

INTERNAL MONITORING REPORT
January 21, 2015

Policy: **2.5 Asset Protection**
Policy Category: **Operating Limitations**
Period Monitored: **July 1, 2013 to June 30, 2014**

This is my monitoring report on the Board of Education's Executive Limitation policy "Asset Protection." I certify that the information contained in this report is true and complete and presented in accordance with the routine monitoring report schedule. This report will monitor the policy starting at its more detailed provisions and end with the global provision.



Christopher E. Gdowski
Superintendent

January 16, 2015

- POLICY PROHIBITION:** Shall not fail to insure against theft and casualty losses of property owned or used by the district, and to insure and indemnify, in a board approved manner, against liability losses to Board members, staff and the organization itself.

Interpretation: The following interpretation has not changed since the last report.

I interpret “*shall not fail to insure against theft and casualty losses of property owned or used by the district*” to mean: The District has in place insurance contracts to replace, repair, or provide financial remuneration for the district’s assets exceeding \$1,000.00. The level of coverage restores the district to an equal or similar position prior to the loss or damage to the asset, less the deductible. The insurance replaces assets stolen, damaged or destroyed with a minimum value that meets or exceeds the deductible limitations of the insurance coverage, and includes the replacement of real estate, facilities, fixtures, furniture, equipment and consumable assets (i.e. textbooks, computer components, etc.) owned or leased by the district with a value greater than \$1,000.00.

Data Reported: The Adams County BOCES policy limits, deductibles and retention amounts are commensurate with insurance programs at similarly situated school districts. These comparisons indicate the BOCES retentions of \$100,000 for property, \$150,000 for general liability, \$450,000 for Workers’ Compensation and \$250,000 for Errors and Omissions are reasonable.

The District has in place the following insurance contracts:

	<u>Limitations</u>	<u>Deductible</u>
Commercial General Liability	\$10,000,000	No deductible
Auto Liability	\$5,000,000	No deductible
Property	\$100,000,000	\$1,000 Deductible

Compliance Statement: The District’s performance complies with the standard.

Interpretation: The following interpretation has not changed since the last report.

I interpret “*shall not fail to insure against liability losses to Board members, staff and the organization*” to mean: Appropriate policies are in place and all claims against the policies are resolved. The district has in place insurance policies to cover acts of litigation, settlements, judgments and staff injuries resulting in financial remuneration by the district. The policies provide coverage for these acts to the extent available through insurance contracts and provide coverage in amounts consistent with industry standards. There are certain acts that are not insurable.

Data Reported: The Adams County BOCES policy limits are consistent with industry standards and deductibles and retention amounts are commensurate with insurance programs at similarly situated school districts.

Policies in place include:

	<u>Limitations</u>	<u>Deductibles</u>
Worker's Compensation	Statutory	No deductible
Errors & Omissions Insurance (E&O)	\$10,000,000	\$10,000

Compliance Statement: The District's performance complies with the standard.

- POLICY PROHIBITION:** Shall not fail to fund, annually, preventative maintenance, minor repair, and unscheduled maintenance at no less than one percent (1%) of the prior year's projected replacement value, and maintain the plant with due care in a manner that ensures facilities are open for scheduled student/staff contact days. The projected cost of total deferred maintenance shall not exceed ten percent (10%) of the projected replacement value. Furthermore, funds allocated for the purpose of maintaining the plant shall accrue year to year to a maximum of three percent (3%) of the projected replacement value of the plant; these funds shall be deemed a plant contingency fund and shall not be transferred, spent, or reallocated for any other purpose without prior approval of the board of education.

Interpretation: The following interpretation has not changed since the last report.

I interpret "*shall not fail to fund*" to mean: Financial resources shall be allocated annually from the General Fund for the general purpose of maintaining the plant.

"*Plant*" to mean: All district facilities including, buildings, building systems, utilities, and site improvements.

