

FINANCIAL POLICIES
AND
PROCEDURES HANDBOOK

2009 EDITION
Effective Starting July 1, 2009

Budgeting, Accounting, Reporting,
Auditing and Investment

For Colorado Public School Districts, the Charter School Institute (CSI),
Charter Schools and Colorado Boards of Cooperative Educational Services
(BOCES)

“The *Financial Policies and Procedures Handbook* adopted by the State Board of Education shall be used by every school district in this state in the development of the budget for the district, in the keeping of financial records of the district, and in the periodic presentation of financial information to the Board of Education of the district.” C.R.S. 22-44-204(3)

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PREFACE TO THE HANDBOOK

The 2009 edition of the *Financial Policies and Procedures Handbook* was updated and revised to incorporate changes in required financial policies resulting from: (1) New Colorado statutory mandates enacted since the previous update; (2) recent requirements of the Governmental Accounting Standards Board (GASB).

The 2006 edition of the *Financial Policies and Procedures Handbook* was updated and revised to incorporate changes in required financial policies resulting from: (1) New Colorado statutory mandates enacted since the previous update; (2) recent requirements of the Governmental Accounting Standards Board (GASB).

The 2003 edition of the *Financial Policies and Procedures Handbook* was updated and revised to incorporate changes in required financial policies resulting from: (1) Colorado's push towards increased public accountability for school district budgeting, accounting and reporting; (2) new Colorado statutory mandates enacted since the Public School Finance Act of 1994; and (3) recent requirements of the Governmental Accounting Standards Board.

The *Handbook* is a publication of the Colorado State Board of Education. Members of this Committee, which is advisory to the State Board of Education, are representatives of school districts and organizations such as the State Auditor's Office and the Colorado Association of School Boards. Committee members serve without remuneration and meet **monthly** **quarterly**, or more often if required, to consider issues and policy regarding school district financial budgeting, accounting and reporting.

INTRODUCTION

I. Purpose of the Handbook

The 2006 2009 edition of the *Financial Policies and Procedures Handbook* (*Handbook*) is a publication of the State Board of Education. The *Handbook* is designed to achieve three purposes:

- (1) To summarize state and federal general requirements regarding the management and reporting of financial data.
- (2) To ensure that educational financial data are reported in a comprehensive and consistent manner.
- (3) To provide information and guidance to school districts, the Charter School Institute (CSI), charter schools, and Boards of Cooperative Educational Services (BOCES) regarding the budgeting, accounting, reporting, auditing, investment and cash management of educational finances.

This *Handbook* has been developed to conform to generally accepted accounting principles (GAAP) for governments and compliance with legal provisions.

Most of the narratives in this document will refer to school districts. However, all references for “school districts” shall also include the Charter School Institute (CSI), charter schools, and Boards of Cooperative Educational Services (BOCES), unless the narrative states otherwise.

II. Required Use of the Handbook

Colorado statutes require that the *Financial Policies and Procedures Handbook* be used by every school district in the development of the budget, in the keeping of financial records and in the periodic presentation of financial information to the board of education of the district. C.R.S. 22-44-204(3). State law also requires school district auditors to ensure, in their annual financial audit, that school districts are complying with the requirement to use the *Handbook*. C.R.S. 29-1-603(1).

In compliance with state law, the *Handbook* is consistent with the federal *Financial Accounting Handbook II, Revised*. C.R.S. 22-53-108(2)(a). Federal law requires all states to provide data, consistent with federal definitions, on the financing of elementary and secondary education as a condition of receiving federal funding under the *Elementary and Secondary Education Act*. 20 USC 122 1e-1g. Because financial data is used to allocate Chapter 1 Title I funds to states, it is subject to independent audit at both the district and state levels by the Inspector General of the U.S. Department of Education.

III. Federal and State Categorical Program Reporting

The **FPP Handbook** contains only general state and federal financial reporting requirements. In addition to these, state and federal categorical programs, which target funding for specific purposes or groups of students, have very specific financial requirements. **Appendix A** of the *Handbook* contains *Fiscal Guidance for Federal Programs*, a publication of the Colorado Department of Education (CDE) that summarizes specific requirements of some of the major federal programs. Additional information may be obtained from state and federal laws and regulations and the state plans for the various programs. The units of CDE that administer the programs will provide additional information regarding the requirements of specific programs.

IV. Handbook Requirements and Advice

It is the intent of this *Handbook* to summarize the major state and federal requirements regarding financial budgeting, accounting and reporting. However, school district personnel and other users are encouraged to consult state and federal statutes for more information about any of the requirements and to seek legal counsel as necessary for assistance in interpreting and complying with the law.

The revenue and expenditure requirements included in the FPP Chart of Accounts red binder represent a state and federal minimum program budgeting and accounting system. **Local School** districts have the flexibility to designate costs in greater detail for various programs depending on district needs.

V. Other Critical Sources of Information Regarding Financial Management

In addition to this *Handbook*, school districts should consider the following to be critical sources of information regarding state and federal requirements governing financial management and accounting.

1. *Colorado Revised Statutes* (C.R.S.)
2. *Colorado Code of Regulations* (C.C.R.)
3. Federal laws as contained in the *United States Code* (U.S.C.)
4. Federal regulations and other guidance as published in the *Federal Register*.
5. *Financial Accounting, Classifications and Standard Terminology for Local and State School Systems, (Handbook II, Revised)*, 1973.
6. Governmental Accounting and Financial Reporting Standards, published by the Governmental Accounting Standards Board, **May 31, 1990**, Codification **is updated annually as of June 30th**.

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PROCEDURES

I. **Revisions of Financial Policies and Procedures Handbook**

This procedure describes the method for revising the *Financial Policies and Procedures Handbook* and for posting changes to individual copies. Changes will be processed as follows:

- A. The originator should submit a draft of the proposed change to the chair of the Financial Policies and Procedures (FPP) committee at the Colorado Department of Education (CDE). The request should contain a statement listing the affected sections and describing the concerns and rationale for the recommended revisions in addition to a copy of the sections as revised and/or added.
- B. Any proposed change will be referred to CDE staff for an analysis of the potential impact before it is acted on.
- C. The impact analysis reviews the following information:
 1. Compliance with existing statutes, regulations, or policies.
 2. Consistency with Generally Accepted Accounting Principles (GAAP), *Federal Handbook IIR* and federal reporting requirements.
 3. Compatibility with existing systems, methods and procedures.
 4. Impact on school districts and CDE.
- D. After this analysis, the proposed change will be submitted to the FPP Committee for consideration and recommendation. Based on the recommendation, it will be either returned to the originator with an explanation of denial or, if approved, returned to the Public School Finance Unit of the Office of Administration and Management Services.
- E. The Chair of the FPP Advisory Committee will coordinate with appropriate persons in the CDE the review of the recommended change. The process includes a review by the Commissioner of Education, who forwards it to the State Board of Education for their approval.
- F. Should either the CDE or the FPP Committee not recommend the change, the originator may appeal the decision to the Colorado Board of Education.
- G. Approved changes will be distributed as complete revisions; thus, the Handbook holder will be required only to remove, replace, or add pages. The changes will be authenticated by a cover letter. Approved changes will be included in the Handbook posted on the Department website under School Finance, Financial Policies and Procedures.

PROCEDURES

H. Changes will be mailed to all holders of record of the *Financial Policies and Procedures Handbook* including school districts, the Charter School Institute (CSI), charter schools, and Boards of Cooperative Educational Services (BOCES).

H. Changes considered at one FPP meeting will ordinarily not be acted on until at least the following meeting.

The FPP Committee periodically issues information, called *FPP Alerts*, to school districts concerning important or urgent critical issues.

BUDGET

I. Purpose of a Budget

The purpose of a budget is to provide a plan of financial operation embodying an estimate of proposed expenditures for a given period and purpose and the proposed means of financing that plan. To achieve this basic purpose, a comprehensive budget system must be integrated with the financial accounting system.

Detailed budget planning allows a district to reflect educational values and needs. The structure and format provided by a well designed budget promotes rational decision-making regarding the importance of various school district services. In this way, administrators and boards of education are assisted in educational planning as well as in the prioritization and planning of all district operations through the allocation of resources.

II. Primary Budget Objectives

- A. Provide a framework to assist in the formulation of an integrated plan of operations and in the understanding of how each program's activities contribute to the goals and educational needs.

The school district must submit the major objectives of the educational program with its proposed budget.

1. No later than September 1 of each year, the advisory accountability committee for each school building in the state shall adopt high, but achievable, goals and objectives for the improvement of education in its building, consistent with the State Board's goals and objectives, and shall adopt a plan to improve educational achievement in the school and to implement methods of maximizing graduation rates from the secondary schools of the district.

The district advisory accountability committee shall review each building's goals, objectives and plan before they are submitted to the board of education of the district. Procedures for the implementation of the plan shall be included in the budget submitted to the board of education pursuant to section C.R.S. 22-7-205(1).

2. After consultation with the district advisory accountability committee and review of its recommendations, the board of education shall compile school building goals and objectives and plans and shall submit a district's high, but achievable, goals and objectives for the improvement of education in the district, consistent with the State Board's goals and objectives, and a district plan to improve educational achievement and maximize graduation rates to the **State Board of Education** **public** no later than October 1 of each year. C.R.S. 22- 7-205(2).

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3. In addition to any other duties and powers, the advisory accountability committee of each school district shall make recommendations to the district board of education relative to the prioritization of expenditures of school district moneys. The board of education shall consider such recommendations in adopting the budget of the school district. C.R.S. 22-7-105.
 4. In addition to any other duties and powers, the advisory accountability committee for each school building shall make recommendations to the school's chief executive officer relative to the prioritization of expenditures of school district moneys by the school. A copy of such recommendations shall be sent to the district advisory accountability committee and the board of education. The chief executive officer shall consider such recommendations in formulating budget requests to be presented to the board of education. C.R.S. 22-7-207.
- B. Provide a means of communication through the budget process to school district staff and community by stating the objectives of each program and allocating the funds necessary to achieve them.
 - C. Provide a means for relating anticipated costs and actual costs to designated programs.
 - D. Provide the historical data required for realistic budget preparation and related planning decisions.
 - E. Provide budgeting and reporting consistent with federal and state requirements.

III. Budget Process

The budget process is a multi-step process which includes identification of district goals, budget calendar, budget projections, budget content, program budgeting and the utilization and presentation of prescribed forms.

A. Budget Calendar

The following calendar is a list of recommended activities and legal dates as established by C.R.S. All required legal budget dates within this calendar are provided with a statutory reference.

