

INTERNAL MONITORING REPORT

February 21, 2018

POLICY: **2.4 FINANCIAL CONDITION AND ACTIVITIES**
POLICY CATEGORY: **OPERATING LIMITATIONS**
PERIOD MONITORED: **July 1, 2017 – December 31, 2017**

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



Christopher Gdowski, Superintendent
February 15, 2018

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 revenue except as provided in section 2.4.2*

INTERPRETATION (2.4.1 a.):

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

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

TABOR	An amount equal to 3% of the annual District 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).
Contract Reserves	<p>District: Reserves held for future year payments of certified and classified employee longevity stipend for employees who have separated from employment.</p> <p>Charter Schools: Reserves held per contract language for Special Education.</p>

DATA REPORTED: Reserves are maintained for the designated purposes as shown below. There has been no expenditure of these funds. The restricted reserve balance for TABOR has been reduced through December 31, 2017 to correct a budgeting error in the TABOR reserve calculation being held in the Food Service Fund which should have excluded revenue received from federal funds and offset to account for projected increases in revenue in the General Fund.

	District	
	Budgeted Restricted Reserve Balance 7/1/2017	Restricted Reserved Balance 12/31/2017
TABOR Reserve	\$ 9,157,540	\$ 8,996,411
Contract Reserves	<u>10,641,224</u>	<u>10,641,224</u>
Total Restricted Reserve	\$ 19,798,764	\$ 19,637,635

Prospect Ridge

	Budgeted Restricted Reserve Balance 7/1/2017	Restricted Reserved Balance 12/31/2017
TABOR Reserve	\$ 229,915	\$ 229,915
Contract Reserves	200,005	200,005
Total Restricted Reserve	\$ 429,920	\$ 429,920

Stargate

	Budgeted Restricted Reserve Balance 7/1/2017	Restricted Reserved Balance 12/31/2017
TABOR Reserve	\$ 290,000	\$ 290,000
Contract Reserves	200,000	200,000
Total Restricted Reserve	\$ 490,000	\$ 490,000

Westgate

	Budgeted Restricted Reserve Balance 7/1/2017	Restricted Reserved Balance 12/31/2017
TABOR Reserve	\$ 138,000	\$ 138,000
Contract Reserves	50,000	50,000
Total Restricted Reserve	\$ 188,000	\$ 188,000

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

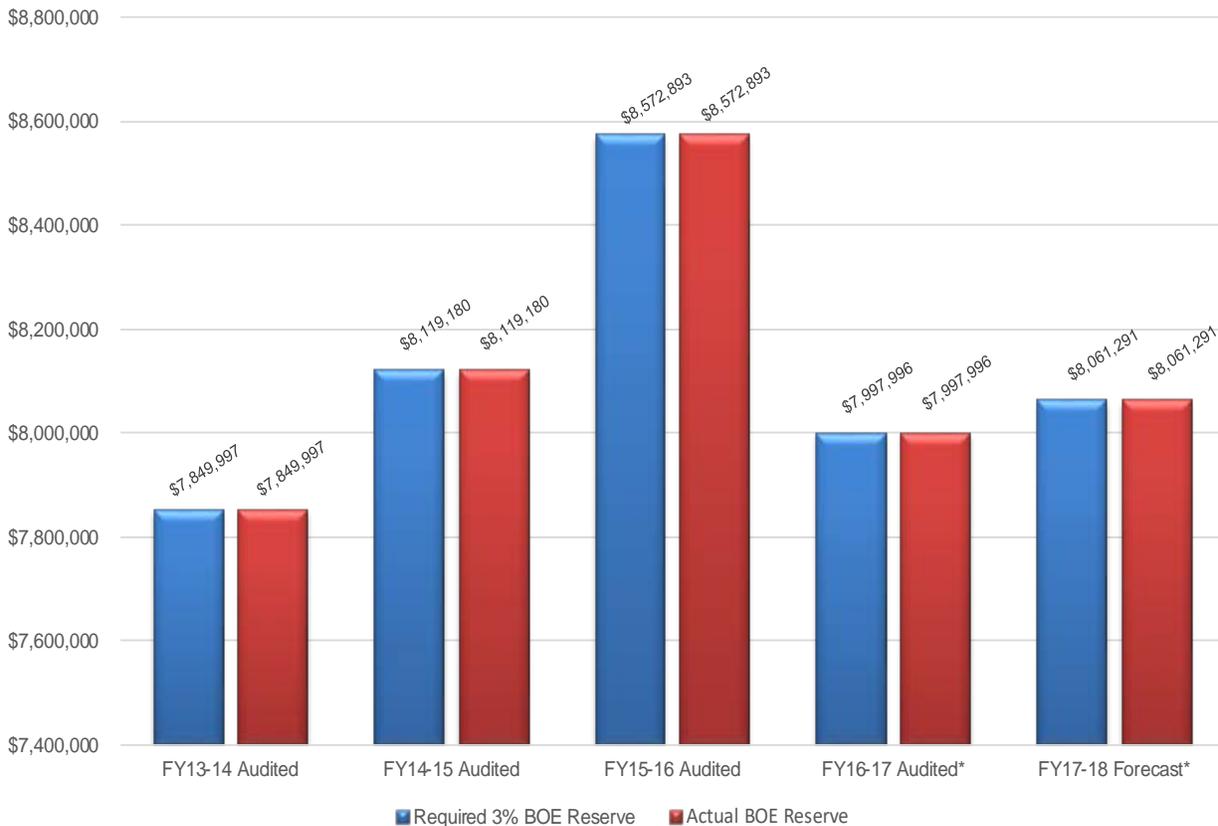
INTERPRETATION (2.4.1 b.):

