

**ADAMS 12 FIVE STAR SCHOOLS**

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

**Independent Accountants' Report on Applying Agreed-Upon Procedures**

Board of Education  
Adams 12 Five Star Schools  
Adams County, Colorado

Dear Board Members:

We have performed the procedures enumerated in Attachment A, which were agreed to by the Board of Education of Adams 12 Five Star Schools (the District), solely to assist you in evaluating the District's results stated in the Internal Monitoring Report from the Superintendent of the District for the period July 1, 2016 through June 30, 2017 for Sections 2.4.1, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 2.4.7, 2.4.8, 2.4.9, 2.4.10, 2.4.11, 2.4.12, 2.4.13, 2.4.14 and 2.4.15 of Board Policy 2.4, Sections 2.5.1, 2.5.4, 2.5.5, 2.5.6, 2.5.7, 2.5.8, and 2.5.9 of Board Policy 2.5, and Section 2.6.1 of Board Policy 2.6. In addition, we have performed certain procedures to assist you in evaluating compliance with Superintendent Policy 4130. The Internal Monitoring Report is the responsibility of the Superintendent of the District. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Attachment A either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Internal Monitoring Report as referenced above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We understand that the Internal Monitoring Report is designed to determine whether the Superintendent and the organization have achieved a reasonable interpretation of and compliance with the Board of Education's and Superintendent's policies. The procedures we performed are enumerated in Attachment A to this report and referenced to Attachment B to this report.

This report is intended solely for the information and use of Adams 12 School District and the Board of Education and is not intended to be and should not be used by anyone other than the specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 15, 2017

## ATTACHMENT A

### *Agreed-upon Procedures Performed*

1. Our report will consist of the following:
  - a. We will state the global policy prohibition and the policy interpretations.
  - b. We will provide background information related to the global policy prohibition and state if the District has complied with their interpretation of the global policy prohibition.
  - c. We will state whether or not the Superintendent's interpretation of the global policy is a reasonable interpretation.
  - d. We will identify recommendations for changes to the policy prohibition and the Superintendent's interpretation.
2. Financial Condition and Activities
  - a. Inquire of key finance personnel to determine if they are aware of any long term or other reserves that have been used other than as required by law. Also inquire as to whether key personnel are aware of any other long-term or other reserves that apply to the District that are not included on the unaudited monthly reports.
  - b. Determine that the District's TABOR reserve was sufficient per observation of June 30, 2017 unaudited trial balance.
  - c. Inspect the unaudited monthly reports as of June 30, 2017 and determine if there are any other reserves listed. If so, observe that they are reserved in accordance with the interpretation. Also observe the interpretation and agree that all relevant reserves are included on the unaudited monthly reports.
  - d. Observe per the June 30, 2017 unaudited monthly report that the District's general fund reserves were not less than 3% of the general fund's revenues for the previous 12 months, and whether the District maintained an additional discretionary reserve of 3% of general fund revenues for the previous 12 months.
  - e. Observe per the June 30, 2017 unaudited monthly report that the Charter Schools' general fund reserves (equity) were not less than 3% of the Charter Schools' general fund expenditures for the previous 12 months.
  - f. Observe per the June 30, 2016 CAFR, June 30, 2016 unaudited monthly reports and the June 30, 2016-2017 budget that the June 30, 2017 fund balances/net position amounts are reasonable for the District's funds.
  - g. Observe that appropriated reserves are sufficient.
  - h. Judgmentally select 3 months and determine if cash and investments for the District and the Charter Schools exceeded the 30-day expenditures for the Operating Funds (General, Grants, Interscholastic Athletics, Nutrition, Before/After School (BASE), and Insurance Reserve).