1. **Not less than 100 days prior to the date of the November election:** District notifies county clerk and recorder of expectation to participate in coordinated election and of preference for polling place or mail ballot election. C.R.S. 1-7-116(5)

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2. **August 25:** County assessor certifies to school district the total assessed valuation and the actual value of the taxable property in the district. C.R.S.39-5-128(1).
3. **September 1:** Adoption of goals and objectives for each school building. C.R.S. 22-7-205(1).
4. **At least 60 No later than 70 days prior to the date of the November election:** Last day to enter into an intergovernmental agreement with county clerk concerning the conduct of the coordinated election. C.R.S. 1-7-116(2).
5. **At least 55 No later than 60 days prior to the date of the November election:** Ballot content and order certified to the county clerk. 1-5-203(3).
6. **September 15:** Last date to apply for preschool program approval pursuant to State Board Rule 2228-R-2.01. C.R.S. 22-28-107.
7. **On the Friday before the 45th day prior to the date of the November election:** Last day for receipt of written comments for TABOR notice. Comments must be signed by an eligible elector. C.R.S. Colorado Constitution Article X-20(3)(b); 1-7 -901.
8. **42 days prior to the date of the November election:** Last day to submit full text of TABOR notice to county clerk. C.R.S. 31-10-501.5; 1-7-904; 1-7-116(3).
9. **October 1:** District board of education submits goals and objectives and plans to the State Board of Education public. C.R.S. 22-7-205(2).
10. **Nearest school date to October 1:** Perform pupil membership count. C.R.S. 22-54-103(10)(a).
11. **At Least 30 days prior to the date of the November election:** Mail TABOR notice to all registered voters. Colorado Constitution Article X-20(3)(b); 1-7-906;1-5-206.
12. **October 15:** District Board of Education makes final changes, if any, to fiscal year adopted budget. C.R.S. 22-44-110(5).
12. **At least 10 days prior to the date of the November election:** Designated election official or, by agreement, county clerk must publish and post notice of the election. C.R.S. 1-5-205.
13. **First Tuesday after the first Monday in November:**

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- a) In even numbered years, the general election date is the only date on which an election seeking authorization of additional local revenues can be held.
- b) In odd numbered years, a special school district election can be held on the first Tuesday after the first Monday in November. Colorado Constitution Article X-20(3); C.R.S. 1-1-104(17); 1-7-101.
14. **November 16: Ten business days following election**, Districts certify pupil membership count to CDE on Form CDE-4. C.R.S. 22-54-112(2).
15. **November 16:** School district provides to CDE a copy of its official November election ballot questions and the number of votes cast for the questions and the number of votes cast against the question.
16. **Fall/Winter:**
- a) Prepare preliminary forecasts including estimates of revenue, expenditures and fund balances.
- b) Prepare budget development worksheets.
- c) Review budget development process and budget document format with board of education.
17. **December 1:** School districts entitled to “additional funding”, if any, submits to CDE a certification signed by its auditor of its projected current fiscal year spending limit pursuant to TABOR (unless district previously has held a successful "debrucing" election). C.R.S. 22-54-104.3(2.7)(d)(II)
18. **December 10:** Final date county assessor can notify CDE and school districts of changes in assessed valuation. C.R.S. 39-1-111(5).
19. **December 15:** The board of education of each school district shall certify to the board of county commissioners of the county **or counties** wherein said school district is located the separate amounts necessary, in the judgment of said board of education, to be raised from levies against the valuation for assessment of all taxable property located within the boundaries of said school district for its
- General Fund total program pursuant to C.R.S. 22-54-106 (1)(a)(I),
 - General Fund categorical buyout ,if any, pursuant to C.R.S. 22-54-107 (1),
 - General Fund voter-approved overrides, if any, pursuant to C.R.S. 22-54-108 (1),
 - General Fund hold-harmless overrides, if any, pursuant to C.R.S. 22-54-106 (2)(b)(III)
 - General Fund abatements, if any, pursuant to C.R.S. 39-10-114 (1)(a)(I)(B),

BUDGET

- Bond Redemption Fund for any voter-approved creation of bonded indebtedness or for an installment purchase agreement or lease agreement pursuant to C.R.S. 22-45-103 (1)(c)(II.5),
- Full Day Kindergarten Fund excess program costs voter-approved override, if any, pursuant to C.R.S. 22-54-108.5 (1)(a),
- Transportation Fund for any voter-approved tax levy for the purpose of paying excess transportation costs, as authorized pursuant to C.R.S. 22-40-102 (1.7),
- Special Building and Technology Fund for any voter-approved tax levy pursuant to C.R.S. 22-45-103 (I)(d), and
- Any other voter-approved tax levy items to be included in the certification no later than December 15

General, Bond Redemption, Transportation and Special Building Funds to defray its expenditures during its next ensuing fiscal year; except that any school district conducting an election seeking authorization for additional local revenues pursuant to C.R.S. 22-54-108, for the creation of bonded indebtedness, for an installment purchase agreement or lease agreement pursuant to C.R.S. 22-45-103(1)(c)(II.5), or for the imposition or increase of a levy for the Special Building Fund under subsection (1.5) of this section shall make such certification no later than December 15. C.R.S. 22- 40-102.

20. **December 15:** Each school district shall inform the county treasurer of each county within the district's boundaries of the General Fund mill levy in the absence of funds estimated to be received pursuant to the Public School Finance Act of 1994 and the estimated funds to be received for the General Fund of the district from the state. C.R.S. 22-40-102(6).
21. **January 31:** District Board of Education makes final changes, if any, to fiscal year adopted budget. C.R.S. 22-44-110(5).
22. **January 31:** The revised budget that includes data available to the Board of Education as of December 31 is submitted to CDE in the required format. C.R.S. 22-44-111(3).
23. **Winter:** Prepare initial draft of revenue and expenditure assumptions.
24. **Spring:**
 - a) Refine preliminary budget assumptions and estimates.
 - b) Review district goals in relationship to budget development process.
 - c) Hold work sessions for the community regarding preliminary budget.
25. **June 1:** Deadline for submission of proposed budget to board of education. C.R.S. 22-44-108(1)

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26. **June 10 or within ten days after submission of the proposed budget:** “The board of education shall cause to be published a notice stating that the proposed budget is on file at the principal administrative offices of the school district; that the proposed budget is available for inspection during reasonable business hours; that any person paying school taxes in the district may file or register an objection thereto at any time prior to its adoption; and that the board of education of the school district will consider adoption of the proposed budget for the ensuing fiscal year on the date, time and place specified in the notice. C.R.S. 22-44-109(1).
- a) It is suggested that a budget hearing be publicized and held a minimum of two weeks prior to final adoption to allow viable citizen/patron input.
 - b) Be sure to include district major objectives of the educational program in the budget document.
27. **June 30:** Last legal date for final adoption of school district budget and appropriation resolution. C.R.S. 22-44-110(4).

B. Budgetary Accounting

The budget will serve as the basis for information appearing on required reports, as an integral part of the accounting records and as a tool for management control of expenditures during the year.

If a fund's budget is prepared on a basis other than Generally Accepted Accounting Principles (GAAP), a financial statement reconciling non-GAAP revenues and expenses to GAAP revenues and expenses must be disclosed in the audited annual financial report at the end of the fiscal year. An example of this situation is the liability for accrued salaries and benefits, if not budgeted.

According to 22-44-105 (1.5) (a), C.R.S., Each district shall annually prepare an itemized reconciliation between the fiscal year end fund balances based on the budgetary basis of accounting used by the school district and the fiscal year end fund balances based on the modified accrual basis of accounting. The reconciliation shall include, but need not be limited to, the liability for accrued salaries and related benefits. The reconciliation shall be included with the final version of the amended budget and the annual audited financial statements.

Note: This section does not apply to school districts that do not use “budgetary basis” of accounting. However, it is the recommendation of the CDE that an annual reconciliation between the “Audited Ending Fund Balance” and the “Budgeted Beginning Fund Balance” be done as soon as the prior year’s audit is complete and make appropriate adjustments to the “Budgeted Beginning Fund Balance” and “Projected Ending Fund Balance” to alleviate any unexpected over

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expenditures. The fund balance comparison should be incorporated with the budget as an addendum.

A GAAP budget basis includes all expenditures/expenses incurred and revenue earned during the period, regardless of whether received in cash. However, the liability for accrued salaries and benefits is not required to be budgeted. Districts will generally fall in one of four categories when developing budgets with regards to accrual liability funding:

1. Districts which choose to fully fund the accrual liability should not include the accrual funds in the beginning fund balance for budgeting purposes.
2. Districts which intend to fund any portion or all of the accrual liability may include that portion of the liability which is intended to be funded as part of the expenditure budget. In this case, an expenditure budget may be created to protect and, depending on the district's long-range plan for accrual funding, increase the accrual funding level.

If a positive fund balance is available without considering accrual funds, then these funds should not be used to calculate the beginning appropriated fund balance for budgetary purposes. In this case, an expenditure budget should be created annually to increase or maintain the accrual funding level.

3. Districts which are reducing accrual funding levels may include in the beginning fund balance that portion of the funded reserve which is intended to be budgeted to offset other expenditures.
4. District which choose not to fund the accrual liability must consider the liability as deferred when calculating the appropriated fund balance for budgeting purposes.

C. Budget Projections

To prepare budget projections for the ensuing fiscal year, the district should develop underlying assumptions forecasting sources and uses of funds.

1. Beginning Fund Balance

- a. The district should provide its best estimate of the end-of-year fund balances to be carried forward to the ensuing year as a beginning fund balance(s). This activity requires projection of accounts payable and receivable, expenditures and revenues for the remaining portion of the current budget year.
- b. According to 22-44-105(1.5)(a), a budget adopted as of July 1, 2003 shall not provide for expenditures, interfund transfers, or reserves, in excess of available revenues and beginning fund balance.

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- c. If any portion of the beginning fund balance is used to cover expenditures, interfund transfers, or reserves, a “specific resolution” must be adopted by the local board of education authorizing the use of that portion of the beginning fund balance in the school district’s budget. The resolution shall specify (at a minimum).
 - (1) The amount of the beginning fund balance to be spent under the budget.
 - (2) State the purpose for which the expenditure is needed.
 - (3) State the district’s plan to ensure the use of beginning fund balance will not lead to an ongoing deficit.

2. Revenues

- a. Revenues from the Public School Finance Act of 1994 can be estimated based upon five primary factors. The first is the funded pupil enrollment count, the second is the district's assessed valuation, the third is the amount of per pupil funding, the fourth is the allowable mill levy, and the fifth is the applicable portion of actual prior year specific ownership taxes. These five variables are then used to calculate state aid and property taxes receivable. Of the portion of revenues which are property taxes, the district will have to determine what percentage will be collectable based upon historical and current economic trends within the district.
- b. Specific ownership tax revenues should be estimated based upon historical averages and the current state of the local economy. Mobility of registered vehicle owners in and out of the county(ies) in the district will impact the percentage of specific ownership tax collected as well as the relationship of the district's property tax amount to the totals collected in the county(ies).
- c. For State program support funds, such as English Language Proficiency Act (ELPA), Vocational Education, Transportation, and Special Education (ECEA) anticipated receipts for the budget year need to be projected.
- d. Anticipated receipts from Federal grants (Governmental Designated Purpose Grants such as Vocational Education and Special Education, etc.) need to be projected. These projections should be based upon levels of expenditures and historical portions thereof which have been reimbursed under the specific categorical grant. Caution should be utilized in estimating anticipated revenue from these grants to prevent possible cash flow problems **and/or deficit spending.**
- e. Other local sources

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- (1) Interest income should be projected based upon cash flow, the amount of investable funds and the most likely anticipated rate of interest receivable.
 - (2) Tuition funds should be estimated for non-resident pupils receiving educational services within the district. Under certain circumstances, such as summer programs, tuition may be received from resident students.
 - (3) Community use fees assessed by the district for use of school facilities by individuals and organizations for private use need to be projected.
 - (4) Revenue from the sale of property should be recorded in the fund from which the property was originally purchased. However, if real property is sold the proceeds should be deposited in the Capital Reserve Fund or Bond Redemption Fund or both such funds. C.R.S. 22-32-110(e); 22-45-112.
 - (5) Delinquent taxes and interest thereon estimated for the budget year should be based upon current and historical economic trends and the collection efforts made by the county treasurer's office.
 - (6) Anticipated cash donations for an undesignated purpose may be budgeted in the General Fund.
 - (7) Any other cash donations anticipated for a specified purpose must be held and expended by the district in a fiduciary capacity. Any moneys, except non-expenditure donations where interest only may be used, should be handled in the Trust and Agency Fund (for the appropriate fiduciary type fund see Fund Structure discussion in Section C – Accounting and Reporting).
 - (8) Estimated student participation fees and gate receipts from school sponsored activities which meet the criteria established for the Pupil Activity Fund may be budgeted in the Pupil Activity Fund. (See the Accounting and Reporting Section under Accounting Principles - Fund Structure.)
 - (9) Rental income anticipated from school lands and buildings shall be budgeted in the General Fund or Capital Reserve Fund.
- f. Caution should be utilized in estimating anticipated revenues to prevent possible cash flow problems and/or deficit spending.

3. Revenue Allocation

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Districts **must** **may** allocate **a** **the statutorily defined minimum** dollar amount per funded pupil to the Capital Reserve Fund created by C.R.S. 22-45-103(1)(c) and/or to a fund or an account within the general fund for the management of risk related activities as identified in C.R.S. 24-10-115 from total program funding. **The statutes define the minimum and maximum amounts to be allocated.** The number of pupils is the funded pupil count used to determine total program funding for the year **minus the district's on-line pupil enrollment.** **Beginning with the budget year, school districts with balances in their capital reserve funds that equal or exceed five times the required allocation, may allocate the minimum, a lesser amount, or none.** C.R.S. 22-54-105(2)(c).