I interpret “(b) 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” to mean:

- 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.

DATA REPORTED:

Actual BOE Reserve compared to Required 3% BOE Reserve



*FY16-17 and FY17-18 Board Reserves are held at 3% of General Fund Revenue, per Board Policy language change effective 3/31/17. Prior year's Board Reserve is shown as 3% of General Fund expenditures.

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

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

INTERPRETATION:

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

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

DATA REPORTED: As of December 31, 2017, the District has not utilized or established a need for use of the 3% discretionary reserve.

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

3. POLICY PROHIBITION: *Shall not at any time, allow unrestricted cash and equivalents to drop below an amount necessary to meet operating expenditures over a 30-day period, except*

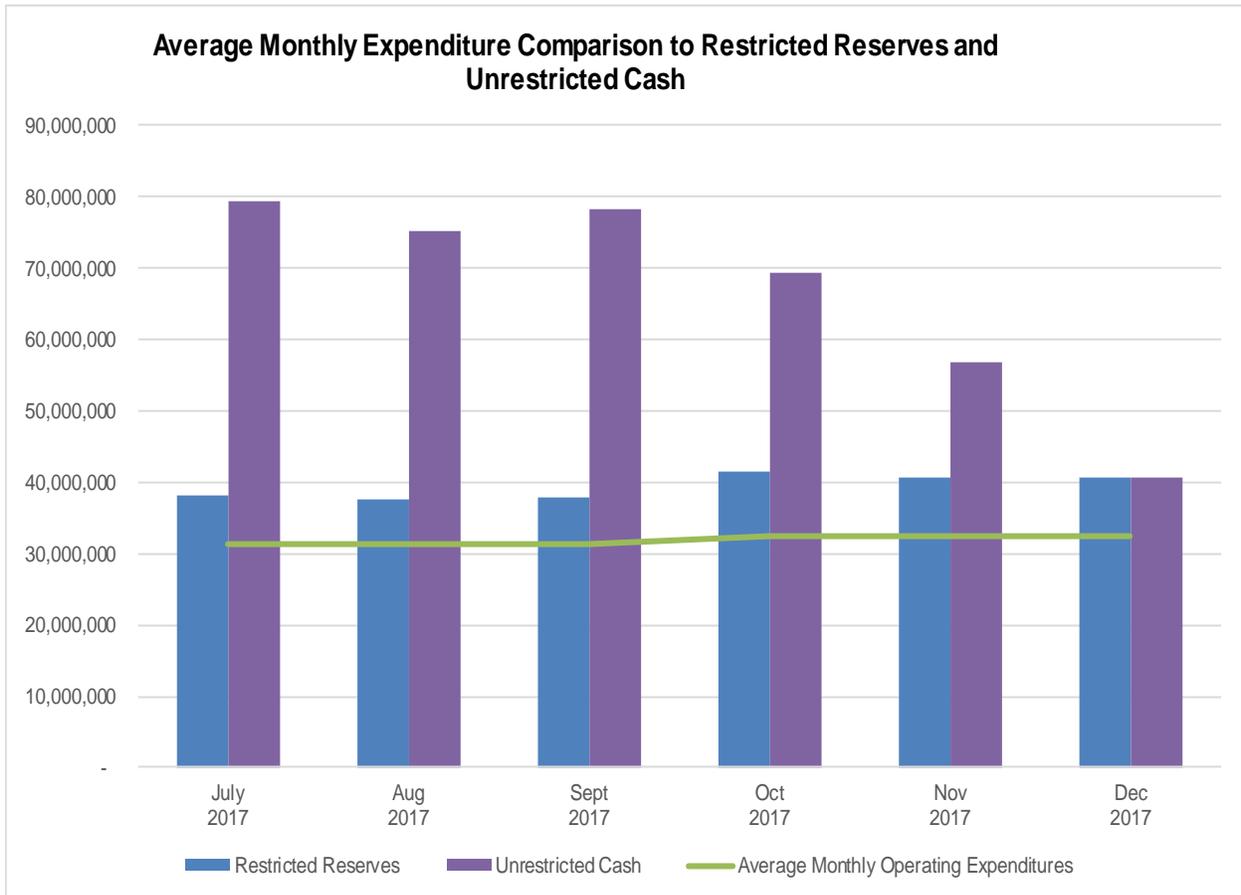
that during normal seasonal fluctuations in property tax receipts cash balances may drop below the 30-day threshold but shall not be less than restricted cash.