- i. From the unaudited monthly report (as of June 30, 2017) determine what 30-day expenditures (on average) were for the Operating Funds for the year-ended June 30, 2017. Then observe that cash & investments at June 30, 2017 are greater than 30-day average.
- j. If cash and investments tested in step h. & i. were below the 30-day expenditure threshold determined in step 2.1, determine if the cause is due to normal seasonal fluctuations in property tax cash receipts and observe that it is not less than zero.
- k. Determine per inspection of the unaudited cash receipts and disbursements detail as of June 30, 2017 that the District did not expend more operating funds than were received. Per the interpretation, this prohibition pertains to the Operating Funds only. It is our understanding that the District tracks cash receipts and disbursements (cash basis) for the District, but not for the Charter Schools. Therefore, the testing for the Charter Schools is based solely on the change in fund balances for the Operating Funds.
- l. Determine per inspection of the unaudited monthly report as of June 30, 2017 that the District did not report negative change in fund balance for the year.
- m. Determine per comparison of the June 30, 2017 unaudited monthly report expenditures (in total for each fund) to the fiscal year 2017 budget (and any supplemental appropriations) that the District did not commit or expend funds in excess of those appropriated through the Board-approved budget.
- n. Inquire with key finance personnel to determine if any penalties for tax payments, other government ordered payments, or other payments were incurred during the fiscal year ended June 30, 2017.
- o. Inspect G/L for expenditure accounts labeled penalties or judgments.
- p. Determine through inquiry of key finance personnel and observation of applicable reports that there were not any overdue or inaccurate filings during the year, including property tax mill levies.
- q. Determine through observation of unaudited monthly financial reports as of June 30, 2017 and schedule of accounts receivable, that the District's receivables were not materially different from prior years (note: testing of accounts receivable does not include property taxes).
- r. Inquired of key finance personnel if any material receivables during the fiscal year ended June 30, 2017 were deemed uncollectible and written off.
- s. Inspect unaudited trial balances for a bad debt expense account.
- t. Inquire of key finance personnel to determine that bond funds were not spent inefficiently or other than as intended.
- u. Inspect financial accounting structure in the District's PeopleSoft accounting system to determine if override funds are commingled with other operating funds.
- v. Observe expenditures from the bond fund to determine that the funds were spent efficiently.

- w. Observe override expenditures in the mill levy fund to determine that they are being expended to achieve Ends indicated by the Board (2000 and 2004 override).
- x. Determine per observation of the unaudited monthly financial reports as of June 30, 2017 that the District did not incur more expenses during fiscal year 2017 than revenues and did not incur more expenses than budgeted.
- y. Determine through inquiry of key finance personnel, inspection of the board minutes and inspection of the June 30, 2017 unaudited monthly financial report that the District did not commit any revenue other than those disclosed on the financial statements.
- z. Determine through inquiry of key finance personnel and observation of financial information that the District did not continue to commit financial resources to continue line item programs without first considering the needs associated with opening new schools.
- aa. Determine through inquiry of key finance personnel that the Board of Education determines borrowing levels for the District and the Charter Schools.
- bb. Observe unaudited general long term debt work papers, minutes, and the Internal Monitoring Report and inquire of the client. Through these procedures identify all new borrowings during the year and observe that they were authorized by the Board of Education.
- cc. Determine that the District caused an audit of the financial statements of the District and its Charter Schools.
- dd. Determine through inquiry of key finance personnel and inspection of board minutes whether the District entered into or supported any litigation initiated between third parties.
- ee. Determine through inquiry of key finance personnel and inspection of board minutes whether the District undertook 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.
- ff. Observe the test of control audit workpapers for the fiscal year ended June 30, 2016 and determine if there are items where the District Superintendent received, processed, or disbursed funds under controls which were insufficient.
- gg. Observe unaudited cash workpapers and determine that the District has not maintained cash or investments which are not allowed by State Law.

### 3. Asset Protection

- a. Inspect insurance contracts and determine that the District has adequate insurance.
- b. Inquire of key personnel as to the purchasing process and performance/ documentation of steps a - b of the Policy Prohibition.
- c. Inquire of key personnel as to:
  - i. the number of competitive bids during fiscal year 2016
  - ii. whether the District has received any protests

- d. From the unaudited listings of fixed asset additions, judgmentally selected 10 projects/assets for testing. Inspect the bid files and determine that there was a competitive bid (if applicable). Assure that the vendor(s) who were awarded the contract were included on the pre-qualified list maintained by the District.
- e. Inspect backup procedures, disaster recovery plan, virus protection procedures, firewall, and other security measures protecting the integrity of the District's data.
- f. Inspect the board minutes for notification to the Board of Education from the Superintendent when the District engages in the due diligence process in the event of a potential acquisition or disposition of property. For all assets acquired over \$250,000 and dispositions in excess of \$100,000.
- g. Inspect the board minutes for approval from the Board of Education for the acquisition and/or disposal of an asset. For acquisitions purposes the threshold is \$250,000 and dispositions in excess of \$100,000.
- h. Inquire of key personnel as to the process of performing Policy Prohibition 2.5.8 and the related documentation maintained.
- i. Inspect disposals of real estate during fiscal year 2017 and determine if the compensation received was less than the sum of the market value of the property interest of the property disposed plus any reduction in the market value of the property or operations retained.