"*in a manner that ensures facilities are open for scheduled student/staff contact days*" to mean: The plant is operational and functioning in the capacity necessary at a rate of ninety-nine percent (99%) of the 1,080 hours and 990 hours of annual instructional time for a secondary and elementary school, respectively.

"*maintain the plant with due care*" to mean: Financial resources allocated to Facilities Maintenance are expended for preventative maintenance, minor repair, and unscheduled maintenance in a manner that best reduces the total deferred maintenance of the Plant.

"*total deferred maintenance*" to mean: The cost of major repair and replacement tasks not performed according to their prescribed lifecycle frequency, plus the compounded costs associated with degradation resulting from maintenance that was unable to be completed due to the lack of human or financial resources.

"*funds allocated for the purpose of maintaining the Plant shall accrue year to year,*" to mean: The remaining balance of funds allocated annually for Facilities Operations and Maintenance in any fiscal year and all prior fiscal years shall be transferred to a Plant Contingency Fund to be used for maintaining the plant with due care, facility program changes, and replacement of capital equipment.

Data Reported: "*Shall not fail to fund, annually, preventative maintenance, minor repair, and unscheduled maintenance at no less than one percent (1%) of the prior year's Projected Replacement Value.*"

The prior FY (2013-14) Projected Replacement Value (PRV) of the Plant was \$1,003.5 million. For the reporting period the adopted budget for preventative maintenance, minor repair and unscheduled maintenance was \$5.75 million or 0.58 percent of the prior year's PRV, which is \$4.29 million deficient of the 1% requirement.

Compliance Statement: The District's performance does not comply with the standard.

"in a manner that ensures facilities are open for scheduled student/staff contact days"

The District's Communication Center call and maintenance records indicated 1 (one) partial facilities-related school closure(s) on scheduled student/staff contact days during the monitoring period.

Compliance Statement: The District's performance complies with the standard.

"and maintain the Plant with due care"

The Facilities Maintenance budget was allocated \$5.75 million⁽¹⁾ in the 2013-14 FY budget. A net total of \$5,178,000⁽²⁾ was expended for direct labor, indirect labor, employee benefits, supplies, contractors, management and office support for the performance of 18,937 work orders completed during the monitoring period. 6,115 were preventative and minor work orders and 9,714 were for unscheduled maintenance work orders and 1,058 were for construction/project related work orders and 2,050 other work orders¹ were performed. 90.9% of all work orders were performed at schools and 9.1% were performed at support facilities.

Accounting for all funds in the 2013-14 FY Facility Maintenance budget:

2011-2012 Budget	Expenditures and Transfers Out	Funding and Transfers In
(1)2012-2013 Budget Allocation		\$ 5,748,800
(3)Funding for Prior Year Encumbrances	\$ (800)	
(4)Maintenance projects Transfers	\$ (87,000)	
(5)Maintenance Billings for self-performed projects		421,000
(2) 2012-2013 Total Maint. Exp. for W.O. Performance	\$ (5,900,000)	
<i>Funds Remaining</i>		
(6)Fund 10 Transferred to Plant Contingency	\$ (182,000)	
	\$ (6,169,800)	\$ 6,169,800

The maintenance budget ended the year with encumbrances in an amount of \$800⁽³⁾ which will be carried forward to 2013-14. Maintenance transferred \$87,000⁽⁴⁾ to projects, reducing the funds available to the Facility Operations and Maintenance budget. The maintenance department self-performed projects billed to other budgets in the amount of \$421,000⁽⁵⁾. Funds remaining at the end of FY 13-14 equaled \$182,700⁽⁶⁾ in fund 10and Mill Levy override funds 17 and 18.

Compliance Statement: The District's performance complies with the standard.

"in a manner that best reduces the total deferred maintenance of the Plant"

¹ Other work orders are for snow removal, graffiti removal, vandalism etc.

The district cannot meet the standard to reduce deferred maintenance under current funding levels for Facilities Operations and Maintenance. An annual investment of approximately \$28.5 million or 2.84% of the PRV would be required to continually reduce total deferred maintenance of the Plant.

