 5% of general fund expenditures, during fiscal years that funding to the District will increase and prudent to do so” to mean:

- B. 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:

- i) District per pupil funding in FY16-17 is \$7,264, an increase of \$117 as compared to per pupil funding in FY15-16 of \$7,147.

Total Per-Pupil Funding Comparison



- ii) 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.

COMPLIANCE: The District’s performance complies with the standard. Per-pupil funding has increased, but the District has reported non-compliance with policy 2.5.2 and with several Ends policies. Accordingly, the FY16-17 budget does not allocate additional funds for growth of the District’s discretionary reserves in the General Fund because it would not be prudent to do so per the interpretation of the policy statement.

INTERPRETATION (2.4.1 d.):

I interpret “(d) shall not fail to maintain reasonable fund balance in other funds” to mean that funds, maintain reasonable fund balances:

Insurance Reserve Fund –

- The Insurance Reserve Fund has a year-end reserve which equals or exceeds the amount held with Rocky Mountain Risk Insurance Group (Self Insurance Pool).

DATA REPORTED: The balance in the Insurance Reserve Fund as of September 30, 2016 was \$2,453,528, of this amount \$777,750 is held with Rocky Mountain Risk Insurance Group. On October 10, 2016 the District was made aware that an increase to the total Self Insurance Pool would be necessary due to an increase in claims; the projected increase submitted by the actuarial is \$1.7 million. The District's contribution rate is calculated at 51.08% which would equate to increasing the amount held in the Pool by \$868,360 to \$1,646,110.

COMPLIANCE: The District's performance complies with the standard. The amount projected to be held in the District's Insurance Reserve Fund as of June 30, 2017 will equal the amount held with Rocky Mountain Risk Insurance Group.

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: As of June 30, 2016, the ending fund balance was \$58,654,446 which is sufficient to pay the December 15, 2016 debt service payment of \$33,885,288. The Bond Redemption Fund forecasts an ending fund balance as of June 30, 2017 of \$64,948,417 which will be sufficient to pay the December debt service payment in the following year which is not inclusive of a refunding or new general obligation debt.

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: As of September 30, 2016, the Capital Reserve Fund has expended \$4,952,103 from a budget of \$26,631,777 as identified in the following schedule.

**ADAMS 12 Five Star Schools
Schedule of Revenue and Expenditures
Capital Reserve-Capital Projects Fund
as of September 30, 2016**

	Current Budget/Plan	Year-to-Date Encumbrances	Year-to-Date Expenditures	Available Budget
PROJECTS				
Total School-Specific Projects	\$ 4,130,851	\$ 450,696	\$ 1,026,344	\$ 2,653,811
Retirement of Debt	3,550,306	-	-	3,550,306
Total District-Wide Projects	18,836,220	1,825,082	3,925,759	13,085,379
Unallocated to Projects	<u>114,400</u>	<u>-</u>	<u>-</u>	<u>114,400</u>
Total School and District-wide Projects	<u>\$ 26,631,777</u>	<u>\$ 2,275,778</u>	<u>\$ 4,952,103</u>	<u>\$ 19,403,896</u>

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

Interscholastic Athletic Fund –

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

DATA REPORTED: As of September 30, 2016, the Athletic Fund forecasts an ending unrestricted fund balance as of June 30, 2017 of \$271,282 and one month of forecasted year-end operating expenditures for the District athletic program is \$84,577.

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

Food Service Fund –

- The Food Service 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 provide that no more than three months of operating funds may be in reserve based on a nine month operating year.

DATA REPORTED: As of September 30, 2016, the Food Service Fund forecasts an ending unrestricted fund balance as of June 30, 2017 of \$3,054,907. Based on a nine month operating year, one month of forecasted year-end operating expenditures equals \$1,398,618, and three months of expenditures equal \$4,195,854. The fiscal year-end estimate projects the Food Service Fund will operate within District standards and comply with statutory regulations.

COMPLIANCE: The District performance complies with the standard.

BASE Fund –

- The BASE Fund retains a fund balance equal to at least one month of operating expenditures to allow for emergencies.

DATA REPORTED: As of September 30, 2016, the BASE Fund forecasts an ending unrestricted fund balance as of June 30, 2017 of \$1,360,495 and one month of forecasted year-end operating expenditures equals \$765,268.

COMPLIANCE: The District performance complies with the standard.