4. Superintendent Compensation

- a. Inspect Superintendent's contract and any subsequent Addenda, inspect the District's payroll records, and inspect tax statements such as W-2 information to determine that the Superintendent's compensation is within the guidelines set forth by the Board of Education.

5. Staff Ethics-Nepotism

- a. From a list of employees serving in supervisory, management, administrative, and purchasing positions for the year ended June 30, 2017, judgmentally select 5 employees and:
  - i. Observe that the employee received the required notification regarding staff ethics, conflicts of interest and nepotism
  - ii. Inquire of the employee to inquire if he or she has not engaged in conduct prohibited by policy 4130
- b. From a listing on contracts and agreements entered into during the year ending June 30, 2017, judgmentally select 5 contracts and observe compliance with policy 4130.
- c. Confirm the District's internal auditor and external auditor completed the required procedures per policy 4130 for the most recent 1 year period and 5 year period, respectively.

**ATTACHMENT B**

**ANALYSIS, FINDINGS, AND RECOMMENDATIONS SECTION**

**EXTERNAL MONITORING REPORT  
PREPARED BY CLIFTONLARSONALLEN LLP  
PREPARED AS OF NOVEMBER 15, 2017**

**POLICY: 2.4 FINANCIAL CONDITION AND ACTIVITIES  
POLICY CATEGORY: OPERATING LIMITATIONS  
PERIOD MONITORED: JULY 1, 2016 TO JUNE 30, 2017  
PREPARED AS OF NOVEMBER 15, 2017**

**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.***

**MONITORING INFORMATION:**

In order to reach a conclusion on this global policy statement, we read the individual policy prohibitions in Section 2.4 of the Board's policies. We observed that the policy included the individual policy prohibitions in Section 2.4 of the Board's policies, except for policy prohibition 2.4.1.

**FINDINGS:**

The Superintendent's interpretations include interpretations of the policy statements, and we report that no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.4.1 POLICY PROHIBITION: *Shall not at any time: (a) Use any reserves other than as intended and permitted by law; or (b) allow discretionary reserves at the conclusion of a fiscal year to be less than 3% of general fund revenues except as provided in section 2.4.2.***

**POLICY INTERPRETATION:**

2.4.1a. *Shall not use any reserves other than as intended and permitted by law.*

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**

**Restricted Legal Purpose**

<b>TABOR</b>	An amount equal to 3% of the annual District revenues 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).
<b>Contract Reserves</b>	Multi-year contract obligations for payment of certified and classified employee retirement stipends.

2.4.1b. *Shall not allow discretionary reserves at the conclusion of a fiscal year to be less than 3% of general fund revenues except as provided in section 2.4.2:*

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

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District as of June 30, 2017, detail information provided by the District’s accounting system, and inquiry of the Director of Finance. The TABOR 3% emergency reserve requirement in the approximate amount of \$7.9 million, and reserves for contract amounts payable in future years, are maintained in accordance with the current adopted budget and remain intact for the purposes intended, consistent with the interpretation.

Fund balance in the General Fund, including those funds consolidated for reporting purposes, was approximately \$37.5 million at June 30, 2017, which includes approximately \$3.7 million related to the Insurance Reserve Fund, and exceeded the 8% (3% TABOR and 3% discretionary reserve) of General Fund expenditures (excluding Charter School Funding) of \$324.9 million for the year ended June 30, 2017. We note the reported fund balance is an estimate based partially on unaudited information, which is likely to change as management records various necessary year-end adjustments in preparation for the annual audit.

The ending fund balances at June 30, 2017 in the District’s funds appear to be appropriate and in compliance with the policy. We observed that the Nutrition Services Fund had approximately 4 months’ worth of expenditures in its net position at June 30, 2017. Based on the prior year CAFR, the Nutrition Services had approximately 5 months of expenditures in its fund balance at June 30, 2016. The District has coordinated with the Colorado Department of Education to create a plan to reduce reserves to three months of expenditures, as required per 7 CFR 210.14.

In accordance with each of their contracts, the Charter Schools are not required to maintain the same reserves as the District. Instead, each is required to maintain only the 3% TABOR reserve. The ending fund balances at June 30, 2017 in the Charter Schools exceeded 3% of the previous twelve month’s expenditures.