Per C.R.S. 22-28-108(5.5) the PPOR funding provided for the Colorado Preschool Program shall only be used to pay a district's costs of providing preschool services directly to children enrolled in the district's preschool program

4. Expenditures

- a. Salaries, both current and anticipated, for full and part-time employees should be calculated by considering the district's staff and salary schedules, the timing of any salary increases, and any anticipated employee turnover.
- b. Employee benefits should be based upon the estimated number of staff employed (to determine, for example, health insurance premiums), the total salaries budgeted (to determine, for example, employer pension contributions, life insurance premiums, social security and Medicare taxes) and the specified amounts required to fund mandated benefits and district elected benefits. **It should be noted that the required employer contribution rates for the Public Employee Retirement Association (PERA) will continue to increase annually through at least January 2013.**
- c. Purchased services comprise expenditures such as county property tax collection fees, contracted services, tuition, non-staff personnel, travel expenses, etc.
- d. Operations and maintenance costs should be calculated by using historical data or current estimates in conjunction with utilities and desired levels of on-site custodial and maintenance expenditures.
- e. **The district must budget a statutorily defined minimum dollar amount per pupil for instructional supplies and materials, instructional capital outlay and other instructional purposes. C.R.S. 22-54-105(II). Any moneys remaining in the instructional supplies and material and instructional**

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capital outlay fund or account that have not been expended prior to the 2009-10 budget year shall be budgeted for the purposes set forth in section 22-45-103 (1)(c) and (1)(e) in the 2009-10 budget year or any budget year thereafter.

- f. Other expenses not identified above should be projected by the district based upon anticipated expenditure levels.

5. Transfers

- a. A board of education may transfer by resolution any unencumbered moneys from one fund to another, except the Capital Reserve Fund, any fund or account in the General Fund established solely for the management of risk-related activities, the Transportation Fund, the Special Building and Technology Fund, or the Bond Redemption Fund, or the Instructional Supplies and Materials Account and the Instructional Capital Outlay Account and the Other Instructional Purposes Account in the General Fund. However, unencumbered moneys may be transferred by resolution of the board between the Capital Reserve Fund and any fund or account in the General Fund established solely for the management of risk-related activities and between the Instructional Supplies and Materials Account and the Instructional established solely for the management of risk-related activities and between the Instructional Supplies and Materials Account and the Instructional Capital Outlay Account in the General Fund. C.R.S. 22-45-103(1)(a)(II); C.R.S. 22-44-112(2)(a).
- b. "If the transfer resolution authorizes expenditures in excess of the amount budgeted and appropriated to a particular function and there is no unencumbered appropriation available in another function to transfer to the function where additional expenditures are needed, the board may issue registered warrants to provide for such excess expenditures. The total amount of warrants which may be issued during anyone fiscal year shall not exceed an amount equal to that which could be raised by a two mill levy on the valuation for the calendar year in which the second half of such fiscal year is included for assessment of the taxable property in the district. Transfers in excess of expenditures shall be deemed to be budgeted and appropriated for the purpose specified in the resolution upon the effective date of the resolution." C.R.S. 22-44-112(3)(c).
- c. Other transfers are operating subsidies to other funds.
- d. Without a waiver from CDE, transfers from the General Fund to the Food Service Fund cannot be a lesser amount than what was transferred the previous during the 2001-02 budget year: C.R.S. 22-54-123. Note: the base year for the transfer amount is FY 2000-2001. Beginning in FY

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2001-2002 you needed to transfer at least what was transferred in FY 2000-2001.

6. Reserves for TABOR Emergency

Each district is to set aside in a reserve 3% or more of its fiscal year spending excluding bonded debt service, plus a reserve for non-voted multi-year obligations. Colorado Constitution Article X-20(5).

Per C.R.S. 22-44-105 (c.5) the budget shall ensure that the school district holds unrestricted general fund or cash fund emergency reserves in the amount required under the provisions of section 20 (5) of article X of the state constitution; except that, if a board of education provides for a district emergency reserve in the general fund for the budget year, established at an amount equal to at least 3% of the amount budgeted to the General Fund, the Board may:

(I) Designate real property owned by the district as all or a portion of the reserve required as long as the Board has filed with the State Treasurer and the Department of Education a letter of intent that expresses the intent of the Board to increase the liquidity of such property upon the occurrence of a declared emergency within the meaning of section 20 (5) of Article X of the state constitution by entering into one or more lease-purchase agreements with respect to such property or by other means acceptable to the State treasurer; or

(II) Secure a letter of credit from an investment-grade bank as all or a portion of the reserve required so long as the Board has filed with the State Treasurer and the Department of Education a letter of intent that expresses the intent of the Board to satisfy its obligation to reimburse the bank for moneys drawn on the letter of credit upon the occurrence of a declared emergency that are not reimbursed to the bank within the same fiscal year by entering into lease-purchase agreements with respect to real property owned by the district.

7. District Emergency Reserve

Pursuant to 22-44-105 (1)(c.5), If a board of education, under certain restrictions, may provide for a District Emergency Reserve in the general fund for the budget year, established at an amount equal to at least 3% of the amount budgeted to the general fund.

(c.6) If at any time the board of education expends any moneys from the district emergency reserve created pursuant to paragraph (c.5), the board shall restore the reserve to 3% of the amount budgeted to the general fund as follows:

(I) If the board of education expends moneys from the district emergency reserve in a single fiscal year, the board shall restore the reserve within 36 months of the first draw of the money from the reserve; and

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(II) If the board of education expends moneys from the district emergency reserve in two consecutive fiscal years, the board shall restore the reserve by the end of the fiscal year following the second fiscal year in which the board expended moneys from the reserve.

8. Fiscal Emergency Restricted Reserve

For the 2009-10 budget year, each school district and the state charter school institute shall budget a total dollar amount determined by the Department to a fiscal emergency restricted reserve in the General Fund. The amount budgeted by each school district and the state charter school institute may be released for expenditure by the district or for distribution to institute charter schools by the state charter school institute, as applicable, on or after January 6, 2010, if the general assembly has not acted by said date to require a rescission or if the joint budget committee of the general assembly, using the process described in section 24-75-111, C.R.S., for overexpenditures, has not acted by said date to require a rescission. C.R.S. 22-44-119

D. Required Budgeted Items

1. Instructional Supplies and Materials

The district must budget the statutorily defined minimum dollar amount per pupil for instructional supplies and materials, instructional capital outlay and other instructional purposes. C.R.S. 22-54-105(1)(b)(II) and (b)(IV).

The state chart of accounts defines instruction as "the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils." This definition limits the expenditures that can be classified as "instructional" to those that relate to the direct teaching of pupils or the interaction between teacher and pupils.

Co-curricular activities, as defined later in this section, may also apply toward the required dollar amount requirement if expended in the General Fund.

1. At Risk Funding

Districts must expend at least 75% of its school finance act At-Risk funding on direct instruction or staff development, or both, for the educational program of At-Risk pupils. C.R.S. 22-54-105(3).

2. Legal Requirements and Recommended Practices

Minimum requirements for budget reporting include:

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- a. Though not required, it is strongly advised to report actual revenues and expenditures in detail for the last completed fiscal year.
- b. Revenues and expenditures, anticipated or budgeted or both, for the current fiscal year (C.R.S. 22-44-105)(1)(b).
- c. Proposed revenues and expenditures for the ensuing fiscal year (C.R.S., 22-44-105).
- d. Beginning fund balances for each fiscal year.
- e. The **optional** amounts allocated to the Capital Reserve Fund and to a fund or an account within the General Fund established solely for the management of risk-related activities. C.R.S. 22-54-105(2).
- f. **Continue to allocate appropriate PPOR funding to the Colorado Preschool Program.**
- f. Local major objectives of the educational program. C.R.S. 22-44-108(1)(a).
- g. Every fund must be budgeted on a fiscal year basis. This includes revenue and expenditures for federal and state governmental designated purpose grants, whether included in the General Fund or treated as a separate fund(s).
- h. Supporting explanatory schedules or statements, as needed, of sufficient detail to judge the validity thereof of anticipated revenues and proposed expenditures. C.R.S. 22-44-105(2), C.R.S. 22-44-107,108).
- i. A statement which summarizes the aggregate of revenues, appropriations, assets and liabilities of each fund in balanced relations. C.R.S. 22-44-105(2).
- j. A disclosure of planned compliance with section 20 of Article X of the state constitution. C.R.S. 22-44-105(2).

The budget shall ensure that the school district holds “unrestricted” TABOR emergency reserves in General Fund or other appropriate funds (not Bond Redemption Fund or any other fund that has restricted Revenue). The statute says “cash” fund, but the Deputy Treasurer clarifies that cash funds is a state accounting term and means the same as all other available funds.

Per C.R.S. 22-44-105 (1)(c.5) the budget shall ensure that the school district holds unrestricted general fund or cash fund emergency reserves in the amount required under the provisions of section 20 (5) of article X of

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the state constitution; except that, if a board of education provides for a district emergency reserve in the general fund for the budget year, established at an amount equal to at least 3% of the amount budgeted to the General Fund, the Board may:

(I) Designate real property owned by the district as all or a portion of the reserve required as long as the Board has filed with the State Treasurer and the Department of Education a letter of intent that expresses the intent of the Board to increase the liquidity of such property upon the occurrence of a declared emergency within the meaning of section 20 (5) of Article X of the state constitution by entering into one or more lease-purchase agreements with respect to such property or by other means acceptable to the State treasurer; or

(II) Secure a letter of credit from an investment-grade bank as all or a portion of the reserve required so long as the Board has filed with the State Treasurer and the Department of Education a letter of intent that expresses the intent of the Board to satisfy its obligation to reimburse the bank for moneys drawn on the letter of credit upon the occurrence of a declared emergency that are not reimbursed to the bank within the same fiscal year by entering into lease-purchase agreements with respect to real property owned by the district

- k. Disclosure of the following lease-purchase agreement information: (1) payments due during the ensuing fiscal year; (2) payments due after the ensuing fiscal year and the period in which they are due, and (3) the funding source for the payments. C.R.S. 29-1-103.

E. Working with the County Treasurer

- 1. **County Public School Fund** - Each County Treasurer will maintain a continuing fund known as the County Public School Fund, into which shall be paid the proceeds of all county school moneys. C.R.S. 22-54-113.
 - a. Each district in the county shall be entitled to receive distribution during a budget year of moneys in the fund in the proportion that funded pupil count in the county is to the aggregate of the funded pupil counts of all districts in the county.
 - b. The Department of Education “shall determine the proportionate part of the county public school fund to be paid during the budget year to each district in the county. These proportions shall be the basis upon which the moneys in the funds shall be distributed during the ensuing budget year.”
 - c. “At the end of each month during such year the county treasurer shall credit or pay over the proper proportions of the moneys in the fund to the General Funds of the districts in the county.” C.R.S. 22-54-113(3).

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2. **Fees** The county treasurer shall charge a collection fee of one-half quarter of one percent upon moneys collected for or distributed by him to any district located in whole or in part in his county from taxes levied for the General Fund of the district. C.R.S. 22-54-119. Effective January 1, 2000, the county fee has been reduced to one-quarter of one percent. No collection fee shall be charged on other school taxes exempt by law from said collection fees. C.R.S. 30-1-102(1)(a).
 - a. The county treasurer is allowed to collect a fee of one percent for receiving all moneys other than taxes, except moneys received from all federal funds derived from any and all sources.
 - b. No collection fees shall be charged upon any moneys collected and distributed under the provisions of state law pertaining to local and state share of total program funding, C.R.S. 22-54-106, and distributions from state public school fund, C.R.S. 22-54-114.
 - c. The county treasurer shall not collect any fee on the moneys received by virtue of a tax levy, nor shall he collect any fee on any moneys received from any other source to pay bonds or interest thereon. C.R.S. 22-42-118(4). A collection fee may be charged as provided in C.R.S. 30-1-102(1)(q), for services rendered by virtue of his office having been designated as the place of payment or optional place of payment for bonds. Fee shall only be collected when the county treasurer has a financial institution perform such services regarding the bonds.
3. **Statement of Account.** “The county treasurer shall, no later than the 10th day of each month, render a monthly itemized statement of account, on a form prescribed by the State Board of Education, to each school district in his county and to each joint school district if the headquarters are located in his county, when the board of education has elected, pursuant to law, to have school district moneys received by the county treasurer paid over to the treasurer of the district.” C.R.S. 22-45-108.
4. **Specific Ownership Tax.** The county treasurer is to calculate the percentages which the dollar amount of ad valorem taxes levied in the county during the preceding calendar year for the various entities were of the aggregate dollar amount of ad valorem taxes levied. C.R.S. 42-3-106(26). This percentage is used to apportion the amount of specific ownership tax revenue due the various governmental entities. Specific ownership tax revenue may be apportioned to any fund with a mill levy.