INTERPRETATION (2.4.1 e.):

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

Reserve appropriations are reasonable when they include the entire amount necessary to meet TABOR requirements, the entire amount necessary to pay for all encumbrances existing as of June 30 of each fiscal year, the entire amount of discretionary reserves established by board policy (3%), all assigned fund balance held in the General Fund, a sum not less than the amount payable to separated classified and certified staff members for longevity stipend payment two, three, four or five, as applicable, during the fiscal year for which the appropriation has been made, and such additional amounts set aside in the supplemental longevity stipend reserve for contribution to longevity stipend payments due in subsequent fiscal years.

DATA REPORTED:

Fiscal Year 2016-2017 Appropriated Reserves:

	FY16-17 <u>Appropriated Fund Balance</u>	FY16-17 <u>Estimated Year-End Required</u>
TABOR	\$ 8,935,769	\$ 8,764,740
Multi Year Commitments*	10,641,224	10,641,224
CPP	47,246	84,634
Insurance Reserve	1,013,085	1,646,110
Encumbrances (Open PO's)	1,477,621	1,477,621
Board of Education Reserve (3%)	6,466,352	8,857,905
Other Funds	<u>89,391,989</u>	<u>92,322,715</u>
Unassigned Fund Balance	<u>-</u>	<u>1,162,898</u>
Fund Balance	<u><u>\$ 117,973,286</u></u>	<u><u>\$ 124,957,847</u></u>

*Certified and Classified budgeted Multi Year Commitments for years two through five are as follows:
FY16-17 \$4.4 million, FY17-18 \$3.2 million, FY18-19 \$2.0 million and FY19-20 \$1.0 million.

COMPLIANCE: The District's performance complies with the standard.

2. POLICY PROHIBITION: *The discretionary reserve may be utilized for achievement of Board Ends and compliance with Operating Limitations Policies with prior Board approval and a specific plan for replenishing the reserves.*

INTERPRETATION:

I interpret "*The discretionary reserve may be utilized for achievement of Board Ends and compliance with Operating Limitations Policies with prior Board approval and a specific plan for replenishing the reserves*" to mean:

The policy language is clear as written and requires no further interpretation.

DATA REPORTED: As of September 30, 2016, the Board has not utilized or established a need for use of the 3% discretionary reserve.

COMPLIANCE: The District's performance complies with the standard.

3. 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.*

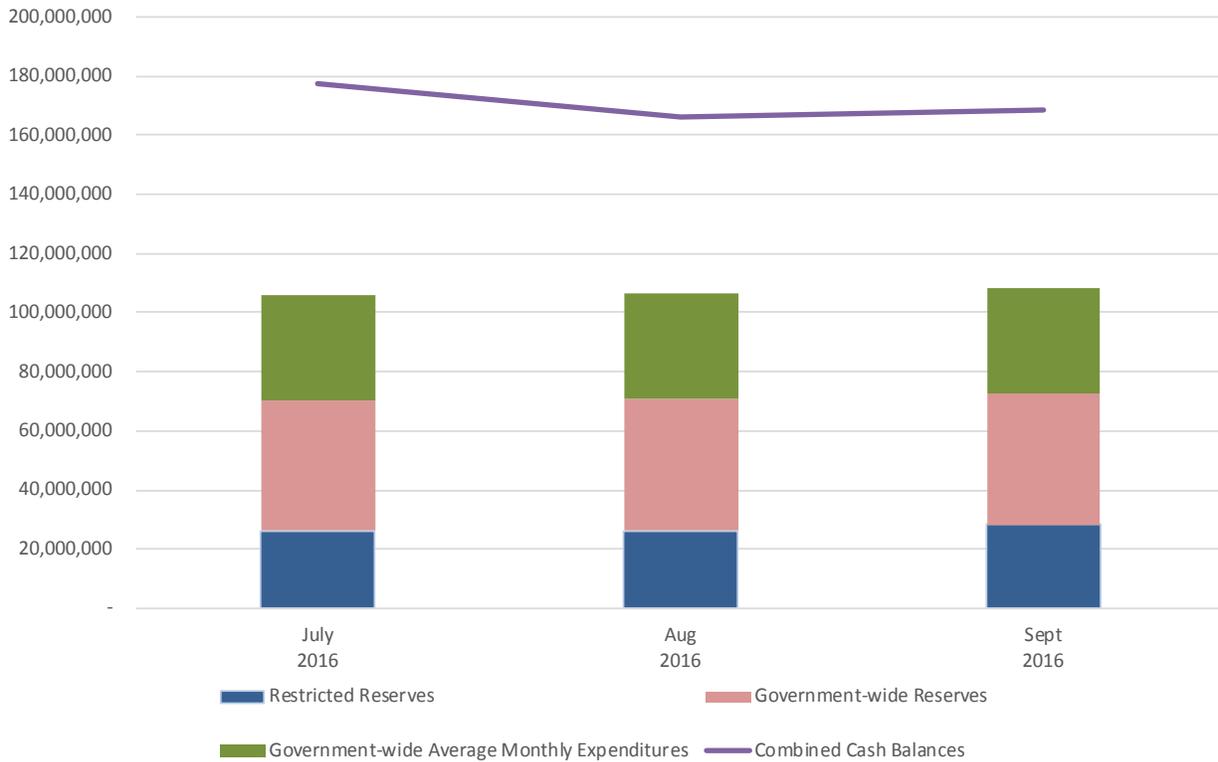
INTERPRETATION:

I interpret this to mean the District:

- A. Maintains cash 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 Restricted Reserves, Board of Education Reserve and Reserves as required in other funds per 2.4.1 d.
- B. Operating expenditures over a 30-day period shall be calculated by using forecasted year-end expenditures.

DATA REPORTED: The District's combined cash balance in all funds is projected to exceed the policy standard as of June 30, 2017. (From December to March cash balances may drop below the 30-day threshold due to timing of property tax collections; this is not interpreted as non-compliance). The following graph illustrates that cash balance is maintained above required level.

Total Cash and Investment Balances compared to Total Reserve Balances



Restricted Reserves include TABOR, Multi Year Commitments, CPP and Board of Education Reserve.

Government-wide Reserves include Insurance Reserve, Bond Redemption-Debt Service, Capital Reserve-Capital Projects, Interscholastic Athletic Special Revenue, Food Service and the Before, After, and Summer Enrichment Funds.

Government-wide Average Monthly Expenditures include Insurance Reserve, Governmental Designate-Purpose Grants, Bond Redemption-Debt Service, Capital Reserve-Capital Projects, Pupil Activity Special Revenue, Other Special Revenue, Instructional Special Revenue, Interscholastic Athletic Special Revenue, Food Service and the Before, After, and Summer Enrichment Funds.

Combined Cash Balances include all funds identified above.

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

4. 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 expenditures will not exceed revenues in the following funds used for day-to-day activities.

DATA REPORTED: As of September 30, 2016, General Fund expenditures exceed revenue by \$7 million. This is reasonable as the majority of property tax revenue is received from March to May of each year and beginning fund balance is appropriated for use. Expenditures exceed revenue in the Food Service Fund due to the timing of requesting and receiving federal reimbursements.

Fund	Beginning Fund Balance	Revenues	Transfers	Expenditures	9/30/2016 Fund Balance
General	33,548,812	62,679,542	(17,229,234)	69,665,806	9,333,314
Insurance Reserve	2,366,652	5,519	3,350,000	3,141,927	2,580,244
Gov't Designated Grants	4,628,416	4,217,502	-	2,797,114	6,048,804
Bond Redemption	58,654,446	709,528	-	-	59,363,974
Capital Reserve	37,654,194	353,214	5,490,790	4,952,103	38,546,095
Pupil Activity Special Revenue	-	1,151,353	3,114,448	617,900	3,647,901
Other Special Revenue	-	691,846	692,992	274,406	1,110,432
Instructional Special Revenue	-	385,287	3,256,250	491,046	3,150,491
Interscholastic Athletic Special Revenue	452,809	306,871	194,350	219,751	734,279
Food Service	4,449,851	1,019,491	-	1,276,735	4,192,607
Before, After, and Summer Enrichment Special Revenue	2,622,826	2,228,532	(400,000)	2,009,187	2,442,171
Pupil Activity-Agency Fund	4,207,705	326,063	(3,570,627)	136,037	827,104

Note: General fund transfers out include transfers to Charter Schools for their share of School Finance Act funding

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. The District’s performance has complied with both section 2.4.1(b) and section 2.4.2. Accordingly, the District’s performance complies with section 2.4.3.