According to our inquiries of the Finance Director, there are no other long-term or other reserves that apply to the District that are not included in the unaudited monthly reports, and no reserves that have been used other than as required by law.

**FINDINGS:**

The Superintendent’s interpretation includes an interpretation of the policy statement and no exceptions were found as a result of applying the procedure, except for the following: non-compliance by over accumulated fund balance in the Nutrition Services Fund.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- We recommend the District implement its plans to reduce fund balances of the Nutrition Services Fund to be less than the maximum established by Colorado statutes and/or the Superintendent’s policy interpretations.

**2.4.3. 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.*

**POLICY INTERPRETATION:**

- 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 required in other funds.
- B. Operating expenditures over a 30-day period shall be calculated by using forecasted yearend expenditures.

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District from July 1, 2016 through June 30, 2017. We scanned the District’s operating cash balances and expenditures to date for the funds described in the interpretation for three separate months during the monitoring period and determined that the cash exceeded the District’s average expenditures for a 30-day period for the District and the individual Charter Schools.

Unrestricted District cash and investment balances in the operating funds, including Charter Schools, totaled \$115.2 million at June 30, 2017. The monthly average operating expenditures total \$30.0 million, leaving excess cash and cash equivalents of \$85.2 million.

**FINDINGS:**

The Superintendent’s interpretation includes interpretations of the policy statement, and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.4.4. POLICY PROHIBITION:** *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.*

**POLICY INTERPRETATION:**

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.

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District as of June 30, 2017; Information obtained from these reports included cash receipts, cash disbursements, revenue, and expenditures for the year ended June 30, 2017 (unaudited). We have also scanned Board-approved budgets and determined these budgets were not over-expended or committed in total for the fiscal year ended June 30, 2017 for the District and the Charter Schools (except for Stargate Charter School as observed below), based upon the data scanned.

For the year ended June 30, 2017, the District reported revenues in excess of expenditures as of June 30, 2017.

The individual Charter Schools reported revenues in excess of expenditures as of June 30, 2017, except for Stargate Charter School. Stargate's reported expenditures exceeded their revenues for the year ended June 30, 2017 by \$285,494 for the year ended June 30, 2017.

The District's and the individual Charter Schools' expenditures did not exceed their amended budgets for fiscal year 2017.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure, except for the following: non-compliance for Stargate Charter School. For Stargate, it was observed that they maintained sufficient fund balance and cash balance as tested per 2.4.1 and 2.4.3 however reported expenditures exceeding their revenues for the year ended June 30, 2017.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- We recommend the District work with Stargate to better understand the reason for expenditures exceeding revenues and help develop a plan to correct this for the future.

**2.4.5. 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.*

**POLICY INTERPRETATION:**

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.

## **MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District (including Charter Schools) as of June 30, 2017, detail information provided by the District's accounting system, and inquiries with the District Finance Director. Our testing indicates that the District did not incur any penalties related to the items observed in the policy. The District Finance Director noted that the District's payroll department confirms payroll taxes and submits filings, and that property tax and mill levies are verified with the respective counties and the Colorado Department of Education. Our testing indicates that the District did not have any reports regarding overdue or inaccurate filings during the year, except for one item noted by the District Finance Director that was completed after the date of the internal monitoring report but prior to the year-ended June 30, 2017. The District self-reported and paid to the Internal Revenue Service (IRS) an amount of \$113,571.52 on June 28, 2017 related to payment of 90% of the arbitrage rebate liability and late interest due, related to the District's General Obligation Bonds, Series 2006B.

We inquired with the District Finance Director and inspected the District's internal monitoring report for July 1, 2016 through March 31, 2017, noting the District continues to work with outside legal counsel in response to 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 the 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-contribution to the IRS. The District has notified the affected employee and is working with them to resolve remaining issues. 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.

## **FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and the above information came to our attention that they did not comply with policy prohibition 2.4.5, but do have a plan to comply with this standard as noted.

## **RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

District should continue to follow the plan outlined above to be in compliance with this standard.

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

## **POLICY INTERPRETATION:**

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

## **MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District (including Charter Schools) as of June 30, 2017, detail information provided by the District's accounting system, inquiries of management, and a scan of other financial information. We observed that the District has actively pursued the collection of monies due the District, as they are recorded in the accounting system.

We inquired with the District Finance Director and observed that all receivables recorded at June 30, 2017 were considered collectible, and observed no past due receivables. We inquired with the District Finance Director about fluctuations in receivable accounts from June 30, 2016 to June 30, 2017, noting explanations were considered reasonable. We inquired of the District Finance Director as to the existence of any receivables that were deemed uncollectible were subsequently written off, noting none. We also scanned the unaudited trial balances for bad debt expense accounts, noting none.