F. Tax Levies and Revenue

1. **Certification of Assessed Valuation.** No later than August 25 of each year, the assessor shall certify to the secretary of each school district the total valuation for assessment and the actual value of all taxable property and

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abatements and taxes collected on omitted property located within the territorial limits of the school district. C.R.S. 39-5-128(1).

On or before December 10 of each year, the property tax administrator shall notify the school districts of final changes, if any, to the valuations for assessment of all taxable property within each county and for each district or portion of a joint district in each county. C.R.S. 39-1-111(5), C.R.S. 22-54-112(1).

2. **Pupil Enrollment.** On or before November 10 of each year, the secretary of the board of education of each district shall certify to the State Board the pupil membership count on form CDE-4 of the district taken in the preceding October. C.R.S. 22-54-112(2).
3. **Certification to County Commissioners.** “The board of education of each school district no later than December 15 shall certify to the board of county commissioners of the county, wherein said school district is located, the separate amounts necessary, in the judgment of the board of education, to be raised from levies against the valuation for assessment of all taxable property located within the boundaries of said school district for its General, Bond Redemption, Transportation and Special Building Fund to defray its expenditures during the next ensuing fiscal year.” C.R.S. 22-40-102(b)(I); and 39-5-128.
 - a. A board of education or board of county commissioners has no power to modify the amount of tax revenue certified to the board of county commissioners. C.R.S. 22-40-103. A board of county commissioners has no discretion to modify or to review the amount certified by the board of education other than to ascertain if the amounts are within the limits set out in law. However, C.R.S. 22-42-118(2) gives the county commissioners the authority to levy taxes for Bond Redemption Fund (Debt Service Fund) revenues if the board of education fails to do so.
 - b. A school district shall add an amount equal to the proportional share of the total amount of abatements and refunds granted to the setting of the mill levy for such school district. C.R.S. 39-10-114(1)(a)(I)(B)
 - c. “A public entity or designated insurer shall pay any compromise, settlement, or final judgment in the manner provided in this section, and an action pursuant to the Colorado rules of civil procedures shall be an appropriate remedy to compel a public entity to perform an act required under this section.” C.R.S. 24-10-113(1)

“If a public entity is unable to pay a judgment during the fiscal year in which it becomes final because of lack of available funds, the public entity shall levy a tax, in a separate item to cover such judgment, sufficient to discharge such judgment in the next fiscal year or in the succeeding fiscal

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year if the budget of the public entity has been finally adopted for the fiscal year in which the judgment becomes final before such judgment becomes final; but in no event shall such annual levy for one or more judgments exceed a total of ten mills, exclusive of existing mill levies." C.R.S. 24-10-113(3).

4. **Estimate of State Funding.** No later than thirty days prior to the beginning of the budget year, the Department of Education shall determine the estimated requirements to provide each district **and each institute charter school** the amount it is eligible to receive from the state during the next ensuing fiscal year of the state. C.R.S. 22-54-114(2).
5. **Notice of Reduced Mill Levy Attributable to State Funds.** No later than December 15 each school district, with whatever assistance is required from the Department of Education, shall inform the county treasurer of the district's General Fund mill levy in the absence of funds estimated to be received from the state. C.R.S. 22-40-102(6); 22-54-116.
6. **Determination of State Funds.** No later than June 30 of each year, the State Board shall determine the amount of the state's share of the district's total program for the budget year beginning July 1. C.R.S. 22-54-115(1).

G. State Contingency Reserve

An amount to be determined by the general assembly shall be appropriated annually to the **state public school fund as a** contingency reserve fund, which is hereby created in the state treasury. In deciding the amount to be appropriated to the contingency reserve fund, the general assembly may take into consideration any recommendations made by the department of education, but nothing in this section shall be construed to obligate the general assembly to provide supplemental assistance to all districts determined to be in need or fully fund the total amount of such need. The State Board is authorized **and empowered** to approve and order payments from such contingency reserve fund for supplemental assistance to districts determined to be in need thereof as the result of circumstances as listed in statute. C.R.S. 22-54-117(1)(a).

2. If payment for supplemental assistance is made because of financial emergency arising from nonpayment of property taxes pending administrative appeal or litigation, or both, and the school district later receives payment of the taxes, the school district is required to reimburse the Contingency Reserve Fund in full plus interest as set by statute. C.R.S. 22-54-117 **(5)** **(1)(c)**

H. Elections

A district which desires to raise and expend local property tax revenues in excess of its total program funding may conduct an election to raise and expend additional local revenues not to exceed a specific **dollar or percentage as noted below dollar amount**. C.R.S. 22-54-108, et seq.

1. An election seeking additional local revenue may be conducted as a school district election on general election day in even numbered years or at a special school district election on the first Tuesday after the first Monday of November in odd numbered years. Colorado Constitution Article X-20(3).

The maximum dollar amount of the additional local **revenues in excess of the district's total program** shall not exceed 20 percent or \$200,000, whichever is greater, of the district's total program funding for the budget year in which the election was held. C.R.S. 22-54-1 08(3)(b).

Beginning in budget year 2009-10, pursuant to 22-54-108 (3) (b) (III), C.R.S., the total additional local property tax revenues that may be received from an election held under this section shall not exceed under any circumstances 25 percent of the district's total program or \$200,000, whichever is greater, plus an amount equal to the maximum dollar amount of property tax revenue that the district could have generated for the 2001-02 budget year from a cost-of-living override election.

(4)(a) Any district that intends to seek voter approval to retain and spend additional property tax revenues beyond the 20 percent limit shall notify the State Board, in a manner to be determined by the State Board, prior to holding an election pursuant to this section.

(b) Any District that submits notice to the State board shall also submit to the State Board a proposal regarding the district's proposed use of the additional property tax revenues, which may include capital construction projects.

2. State statute C.R.S. 22-54-108(2) provides a process for citizens to submit an initiative petition requiring the district to conduct an election to authorize an increase or a decrease to the mill levy election.
3. Other elections may be held as follows:
 - a. A mill levy for **the payment of** excess transportation costs **and/or related capital needs** may be held on general election day in even numbered years or at a special school district election on the first Tuesday after the first Monday of November in odd numbered years. C.R.S. 22-40-102(1.7).

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- b. An election to impose a fee for the payment of excess transportation costs may be held on the first Tuesday after the first Monday in February, May, October, November or December. C.R.S. 22-40-102(1.5) and C.R.S. 22-32-113(5)(a).
 - c. An At a special election to impose a mill levy for the Special Building and Technology Fund, which levy shall not exceed ten mills in any year or exceed three years in duration. Any special election called shall may be held on the first Tuesday after the first Monday in February, May, October, November or December. C.R.S. 22-40-102(1.5).
 - d. An election for the Bond Redemption Fund may be held on the first Tuesday after the first Monday in November. C.R.S. 22-42-102(2)(c). Colorado Constitution Article X-20(3).
 - e. An election to raise and expend additional local property tax revenues to provide funding for excess full-day kindergarten program costs and/or related capital needs in the district for the then-current budget year and each budget year thereafter. C.R.S. 22-54-108.5 (1)(a)
4. Contesting the Result of an Election - The result of any election to determine a ballot issue that includes the approval of the creation of any debt or other financial obligation may be contested if the required notice as explained below is not provided or the notice contains any material misstatement.

A district seeking voter approval of bonded debt or other financial obligation is required to post notice of the following information on the district's web site or, in the absence of a district website, the information must be made available for public review at the Chief Administrative Office no later than 20 days before the election. C.R.S. 1-7-908

- a. The district's ending general fund balance for the last four fiscal years and the projected ending general fund balance for the current fiscal year.
- b. A statement of the total revenues in and expenditures from the district's general fund for the last four fiscal years and the projected total revenues in and expenditures from the general fund for the current year.
- c. The amount of any debt or other financial obligation incurred by the district for each of the last four fiscal years that has a term of not more than one year and the amount of any such financial obligation projected for the current fiscal year.
- d. A statement indicating whether the district's emergency reserve required by TABOR has been fully funded by cash or investments for the current fiscal year and each of the last four fiscal years and an identification of the

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funds or accounts in which the reserve is currently held. If the reserve is not fully funded, a statement of explanation is required.

- e. The location(s) where any person may review the districts audited financial statements for the last four fiscal years, any management letters that have been made public and have been provided to the district by its auditors in connection with the preparation of its audits for the last four fiscal years, and the district's budget for the current fiscal year.
- f. If the debt or other financial obligation for which the district is seeking voter approval is to be paid from a revenue source other than the general fund, the information required in **1 and 2 a and b** above shall also be made available for that fund.

All of the financial information required shall be based on audited figures. If no audited figures are available, the information shall be based on estimated figures.

IV. Budget Publication and Adoption

The board of education of each school district shall adopt a budget and an appropriation resolution for each fund which presents a complete financial plan for the ensuing fiscal year. In accordance with budget law, the budget shall include revenues and expenditures, anticipated or budgeted or both, for the current fiscal year, and proposed revenues and expenditures for the ensuing fiscal year. C.R.S. 22-44-103 and 105. **Check state law for mandatory budget content. Please refer to C.R.S. 22-44-105 for a complete list of requirements.**

The budget shall present a complete financial plan for the ensuing fiscal year by fund. C.R.S. 22-44-105.

A. Notice of Budget Publication

1. **Proposed Budget/Notice to Public.** The proposed budget shall be submitted to the board of education at least 30 days prior to the beginning of the fiscal year (June 1). C.R.S. 72-44-108. "Within 10 days after the submission of the proposed budget, the board of education shall cause to be published a notice stating that the proposed budget is on file at the principal administrative offices of the school district; that the proposed budget is available for inspection during reasonable business hours; that any person paying school taxes in the district may file or register an objection thereto at any time prior to its adoption; and that the board of education of the school district will consider adoption of the proposed budget for the ensuing fiscal year on the date, time and place specified in the notice." State law provides the format for the public notices. C.R.S. 22-44-109.

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2. **Budget Consideration by Public.** State law requires that a public meeting be held at which the proposed budget will be considered. The board of education may consider objections to the proposed budget raised by taxpayers and make adjustments in the budget. After adoption of the budget, the board shall not review or change the budget except as authorized by state law. C.R.S. 22-44-110.

B. Budget Adoption

1. The board of education of each school district shall adopt a budget for each fiscal year prior to the beginning of the fiscal year. C.R.S. 22-44-103(1).
2. After adoption of the budget, the board may review and change the budget , with respect to both revenues and expenditures, at any time prior to final changes, if any, to the adopted budget by no later than October 15 January 31. Subsequent changes shall be authorized under supplemental budget provisions. C.R.S. 22-44-110(5).

C. Appropriation Resolution

1. The board of education shall adopt a budget and an appropriation resolution for each fiscal year prior to the beginning of the fiscal year. C.R.S. 22-44-103(1). "The appropriation resolution shall specify the amount of money appropriated to each fund; except that the operating reserve authorized by 'statute' shall not be subject to appropriation for the fiscal year. C.R.S. 22-44-107(1). "The amounts appropriated to a fund shall not exceed the amount thereof as specified in the adopted budget." C.R.S. 22-44-107(2).
2. A board of education of a school district shall not expend any moneys in excess of the amount appropriated by resolution for a particular fund. C.R.S. 22-44-115(1).