Compliance Statement: The District's performance does not comply with the standard.

"...and total deferred maintenance shall not exceed ten percent (10%) of the Projected Replacement Value."

The total deferred maintenance (including degradation) estimated by MARS for the reporting period is \$90.807 million or 9.05% of the FY 2013-2014 PRV of \$1.003.5 million. This represents an increase in deferred maintenance of \$7.78 million from FY 2012-13 to FY 2013-14.

Compliance Statement: The District's performance complies with the standard.

"funds allocated for the purpose of maintaining the Plant shall accrue year to year."

On June 30, 2014 the unspent balance of FY 2013-14 funds allocated for Facility Operations and Maintenance was \$182,000⁽⁶⁾. The amount of \$182,700⁽⁷⁾ will be transferred to Plant Contingency to be used for the reduction of total deferred maintenance, facility program changes and replacement of capital equipment. This will make the current Plant Contingency \$1,405,000 or 0.14% of the PRV and does not exceed the stipulated maximum fund balance of 3.0% of PRV.

Compliance Statement: The District's performance complies with the standard.

- 3. POLICY PROHIBITION:** *Shall not fail to maintain equipment with due care to provide necessary services for student/staff contact days and essential District operations or to fund said maintenance with adequate resources on an annual basis.*

Interpretation: The following interpretation has not changed since the last report.

I interpret: *"Shall not fail to maintain equipment with due care"* to mean: Financial and human resources for the maintenance and upkeep of equipment are expended for personnel, materials, and contract services necessary to maintain, monitor, and repair equipment in a manner consistent with manufacturer requirements.

"equipment" to mean: The following capital assets; (1) student transport vehicles, (2) computer network switches, routers, servers, storage systems, communication systems (email, telephone, website), and software (Summit Financial System, HR PeopleSoft, ScholarSmart, ScholarsPlan, and Infinite Campus).

"to provide necessary services" to mean: Equipment is operational for the support of student/staff contact days and essential District operations.

"student/staff contact days" to mean: Ninety-nine percent (99%) of the 1,080 hours and 990 hours of annual instructional time for a secondary and elementary school, respectively.

“essential District operations” to mean: The District is able to perform its legal and fiduciary duties. i.e. (transport students safely, meet payroll requirements, meet financial and human resource obligations, CDE reporting, communicate critical information to parents, students and staff, and provide fire and intrusion monitoring).

“or to fund said maintenance with adequate resources on an annual basis” to mean: Sufficient financial and human resources are allocated yearly to ensure equipment is operational in the manner necessary to provide services to students/staff without unnecessary interruption.

Data Reported:

(1) CDE Annual Student Transport Vehicle Inspections. CDE regulations require all vehicles used for student transportation to receive a comprehensive safety inspection every 365 days. The measure of compliance for annual inspections is 99 percent.

CDE Annual Inspection Reporting Timeframe: July 1, 2013 - June 30, 2014		
Completed on time	134	99%
Completed late	1	1%
Total Inspections	135	100%

99% of all (32+capacity) student transport vehicles met the preventative maintenance standard required by CDE for student transportation. There were no instances of lost instructional time due to insufficient preventative maintenance or equipment failures of student transport vehicles.

Compliance Statement: The District’s performance complies with the standard.

The measure of compliance for preventative maintenance of student transport vehicles is ninety percent (90%) of all vehicles will have preventive maintenance completed within 6 months after the annual CDE inspection. Preventative maintenance schedules are evaluated and adjusted to align with CDE guidelines and manufacturers’ recommendations.

Completion of preventative maintenance: July 1, 2013 - June 30, 2014		
Completed within 6 months after CDE inspection	90	76%
Completed late	29	24%
Total Preventative Maintenance Performed	119	100%

Due to a shortage of one technician from July 2013 through October 2014 and the impact of server weather related maintenance needs in February 2014, we were unable to meet the 90% standard of the preventative maintenance inspections.

Compliance Statement: The District’s performance does not comply with the standard.

Compliance with this standard is expected to be met within the next reporting period.