Through a scan of unaudited monthly financial reports as of June 30, 2017 and schedule of accounts receivable, we observed that the District's receivables increased from the prior year but were not materially different from prior year.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure. It was observed that more aggressive procedures were going to be developed for collecting past due amounts related to student fee receivable balances to address billing earlier in the school year, implementing consequences for non-payment at the Elementary and Middle School levels, and outside collection agency involvement.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.4.7. 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.***

**POLICY INTERPRETATION:**

*2.4.7 a. Shall not allow bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended:*

- 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.

*2.4.7 b. Shall not allow override funds to be commingled with other funds or spent other than to directly achieve Ends:*

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.

## **MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District for the year ended June 30, 2017, detail information provided by the District's accounting system, inquiries of management, and a scan of other financial information. No exceptions were found as a result of applying the procedure. We scanned expenditures from the Bond Fund for the fiscal year ended June 30, 2017 and determined that the expenditures were for construction or capital outlays. Based upon our scan and inquiries with the District Finance Director, the District does utilize best practices of pre-qualification and competitive selection for contractors and there is a process for evaluation and approval of change orders. We were unable to evaluate whether the District spent funds efficiently as this would require construction management experience. To date, Bond Fund expenditures have been made which do not deviate from intended purposes on a District-wide level. In total, bond funds appear to have been spent in a manner that did not deviate from plans or commitments.

Per our scan of the District's accounting system, the District maintains separate accounting (by separate project numbers included in the General Fund) for override funds approved by the voters in November 2000 and November 2004 and demonstrated that such override funds have a direct impact towards the Board's Ends priorities. Separate project numbers have been established for recording expenditures from the 2000 and 2004 mill levy override and expenditures totaling approximately \$10.2 million and \$9.9 million, respectively, have been recorded during the year ended June 30, 2017. Our discussions with the District Finance Director and our observation of the expenditure reports for the mill levy overrides indicate that 100% of these expenditures have directly addressed the Board's Ends priorities.

The override funds from the 1991 and 2008 election are also included in the General Fund and have separate project numbers. Based on our scan of the ballot questions and discussions with the District Finance Director, these additional funds were not required to be accounted for separately. However, the District has maintained separate project numbers for the override funds to detail the funds expended. Based on our scan of the allocation, the expenditures of the 1991 override funds were expended in accordance with the Board's Ends. Based on discussion with the District Finance Director, the 2008 override funds were expended in accordance with the Board's Ends.

We scanned Board-approved budgets and determined these budgets were not over-expended or committed in total for the fiscal year ended June 30, 2017.

## **FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

## **RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

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

## **POLICY INTERPRETATION:**

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

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District for the year June 30, 2017 and detail information provided by the District's accounting system. As previously noted, our procedures indicated that the District expenditures did not exceed its budget for the fiscal year in total and overall the District does not present a deficit fund balance.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None

**2.4.9 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.*

**POLICY INTERPRETATION:**

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.

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District for the year ended June 30, 2017, the fiscal year 2017 draft CAFR, inquiries of management, and a scan of Board minutes and other financial information. During our scan of the financial reports noted above and per inquiries with the District Finance Director, we did not note any instances where the District committed revenues due to student enrollment growth to continuing line item or program expenditures without considering needs associated with the opening of new schools. We also did not note any instances where the District committed any revenues other than those disclosed in the financial statements during our scan of the financial reports noted above and per inquiry of the District Finance Director.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

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

**POLICY INTERPRETATION:**

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.

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District for the year ended June 30, 2017, unaudited long-term debt schedules, inquiries of management, and scan of Board minutes. During a scan of the District's board minutes, unaudited long-term debt schedules and inquiry with the District Finance Director, we identified one refunding of the General Obligation Bonds Series 2006A and new bond issuances for Series 2016A (related to the refunding) and Series 2016B issued during the year ended June 30, 2017, each of which was approved by the Board prior to execution. Per inquiry of the District Finance Director it was also noted that the Board of Education determines borrowing levels through its approval of all new borrowings.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.4.11 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 provision for payment of the expenses of conducting the audit.*