INTERPRETATION:

I interpret this to mean the District:

- A. Maintains cash at the end of each monthly accounting period at an amount that exceeds restricted cash and 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 year-end expenditures.

DATA REPORTED: The District’s combined cash balance in all funds exceed the policy standard as of December 31, 2017. (From December to March cash balances may drop below the 30-day threshold due to timing of property tax collections; this is not interpreted as non-compliance). The following graph illustrates that cash balance is maintained above required level.



Note: Bond Redemption-Debt Service and Building-Capital Project funds are excluded as they are not considered part of available operating funds.

Restricted Reserves include TABOR, Contract Reserves, Colorado Preschool Program (CPP), Board of Education Reserve, Insurance Reserve, Governmental Designated-Purpose Grants and one month of operating reserves for Capital Reserve-Capital Projects, Food Service and the Before, After, and Summer Enrichment Funds.

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

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

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

INTERPRETATION:

I interpret this to mean:

That at any time within a budget year, except when liquidity (unrestricted cash) and reserves are maintained in accordance with this Policy 2.4, the District expenditures will not exceed revenues in the following funds used for day-to-day activities.

Fund	Beginning Fund Balance	Revenues	Transfers	Expenditures	Net Change	12/31/2017 Fund Balance
General	33,901,377	121,186,900	(23,144,543)	142,441,410	(44,399,053)	(10,497,676)
Insurance Reserve	3,681,872	42,135	3,350,000	2,264,438	1,127,698	4,809,570
Bond Redemption	58,855,679	1,173,606	-	34,376,650	(33,203,044)	25,652,635
Building Capital Projects	269,711,636	1,104,033	-	10,916,549	(9,812,516)	259,899,120
Capital Reserve	34,016,011	855,638	5,746,056	14,111,710	(7,510,015)	26,505,996
Gov't Designated Grants	-	13,087,279	-	8,427,050	4,660,229	4,660,229
Pupil Activity Special Revenue	3,268,738	2,484,185	-	2,032,824	451,361	3,720,099
Other Special Revenue	1,877,324	1,209,004	-	1,018,811	190,193	2,067,517
Instructional Special Revenue	1,888,641	1,603,618	1,390,000	936,529	2,057,089	3,945,730
Interscholastic Athletic Special Revenue	389,751	474,932	1,333,019	936,281	871,670	1,261,421
Food Service	4,132,522	5,110,535	-	4,901,185	209,350	4,341,872
Before, After, and Summer Enrichment Special Revenue	2,167,570	4,139,837	-	4,184,536	(44,699)	2,122,871
Pupil Activity-Agency Fund	620,228	746,436	-	506,327	240,110	860,338

