

**INTERNAL MONITORING REPORT**

February 15, 2017

**POLICY: 2.4 FINANCIAL CONDITION AND ACTIVITIES**  
**POLICY CATEGORY: OPERATING LIMITATIONS**  
**PERIOD MONITORED: July 1, 2016 – December 31, 2016**

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

Chris Gdowski, Superintendent  
February 10, 2017

- 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 expenditures 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.

<b>TABOR</b>	An amount equal to 3% of the annual District expenditures must be held in reserve unless the Board adopts a resolution permitting expenditure of the funds and provides security for these funds by means of a letter of credit or by using District assets as collateral. (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.

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

	District	
	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 12/30/2016
TABOR Reserve	\$ 8,935,769	\$ 8,877,755
Contract Reserves	<u>10,641,224</u>	<u>10,641,224</u>
Total Restricted Reserve	\$ 19,576,993	\$ 19,518,979
General Fund Cash & Investment Balance	\$ 60,287,407	\$ 27,774,817

**Prospect Ridge**

	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 12/30/2016
TABOR Reserve	\$ 229,915	\$ 229,915
Contract Reserves	<u>200,005</u>	<u>200,005</u>
Total Restricted Reserve	\$ 429,920	\$ 429,920
General Fund Cash & Investment Balance	\$ 3,910,261	\$ 4,175,090

**Stargate**

	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 12/30/2016
TABOR Reserve	\$ 213,000	\$ 213,000
Contract Reserves	<u>200,000</u>	<u>200,000</u>
Total Restricted Reserve	\$ 413,000	\$ 413,000
General Fund Cash & Investment Balance	\$ 2,565,916	\$ 2,628,979

**Westgate**

	Budgeted Restricted Reserve Balance 7/31/2016	Restricted Reserved Balance 12/30/2016
TABOR Reserve	\$ 109,852	\$ 109,000
Contract Reserves	<u>50,000</u>	<u>50,000</u>
Total Restricted Reserve	\$ 159,852	\$ 159,000
General Fund Cash & Investment Balance	\$ 739,864	\$ 335,184

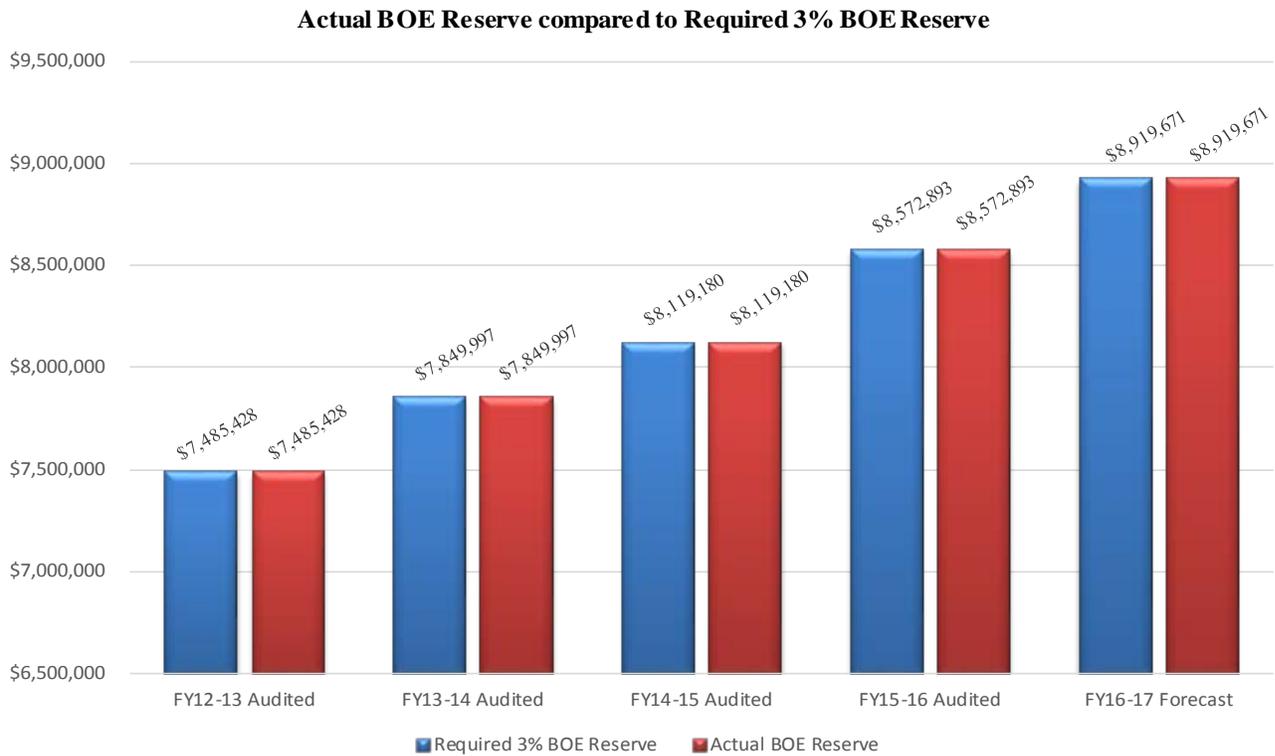
**COMPLIANCE:** The District and Charter School performance complies with the standard.