**POLICY INTERPRETATION:**

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

**MONITORING INFORMATION:**

We performed the June 30, 2016 audit of the District. We also obtained the audits of the financial statements for Westgate Charter School, Stargate Charter School, Prospect Ridge Charter School and Global Village Academy Charter School for fiscal year ended June 30, 2016. We have also been engaged by the District to perform the annual audit for fiscal year ended June 30, 2017. During our scan of the budgets, and inquiries of management of the District and each of the Charter Schools (excluding Global Village Academy Charter School), we observed that each has budgeted appropriations for the audit for fiscal year 2017. Note that Global Village Academy Charter School was no longer a component unit of the District as of July 1, 2016, thus observation of the budgeted appropriations for fiscal year 2017 was not performed for this entity.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.4.12 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.*

**POLICY INTERPRETATION:**

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

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports of the District for the year ended June 30, 2017, inquiries of management, and a scan of Board minutes. Based on our scan and per our inquiries with the District Finance Director and the District's in-house counsel we did not note any resources committed to support any third party litigation. We also did not note any such contributions or litigation expenditures per a scan of the District's unaudited trial balances as of June 30, 2017.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None

**2.4.13 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.*

**POLICY INTERPRETATION:**

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

**MONITORING INFORMATION:**

The data scanned included inquiries of management and a scan of Board minutes and other financial information. The District underwent a competitive process for the selection of an auditor to complete the FY17 audit, which was completed as of March 31, 2017. CliftonLarsonAllen was awarded the contract with the option to extend up to three additional years.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None

**2.4.14 POLICY PROHIBITION: *Shall not receive, process, or disburse funds under controls which are insufficient to meet the Board-appointed auditors' standards.***

**POLICY INTERPRETATION:**

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.

**MONITORING INFORMATION:**

The data scanned included the tests of internal controls effectiveness performed by the District's external auditors and results of the June 30, 2016 audits of the District and the Charter Schools. As part of the District's fiscal year 2017 audit, we have completed tests of controls for payroll and general disbursement transactions for the year ended June 30, 2017 and found no exceptions. We considered the District's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our consideration of the internal control was only a part of our overall audit plan and was not intended to be a complete review of all of the District's accounting procedures.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None

**2.4.15 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.***

**POLICY INTERPRETATION:**

All cash 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. 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.

**MONITORING INFORMATION:**

The data scanned included the unaudited monthly reports and cash work papers of the District as of June 30, 2017 as well as the 2016 audited financial statements of the four charter schools in 2016. During our testing, we determined that the District’s cash and investments as well as the charter schools’ cash and investments are legal under Colorado state law and are in compliance with C.R.S. 24-75-601.1. The District and charter schools hold their cash and investments in certificates of deposit, money market funds, CSAFE, ColoTrust, and other US Treasury Bills. CSAFE and ColoTrust, all of which are in compliance with the policy interpretation above. All cash deposits are held in institutions that are compliant with CPDPA.

**FINDINGS:**

The Superintendent’s interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**POLICY: 2.5 ASSET PROTECTION**

**POLICY CATEGORY: OPERATING LIMITATIONS**

**PERIOD MONITORED: JULY 1, 2016 TO JUNE 30, 2017**

**PREPARED AS OF NOVEMBER 15, 2017**

**GLOBAL POLICY PROHIBITION: *The Superintendent shall not allow assets to be unprotected, inadequately maintained or unnecessarily risked.***

**MONITORING INFORMATION:**

In order to reach a conclusion on this global policy statement, we completed work on the individual policy prohibitions in Section 2.5 of the Board’s policies except for policy prohibitions 2.5.2 and 2.5.3. We observed compliance with policy prohibitions where we performed procedures, except for policy prohibits 2.5.4.

**FINDINGS:**

The Superintendent’s interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure, except for the following: excluded Sections 2.5.2 and 2.5.3 that were not subject to observation, and Section 2.5.4 as noted above.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.5.1 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.***

## **POLICY INTERPRETATION:**

*Shall not fail to insure against theft and casualty losses of property owned or used by the District.*

The District has in place insurance contracts to replace, repair, or provide financial remuneration for the District's assets exceeding \$1,000. 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.

*Shall not fail to insure against liability losses to Board members, staff and the organization:*

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.