5. 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: As of September 30, 2016, the District continues to work with outside legal counsel to address PERA’s finding regarding the 2009 change permitting Administrator Longevity Program (ALP) payments to be directed into tax deferred accounts or into salary at the direction of an administrative employee. In late 2015, PERA approved of the District's plan to correct the situation. In July 2016, the District self-reported the prior years’ over-contributions to the IRS. At this time the District is uncertain as to whether a fine will be imposed, but it is likely that employer Medicare taxes and similar costs will be due. Effective January 1, 2016 the ALP contributions were placed directly into tax deferred accounts 403(b) and 401(k), so the problem has been corrected moving forward.

COMPLIANCE: The District will comply with this standard.

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

INTERPRETATION:

I interpret this to mean:

A monthly attempt is made to collect accounts receivable that are past due by more than thirty days.

DATA REPORTED: As of September 30, 2016 school and departments have worked within standard guidelines to collect on accounts receivable balances. Monthly attempts to collect unpaid student fees are performed through consolidated billing where statements are emailed on the 20th of each month and paper statements are mailed in November to all households with balances due. In March of each year, a paper statement is mailed to all transitioning student households with a balance due.

COMPLIANCE: The District’s performance complies with the standard.

- 7. 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 shall be spent in a manner that does not deviate from plans and commitments presented to District voters.
- B. Certificates of participation (COP) shall be spent in a manner that does not deviate from plans and commitments approved by the Board of Education.
- C. Bond and certificate of participation proceeds are spent efficiently when they meet the following criteria:
 - 1. District construction shall comply with the District Educational Specifications and Technical Guidelines in place at the time of construction.
 - 2. District construction costs will be controlled through a competitive process that will be utilized to bring the best value to the District and ensure alignment with market pricing.
 - 3. Cost of services provided by District staff is less than or equal to the cost of outsourcing the same services.
 - 4. Projects are managed and completed so that the start date of the school year is not impacted by construction.

DATA REPORTED:

- A. The District has completed all projects described in prior voter approved general obligation bonds.
- B. In June 2015, new certificates of participation were issued in the amount of \$27,500,000 for the purpose of site improvements and deferred maintenance estimated to be complete by the winter of 2018.
- C. The expenditures listed below from the June 2015 COP have been made for only improvements within the parameters approved by the Board of Education. The District Facilities Planning Department follows guidelines and check lists as established through the criteria identified in 1-4 to ensure that proceeds are spent efficiently.

Adams 12 Five Star Schools
Schedule of COP Active and Complete Projects

Project Numbers	Current Project Description	Current Plan Amount	Current Expenditures	Remaining
230109	Additional SSN space required - Modify existing room to create additional SSN space	50,000	8,436	41,564
620154	Playground egress-path hardware not to-code - Replace playground egress hardware to meet code	10,000	3,888	6,112
Multiple	Several HVAC Systems likely to fail within 24 mo. - Replace aging HVAC systems. NGHS, NGMS, Century, Centennial, McElwain, Meridian, North Mor, North Star	2,006,167	461,677	1,544,490
330090	RTU Replacement-NGMS	36,064	36,064	-
330083	Boiler Replacement-Stukey	165,043	165,043	-
330092	NGH Boiler Replace	8,574	8,574	-
330176	HVAC Cooling	1,665,974	220,890	1,445,085
330175	HVAC Boilers	31,107	31,107	-
330091	spare components to extend the life of existing DDC System	200,000	198,455	1,545
130115	Roof is past end of useful life - Replace Center Section of Roof	300,000	164,365	135,635
340131	Fire protection system deteriorating rapidly - Fire sprinkler riser zoning and repairs	65,000	5,415	59,585
320117	Sewer line spec'd wrong at construction - Replace perforated sewer line	180,000	161,800	18,200
20110	Crawlspaces not recently inspected - Assess crawlspaces to ID potential issues; ventilation, structure, moisture	290,000	262,947	27,053
320121	Sanitary sewer lines not recently inspected - Assess sewer lines to create a priority project list	50,000	14,810	35,190
120111	Moisture intrusion through exterior wall - Waterproof exterior walls	20,000	-	20,000
330073	Room C-100 is now a classroom but no cooling - Install air conditioning for Room C-100	29,573	29,573	-
110293	Northglenn HS tennis courts unplayable - Re-surface tennis courts	75,000	76,638	(1,638)
810150	Excessive Corrosion in utility rooms - Modify HVAC & replace equipment with corrosion-resistant materials	350,000	5,455	344,545
620141	Minor paving and sidewalk failures - Repair failures in paving, curbing and sidewalks	145,000	124,725	20,275
320119	Flooding at front of building during heavy rains - Upgrade drainage to mitigate flooding	43,000	43,000	-