D. Failure to Adopt a Budget

If either the budget or appropriation resolution is not adopted, then 90% of the last duly adopted budget and appropriation resolution shall be deemed to be budgeted and appropriated. C.R.S. 22-44-104.

E. Reserve for Contingencies

Within the budget, each school district shall establish an Emergency Reserve consisting of a minimum of not less than three percent of its fiscal year spending excluding bonded debt service. This reserve is to be used for declared emergencies only, and not made available to address "economic conditions, revenue shortfalls, or district salary or fringe benefit increases". Any amounts used in the current year must be restored in the ensuing year's budget. A reserve

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must also be maintained for non-voted multi-year obligations. Colorado Constitution Article X, Section 20(2)(c) and (5).

During the budget year, unidentified operating needs or other emergencies may impact the integrity of the budget if contingencies are not planned for. Districts are advised to set aside funds in the budget for potential revenue shortfalls and unanticipated expenditure needs.

F. Non-Appropriated Operating Reserves

A board of education may provide for an operating reserve (unreserved/undesignated) of up to 15 percent of the amount budgeted to the General Fund. Such operating reserves shall not be appropriated or expended for the current fiscal year, but shall be carried forward as a beginning General Fund balance. C.R.S. 22-44-106(2).

G. Other Reserves

If applicable, the district must provide for reserves related to the remaining balances in the Colorado Preschool Program Risk-Related Activity (but not after FY 2008-09), and Full Day Kindergarten

A district, at its option, may create other reserves, such as a reserve to fund the liability for accrued salaries and benefits.

H. Required Budget Filing

Each board of education shall submit its adopted annual budget to the department of education on or before January 31, 2009, and on or before January 31 each year thereafter. The budget shall include data available to the board of education as of December 31 of the immediately preceding calendar year. C.R.S. 22-44-111(3). The required budget format is provide by the Department of Education, Public School Finance Unit.

V. Supplemental Budgets

If money for a specific purpose from other than ad valorem taxes (except for paragraph D below) subsequently becomes available to meet a “contingency,” which is defined as: “an act of God or the public enemy, or some event which could not have been reasonably foreseen at the time of the adoption of the budget of a school district,” C.R.S. 22-44-102(3), a supplemental budget for expenditures not to exceed the amount of said money may be adopted and appropriation of said money made. C.R.S. 22-44-110(5).

- A. A Supplemental Budget and the Appropriation Resolution must be adopted before expenditures relative to the supplemental budget are made.
- B. It is not necessary to file a copy of the Supplemental Budget and Appropriation Resolution with the Colorado Department of Education. However, a copy must be provided to the district's independent auditors during the annual school district audit. Sample forms of the Supplemental Budget and Appropriation Resolution are on the following pages.
- C. Supplemental budgets and resolutions must include the name of the fund, receipts with source of money clearly identified and expenditures by function and object. The total expenditures must be equal to or less than the receipts. (Refer to the Supplemental Budget Form in this section of the Handbook.) Presentation of the supplemental budget could be presented with (1) just the change amount or (2) the original amounts plus the change amount to derive the revised amount. The sample format is with just the change amount.
- D. If a school district is authorized to raise and expend additional local property tax revenues by an election, the board of education may adopt a supplemental budget and an appropriation resolution to cover that portion of the fiscal year following such election. C.R.S. 22-44-110(6).

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SUPPLEMENTAL BUDGET EXAMPLE

_____ Fund

SOURCE OF MONEY FOR A SPECIFIC PURPOSE (OTHER THAN AD VALOREM TAXES) AND NATURE OF PROJECT (Brief Summary)

REVENUES

| Sources of Revenue | Account | Amount | Totals |
|------------------------------|---------|--------|--------|
| Local Sources: | 1000 | | |
| | | | |
| <i>Total Local Sources</i> | | | |
| County Sources: | 2000 | | |
| | | | |
| <i>Total County Sources</i> | | | |
| State Sources: | 3000 | | |
| | | | |
| <i>Total State Sources</i> | | | |
| Federal Sources | 4000 | | |
| | | | |
| <i>Total Federal Sources</i> | | | |
| TOTAL REVENUES | | | |

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EXPENDITURES

| Description | Account Number | | | | Amount |
|----------------------------|----------------|-----------|------------------|-----|--------|
| | Program | Object | Project Grant | Job | |
| Salaries: | | 0100 | | | |
| | | | | | |
| Benefits: | | 0200 | | | |
| | | | | | |
| Purchased Services: | | 0300-0500 | | | |
| | | | | | |
| Supplies/Materials: | | 0600 | | | |
| | | | | | |
| Capital Outlay: | | 0700 | | | |
| | | | | | |
| Other: | | 0800 | | | |
| | | | | | |
| Transfers: | | 0900 | | | |
| | | | | | |
| TOTAL EXPENDITURES: | | | | | |

APPROPRIATION RESOLUTION

BE IT RESOLVED by the Board of Education of School District Number _____ in _____ County that the Amount of \$_____, as shown above, be appropriated to the _____ Fund for the program year beginning July 1, _____, 20__ and ending June 30, _____, 20__.

Date of Adoption

Signature of President of the Board

VI. Budget Control

It is important to perform budget monitoring, control and analysis functions to ensure that district budgets are on target and to provide revised estimates of ending balances to forecast the future financial situation. An overview of projections on a periodic basis for revenue and expenditure categories with some suggested analysis techniques is provided below.

A. Monitoring and Analysis

Budget monitoring and analysis need to occur on a periodic basis. Monthly, quarterly and a mid-year analysis of the budget are appropriate tools to track budget versus actual expenditures. These analyses can be timed to coincide with the issuance of financial reports to the board of education. "Continuing balances of the various budgetary accounts shall be maintained on at least a monthly basis. The board of education of each school district shall review the financial condition of said school district at least quarterly during the fiscal year. The board shall require the secretary, treasurer, or any employee who has duties which relate to the fiscal affairs of said school district to submit a financial report covering the fiscal actions involving the General Fund, and other funds that the board may request, at least quarterly. The report should include (at a minimum). C.R.S. 22-45-102 (b)

1. Actual expenditures and revenue as of the date of the report from each of the several funds budgeted by the district for the fiscal year.
 - a. Expressed in dollar amounts
 - b. Expressed in percentages of the annual budget
2. Actual expenditures and revenue for each fund for the same period in the preceding fiscal year.
 - a. Expressed in dollar amounts
 - b. Expressed in percentages of the annual budget
3. Expected year-end balances
 - a. Expressed as dollar amounts
 - b. Expressed in percentages of the annual budget
4. Comparison of the expected year-end fund balances with the amount budgeted for that fiscal year.

B. Revenue Tracking

The revenue accounts to be monitored are, generally speaking, best tracked through an elapsed time-of-year comparison.

1. Prior year history showing receipts can be compared to current year receipts to determine a revised estimate of anticipated revenue. This generally works well for categories such as property taxes, delinquent taxes, specific ownership taxes and miscellaneous income.

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2. Other income categories can be monitored more specifically by using known variables. For example, interest income can be projected based upon estimated cash available for investment and projected interest rates. Specific state sources such as: **Public School** Finance Act, Vocational Education, Special Education, Transportation and the English Language Proficiency Act can be projected based upon state documents and reports with estimated reimbursement rates. Other income sources such as PL-874 (**Impact Aid**) and forest and mineral leases can be monitored compared to estimated receipts based on historical revenue levels.
3. All income categories are subject to major change. Property tax collections can change significantly if a major taxpayer goes out of business.
4. In almost all cases, the more important revenue categories to watch closely are the collection of property tax and the payment of state aid. These revenues provide the largest single sources of district income. A small change in the property tax collection level can result in a major dollar impact on the budget. In addition, a state shortfall can result in a state rescission of funds to school districts. Therefore the state financial situation needs to be observed also. These revenue suggestions are broad parameters for consideration.

C. Methods of Analysis

The actual monitoring of expenditures by account number should be done as expenditures are made on a daily basis. The control of expenditures should occur at that time. If expenditures exceed budget, a decision could be made to determine if the expenditure is critical and funds budgeted in another account might be able to “cover” that expenditure via an intrafund budget transfer.

The monitoring and analysis of expenditures is usually more detailed and involved because of the numerous accounts and various categories of expenditures. There are several methods which can be used to monitor expenditures:

1. The first is a time-of-year comparison. This calculation compares the percentage of the year which has elapsed with the percentage of the budget which has been expended.
2. Another analysis method is the comparison of prior year revenue history to that anticipated for the budget year.
3. A third method is the comparison of budget to actual costs by reviewing documents received after the establishment of the budget to insure budget adequacy.
4. The most important expenditure categories to monitor closely are salaries and benefits because of their large percentage of the budget. Utility costs also

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require a thorough analysis. Supply and material and capital outlay expenditures are more difficult to monitor due to possible fluctuations in spending patterns.

D. Instructional Supplies & Materials

The Public School Finance Act of 1994 as amended requires that the allocation for instructional supplies and materials be closely analyzed.

The allocation of the required dollar amount per pupil for the current budget year will require close monitoring. This is because unspent funds will need to be carried forward to the ensuing fiscal year, unless the required dollar amount or more was expended.

D. Allocation to Capital Reserve and Risk Management

The minimum allocation of the required dollar amount per pupil to Allocations to the Risk Management and Capital Reserve Funds will also need to be monitored are optional for school districts beginning in the 2009-10 budget year. This allocation need not be made at the beginning of the budget year, but must be made before the end of the budget year.

E. Estimates

The monitoring and control of the budget leads to the analysis of estimated revenue and expenditure figures. These result in a revised ending balance which can be used in projections for the upcoming year. The techniques described are applicable to all funds. The analysis of the budget may be done with specific tools, but it is an art and not a science, it is important to remember that a district's financial situation is constantly in a state of flux.

F. Borrowing from Funds

1. A local board may, by resolution, borrow unencumbered moneys from any fund except the bond redemption fund at any time. All borrowed monies must be repaid when needed by the lending fund to meet obligations and all revenues credited to the borrowing fund shall be used first to repay the loan. C.R.S. 22-44-113(1)
2. All loans shall be repaid no later than 3 months after the beginning of the following budget year.
3. If revenue is not received in the borrowing fund to repay the loan, the General Fund must expend the monies to repay the loan, and the receiving fund shall record the monies as revenue.
4. This provision shall apply to all funds created by law or regulation or by action of a school district.

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A board of education may, by resolution, authorize the borrowing of unencumbered money from one fund to another. Money may not be borrowed from the Bond Redemption Fund. Such money must be repaid when needed by the lending fund, but, in any event, must be repaid within three months after the beginning of the following budget year. C.R.S. 22-44-113(1).

Investment earnings from funds derived from interfund borrowing may be allocated at the district's discretion.

G. Board of Education Review

The board of education of each school district shall review the financial condition of the school district from time to time during the fiscal year and may require the secretary, treasurer, or any employee who may have duties which relate to the fiscal affairs of said school district to submit a financial report covering the fiscal actions as deemed appropriate by the board. C.R.S. 22-45-102(1).

H. Fiscal Emergency

During any budget year, if a board of education determines that anticipated revenues and the amounts appropriated in the budget exceed actual revenues due to action by the General Assembly or the Governor, the board may declare a fiscal emergency in such budget year. A fiscal emergency may only be declared by a two-thirds vote of the board members at a public meeting following a public hearing within the district.

If a fiscal emergency is declared, the board may implement salary reductions for all district employees on a proportional basis or may alter the work year of such employees. C.R.S. 22- 44-115.5.

I. Maintenance of Records

"All records shall be maintained at the principal administrative offices of the school district. Accounts shall be posted and reconciled at least monthly. Records shall be open for public inspection during reasonable business hours."
C.R.S. 22-45-102(2).