(2) Computer network switches, routers, servers, storage systems, communication systems (such as email, telephone, website), and software (such as PeopleSoft Finance, PeopleSoft HR, IEP System, Early Warning System, Educator Resource Center, and Infinite Campus),

and cloud-based Internet applications (such as Google, Educator Effectiveness, SchoolDude, Schoology) operate at a minimum of 98% operational availability (uptime) during normal business hours (6am-6pm M-F).

Data Reported: While there were minor system outages in the period covered by this report, related to things such as aging equipment and exponential growth in demand, or in some cases new technology integration, they do not exceed the defined standard. In reality there has been much greater stability in core systems and services than in years past, and there appears to be much greater ability to deal with ever-increasing demand for new and improved IT services, as evidenced by the changes described below:

The Academic Computing Services team in IT has worked through some of the largest number of technology upgrades in a single year, in the history of the department. The networks across 55 buildings have been upgraded via the ITX investment authorized by BoE, and this has in turn allowed each classroom and teaching space in every building to have wireless access and some computing devices, ensuring that our students and educators have universal-level access to world-class online resources in all settings across the district. Significant work has been done in the Primary Data Center to reduce the potential negative impact of water-based fire suppression and failing air-conditioning systems, which have likely been in place since the time when this building was constructed, and/or taken over by the district. The Secondary Data Center implementation has been refined and much of the equipment that needed to be housed in it and configured, is now in that state, along with the UPS, and the Data Center is now almost ready to be completely online, which adds significantly to the district's ability to have a real-time backup system in case the Primary Data Center goes down for any reason. The district was one of the first across the state that was able to conduct wireless-based online assessments, which bodes well for reducing the overall impact of mandated assessments on instruction and scheduling, given that such testing can be accomplished in a normal classroom. Work was also started in this period in partnership with Communications to scope and plan the steps involved in migrating school websites (and eventually the district website) to cloud-based resources that can handle much greater demand, and can provide a resilient and friendly interface for community engagement without adding overhead to district resources, especially during peak demand timeframes. Also the redundancy, configuration and architecture of the core network and the edge network implemented towards the end of the previous reporting period were partially audited and refined during this period, so as to ensure that the district is leveraging these technologies in the most effective way possible, with a view to improving capacity, stability and disaster recovery relative to these resources.

While there were massive upgrades in the network and computing infrastructure, the Administrative Data Services team in IT has also worked steadily to implement some of the largest number of software system changes in any one year, to add to overall system stability, performance and customer service. A significant part of the work related to the Line Item Budgeting project (to change the guts of the financial system's chart of accounts) was accomplished during this period with leadership from Financial Services, and in partnership with Business Services and school-based staff and administrators. A new user-friendly Educator Effectiveness system was implemented in partnership with CDE, under leadership of Learning Services, and this has been a huge timesaver and productivity boost for educators and principals who had to contend with a legacy system for this need in recent years. The in-house, custom-developed Early Warning System which features research-based, award-winning data dashboards, and also includes support for recent state and federal mandates

such as the READ Act, was rolled out to ever-greater staff members across the district in partnership with Professional Development leadership. The Educator Resource Center was completely redone in SharePoint, so that these resources are more organized, and aligned with state standards and Learning Services initiatives like Literacy. Significant progress was made with help from Human Resources and Financial Services during this period on the Time and Labor module implementation in PeopleSoft which is designed to significantly improve the efficiency and compliance with regard to time collection and pay check generation, as well as labor cost management. Early work around the Budget Management Software implementation was undertaken as a next step to the Line Item Budgeting, so that all of the detailed analysis allowed by the new chart of accounts can actually be leveraged by the district to produce budgets and track expenditures in a much more clear manner, with the goal of improving the district's budget management game, partly by reducing the amount of gap that may exist between budget and actuals.

Compliance Statement: The District's performance complies with the standard.