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

DATA REPORTED: As of December 31, 2017, General Fund and Bond Redemption expenditures and transfers exceed revenue by \$44.4 million and \$33.2 million respectively (this

is because the majority of property tax revenue is received from March to May of each year). Expenditures exceed revenue in the Before, After, and Summer Enrichment Special Revenue fund by \$44,699, this is appropriate as planned spend down of beginning fund balance was appropriated for this use and one-month reserves have been met. Expenditures and transfers exceed revenue in the Building Capital Projects and Capital Reserve Capital Projects Funds by \$9.8 million and \$7.5 million respectively. This is appropriate as these two fund will have expenditures exceed revenue until the one-time proceeds received from the 2015 COP and the 2016 Bond have been completely expended.

COMPLIANCE: Operating expenditures have exceeded revenues in five funds as noted above. This policy provides, however, that when policy section 2.4.1(b) fund balance requirements and policy 2.4.3 cash liquidity requirements are met, policy section 2.4.4 will be in compliance even if a deficiency is reported. The District's performance has complied with both section 2.4.1(b) and section 2.4.3. Accordingly, the District's performance complies with section 2.4.4.

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.*

INTERPRETATION:

I interpret this to mean:

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

DATA REPORTED: As of December 31, 2017 and previously reported, the District was aware of a finding issued by the Colorado College Community Systems (CCCS) concerning data submitted in fiscal year 2016 regarding expenditures for Career Technical Education. The finding identified \$55,702 as due back to CCCS. The department of Learning Services has reviewed the findings with Bollman Technical School. The corrective action plan will include Financial Services and Human Resources providing guidance, support and oversight to Bollman staff in preparing this report.

COMPLIANCE: The District's performance in prior reporting periods did not comply with this standard. Appropriate corrective action measures have been taken. The District's performance during this monitoring period did comply with the standard.

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

INTERPRETATION:

I interpret this to mean:

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

DATA REPORTED: As of December 31, 2017, the District did not have accounts receivable that were unpaid for more than 30 days except for a variety of student fee obligations. The district issues statements to families for past due fee payments but does not aggressively pursue student fee receivable balances that remain outstanding. District staff have met several times during the first quarter to discuss and analyze student fee assignments, past collections and current outstanding amounts. Staff will begin evaluating processes and procedures to address the following:

- Billing earlier in the school year
- Implementing consequences for non-payment at the elementary and middle school levels
- Outside collection agency involvement

COMPLIANCE: The District's performance does not currently comply with the standard. The District's performance is expected to be in compliance no later than the 2019-20 school year.

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

INTERPRETATION (2.4.7 a):

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

- A. Bond funds shall be spent in a manner consistent with plans and commitments presented to District voters.
- B. Certificates of participation (COP) shall be spent in a manner consistent with 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 shall 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 shall be less than or equal costs incurred in comparable Colorado school district or local government programs.
4. Projects shall be managed and completed so that the start date of the school year is not impacted by construction.

DATA REPORTED:

- A. On December 20, 2016 the District sold \$285 million of a total of \$350 million in voter approved general obligation bonds. This bond was approved for the purpose of investing in aging school buildings, relieving overcrowding, building a PK-8 school, and addressing programming needs to ensure all students in the District learn in a safe, warm and dry environment.
- B. On December 20, 2016, the District defeased the 2015 certificates of participation with proceeds from the 2016 Bond. Original remaining proceeds from the 2015 COP will be spent in accordance within the parameters of voter approved Bond projects.
- C. A cross-functional team of District staff members, called the "Bond Committee," meets multiple times each month to ensure that projects are designed to meet applicable Educational Specifications and Technical Guidelines, that competitive bidding processes required by District policies have been followed, and that projects are planned for on-time delivery. All projects initiated to date comply with these three criteria. It is noted that the construction bidding for the STEM lab project, given the change in its scope following passage of the bond measure as compared to its original scope in the 2015 COPs, could have been better managed but did not, in the opinion of CliftonLarsonAllen following a thorough review, violated District procurement policies.
- D. The summary of expenditures listed on the following page documents expenditures from the December 2016 Bond. I certify that these expenditures have been made for only improvements and new construction within the parameters approved by voters.
- E. The Long Range Planning Advisory Committee (LRPAC) convenes monthly to review use of bond proceeds to ensure that projects underway align with the bond plan presented to the Board of Education in August 2016 and that cost variances to budget are for reasonable grounds. LRPAC has not raised concerns of noncompliance with these provisions to staff to date. LRPAC representatives presented a progress report to the BOE in December 2017 that provided further assurances that the standards in this policy standard have been met.
- F. Expenditures through December 31, 2017 for administrative staff necessary to implement the bond, including project managers, accounting and communications staff, total approximately \$2.1 million or about .5% of the \$427 million total bond program. The District has engaged RLH, an expert on school district and local government bond project delivery, to provide feedback regarding the District's staff allocations, contingency allocations, and project delivery methods. RLH indicates that Aurora Public Schools, with similar bond program is staffed in General & Administration (G&A) at about 3%. In December 2017 and January 2018 district staff began working with RLH to research best practices and finalize the G&A budget.

Adams 12 Five Star Schools
2016 Bond Projects - Summary
Budget to Actual Expenditures - Bond Projects
Bond Status Based on Current Budget
For the Period Ending December 31st, 2017

Project Description	Current Budget*	2015-16	2016-17	2017-18	Project Life Total	Available Budget	% Spent
		Actual (YTD)	Actual (YTD)	Actual (YTD)			
Thunder Vista PK-8	\$ 48,650,000	\$ -	\$ 5,108,865	\$ 8,819,665	\$ 13,928,530	\$ 34,721,470	28.63%
Charter School Projects	15,350,000	-	15,338,082	-	15,338,082	11,918	99.92%
STEM Lab Reconstruction	28,058,000	-	1,155,776	7,149,748	8,305,523	19,752,477	29.60%
ECE Renovation	657,324	-	-	3,750	3,750	653,574	0.57%
Five Star Renovation	6,500,000	-	-	83,753	83,753	6,416,247	1.29%
Horizon HS Renovation	6,717,247	-	-	50,862	50,862	6,666,385	0.76%
Mountain View Renovation	1,819,513	-	-	107,038	107,038	1,712,475	5.88%
North Mor Renovation	1,762,600	-	20,328	77,075	97,404	1,665,196	5.53%
North Star Renovation	2,793,295	-	-	160,369	160,369	2,632,926	5.74%
Northglenn HS Renovation	10,004,762	-	7,622	21,021	28,644	9,976,118	0.29%
Riverdale & Federal Hgts Pkg	3,438,477	-	-	35,112	35,112	3,403,365	1.02%
Student & Fam Bldg Renovation	274,357	-	-	1,658	1,658	272,699	0.60%
Stukey Renovation	2,793,370	-	31,116	110,926	142,042	2,651,328	5.08%
Westview Renovation	1,950,383	-	21,857	82,339	104,196	1,846,187	5.34%
Woodglen Renovation	2,127,796	-	-	122,844	122,844	2,004,952	5.77%
Arapahoe Addition & ECE Expans	7,631,000	-	84,440	238,655	323,095	7,307,905	4.23%
Cotton Creek Addition	7,193,000	-	88,110	249,910	338,020	6,854,980	4.70%
CTE Expansion Project	19,600,001	-	8,450	11,664	20,114	19,579,887	0.10%
DW Controls Project	3,000,000	-	-	35,471	35,471	2,964,529	1.18%
DW Comm & Alert System	8,000,000	-	25,062	94,275	119,337	7,880,663	1.49%
School Connectivity	20,000,000	-	5,720	102,769	108,489	19,891,511	0.54%
IU - Arapahoe Ridge Elem	160,383	-	-	7,611	7,611	152,772	4.75%
IU - Centennial ES	219,383	-	-	7,611	7,611	211,772	3.47%
IU - Cherry Drive Elementary	219,383	-	140,290	38,472	178,762	40,621	81.48%
IU - North Mor Elem	238,383	-	25,994	(2,398)	23,596	214,787	9.90%
IU - North Star Elem	238,383	-	-	25,190	25,190	213,193	10.57%
IU - Northglenn MS	414,383	-	-	21,811	21,811	392,572	5.26%
IU - Stukey Elem	238,383	-	-	23,890	23,890	214,493	10.02%
IU - Thornton HS	675,383	-	-	85,019	85,019	590,364	12.59%
IU - Westview Elem	256,383	-	-	958	958	255,425	0.37%
IU - Woodglen Elem	228,383	-	-	51,011	51,011	177,372	22.34%
IU - Demo Sites	175,000	-	116,503	59,368	175,871	(871)	100.50%
Tech Switches	322,000	-	317,501	-	317,501	4,499	98.60%
16 Bond Environmental Prjs	1,370,785	-	152,032	397,998	550,030	820,755	40.13%
Door Hardware	1,172,495	-	-	10,000	10,000	1,162,495	0.85%
Labor/Supplies/Material Costs	13,000,000	-	1,202,063	1,024,027	2,226,090	10,773,910	17.12%
COP Remaining Projects	6,969,415	2,664,936	2,969,375	65,496	5,699,807	1,269,608	81.78%
COP Repayment	27,500,000	-	27,087,163	-	27,087,163	412,837	98.50%
Grand Total	\$ 251,719,650	\$ 2,664,936	\$ 53,906,349	\$ 19,374,968	\$ 75,946,253	\$ 175,773,397	30.17%