**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 expenditures except as provided in section 2.4.2” to mean:

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

**DATA REPORTED:**



Note: FY16-17 forecast is based on the current forecasted year end expenditures of \$297,322,352

**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, 2016, the Board has not utilized or established a need for use of the 3% discretionary reserve.

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

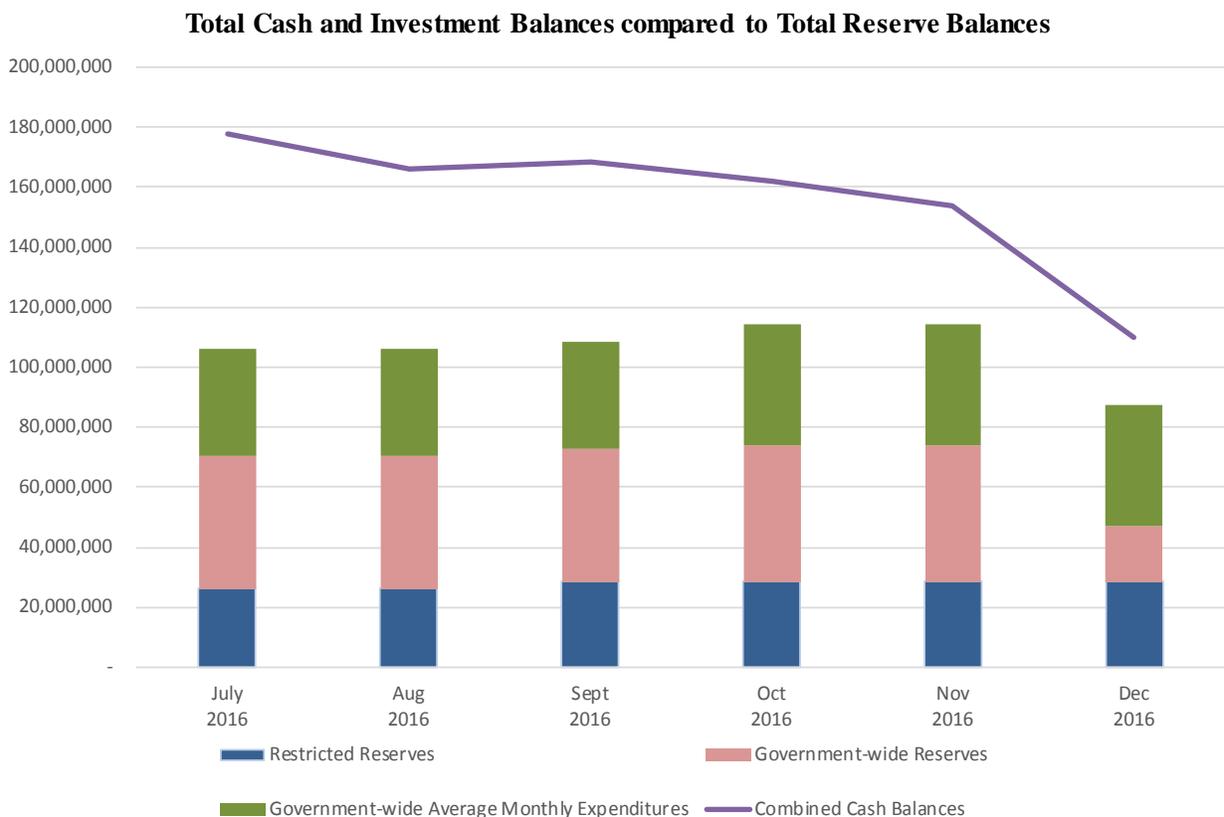
**3. POLICY PROHIBITION:** *Shall not at any time, allow unrestricted cash and equivalents to drop below an amount necessary to meet operating expenditures over a 30-day period, except that during normal seasonal fluctuations in property tax receipts cash balances may drop below the 30-day threshold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

**INTERPRETATION:**

I interpret this to mean the District:

- A. Maintains cash at the end of each monthly accounting period at an amount that exceeds restricted cash in an amount equal to one month’s operating expenditures. Restricted cash includes Restricted Reserves, Board of Education Reserve and Reserves 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 is projected to exceed the policy standard as of June 30, 2017. (From December to March cash balances may drop below the 30-day threshold due to timing of property tax collections; this is not interpreted as non-compliance). The following graph illustrates that cash balance is maintained above required level.