- 4. POLICY PROHIBITION:** *Shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of any material amount without having obtained comparative prices and quality; or without a stringent method of assuring the balance of long term quality and cost.*

Interpretation: The following interpretation has changed since the last report.

I interpret "*Shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of any material amount without having obtained comparative prices and quality; or without a stringent method of assuring the balance of long term quality and cost*" to mean: The district has superintendent policies and procedures that expenditures meeting or exceeding \$5,000 for any transaction are subject to a competitive bid process. The competitive process includes the development of product/service specifications to ensure the level of quality required. The purchasing process incorporates the appropriate competitive process, an Invitation to Bid, a Request for Proposal (RFP), phone quote, competitive negotiation, email quote or fax quote. A minimum of three qualified bidders is required for each purchase except for sole source purchases (approved by the Purchasing Department) or items that have less than three qualified vendors, which typically are service related or specialized products such as proprietary software.

Data Reported: Superintendent Policies (3300 – 3340) regarding conflicts of interest and competitive bidding/acquisition are in place, available and employees are trained. Training occurs at Support Our Staff Group (SOS Group) meetings periodically throughout the year, as well as other departmental training. Policies are consistent with the National Institute of Governmental Purchasing code of ethics and procurement standards for governmental purchasing. The District's Purchasing Department maintains records regarding all district purchases using purchasing cards, requisitions and purchase orders. Purchasing staff review transactions greater than \$5,000 for compliance with the policy requirements. The performance standard is that 99% of all transactions meet the purchasing policy requirements.

There were 753 transactions either by Purchase Card or by Purchase Order that met or exceeded the \$5,000 threshold and thus required bid or other competitive process. There

were two (2) known violations reported during this time period. Over 99% of transactions complied with the policy.

Compliance Statement: The District's performance complies with the standard.

- 5. POLICY PROHIBITION:** *Shall not fail to protect intellectual property, information and files from loss or significant damage.*

Interpretation: The following interpretation has not changed since the last report.

I interpret “*shall not fail to protect intellectual property, information and files from loss or significant damage*” to mean: The district shall employ industry standard measures to protect district data and other information assets both on-premises as well as in the cloud (Internet). This includes not only data sitting on drives, but also data that is in transmission on the district network, and on the Internet. The measures include firewalls, backup systems, virus protection, content filtering, encryption, and other generally accepted best practices for Information Assurance such as security audits and penetration testing.

Data Reported: While the number of threats and incidents relative to Computer and Network Security, and data privacy continue to increase based on data in news coverage, the security posture of the District's digital assets continues to improve incrementally, based on several developments outlined below:

The Academic Computing Services team in IT has recently started work on re-centralizing the core systems that manage the security and updates of 20,000+ desktop computers across the district, so that they receive the highest-level of attention from the leadership team that runs the network.

The large amount of network upgrades implemented at the building level across the district and the subsequent standardization and centralized management of these resources has meant that we have begun to significantly reduce network vulnerabilities emanating from the presence of aging, non-standard and non-supported equipment.

In addition to the traditional network firewalling that was upgraded in the previous reporting period, work has begun in this reporting period to implement a higher and more refined level of firewalling that is application-based, and host-based, so that key applications like PeopleSoft and each computing device have their own custom firewall in addition to the centralized firewall for the whole network.

Initial planning work to implement a Network Access Control system that one finds at motels and restaurants has begun, so that eventually wireless users can log into the system in a user-friendly way while also ensuring that district digital assets on the production network are kept protected.

Audits with multiple external parties were begun towards the end of this reporting period that should add to the overall security posture of the district. Applied Trust, a company out of Boulder that does IT security audits for Fortune 500 companies has begun auditing the overall network for vulnerabilities and design flaws. OneNeck, a Cisco Platinum Partner, has begun auditing the design and architecture of the core network to ensure that it meets industry standards and can perform to the objectives for which it was designed. Some remediation will likely be recommended from these audits, which should help the district in improving its network security, availability and resiliency.