## **MONITORING INFORMATION:**

The data scanned included the District's insurance policies as of June 30, 2016 and 2017 and inquiries of management from the District and Rocky Mountain Risk Insurance Group. The District is one of four districts participating in the Adams County Rocky Mountain Risk Insurance Group. Per inquiries of the District Finance Director and the Executive Director of Rocky Mountain Risk Insurance Group, we determined that this coverage appears reasonable and comparable with other districts. We observed that insurance professionals completed reviews on the adequacy of the insurance coverage limits for both the BOCES and other District coverages. However, we are not experts relative to determination of the adequacy of insurance; therefore, the Board should consider whether the monitoring information included herein is sufficient for purposes of determining compliance or if further consultation with an expert in the insurance industry would be beneficial.

## **FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

## **RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.5.4 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.*

## **POLICY INTERPRETATION:**

*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.*

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 are required for each purchase except for sole source, single source and emergency purchases (if approved by the signature authorities on the Procurement Deviation Justification (PDJ) Form) or items that have less than three qualified vendors, which typically are service related or specialized products such as proprietary software.

#### **MONITORING INFORMATION:**

The data scanned included detail information provided by the District's accounting system; vendor solicitation lists for the year, internal Superintendent policies, purchasing files, inquiries of the District Finance Director, and other financial information.

The District currently requires competitive bids on all purchases of goods or services over \$5,000 as described in the District Bid Requirements. The District's Purchasing Department performs spot checks to ensure that all items over \$5,000 went through the bid process (if required according to Superintendent Policy #3300-3340).

We made a selection of ten fixed asset additions during the year and observed no instances where a competitive bid was required but not obtained. Per inquiry of the District Finance Director it was observed that the District does maintain a "pre-qualified list" of approved vendors/contractors. The District was in compliance with policy prohibition 2.5.4. Per inquiry of the District's Finance Director, it was also observed that the District received no bid protests during the year.

#### **FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure, except for non-compliance with the performance standard that 99% of all transactions must meet the purchasing policy requirements related to fiscal year 2016 internal monitoring procedures. It was observed that 9 known violations equaling 1.02% of all transactions were reporting during the time period.

#### **RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- District staff should take necessary steps to verify compliance with the 99% policy noted above.

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

#### **POLICY INTERPRETATION:**

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.

**MONITORING INFORMATION:**

The data scanned included internal information technology policies and inquiries of the Chief Information Officer of the District. We scanned information technology practices in the areas of adequate backup of files, disaster recovery planning, virus protection and firewall security. We observed that the District has policies in place and is complying with those policies in the areas observed.

**FINDINGS:**

The Superintendent’s interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None

**2.5.6 POLICY PROHIBITION:** *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.*

**POLICY INTERPRETATION:**

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.

**MONITORING INFORMATION:**

The data scanned included the audited financial statements of the District as of June 30, 2016 and preliminary financial statements as of June 30, 2017, unaudited capital asset schedules as of June 30, 2017, inquiry of the District Finance Director, acquisition files, and a scan of the Board minutes. For the year ended June 30, 2017, we observed three property acquisitions of \$250,000 or more and one disposal with either a net book value or sales price greater than \$100,000. These items were properly approved by the Board.

**CONCLUSION:**

The Superintendent’s interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.5.7 POLICY PROHIBITION:** *Fail to gain Board approval of property (real or otherwise) asset acquisition of \$250,000 or disposition in excess of \$100,000.*

**POLICY INTERPRETATION:**

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.

## MONITORING INFORMATION:

The data scanned included the audited financial statements of the District as of June 30, 2016 and preliminary financial statements as of June 30, 2017, unaudited capital asset schedules as of June 30, 2017, inquiry of the District Finance Director, acquisition files, and a scan of the Board minutes. For the year ended June 30, 2017, we observed four property acquisitions of \$250,000 or more and one disposal with either a net book value or sales price greater than \$100,000. These items were properly approved by the Board.

## FINDINGS:

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

## RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:

- None.

**2.5.8 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.***

## POLICY INTERPRETATION:

*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:*

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.

*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:*

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.

*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:*

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.

*f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter:*

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. 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.

#### **MONITORING INFORMATION:**

The data scanned included audited financial statements of the District as of June 30, 2016 and preliminary financial statements as of June 30, 2017, detail information provided by the District's accounting system and inquiries of management. Per inquiry of the District Finance Director, the District has an appraisal performed by a general licensed appraiser or a MAI Certified Appraiser for all property acquisitions (excluding dedications). In acquiring property, the District will consider the current build-out plans, which shows the District's boundaries and the schools within the District. The build-out plans are based on enrollment projections. These enrollment projections serve to help describe the needs of the local school communities.