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

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

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

**Combined Cash Balances** include all funds identified above.

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

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

**INTERPRETATION:**

I interpret this to mean:

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

**DATA REPORTED:** As of December 31, 2016, General Fund and Bond Redemption Fund expenditures and transfers exceed revenues by \$44.1 million and \$32.9 million respectively. This is reasonable as the majority of property tax revenue is received from March to May of each year. Expenditures and transfers exceed revenue in the Capital Reserve – Capital Projects fund and the BASE Special Revenue fund by \$2.8 million and \$584,192 respectively, which is appropriate as planned beginning fund balance was appropriated for this use. Expenditures and transfers exceeded Food Service Fund revenue by \$930,325 due to the timing of requesting and receiving federal reimbursements.

<b>Fund</b>	<b>Beginning Fund Balance</b>	<b>Revenues</b>	<b>Transfers</b>	<b>Expenditures</b>	<b>12/31/2016 Fund Balance</b>
General	33,548,812	121,203,842	(23,000,472)	142,351,516	(10,599,335)
Insurance Reserve	2,366,652	10,309	4,662,000	3,616,768	3,422,193
Gov't Designated Grants	-	12,091,077	-	7,980,809	4,110,268
Bond Redemption	58,654,446	39,232,570	-	72,124,656	25,762,360
Building Fund	-	292,548,625		1,139,350	291,409,274
Capital Reserve	37,654,194	27,777,825	5,130,790	35,683,898	34,878,911
Pupil Activity Special Revenue	-	2,614,738	3,114,448	2,195,883	3,533,303
Other Special Revenue	-	948,481	692,992	589,951	1,051,522
Instructional Special Revenue	-	1,627,276	3,193,250	1,046,976	3,773,549
Interscholastic Athletic Special Revenue	452,809	470,334	194,350	507,037	610,456
Food Service	4,449,851	4,192,689	-	5,123,014	3,519,526
Before, After, and Summer Enrichment Special Revenue	2,622,826	4,109,517	(400,000)	4,293,709	2,038,633
Pupil Activity-Agency Fund	4,207,705	786,047	(3,570,627)	534,363	888,762

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

**COMPLIANCE:** When policy section 2.4.1(b) fund balance requirements and policy 2.4.2 cash liquidity requirements are met, policy section 2.4.3 will be in compliance even if a deficiency is reported. The District's performance has complied with both section 2.4.1(b) and section 2.4.2. Accordingly, the District's performance complies with section 2.4.3.

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

**INTERPRETATION:**

I interpret this to mean:

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

**DATA REPORTED:** As of December 31, 2016, the District continues to work with outside legal counsel to address PERA's finding regarding the 2009 change permitting Administrator Longevity Program (ALP) payments to be directed into tax deferred accounts or into salary at the direction of an administrative employee. In late 2015, PERA approved of the District's plan to correct the situation. In July 2016, the District self-reported the prior years' over-contributions to the IRS. At

this time the District is uncertain as to whether a fine will be imposed, but it is likely that employer Medicare taxes and similar costs will be due. Effective January 1, 2016 the ALP contributions were placed directly into tax deferred accounts 403(b) and 401(k), so the problem has been corrected moving forward.

**COMPLIANCE:** The District will comply with this standard.

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

**INTERPRETATION:**

I interpret this to mean:

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

**DATA REPORTED:** As of December 30, 2016 school and departments have worked within standard guidelines to collect on accounts receivable balances.

**Student Fees:** Monthly attempts to collect unpaid student fees are performed through consolidated billing where statements are emailed on the 20<sup>th</sup> of each month and paper statements are mailed in November to all households with balances due. In March of each year, a paper statement is mailed to all transitioning student households with a balance due.