The ACS team also investigated new technologies during this period for potential replacement of the current Intrusion Prevention / Detection System, as well as Log

Aggregation systems that help with collecting and analyzing vast amounts of data from various network devices, so as to improve our ability to understand and reduce / eliminate outages, security-related or otherwise. Some of these systems are likely to be implemented and/or replaced in upcoming months as a result of this research work.

IT staff, especially the Administrative Data Services team continue to facilitate and manage role-based security in a wide variety of applications and software services involving data, so that only the right people with the need to know have access to certain data. A higher level of work was begun in this reporting period around Data Privacy and Governance, including development of a framework that allows the district to improve its posture with regard to various kinds of private data in various secure systems and transmission channels. Also much greater emphasis is being placed around ensuring that software apps being selected at the school or classroom level are put through the same kind of rigorous security and privacy-oriented testing, as the systems that are selected and managed by the district on a centralized basis.

The Academic Computing Services team continue to undertake lots more training in new skillsets (especially in security and in the new technologies being integrated across the district) in order to ensure that the vast number of systems under IT's purview receive the right kind of attention, so that better management of resources leads to higher levels of system uptime, while reducing security-oriented threats.

Compliance Statement: The District's performance complies with the standard.

- 6. POLICY PROHIBITION:** *Shall not fail to timely apprise the board of any contemplated property (real or otherwise) asset acquisition of \$250,000 or disposition in excess of \$100,000.*

Interpretation: The following interpretation has not changed since the last report.

I interpret "*shall not fail to timely apprise the board of any contemplated property (real or otherwise) asset acquisition of \$250,000 or disposition in excess of \$100,000.*" to mean: The district shall provide notification to the board through regular correspondence from the Superintendent at the time when district staff engages in the due diligence process in the event of a potential acquisition of property (real or otherwise) of \$250,000 or a disposition of property (real or otherwise) in excess of \$100,000.

Data Reported: The District did not contemplate the acquisition or disposition of any property real or otherwise meeting the requirement during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

- 7. POLICY PROHIBITION:** *"shall not fail to gain board approval of property (real or otherwise) asset acquisition of \$250,000 or disposition of \$100,000."*

Interpretation: The following interpretation has not changed since the last report.

I interpret "*shall not fail to gain board approval of property (real or otherwise) asset acquisition of \$250,000 or disposition of \$100,000.*" to mean: The district shall gain

approval of the board through board action prior to acquisition of property (real or otherwise) of \$250,000 or a disposition of property (real or otherwise) in excess of \$100,000.

Data Reported: The District did not acquire or dispose of any property real or otherwise meeting the requirement during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

- 8. POLICY PROHIBITION:** *Shall not acquire—including acceptance of any gift of, purchase or lease of, or improvement to—real estate, or act as surety for any of the foregoing: (a) in excess of the market value of the property; (b) in violation of a comprehensive, current build-out plan; (c) without appropriately considering the needs and preferences of local school communities, cities, counties, fire districts and related entities; (d) without prior professional due diligence of the highest quality similar to that of organizations engaged in commercial real estate activities; (e) that, after that level of due diligence, subjects the District to any unanticipated or unintended on-site, off-site, operating, or other costs; (f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter.*

Interpretation: The following interpretation has not changed since the last report.

I interpret “a) *Shall not acquire – including acceptance of any gift of, purchase or lease of, or improvement to – real estate, or act as surety for any of the foregoing: (a) in excess of the market value of the property;*” to mean: The district does not acquire property without assurance that the value is considered at market value defined as being consistent with appraised value provided by a Colorado certified appraiser or through negotiations using real estate and legal professionals who primarily practice or specialize in the area of real estate brokerage, sales, development, planning or law. This is consistent with best practices used by professionals in the real estate industry. The district does not acquire property in excess of market value, or without using professionals who primarily practice or specialize in the area of real estate, unless these exceptions are disclosed to and approved by the Board of Education.

Data Reported: The district did not acquire any property during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

Interpretation: The following interpretation has not changed since the last report.