The District performs several steps to satisfy the due diligence requirement, such as obtaining seller information, surveys, title policies, property legal descriptions, zoning maps, etc. These items should also identify unanticipated on-site, off-site, operating or other costs. Many of the District's property acquisitions are the result of dedications of land, which do not require any District funds. If the property is being purchased, the funds to be used are identified. The steps performed during due diligence are intended to determine that the site is safe and accessible. The enrollment projections and build-out plan help to determine that the site will be functional.

For the year ended June 30, 2017, we observed one property acquisition of land for \$1,150,000. Through our testing, we observed that this acquisition was properly supported by an appraisal report.

#### **FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

#### **RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.5.9 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 10(b)-10(e) above are not observed; (iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter.*

**POLICY INTERPRETATION:**

*(i) 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 11(b)-11(e) above are not observed:*

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.

*(iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter:*

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 or a net economic advantage.

**MONITORING INFORMATION:**

The data scanned included detail disposal listing from the District's accounting system and inquiry of the District Finance Director. For the year ended June 30, 2017, we observed one disposal of property.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**POLICY: 2.6 EMPLOYMENT, COMPENSATION AND BENEFITS**  
**POLICY CATEGORY: OPERATING LIMITATIONS**  
**PERIOD MONITORED: JULY 1, 2016 TO JUNE 30, 2017**  
**PREPARED AS OF NOVEMBER 15, 2017**

**GLOBAL POLICY PROHIBITION:** *With respect to terms of employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the Superintendent shall not cause or allow jeopardy to fiscal integrity or to public image.*

**MONITORING INFORMATION:**

In order to reach a conclusion on this global policy statement, we completed work on the individual policy prohibition in section 2.6.1. We noted compliance with this policy prohibition where we performed procedures.

**FINDINGS:**

The Superintendent's interpretation includes interpretations of the policy statement and no exceptions were found as a result of applying the procedure.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**2.6.1 POLICY PROHIBITION:** *Change his or her own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.*

**POLICY INTERPRETATION:**

The Board of Education sets the annual compensation and benefits package for the Superintendent. The financial enhancements, in addition to base salary, do not exceed those received by other employees except as outlined in the Superintendent's employment contract as executed by the Board of Education.

**MONITORING INFORMATION:**

The data scanned included the Superintendent's contract dated September 2, 2015 and relevant amendments, paystub for the month of January, 2017, the Superintendent's W2 for 2016, and payroll records of the District. Inquiries of the District's Finance Director were also conducted.

**FINDINGS:**

During our test work and discussions with the District's Finance Director, we observed that the Superintendent's compensation was in compliance with the above policy.

**RECOMMENDATIONS FOR POLICY PROHIBITION OR INTERPRETATION CHANGES:**

- None.

**POLICY: Superintendent Policy 4130: Staff Ethics/Conflicts of Interest/Nepotism**  
**PERIOD MONITORED: JULY 1, 2016 TO JUNE 30, 2017**  
**PREPARED AS OF NOVEMBER 15, 2017**

**POLICY SUMMARY:** *Public employment is a public trust. Upon accepting employment with the District, an employee also accepts the responsibility to act honestly and objectively for the benefit of the public in matters affecting the District. Therefore, no employee of the District shall engage in or have a financial interest, directly or indirectly, in any activity that conflicts with, or raises a reasonable question of conflict with, his or her duties and responsibilities in the school system.*

**PROCEDURE:**

From a list of employees serving in supervisory, management, administrative, and purchasing positions for the year ending June 30, 2017, judgmentally select 5 employees and:

- Determine the employee received the required notification regarding staff ethics, conflicts of interest and nepotism.
- Inquire of the employee to determine he or she has not engaged in conduct prohibited by policy 4130.

**FINDINGS:**

No exceptions or reportable items were found during our procedure.

**RECOMMENDATIONS:**

- None.

**PROCEDURE:**

From a listing of contracts and agreements entered into during the year ending June 30, 2017, judgmentally select five contracts and determine compliance with policy 4130.

**FINDINGS:**

No exceptions or reportable items were found during our procedure.

**RECOMMENDATIONS:**

- None.

**PROCEDURE:**

Determine the District's internal auditor and external auditor completed the required procedures per policy 4130 for the most recent one year period and five year period, respectively. As the District no longer has an internal auditor, we performed required procedures over policy 4130.

**FINDINGS:**

No exceptions or reportable items were found during our procedure.

**RECOMMENDATIONS:**

- None.