*In addition to the budget line for COP Remaining Projects, the budget presented on the previous schedule includes COP allocation for Thunder Vista PK-8 and STEM Lab Reconstruction. Thunder Vista's budget also includes funding from the Service Expansion Fee from Broomfield County.

COMPLIANCE: Expenditures from these funds were spent only for capital projects permissible pursuant to the terms of the Bond agreement. The District's performance during the monitoring period complied with the standard.

INTERPRETATION (2.4.7 b):

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

Additional operating funds received annually by the District per voter approval in November 1991, 2000, 2004 and 2008 shall be accounted for in the District's General Fund. All override funds shall be spent for the purposes described in the voter-approved ballot question to achieve the Ends established by Board policy.

DATA REPORTED: Override funds are budgeted in the General Fund to support achievement of ends. As of December 31, 2017 expenditures have been made in accordance with promises made to voters for use in directly supporting Board of Education Ends.

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

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

INTERPRETATION:

I interpret this to mean:

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

DATA REPORTED: For FY17-18, General Fund revenues and expenditures are currently being received and expended as anticipated. The District has not expended funds anticipated from third parties prior to receipt and has not committed to multiple-year expenditures without a reliable funding source.

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

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

INTERPRETATION:

I interpret this to mean:

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

DATA REPORTED: The District's 2017-18 budget projected that the funded pupil count would decline by 223.3 and charter school funded pupil count would increase by 281.6. The overall budget projection provides for a minimal combined growth of 58.3 total students in comparison to the 2016-17 school year. The 2017-18 budget included a combination of one-time and ongoing reductions to expenditures necessary to create alignment between anticipated future revenues, ongoing expenditures and the decline in enrollment in District-administered schools for 2017-18.

Actual funded pupil count for the district declined by 171.4 and charter funded pupil count increased by 281.5 for a combined growth increase in 2017-18 by 110.1 total students in comparison to the 2016-17 school year. The 2017-18 amended budget includes the necessary alignments between increased revenue and ongoing expenditures.

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

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

INTERPRETATION:

I interpret this to mean:

Shall not approve or complete certificates of participation, bonds, multiple-year lease-purchase agreements, or similar financing transactions obligating the District for repayment without approval by the Board of Education. This is reasonable as these types of financing transactions represent borrowing by the District.

DATA REPORTED: As of December 31, 2017 the District has not entered any such transactions without prior Board approval.

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

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

INTERPRETATION:

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

DATA REPORTED: CliftonLarsonAllen, LLP has been contracted to complete the fiscal 2017-18 audit. Interim Audit for fiscal 2017-18 is scheduled to begin on May 14, 2018 and Final Audit to begin in September, 2018. The fiscal year 2017-18 adopted budget includes amounts necessary to pay for the audit contract.