PART 1: ACCOUNTING PRINCIPLES

I. *Introduction to Accounting Principles*

This section sets forth certain accounting principles to be used by local school districts of the state. To make school financial data useful on a statewide basis, local school districts must be uniform and consistent in the application of accounting principles. Lack of consistent application of accounting principles could ultimately distort financial information and impact the operations of the local school district. Generally accepted governmental accounting principles are contained in the *Governmental Accounting Standards Board, Codification of Governmental Accounting and Financial Reporting Standards as of June 30, 1999 updated annually* (GASB Codification). Periodically GASB will issue new pronouncements, which introduce or modify current standards. In the absence of guidance from GASB, pronouncements, the following should be applied, if specifically made applicable to state and local governments: pronouncements by the Financial Accounting Standards Board (FASB) and/or pronouncements by the American Institute of Certified Public Accountants (AICPA). The chief financial officer of the district should be familiar with and have a copy of the GASB Codification. Also available from GASB are the original pronouncements and a comprehensive implementation guide

II. *Generally Accepted Accounting Principles*

Generally accepted accounting principles (GAAP) are uniform minimum standards of and guidelines to financial accounting and reporting. "The board of education of each school district shall cause financial records to be kept in accordance with generally accepted principles of governmental accounting." C.R.S. 22-45-102 Also applicable to the Charter School Institute, individual charter schools, and BOCES Adherence to GAAP assumes that financial reports of all school districts contain the same types of financial statements and disclosures for the same categories and types of funds and account groups based on the same measurement and classification criteria.

An important aspect of GAAP as applied to school districts is the recognition of the variety of legal and contractual considerations (such as budget requirements, federal and state requirements, etc.) typical of the government environment. These considerations underlie and are reflected in the fund structure, basis of accounting, and other principles and methods and are a major factor distinguishing governmental accounting from commercial accounting. Governmental accounting systems designed in conformity with these principles can readily satisfy most management control and accountability information needs with respect to both GAAP and legal compliance reporting.

III. **Basis of Accounting**

The modified accrual or accrual basis of accounting, as appropriate, shall be used in measuring financial position and operating results for fund accounting purposes.

"The major differences in applying the accrual concept in governmental fund accounting, as opposed to proprietary fund and government-wide (commercial) accounting, relate to differences in the environment and in the accounting measurement objectives." GASB 1600.105

- A. Governmental fund revenues and expenditures shall be recognized on the current financial resources measurement focus and the modified accrual basis (refer to the **Glossary** for definition). Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due. GASB 1600
- B. Proprietary fund revenues and expenses shall be recognized on the economic resources measurement focus and the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. GASB 1600
- C. Fiduciary funds (trust and agency funds – which include Pension trust funds, Investment trust funds, Private-purpose trust funds, and Agency funds) are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. and/or other funds. Revenues and expenses or expenditures are recognized on the basis consistent with the fund's accounting measurement focus. Nonexpendable trust and pension trust funds are accounted for on the accrual basis. expendable trust funds are accounted for on the modified accrual basis. Agency fund assets and liabilities are accounted for on the modified accrual basis. GASB 1600
- D. Transfers and/or interfund loans are recognized in the accounting period in which the interfund receivable and payable arise.
- E. Revenue Recognition under the current financial resources measurement focus provides "When a property tax assessment is made, it is to finance the budget of a particular period, and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was levied, provided the 'available' criteria are met. 'Available' means then due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon

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enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. If, because of unusual circumstances, the facts justify a period greater than 60 days, the governmental unit should disclose the period being used and the facts that justify it." **GASB 1600 and** GASB P70 *The district should discuss this issue with its auditor.*

IV. **Compliance with Legal and Generally Accepted Accounting Principles (GAAP)**

Financial statements must comply with both Colorado Revised Statutes and GAAP reporting requirements. C.R.S. 29-1-603(2)

A. **Legal Compliance Reporting Essential**

Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the local school district shall present such additional schedules and narrative explanations in the annual financial report as may be necessary to report its legal compliance responsibilities and accountabilities. In unusual cases, preparation of a separate legal-basis special report may be necessary. C.R.S. 29-1-603(2)

Legal compliance items which are not required by GAAP are the budget for an enterprise fund (Food Service) or an agency fund (Student Activity). GAAP only requires a budget comparison schedule for the General Fund and major (for audit purposes) special revenue funds. However, Colorado legal compliance requires budgets for an enterprise funds (Food Service), debt service funds (such as Bond Redemption), capital project funds (such as Building), other non-major special revenue funds (such as Capital Reserve), and for charter schools. A budget comparison schedule is not required for trust and agency funds; or for non-charter school component units.

C.R.S. 22-45-102(1)(a), states that the board of education of each school district shall cause financial records to be kept in accordance with generally accepted principles of governmental accounting. The audit law under C.R.S. 29-1-605(1)(a), "financial statements which shall be prepared, insofar as possible, in conformity with generally accepted governmental accounting principles..."

Per C.R.S. 22-30.5-112 (7) a charter school shall comply with all of the state financial and budget rules, regulations, and financial reporting requirements with which the chartering school district is required to comply, including but not limited to annual completion of a governmental audit that complies with the requirements of the department.

To accommodate charter school reporting of financial information by districts, the district has the option to include the charter school within its published financial audit report or to reference the separately issued financial statements of the charter school with in its “Notes to the Financial Statements”. Regardless of the method used, all financial information of the charter school must be reported by the district through the Automatic Data Exchange (ADE) process

B. GAAP Reporting Essential

The basic financial statements of local school districts shall be prepared in conformity with GAAP. Furthermore, local school districts that want their independent auditors to express unqualified opinions that their financial statements are prepared in conformity with GAAP obviously must prepare statements in accordance with these principles. GAAP-based reporting and state statute requires disclosure of material violations of legal and contractual provisions. C.R.S. 29-1-603(2)

C. Standard Chart of Accounts (COA)

C.R.S. 22-44-105(4) called for the creation of a new chart of accounts. It states that the state board of education, with input from the financial policies and procedures advisory committee, shall establish and implement a statewide financial, student management, and human resource electronic data communications and reporting system that is based on a redesigned standard chart of accounts, a standard information system, and a standard personnel classification system.

Specifically, the financial and human resource reporting system shall be based on a redesigned chart of accounts that makes school-to-school and school district-to-school district comparison more accurate and meaningful. It shall also provide standard definitions for employment positions such that full, accurate disclosure of administrative costs is made within the budgets and the financial statements of every school district. The statute also called for the financial reporting system to make it possible to collect comparable data by program and school site.

As a result of this legislation, the Financial Policies and Procedures (FPP) Handbook and Chart of Accounts was developed. It standardized the account code structure for all funds. All funds should include three account types—revenues, expenditures (expenses) and balance sheet accounts. Regardless of the account type, the basic account code structure contains seven dimensions and the same number of digits in each dimension as specified in the FPP Handbook Chart of Accounts.

The accounting and reporting guidelines included in this handbook and the FPP Handbook Chart of Accounts apply to charter schools, BOCES, and

the Charter School Institute.

V. **Fund Structure**

Governmental units should establish and maintain only those funds required by law and for sound financial administration.

A. **Fund Categories**

Three categories of funds are used in governmental accounting.

1. **Governmental funds** are those through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds (general, special revenue, debt service, and capital projects funds and permanent funds)

Governmental funds are, in essence, accounting segregation of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they are to be paid. The difference between governmental fund assets and liabilities, the fund equity, is referred to as "Fund Balance".

The governmental fund **current financial resources** measurement focus is on determination of financial position and changes in financial position (sources, uses and balances of financial resources), rather than on net income determination. The statement of revenues, expenditures and changes in fund balance is the primary governmental fund operating statement, together with the balance sheet comprise the required financial statements for governmental funds. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers and other changes in fund balance. GASB 1300

2. **Proprietary funds** (sometimes referred to as "income determination", "non-expendable", or "commercial-type" funds) are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (e.g., enterprise and internal service funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds. The generally accepted accounting

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principles here are those applicable to similar businesses in the private sector; and the measurement focus is on determination of net income, financial position and changes in financial position. GASB 1300

Required financial statements for proprietary funds are a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

Each school district shall use the full accrual basis of accounting when budgeting and accounting for any enterprise funds included in the district budget. A budgetary comparison schedule should also be provided in the financial audit for enterprise funds.

3. **Fiduciary funds** (trust and agency funds) are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units and/or other funds. Each trust fund is classified for accounting measurement purposes like either a governmental fund or a proprietary fund. The most common fiduciary funds include expendable trust funds, non-expendable trust funds, pension trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. GASB 1300

The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. Financial statements of fiduciary funds should be reported using the economic resources measurement focus and the accrual basis of accounting.

Required financial statements for fiduciary funds are the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

B. Fund Types

Seven major fund types and two account groups. Eleven funds are available for use by state and local governments for accounting and reporting purposes. In fund financial statements, governments should report governmental, proprietary, and fiduciary funds to the extent that they have activities that meet the criteria for using those funds. After each fund type, in parentheses, the fund category is listed for general reference. For detailed information regarding specific funds in each category and appropriate fund codes, see the FPP Handbook Chart of Accounts.

1. **The General Fund** (governmental fund) is used to account for and report all financial resources except those required to be not accounted for and reported in another fund. GASB 1300.104 and GASB Statement No. 54.
2. **The Special Revenue Fund** (governmental fund) is used to account for and report the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. GASB 1300.105 and GASB Statement No. 54.
3. **The Debt Service Fund** (governmental fund) is used to account for and report the accumulation of resources for, and the payment of, general long-term debt principal and interest. financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. The use of Debt Service Funds for non voter-approved debt is not permitted by Colorado Revised Statutes. C.R.S. 22-45-103 (b)(III) GASB 1300.107 and GASB Statement No. 54.
4. **The Capital Projects Fund** (governmental fund) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). GASB 1300.106 and GASB Statement No. 54.
5. **Permanent funds** (governmental fund) should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. (Permanent funds do not include private-purpose trust funds). GASB 1300.108

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6. **The Enterprise Fund** (proprietary fund) is may be used to report any activity for which a fee is charged to external users for goods or services. For example, an enterprise fund may be used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges.

Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's *principal revenue sources*, used to account for operations:

that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges *and* the full faith and credit of a related primary government or component unit is not payable solely from fees and charges of the activity

Where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Laws or regulations require that the activity's costs or providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues

- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). GASB 1300.109

7. **The Internal Service Fund** (proprietary fund) is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government *and its component* units, or to other governmental units, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund. GASB 1300.110

- 8-11. **Trust and Agency Funds** (fiduciary fund) are used to account for assets held by a governmental unit in a trustee capacity or as an

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agent for individuals, private organizations, and/or other governmental units and/or other funds.

8. Pension (and other employee benefit) trust funds should be used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. GASB 1300.111
9. Investment trust funds should be used to report the external portion of investment pools reported by the sponsoring government, as required by Section 150, "Investments," paragraph .116 of the GASB Cod. GASB 1300.112
10. Private-purpose trust funds, such as a fund used to report escheat property, should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. GASB 1300.113
11. Agency funds should be used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. GASB 1300.114

VI. **Fund Uses**

For *legal compliance purposes* local school districts may be required to use the following funds depending on the operational attributes and requirements of the local school district.

A. **General Operations**

The General Fund (**Fund 10 per COA**) is used to finance and account for all ordinary operations of a school system. All revenues, except those revenues attributable to the bond redemption fund, the capital reserve fund the special building and technology fund, a fund created solely for the management of risk-related activities, **the transportation fund, the full-day kindergarten fund,** and any other fund authorized by the State Board of Education, shall be accounted for in the General Fund. C.R.S. 22-45-103(1)(a)(I) this fund is required by law.

1. This fund represents an accounting for the school district's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund in relation to the district's overall operation.