Receivable	Fees Assigned	Collected within 30 Days	Collected 31-60 Days	Collected 61-90 Days	Collected 90+ Days	Outstanding
	Number	%	%	%	%	%
Athletic Fees	4,418	80.42%	9.85%	0.84%	0.88%	8.01%
Class Fees	23,025	39.13%	16.06%	3.14%	3.36%	38.31%
Kindergarten Tuition	3,947	80.67%	2.71%	0.23%	0.63%	15.76%
Materials Fees	42,915	54.60%	6.54%	0.75%	0.74%	37.37%
Technology Fees	19,544	48.13%	7.18%	0%	0%	44.69%
Other Enrollment Fees	27,119	62.30%	5.58%	0.56%	0.14%	31.42%
Lost Book/Equipment Fees	1,449	44.51%	6.28%	0.48%	0.41%	48.32%

**Nutrition Services:**

Meal	Free	Reduced	Paid	Number of Meals
Breakfast	242,576	51,943	74,056	368,575
Lunch	557,215	135,216	420,639	1,113,070
Total	799,791	187,159	494,695	1,481,645
Percentage of Total Meals	54%	13%	33%	

**District-wide:**

Receivable	Invoices Issued	Collected within 30 Days	Collected 31-60 Days	Collected 61-90 Days	Collected 90+ Days	Outstanding
	Number	%	%	%	%	%
Property Taxes	N/A	Funds wired monthly				
State Funds	N/A	Funds wired monthly				
Reimbursements from Granting Agencies	N/A	Collected at various times of the year. Most grants are not billed, funds are paid based on grantees requirements				
Charter Administration Fees	N/A	Paid monthly and reconciled at year end				
Athletic Facilities	82	85.37%	7.32%	0%	0%	7.31%
Facility Rental	355	81.34%	3.39%	0%	0.34%	14.93%
Conference Center	60	60.00%	11.67%	3.33%	1.67%	23.33%
Print Shop	136	71.32%	8.82%	2.21%	1.47%	16.18%
Before & After School Care	52,053	99.77%	0%	0%	0%	0.23%
Transportation	43	79.07%	11.63%	0%	2.33%	6.97%
Business Services	47	44.68%	29.79%	2.13%	0%	23.40%

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

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

**INTERPRETATION (2.4.6 a):**

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

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

**DATA REPORTED:**

- A. On December 20, 2016 the District sold \$285 million of a total \$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 K-8 school, and addressing programming needs to ensure all students in the District learn in a safe, warm and dry environment.
- B. In June 2015, new certificates of participation were issued in the amount of \$27,500,000 for the purpose of site improvements and deferred maintenance estimated to be complete by the winter of 2018. On December 20, 2016, the District defeased the COP debt with proceeds from the 2016 Bond.
- C. The expenditures listed below from the June 2015 COP have been made for only improvements within the parameters approved by the Board of Education. The District Facilities Planning Department follows guidelines and checklists as established through the criteria identified in 1-4 to ensure that proceeds are spent efficiently.