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

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

INTERPRETATION:

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

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

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

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

INTERPRETATION:

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

DATA REPORTED: A competitive process for the selection of an independent auditor was completed as of March 31, 2017. CliftonLarsonAllen, LLP was awarded the contract for fiscal year 2017 with the option to extend up to three additional years. The audit partner and audit manager for the fiscal year 2016-17 audit are new to our engagement consistent with GFOA recommendations given that CliftonLarsonAllen has served as the District's independent auditor for the prior five years.

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

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

INTERPRETATION:

I interpret this to mean:

The District manages money and money-related transactions using a system of internal controls which provide for separation of duties, fraud protection, and an authorization process providing reasonable assurance that appropriate controls exist. This is

reasonable because independent auditors review these controls on an annual basis and report their findings to the District administration and the Board of Education.

DATA REPORTED: Funds have been managed in accordance with professionally appropriate standards and internal controls as demonstrated by the most recent independent audit for the period ending June 30, 2017, performed by CliftonLarsonAllen, LLP.

COMPLIANCE: The District has complied with this standard.

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

INTERPRETATION:

I interpret this to mean:

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

- A. Cash is deposited in eligible depository banks subject to FDIC insurance or which pledge collateral in accordance with the Colorado Public Deposit Protection Act (“CPDPA”), or
- B. Cash is deposited in money market funds or local government investment pools with the highest credit rating assigned by a nationally recognized credit rating agency, or
- C. Investments in securities comply with applicable Colorado law and the credit rating, diversification and maturity restrictions as specified by the District’s investment policy, and
- D. Cash and other funds are not invested in instruments other than those permitted by Interpretations A-C.

DATA REPORTED: As of December 31, 2017, the District maintained cash and investments as follows:

	Market Values	Investment Policy Limit	Investment Policy	Actual
	All Portfolios		Compliance	Allocation
Depository Banks	\$ 9,592,519	100%	✓	3%
Local Government Select Series	\$ 18,564,273	100%	✓	5%
U.S. Treasuries	\$ 100,590,273	100%	✓	27%
Federal Agencies	\$ 91,448,058	75%	✓	25%
Supra-National Agency Bond/Notes	\$ 7,872,099	75%	✓	2%
Municipal Obligations	\$ 4,564,082	25%	✓	1%
Corporate Notes	\$ 19,208,111	35%	✓	5%
Negotiable Certificates of Deposit	\$ 34,091,099	35%	✓	9%
Commercial Paper	\$ 81,380,520	35%	✓	22%
PFM Funds - Government Select Series	\$ 377,842	100%	✓	<1%
Total cash and investments through 12/31/17	\$ 367,688,876			

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

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

INTERPRETATION:

I interpret this to mean:

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

DATA REPORTED: The District has reported compliance with all standards within monitoring report 2.4.

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

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

I interpret the condition of fiscal jeopardy to mean: entering an agreement to pay expenses when the source of funding to pay for those expenses has not been determined or not having cash available to pay expenses when they are due.

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

DATA REPORTED:

1. The District has not agreed to pay for expenses without an identified funding source.
2. The 2017-18 budget has projected there will not be adequate revenues in place to pay all expenses incurred through June 30, 2018 in the General, Interscholastic Athletic, Other Special Revenue, Instructional Special Revenue, Food Service, BASE, Capital Reserve Capital Projects and Building Capital Projects Funds. In anticipation of the revenue shortfall, the Board of Education adopted and approved on June 21, 2017 a resolution to use a portion of beginning fund balance for the intentional draw-down of accumulated fund balance for operational expenses.
3. Current year expenditures are allocated to support implementation of the District's Unified Improvement Plan and achieving Ends.

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

The Board acknowledged receipt of a monitoring report as of February 21, 2018, for the period, July 1, 2017 through December 31, 2017, of the Superintendent, concerning Operating Limitations Policy 2.4 Financial Condition and Activities, and found the superintendent's interpretations were reasonable and supported by data that was relevant, justified and complete.