320120	SCE Mobile Drainage	110,000	11,999	98,001
210116	DW Door Hardware	1,250,000	30,136	1,219,864
620140	ECE Parking Lot stairs past end of life - Demolish and Remove ECE stairs, restore hillside for erosion control	75,000	19,454	55,546
110215	Custodial equipment at end-of-life - Replace end-of-life custodial equipment	75,000	75,701	(701)
120170	DW Clerestory Windows, DW Entrance Modifications	1,480,000	1,153,026	326,974
410139	Significant inventory of FF&E past EOL - Procure new FF&E for ECE, SPED programs	100,000	34,164	65,836
810171	STEM Lab Renovation	1,250,000	967,872	282,128
410133	Not enough lockers for all students - Install additional lockers	100,000	24,758	75,242
999993	G+A charges - transfers to General Fund	1,350,000	162,007	1,187,993
620219	Thornton HS - 2016 resurface and 2017 replacement	330,000	35,130	294,870
410220	Cooler/Freezer	35,000	13,846	21,154
210218	Sound isolation	25,000	12,940	12,060
Multiple	District Wide Crawlspace and Structural repair projects. Thornton ES, Northglenn MS, Centennial ES, Cotton Creek ES	1,030,000	354,763	675,237
20216	Thornton ES Crawlspace Repair	400,000	333,974	66,026
20207	Cotton Creek - emergency structural repairs	300,000	7,801	292,199
20206	Centennial - emergency structural repairs	100,000	3,130	96,870
20221	Northglenn MS - crawlspace moisture, ventilation, and sump pump repair	230,000	9,858	220,142
			-	-
Total Projects		\$ 13,960,501	\$ 5,273,419	\$ 8,687,082

COMPLIANCE: Expenditures from these funds shall be spent only for capital projects permissible pursuant to the terms of the COP agreement. The District’s performance during the monitoring period 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. 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: The below chart accounts for the expenditure of override funds through September 30, 2016. All expenditures have been made in accordance with promises made to voters for use in directly supporting Board of Education Ends.

MILL LEVY FUND ACTUAL EXPENDITURES				
As of September 30, 2016				
	1991	2000	2004	2008
Direct Instruction:				
Elementary Education	\$ 32,088	\$ 591,590	\$ 618,011	\$ 556,222
K-8 Education	-	35,485	36,156	33,315
Middle School Education	-	105,000	117,111	152,428
High School Education	622	86,027	135,555	75,694
Other Regular & Special Education	303	-	-	1,298,624
Indirect Instruction:				
General Administration	17,855	17,566	-	-
Instructional Staff Training	1,014,127	147,293	-	77,255
Pupil Support	-	-	608,285	-
Other Support:				
Communications	-	-	79,791	-
Facilities	41,586	-	-	-
Human Resources	-	-	325,400	-
Information Technology	-	335,475	-	-
Maintenance & Operations	-	-	87,513	1,378
Pupil Transportation	-	-	-	67,709
Safe & Secure	-	274,701	-	-
Staff Development	13,800	-	-	-
Utilities	-	-	440,000	-
Total	<u>\$ 1,120,381</u>	<u>\$ 1,593,137</u>	<u>\$ 2,447,822</u>	<u>\$ 2,262,625</u>

COMPLIANCE: The District's performance complies with this standard.

8. 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 to multiple-year expenditures without a reliable funding source.

DATA REPORTED: For FY16-17, General Fund revenues and expenditures 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.

9. 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 expenditures to continue in future years.

DATA REPORTED: The District's 2016-17 budget projected that the District's funded pupil count would remain flat. No growth was planned in comparison to the 2015-16 school year.

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

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

INTERPRETATION:

I interpret this to mean:

Shall not approve or complete certificates of participation, bonds, multiple-year lease-purchase agreements, or similar financing transactions obligating the District 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: As of September 30, 2016, the District had identified the 2006 GO Bond in the amount of \$34,220,000 is available to refund.