**ADAMS 12 Five Star Schools**  
**Statement of Revenue/Expenditures**  
**COP Projects**  
**As of December 31, 2016**

PROJECTS	Current Budget/Plan	Project-to-Date Encumbrances	Project-to-Date Expenditures	Available Budget
<b>School Specific:</b>				
Crawl Space Beam Repair-CEE	\$ 100,000	\$ -	\$ 3,130	\$ 96,870
Crawl Space Beam Repair-CCE	300,000	795	13,888	285,317
Crawlspace Repair-THE	400,000	-	344,960	55,040
Crawlspace Repair-NGMS	230,000	660	11,125	218,215
Waterproof Exterior Walls-HHS	20,000	-	-	20,000
Roof Replace-STL	300,000	-	167,133	132,867
Sound Insulation-CHE	25,000	-	12,940	12,060
SSN Rm C206-WLM	50,000	-	8,436	41,564
Sewer Line Replace-BTEC	180,000	-	144,181	35,819
Upgrade Drainage-NGHS	43,000	-	43,000	-
Mobile Site Drainage-SCMS	110,000	2,920	15,510	91,570
Room C100 Cooling-Vantage Pt.	29,573	-	29,573	-
Boiler Replacement-Stukey	165,043	-	165,043	-
RTU Replacement-NGMS	36,064	-	36,064	-
Boiler 3B-NGHS	8,574	12,500	8,574	(12,500)
Freezer/Cooler-NGHS	35,000	-	13,846	21,154
Locker Replacement-TMS & RTMS	100,000	-	24,758	75,242
Upgrade BiDirection Amp-THS	75,000	-	-	75,000
Playground Hardware-RDE	10,000	-	3,888	6,112
Tennis Court-THH	330,000	-	35,130	294,870
Renovation-STM	10,650,000	1,217,384	952,186	8,480,430
Anthem K-8 Design	330,000	-	297,202	32,798
<b>Total School-Specific Projects</b>	<b>13,527,254</b>	<b>1,234,259</b>	<b>2,330,567</b>	<b>9,962,428</b>
<b>District-Wide:</b>				
Crawlspace Assesment	290,000	-	262,947	27,053
Equipment Services	75,000	-	75,701	(701)
Tennis Court Renovation-DW	75,000	31,927	70,549	(27,476)
Exterior Windows	1,480,000	12,399	1,095,986	371,615
Door Hardware Compliance	1,250,000	38,250	44,686	1,167,064
Sewer Line Assessment	50,000	375	14,810	34,815
DDC Control (HVAC) replace	200,000	-	198,455	1,545
HVAC COP funding	99,405	-	-	99,405
HVAC Boilers	31,107	-	31,107	-
HVAC Cooling	1,665,974	376,251	797,289	492,434
Fire Systems	65,000	2,035	5,415	57,550
FF&E for ECE & SPED	100,000	-	34,164	65,836
ECE Stair Demo	75,000	-	19,454	55,546
Paving	145,000	-	136,343	8,657
ECE Space	4,500,000	-	-	4,500,000
VMAC Corrosion in 4 rooms	350,000	2,344	5,455	342,201
COP G&A	1,350,000	-	-	1,350,000
COP Contingency	1,671,260	-	-	1,671,260
<b>Total District-Wide Projects</b>	<b>13,472,746</b>	<b>463,581</b>	<b>2,792,361</b>	<b>10,216,804</b>
<b>Total Projects</b>	<b>\$ 27,000,000</b>	<b>\$ 1,697,840</b>	<b>\$ 5,122,928</b>	<b>\$ 20,179,232</b>

**COMPLIANCE:** Expenditures from these funds shall be spent only for capital projects permissible pursuant to the terms of the COP agreement. The District’s performance during the monitoring period complied with the standard. Bond proceeds will begin monitoring effective with the March 2017 report.

**INTERPRETATION (2.4.6 b):**

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

Additional operating funds received annually by the District per voter approval in November 1991, 2000, 2004 and 2008 shall be maintained in distinct accounts separate from other District expenditures. All override funds shall be spent for the purposes described in the voter-approved ballot question to achieve the Ends established by Board policy.

**DATA REPORTED:** The below chart accounts for the expenditure of override funds through December 31, 2016. All expenditures have been made in accordance with promises made to voters for use in directly supporting Board of Education Ends.

<b>MILL LEVY FUND ACTUAL EXPENDITURES</b>				
<b>As of December 31, 2016</b>				
	<b>1991</b>	<b>2000</b>	<b>2004</b>	<b>2008</b>
<b>Voter Approved Override:</b>	\$ 5,400,000	\$ 10,200,000	\$ 9,900,000	\$ 9,900,000
<b>Direct Instruction:</b>				
Elementary Education	47,492	1,172,149	1,207,077	1,077,769
K-8 Education	-	56,765	58,518	53,518
Middle School Education	-	206,093	256,599	298,907
High School Education	1,157	188,106	283,242	139,091
Other Regular & Special Education	552	-	-	2,618,891
<b>Indirect Instruction:</b>				
General Administration	18,329	68,305	-	-
Instructional Staff Training	2,119,410	435,308	-	156,211
Pupil Support	-	-	1,279,534	-
<b>Other Support:</b>				
Communications	-	-	186,283	-
Facilities	82,579	-	-	-
Human Resources	-	-	709,237	-
Information Technology	-	763,733	-	-
Maintenance & Operations	-	-	172,027	2,481
Pupil Transportation	-	-	-	253,662
Safe & Secure	-	761,482	-	-
Staff Development	29,983	-	-	-
Utilities	-	-	440,000	-
<b>Total Expenditures</b>	<b>2,299,502</b>	<b>3,651,941</b>	<b>4,592,517</b>	<b>4,600,530</b>
<b>Ending Available Balance</b>	<b>\$ 3,100,498</b>	<b>\$ 6,548,059</b>	<b>\$ 5,307,483</b>	<b>\$ 5,299,470</b>

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

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

**INTERPRETATION:**

I interpret this to mean:

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

**DATA REPORTED:** For FY16-17, General Fund revenues and expenditures are currently being received and expended as anticipated. The District has not expended funds anticipated from third parties prior to receipt and has not committed to multiple-year expenditures without a reliable funding source.