I interpret “(b) *in violation of a comprehensive, current build-out plan; (c) without appropriately considering the needs and preferences of local school communities, cities, counties, fire districts and related entities;*” to mean: The district does not acquire real estate that does not provide a current or future benefit to the district consistent with the district build out plan. The build out plan projects future needs for schools and facilities based upon growth in student enrollment. *Furthermore*, the District does not acquire or improve real estate without providing timely notice of such proposed acquisition/improvement to the appropriate city manager, planning commission, city council, fire chief, and/or chief executive of a special district and *without* making good faith efforts to address items of concerns identified by such persons.

Data Reported: The district did not acquire any property during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

Interpretation: The following interpretation has not changed since the last report.

I interpret “*d) without prior professional due diligence of the highest quality similar to that of organizations engaged in commercial real estate activities; (e) that, after that level of due diligence, subjects the District to any unanticipated or unintended on-site, off-site, operating, or other costs;*” to mean: The district contracts with professionals licensed in the State of Colorado, if applicable, to provide professional due diligence including but not limited to, ALTA surveys, geotechnical reports, title policies, property legal descriptions, zoning maps, environmental assessments, traffic reports, utility reports, investigation for the presence of wetlands, and other analyses as required by unique site conditions. The district maintains checklists to ensure a comprehensive due diligence process is followed.

Data Reported: The district did not acquire any property during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

Interpretation: The following interpretation has not changed since the last report.

I interpret “*(f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter;*” to mean (f) the cost to acquire property is not in the best economic interest of the district because the cost would outweigh the benefit of the acquisition and/or the district would not have sufficient financial resources for the acquisition. (g) The condition of the property would preclude the property from being developed in a manner consistent with all applicable safety and state building codes necessary for Certificate of Occupancy or other appropriate designations for the safe usage of property.

Data Reported: The district did not acquire any property during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

- 9. POLICY PROHIBITION:** *Shall not dispose of—including any gift of encumbrance of or granting of title exceptions to-any real estate owned, leased, or used by the District, or for which the District acts as surety; (i) for compensation less than the sum of the market value of the property interest disposed plus any reduction in the market value of property or operations retained; (ii) if items 8(b)-8(e) above are not observed; (iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter.*

Interpretation: The following interpretation has not changed since the last report.

I interpret “*Shall not dispose of—including any gift of encumbrance of or granting of title exceptions to-any real estate owned, leased, or used by the District, or for which the District acts as surety; (i) for compensation less than the sum of the market value of the property interest disposed plus any reduction in the market value of property or operations retained;* to mean: The district does not relinquish property ownership without assurance that the

value received is considered to be at market value unless a proposed purchase in excess of market value is disclosed to and approved by the Board of Education. Market value is defined as being consistent with appraised value provided by a State of Colorado certified appraiser or through negotiations using real estate and legal professionals who primarily practice or specialize in the area of real estate brokerage, sales, development, planning, or law. In addition, the disposal of said property must not reduce the market value of any remaining district property retained.

Data Reported: The district did not dispose of any property during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

Interpretation: The following interpretation has not changed since the last report.

I interpret "(iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter" to mean: The district does not relinquish property ownership if conditions cause remaining property to have an economic disadvantage to the district. The district does not relinquish property ownership if conditions cause remaining property conditions that pose hazards for the District's use of the property that are financially infeasible to remedy. Property disposed of by the district will provide an equal value or a net economic advantage.

Data Reported: The district did not acquire or dispose of any property during the monitoring period.

Compliance Statement: The District's performance complied with the standard.

Global Policy: *The Superintendent shall not allow assets to be unprotected, inadequately, maintained or unnecessarily risked. Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:*

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 are presented with those provisions above.

Compliance Statement: The District's performance complied with the standard.

The Board acknowledged receipt of a monitoring report as of January 21, 2015, for the period July 1, 2013 through June 30, 2014, of the Superintendent concerning Board Policy 2.5 Asset Protection and found the superintendent's interpretations were reasonable and that his conclusions were reasonably supported by data that was relevant, justified and complete.