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

11. 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: The FY15-16 annual audit has been conducted and will be presented in conjunction with this monitoring report. The audit concluded with an unqualified opinion and no findings on the Districts' financial statements of governmental activities or federal programs for the fiscal year ended June 30, 2016. The adopted budget includes amounts necessary to pay for the audit contract.

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

12. 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.

13. 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 policy language is clear as written and requires no further interpretation.

DATA REPORTED: District staff are currently in the planning stage to begin the competitive process for the selection of an independent auditor the Fiscal Year 2016-17 audit.

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

14. POLICY PROHIBITION: *Shall not 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, 2016, performed by CliftonLarsonAllen LLP.

COMPLIANCE: The District has complied with this standard.

15. 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"), or
- 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, or
- C. Investments in securities 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, 2016, the District maintained cash as follows:

- A. Cash in the amount of \$12,106,867.26 was deposited in eligible depository banks subject to FDIC insurance or in institutions which pledge collateral in accordance with the CPDPA in compliance with Interpretation A.
- B. Cash totaling \$24,989,759 was deposited in money market funds and in local government investment pools totaling \$36,814,452 in compliance with Interpretation B.
- C. Security investments with a market value of \$95,699,886 were made in compliance with Interpretation C.
- D. Cash and securities were not invested in instruments other than those permitted in Interpretations A-C.

The following data reflects portfolio performance for invested funds with PFM Asset Management.

Performance of Portfolios

Adams 12 Investment Portfolio Total Return	Quarter Ended 9/30/16	Quarter Ended 6/30/16	Quarter Ended 3/31/16	Past 12 Months
Adams 12 Investment Portfolio	-0.11%	0.80%	1.59%	1.76%
BAML1-5 Year U.S. Treasury Index	-0.19%	0.81%	1.57%	1.52%

Adams 12 Bond Redemption Fund Total Return	Quarter Ended 9/30/16	Quarter Ended 6/30/16	Quarter Ended 3/31/16	Past 12 Months
Adams 12 Bond Redemption Fund	-0.01%	0.52%	N/A	N/A
BAML1-3 Year U.S. Treasury Index	-0.11%	0.53%	N/A	N/A

Performance Metrics	Bond Redemption Short-Term Fund
Yield to Maturity at Cost	0.80%
Yield to Maturity at Market	0.56%

Compliance with Investment Policy

	Market Value All Portfolios	Investment Policy Limit	Investment Policy Compliance	Actual Allocation
U.S. Treasuries	\$15,040,219	100%	✓	19%
Federal Agencies	\$20,126,748	75%	✓	26%
Municipal Obligations	\$4,611,272	25%	✓	6%
Corporate Notes	\$10,705,941	35%	✓	14%
Negotiable CDs	\$11,812,903	35%	✓	15%
Commercial Paper	\$15,808,281	35%	✓	20%
PFM Funds – Prime Series	\$55,638	100%	✓	<1%

Source: PFMAM 9/30/16 monthly statements; Adams 12-5 Star School Investment Policy

COMPLIANCE: The District's performance complies with the standard.

16. 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: The District reported compliance with all standards within monitoring report 2.4.

COMPLIANCE: The District's performance complies 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 interpret the condition of fiscal jeopardy to mean: entering an agreement to pay expenses when the source of funding to pay for those expenses has not been determined or not having cash available to pay expenses when they are due.

I interpret a material deviation of actual expenditures from the Board's Ends priorities to mean that when reviewing the actual expenditures of the District, an informed person would not question whether District Ends priorities are being addressed.

DATA REPORTED:

1. The District has not agreed to pay for expenses without an identified funding source.
2. The 2016-17 budget has projected there will not be adequate revenues in place to pay all expenses incurred through the June 30, 2017 conclusion of the fiscal year. In anticipation of the revenue shortfall, the Board of Education adopted and approved on June 15, 2016 a resolution to use a portion of beginning fund balance for the intentional draw-down of accumulated fund balance for operational expenses.
3. Current year expenditures are allocated to support implementation of the District's Unified Improvement Plan and achieving Ends.

COMPLIANCE: The District's performance complies with the standard.

The Board acknowledged receipt of a monitoring report as of November 16, 2016, for the period, July 1, 2015 through September 30, 2016, 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.