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2. The General Fund may account for any lawful expenditure of the school district, including any expenditure of a nature which could be made from any other fund. For example, the General Fund may include expenditures for co-curricular activities. C.R.S. 22-45-103(1)(a)(I)
3. Districts are not required to maintain the Colorado Preschool Program Sub-fund (Fund 19 per COA) for spending and tracking requirements for the Colorado Preschool Program. The allocation and expenditures may be tracked within the General Fund, using Grant Code 3141. Any moneys remaining in the district's preschool program budget at the end of any budget year shall remain in the program budget for use in the preschool program in subsequent budget years. Overhead costs cannot exceed 5% of the allocation.
4. Districts are not required to maintain the Risk-Management Sub-fund (Fund 18 per COA) for spending and tracking moneys related to its Risk-Management activities. However, any moneys remaining in this sub-fund account of the General Fund at the end of any budget year shall be budgeted for the purposes of the account in the subsequent budget year. C.R.S. 22-54-105 (2)(a).
5. Within the General Fund the district shall maintain an instructional supplies and materials account, an instructional capital outlay account and the other instructional purposes account. Moneys in these accounts shall be expended only as specified in C.R.S. 22-45-103(1)(a)(II) and C.R.S. 22-54-105.
 - a. Instructional supplies and materials include, but are not limited to supplies, textbooks, library books, periodicals, and other supplies and materials.
 - b. Instructional capital outlay includes those expenditures, which result in the acquisition of fixed assets for instructional purposes, or additions thereto, which the board of education anticipates will have benefits for more than one year.
 - c. Other instructional purposes include expenses incurred in providing transportation for pupils to and from school-sponsored instructional activities which occur outside the classroom and costs incurred for repair and maintenance services for equipment which is directly used for instructional purposes.
 - d. Instructional supplies and materials, instructional capital outlay, and other instructional purposes are limited to

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programs and objects as prescribed by the State Board of Education. The district may transfer moneys between these instructional accounts but not to other accounts in the General Fund or other funds of the district.

e. Any moneys in such accounts, which are not expended during a budget year, shall be carried forward and budgeted in accordance with statute in the next budget year. This obligation does not apply when the expenditures equal or exceed the statutory minimum. Any moneys remaining in the instructional supplies and materials and/or instructional capital outlay fund or account that have not been expended prior to the 2009-10 budget year shall be budgeted for the purposes set forth in section 22-45-103 (1)(c) and (1)(e) in the 2009-10 budget year or any budget year thereafter.

f. Every district shall budget the amount determined in the state statutes (C.R.S. 22-54-105(1)(b) to be allocated at the discretion of the Board of Education. Expenditures for instructional supplies and materials, instructional capital outlay, and other instructional purposes shall not be limited to the amount required to be budgeted in accordance with state statute.

5. Every district shall may budget the an optional amount determined under C.R.S. 22-54-105(2) to be allocated to the capital reserve fund, to a fund or an account within the general fund established solely for the management of risk related activities, or among such allowable funds and accounts. Such moneys shall be used only for the purposes set forth in section 22-45-103(1)(c) and (1)(e). Moneys from these funds and accounts may be transferred among these allowable funds and accounts when deemed necessary by the local Board of Education.

6. Charter School Fund (Fund 11 per COA): C.R.S. 22-30.5-104(2) states that charter schools shall be a public school within the school district that grants its charter and shall be accountable to the school district's local board of education for purposes of ensuring compliance with applicable laws and charter provisions and the requirement of section 15 of article IX of the state constitution.

a. A charter school may operate free from specified school district policies and state regulations. A local board of education may waive locally imposed school district requirements without seeking approval of the state board of education.

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- b. Transactions of all charter schools must be included in the school district's financial transaction database. In all situations, districts are required to include charter school revenues, expenditures and balance sheet accounts in the electronic data exchange file. Refer to FPP Chart of Accounts. Data must be submitted in a format in accordance with the Chart of Accounts, the FPP Handbook and meets compliance with GASB 34.
- c. All financial transactions of the charter school must be provided to the school district in a format that conforms to the Chart of Accounts, the FPP Handbook and meets compliance with GASB 34. Data must be submitted to the district in a timely manner to allow districts to comply with state and statutory reporting requirements.
- d. Funding and services to be provided by the school district to the charter school must be in accordance with state statute C.R.S. 22-30.5-112

B. Capital Reserve/Capital Projects

Construction projects and capital outlay for land, buildings, improvement to land and buildings, and purchase of vehicles, equipment and technology may be accounted for in a Building Fund, a Special Building and Technology Fund or a Capital Reserve Fund depending on the source of related revenue. The Capital Reserve Fund may be a special revenue fund and/or a capital projects fund. The Building Fund and the Special Building and Technology Fund are both capital projects funds.

1. Capital Reserve Fund (Fund 21 per COA)

Pursuant to provisions of C.R.S. 22-54-105(2), monies shall may be allocated from the General Fund to the Capital Reserve Fund. C.R.S. 22-45-103(1)(c) specifies the uses and limitations of the Capital Reserve Fund. Revenues may be supplemented by gifts, donations, tuition receipts and other sources.

- a. Revenues may be supplemented by gifts, donations, tuition receipts and other sources.
- b. Unencumbered moneys in this fund may be transferred to by resolution of the board of education between the Capital Reserve Fund and any fund or account in the General Fund established solely for the management of risk-related activities. between one fund to another as provided for in C.R.S. 22-44-112(2)(a).

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- c. Expenditures from the Capital Reserve Fund are limited by statute to acquisition of land or land improvements, construction of new facilities or additions, alterations and improvements to existing structures, acquisition of school buses, equipment, software licensing agreements, computer equipment and installment purchase or lease agreements. Minimum dollar amounts for cost of allowable projects are provided in C.R.S. 22-45-103(1)(c)(I)(A-H).
- d. Expenditures from the fund, other than for installment purchase agreements with an option to purchase as provided in C.R.S. 22-45-103(1)(c)(II.5), shall be authorized by a resolution adopted by the board of education of the school district. The resolutions shall specifically set forth the purpose of the expenditure, the estimated cost of the project, the location of the structure, a description of any school buses or equipment to be purchased and where such equipment will be installed. C.R.S. 22-45-103(1)(c)(II).
 - i. A board of education may enter into an installment purchase or lease agreement with option to purchase for a period exceeding one year and not to exceed twenty years if first approved by a majority of the eligible electors of the district voting on the question at an election. C.R.S. 22-45-103(1)(c)(II.5)
 - ii. The board may enter into an installment purchase or lease agreement with option to purchase without a vote of the eligible electors of the district if the district's obligation to make payments is expressly subject to the making of annual appropriations even though the term may be greater than one year.

2. **Capital Reserve Capital Projects (Fund 43 per COA)**

The Capital Reserve Capital Projects Fund is used to account for the purposes specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles. This fund may be used for a capital reserve fund which is classified as a capital projects fund.

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3. **Building Fund (Fund 41 per COA)**

The Building Fund shall be used to account for all resources available for acquiring capital sites, buildings, and equipment as specified by the related bond issue. When bonds are sold for a building project, this fund is required.

- a. Proceeds from the sale of bonds remaining after the completion of the project for which such bonds were authorized may be transferred to the Bond Redemption Fund or, in the event all bonds have been redeemed, to the General Fund.

- b. Districts need to be aware of the potential arbitrage rebate/refund calculation that relates to the interest earnings on the bond proceeds and the rate of expenditure of the bond proceeds by the district. This matter should be discussed with the district's bond counsel.

4. **Special Building and Technology Fund (Fund 42 per COA)**

The revenues from a tax levy for the purpose of acquisition or construction of schools or for the purchase and installation of instructional and informational technology shall be recorded in the Special Building and Technology Fund. Expenditures from this fund shall be limited to acquiring land, acquiring or constructing structures, maintaining structures to enhance their function, protect their value, and *extend their economic life* (this is a capital outlay requirement – general maintenance costs would not qualify) and purchasing and installing instructional and informational technology, including expenditures for software and staff training related to the new technology. C.R.S. 22-45-103(1)(d) If the district levies a tax, this fund is required.

- a. The special election procedure which must be followed to authorize a mill levy for the Special Building and Technology Fund is as follows: "The board of education at a special election called for the purpose, shall submit to the registered electors of the district the question of whether to impose a mill levy of a stated amount for the Special Building and Technology Fund or to increase the mill levy for the Special Building and Technology Fund by a stated amount which levy shall not exceed ten mills in any year or exceed three years in duration." C.R.S. 22-40-102(1.5).

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- b. Any moneys in the fund, which have not been authorized for expenditure within three years after being recorded in the fund, shall revert to the Capital Reserve Fund.
- c. Expenditures from the fund shall be authorized by a resolution adopted by the board of education. The resolution shall specifically set forth the purpose of the expenditure, the estimated total cost of the project and the location of the land to be acquired or the structure to be constructed or acquired, or the nature of the instructional and informational technology to be acquired.

C. **Governmental Designated-Purpose Grants (Fund 22 per COA)**

Governmental Designated-Purpose Grants are generally accounted for in a "Special Revenue Fund" which may be used to account for certain designated restricted local, state and federal grants. A grant is an award of financial assistance in the form of cash, contribution, or gift of other assets from another government or organization to an eligible grantee to be used for a specific or designated purpose, activity or facility.

1. The Governmental Designated-Purpose Grants Fund may be subsidized by transfers from the General Fund. However, transfers related to Federal grants must not be coded to the related Federal grant code, a non Federal grant code should be used instead.
2. Generally, the following requirements are inherent in restricted grants or projects:
 - a. Revenues frequently are accompanied by legal or contractual requirements that govern their use and include special accounting and reporting requirements. Federal grants would require the district to comply with specific program requirements, Education Department General Administrative Regulations (EDGAR), and applicable Office of Management and Budget (OMB) Circulars.
 - b. Federal laws providing revenues contain a uniform provision that such revenues will not be commingled with other state and federal funds so as to lose their identity with a particular granting act.
 - c. Revenue from federal sources may not be used to reduce or supplant program effort by the local education agency.

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- d. Federally funded programs require separate identification and reporting within the local school district's annual audit report. This is accommodated by the use of the required grant codes for ADE reporting.
- e. Local and state revenues used for matching federal expenditures also require separate identification and accountability.
- f. In order to maintain effective control and accountability for all grant and sub-grant cash, real and personal property, and other assets, recipients must adequately safeguard all such property and must assure that it is used solely for authorized purposes. See the separately issued Fiscal Guidelines for Federal Programs.
- g. Recipients must maintain comparisons of actual expenditure or outlays with budgeted amounts for each grant or sub-grant.

D. Pupil Activities (Fund 23 – if special revenue fund or Fund 74 – if agency fund per COA)

Pupil activities may be accounted for in a special revenue fund or an agency fund used to record financial transactions related to school-sponsored pupil intrascholastic and interscholastic athletic and related events. These activities are supported in whole or in part by revenues from pupils, gate receipts and other fund-raising activities. The district may split pupil activities into a special revenue fund and an agency fund.

NOTE: If the district accounts for pupil activity revenues and expenditures in an agency fund type, refer to the Trust and Agency Fund explanation contained within this section.

1. When the Pupil Activity Fund is a special revenue fund, it may be subsidized with a transfer from the General Fund.
2. When the Pupil Activity Fund is an agency fund, such activities are self-supporting and do not receive any direct or indirect district support.

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E. **Risk Related Activities (Fund 18 – if Sub-fund of General Fund or Fund 63 – if internal service fund per COA)**

Every district shall may budget the an amount determined pursuant to C.R.S. 22-54-105(2) to be allocated in the discretion of the board of education to a fund or an account within the General Fund established in accordance with GAAP solely for the management of risk-related activities as identified in C.R.S. 24-10-115 and article 13 of title 29, or among such allowable funds and accounts. Such moneys shall be used for the purposes set forth in C.R.S. 22-45-103(1)(e).

1. If a district elects to account for risk-related activities in a separate fund, it can use either the Insurance Reserve Special Revenue Fund or a Risk-related Activities Internal Service Fund.
2. Districts may account for risk related activities in accounts within the General Fund using appropriate program and object codes.
3. Districts may use any combination of these funds and accounts to meet local needs.

Unencumbered moneys in these funds or accounts may be transferred to the Capital Reserve Fund or to any other fund or account established solely for the management of risk-related activities by resolution of the board of education between one fund to another as provided for in C.R.S. 22-44-112(2)(a).

5. Expenditures for risk-related activities include costs related to loss of or damage to property of the school district, payments for loss control, workers' compensation, and legal claims, judgments and insurance premiums.