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

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

**INTERPRETATION:**

I interpret this to mean:

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

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

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

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

**INTERPRETATION:**

I interpret this to mean:

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

**DATA REPORTED:** On December 20, 2016, the District refunded the 2006 GO Bond in the amount of \$34,845,000, which produced a net present value savings of \$3,406,871.

**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:** An audit was conducted by CliftonLarsonAllen LLP for the fiscal year ended June 30, 2016. The audit concluded with an unqualified opinion and no findings on the Districts' financial statements of governmental activities or federal programs for the fiscal year ended June 30, 2016. The adopted budget includes amounts necessary to pay for the audit contract.

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

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

**INTERPRETATION:**

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

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

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

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

**INTERPRETATION:**

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

**DATA REPORTED:** An RFP for competitive process for the selection of an independent auditor for the Fiscal Year 2016-17 audit was issued on January 6, 2017.

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

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

**INTERPRETATION:**

I interpret this to mean:

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

**DATA REPORTED:** Funds have been managed in accordance with professionally appropriate standards as demonstrated by the most recent independent audit for the period ending June 30, 2016, performed by CliftonLarsonAllen LLP.

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

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

**INTERPRETATION:**

I interpret this to mean:

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

- A. Cash is deposited in eligible depository banks subject to FDIC insurance or which pledge collateral in accordance with the Colorado Public Deposit Protection Act ("CPDPA"), or

- B. Cash is deposited in money market funds or local government investment pools with the highest credit rating assigned by a nationally recognized credit rating agency, or
- C. Investments in securities comply with applicable Colorado law and the credit rating, diversification and maturity restrictions as specified by the District’s investment policy, and
- D. Cash and other funds are not invested in instruments other than those permitted by Interpretations A-C.

**DATA REPORTED:** As of December 31, 2016, the District maintained cash as follows:

- A. Cash in the amount of \$17,225,311 was deposited in eligible depository banks subject to FDIC insurance or in institutions which pledge collateral in accordance with the CPDPA in compliance with Interpretation A.
- B. Cash totaling \$22,423,102 was deposited in money market funds and in local government investment pools totaling \$26,512,923 in compliance with Interpretation B.
- C. Security investments with a market value of \$335,909,916 were made in compliance with Interpretation C.
- D. Cash and securities were not invested in instruments other than those permitted in Interpretations A-C.

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

### Performance of Total Return Portfolios

	Quarter Ended 12/31/16	Quarter Ended 9/30/16	Quarter Ended 6/30/16	Quarter Ended 3/31/16	Past 12 Months
Adams 12 Investment Portfolio	-0.93%	-0.11%	0.80%	1.59%	1.34%
BAML1-5 Year U.S. Treasury Index	-1.09%	-0.19%	0.81%	1.57%	1.09%

	Quarter Ended 12/31/16	Quarter Ended 9/30/16	Quarter Ended 6/30/16	Quarter Ended 3/31/16	Past 12 Months
Adams 12 Bond Redemption Fund	-0.28%	-0.01%	0.52%	N/A	N/A
BAML1-3 Year U.S. Treasury Index	-0.43%	-0.11%	0.53%	N/A	N/A

### Performance of Yield-Based Portfolios

	Yield to Maturity at Cost	Yield to Maturity at Market
Adams 12 Bond Redemption Short-Term Fund	N/A*	N/A*
Adams 12 Series 2016 General Obligation Bonds	1.31%	1.27%

## Compliance with Investment Policy

	Market Values All Portfolios	Investment Policy Limit	Investment Policy Compliance	Actual Allocation
U.S. Treasuries	\$105,972,984	100%	✓	31%
Federal Agencies	\$138,520,146	75%	✓	41%
Municipal Obligations	\$ 4,576,259	25%	✓	1%
Corporate Notes	\$ 24,254,186	35%	✓	7%
Negotiable CDs	\$ 6,367,819	35%	✓	2%
Commercial Paper	\$ 56,936,056	35%	✓	17%
PFM Funds – Government Select Series	\$ 76,644	100%	✓	<1%

Source: PFAMM 12/31/16 monthly statements; Adams 12-5 Star School Investment Policy.  
Values are market values, include accrued interest, and are rounded to the nearest dollar.

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

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

**INTERPRETATION:**

I interpret this to mean:

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

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

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

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

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

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

**DATA REPORTED:**

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

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