F. **Transportation (Fund 25 per COA)**

Under C.R.S. 22-45-103(1)(f), revenues from a tax levied or fee imposed for the purpose of paying excess transportation costs and revenues received from the state shall be deposited in the Transportation Fund, a special revenue fund. If the district exercises this option, this fund is required.

1. Expenditures from the Transportation Fund shall be limited to payment of transportation costs as authorized in the district budget.
2. Per C.R.S. 22-40-102 (1.7)(b) "excess transportation costs" means the annual operating expenditures for pupil transportation, as defined in section 22-51-102 (1), minus the total payment actually received by the district under article 51 of the education title, and

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annual expenditures for the purchase or lease of pupil transportation vehicles or other capital outlays related to pupil transportation. The calculation of excess transportation costs shall be based upon amounts expended and amounts received for the twelve-month period ending on June 30 prior to the certification of the mill levy

2. Any moneys remaining in this fund at the end of the fiscal year shall remain in the fund to reduce the levy or fee for transportation costs in future years.

G. Full-Day Kindergarten Mill Levy Override (Fund 24 per COA)

Under C.R.S. 22-45-103(1)(h), the revenues from a tax levied pursuant to section 22-54-108.5 for the purpose of paying excess full-day kindergarten program costs shall be deposited in the full-day kindergarten mill levy override fund, a special revenue fund. If the district exercises this option, this fund is required.

1. Expenditures from the Full-Day Kindergarten Mill Levy Fund shall be limited to payment of excess full-day kindergarten program costs as authorized in the budget of the district.
2. Revenues to meet the capital construction needs associated with a district's full-day kindergarten program shall be credited to the capital construction account in this fund, and may not be expended by the district for any other purpose.
3. Any moneys remaining in this fund at the end of any fiscal year shall remain in this fund and shall be used to reduce the levy for excess full-day kindergarten program costs in future years.

H. Debt Service (Fund 31 per COA)

The revenues from a tax levy for the purpose of satisfying voter-approved bonded indebtedness obligations, including principal, interest and related expenditures, shall be recorded in the Bond Redemption Fund. C.R.S. 22-45-103(b) If the district has a tax levy for bonded indebtedness obligations, this fund is required.

1. The Bond Redemption Fund may include more than one subsidiary account for which a separate tax levy is made to satisfy the obligation. Any revenues remaining to the credit of a separate subsidiary account after satisfaction of all such obligations of that subsidiary account may be transferred to another subsidiary account in the Bond Redemption Fund.

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2. Moneys remaining in the Bond Redemption Fund after all obligations of bond indebtedness have been satisfied shall be transferred to the General Fund. C.R.S. 22-44-112(4).
3. The revenues from a tax levy for installment purchase agreements and/or lease or rental agreements having terms of more than one year that have been approved at an election shall be recorded in the Bond Redemption Fund C.R.S. 22-45-103(b)(II). This shall not be construed to authorize a school district to make any levy for its bond redemption fund, or to use any monies in its bond redemption fund, to make payments with regard to any installment purchase agreement or lease or rental agreement with an option to purchase which has not been approved at an election. C.R.S. 22-45-103(b)(III)
4. Whenever the issuance of refunding bonds or other refunding obligations of the district results in moneys on deposit in the Bond Redemption Fund which are not needed to satisfy the principal and interest obligations of the district as they become due, such moneys shall be used to reduce the levy for the Bond Redemption Fund in future years or to pay any then existing obligations of the district payable from the Bond Redemption Fund at a date earlier than they become due.

I. **Nutrition Services** (Fund 51 per COA)

The Food Service Fund is a type of "Enterprise Fund" used to record financial transactions related to nutrition service operations. C.C.R. 301-11-~~3.04 (1)~~ 3.05 (1) If the district receives USDA school breakfast/lunch money, this fund is required.

1. The Food Service Fund shall be accounted for consistent with federal and state rules and the FPP Handbook Chart of Accounts.
2. The Food Service Fund may be subsidized by transfers from the General Fund.

J. **Internal Services** (Fund 63 and Fund 64 per COA)

"The Internal Service Fund may be used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the school district, or to other school districts, on a cost-reimbursement basis." C.C.R. 301-11-~~3.05~~ 3.06

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1. Programs to be reported in an Internal Service Fund are determined by the local Board of Education.
2. The Internal Service Fund may be subsidized by transfers from the General Fund. Such as per GASB C50.130, if the charge by the internal service fund to the other funds is greater than the amount needed to meet the cost-reimbursement basis, the excess should be reported in both the internal service fund and the other funds as an interfund transfer.
3. For Risk-related Activities, see Section VI, subsection E.

K. Trust and Agency (Fiduciary Funds)

Trust and agency funds include expendable trusts, non-expendable trusts, pension trusts and agency (fiduciary) activities. (Fiduciary Funds) are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The key distinction between trust funds and agency funds is that trust funds normally are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. An agency fund does not involve a formal trust agreement and the government's role is purely custodial.

Trust fund spending is controlled primarily through legal trust agreements and applicable state laws. If a formal trust agreement is not established, the trust fund classification generally should not be used. (GAAFR)

1. A Private-Purpose Trust Fund (Fund 72 per COA) is used to report any trust arrangement under which the principal and/or income benefit individuals or organizations and the funds are not used as part of the operations of the district. An example of a private-purpose trust would be a formal agreement to provide scholarships to students in the district. Note: This fund may be used for expendable or non-expendable scholarship programs.

An agency fund may be used to account for money and property held in trust by the school district for individuals or organizations. C.C.R. 301-11-3.06 3.07. Examples of accounts that may be included are student body organizations such as Senior Class, Chess Club, Debate Club, etc.

1. An Agency Fund (Fund 73 – Agency Fund and Fund 74 – Pupil Activity Agency Fund per COA) shall be accounted for consistent with the FPP Chart of Accounts.
2. The Agency Fund may, at the option of the local board of education, include budgetary accounting procedures.

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3. Financial transactions which meet the following parameters may be recorded in the Agency Funds
 - a. An individual or organization requests the district to hold funds for it in a fiduciary capacity.
 - b. The individual or organization receives no General Fund subsidy. A subsidy from the General Fund would cause such activities to be recorded in the Pupil Activity Fund, a special revenue fund, instead of the Agency Fund.

L. Other Funds Provided for in the FPP Handbook Chart of Accounts

The GASB 34: Permanent Fund (Fund 79 per COA) is a governmental fund type used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support reporting a government's programs. Note: This fund should not be used for non-expendable scholarship programs.

Foundations – Accounting for Foundations (Funds 85-89 per COA) should be used to account for the district's reportable (included in the district's audited financial statements) foundations.

The District Debt Fund (Fund 90 per COA) is not a true fund for audited financial statement purposes, but is used to account for the balance sheet accounts that appear on a district's accountability report: the District Report Card. See Appendix R in the FPP Handbook Chart of Accounts for a more complete discussion of this activity.

VII. Account Groups

Accountability for and control of the government's general fixed assets and general long-term debt are accomplished through a fourth category of accounting entities, the "account groups."

Account Groups are used to establish accounting control and accountability for the government's general fixed assets and the unmatured principal of its general long-term debt, including special assessment debt for which it is obligated in some manner (General Fixed Assets and General Long-Term Debt Account Groups).

The local school district's general fixed assets, all fixed assets except those accounted for in proprietary funds or trust funds, are not financial resources available for expenditure. The unmatured principal of its general long-term debt not accounted for in proprietary funds or trust funds, does not require an

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appropriation or expenditure during the current accounting period. Neither is accounted for in the governmental funds, but in self-balancing account groups. These account groups are not funds. They do not reflect available financial resources and related liabilities but are accounting records of the general fixed assets and general long-term debt.

A. **General Fixed Assets Account Group**

General Fixed Assets are those fixed assets of the school district that are not accounted for in proprietary fund(s). To be classified as a fixed asset in this category, a specific piece of property must possess three attributes: (1) tangible nature; (2) a life longer than one year; and (3) a unit cost that equals or exceeds an amount established by the local Board of Education, not to exceed \$5,000, unless otherwise required to be classified as such by the state auditor. (State Fiscal Rule 1-10) Each school district must conduct an annual fixed asset inventory. C.R.S. 29-1-506

It is recommended that an inventory be kept of items that are material in value to mitigate insurance risk and facilitate loss recovery.

B. **General Long-Term Debt Account Group**

General Long-Term Debt is that debt legally secured by general credit and revenue raised by the district. This debt is supported by the full faith and credit of the governmental unit. Assets are accumulated in the Debt Service Fund to repay this obligation. Refunded Bond Issues should not be included in the General Long-Term Debt Account Group, but a footnote disclosure should be in the financial statements.

VII. **Fixed Capital Assets and Long-Term Liabilities**

A clear distinction should be made between proprietary fund **fixed capital** assets and general **fixed capital** assets and proprietary fund long-term liabilities and general long-term **debt** liabilities. See GASB 1400 for Reporting Capital Assets and GASB 1500 for Reporting Liabilities.

A. **Capital** assets related to the Proprietary Fund should also be reported on the fund financial statements. **Capital** assets of fiduciary funds should be reported only in the statement of fiduciary net assets. All **fixed** other **capital** assets of the local school district must be accounted for in the **General Fixed Assets Account Group** government-wide statement of net assets and should not be reported as assets in governmental funds.

B. **Fixed Capital** assets must be accounted for at **historical** cost or, if the cost is not practicably determined, at estimated cost. Donated fixed assets should be recorded at their estimated fair market value at the time received.

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- C. Depreciation of general **fixed capital** assets must not be recorded in the accounts of governmental funds. Depreciation of general **fixed capital** assets **may must** be recorded in **cost accounting systems by "Memorandum" type entry the government-wide statement of activities.** Depreciation of **fixed capital** assets accounted for in the Proprietary Fund should be recorded in the accounts of this fund. Depreciation is also recognized in those Trust Funds where expenses, net income and/or capital maintenance are measured. Depreciation is not recognized in Agency Funds.
- D. Long-term liabilities of the Proprietary Fund shall be accounted for through this fund. **Long-term liabilities directly related to and expected to be paid from fiduciary funds should be reported in the statement of fiduciary net assets.** All other unmatured general long-term liabilities of the governmental unit should **be accounted for through the General Long-Term Debt Account Group.** **not be reported as liabilities in governmental funds but should be reported in the governmental-wide statement of net assets.** Refunded Bond Issues are a contingent liability and should **only be disclosed** in the notes to the financial statements, **not in the Long-Term Debt Account Group.**

VIII. **Budgetary Accounting**

The budget will serve as the basis for information appearing on required reports, as an integral part of the accounting records and as a management control tool of expenditures during the year. See the Budget section for further information.

- A. The board of education of each school district shall adopt a budget and an appropriation resolution for the fiscal year, prior to the beginning of the fiscal year. C.R.S. 22-44-103(1). The board may review and change the budget with respect to both revenues and expenditures at any time prior to **October 15 January 31** of the fiscal year for which the budget was adopted. C.R.S. 22-44-110(5)
- B. The accounting system must provide the basis for appropriate budgetary control. Consult your FPP Handbook Chart of Accounts for further information.
1. The financial transactions of the school district shall be recorded in general, appropriation, revenues and expenditure **(expense)** records. Appropriate entries from the adopted budget shall be made in the records for the respective funds. C.R.S. 22-45-102(1)
 2. Separate accounts shall be maintained for each of the several funds as prescribed in law. Continuing balances of the various

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budgetary accounts shall be maintained on at least a monthly basis. C.R.S. 22-45-102(1)

3. All funds must be accounted for as described in the Chart of Accounts section of this Handbook C.R.S. 22-44-204(3).
- C. The budget shall be presented in a summary format, which will allow comparisons of revenues and expenditures among school districts by pupil. C.R.S. 22-44-105(1)(b). Budgetary comparisons must be included in the annual financial statements and schedules for all governmental funds.
- D. The budget shall be presented in a format that itemizes expenditures of the district by fund and by pupil. The budget shall:
1. Describe the expenditure
 2. Show the amount budgeted for the current fiscal year
 3. Show the amount estimated to be expended for the current fiscal year
 4. Show the amount budgeted for the ensuing fiscal year
 5. Specify the proposed expenditures and anticipated revenues arising from the contracting of bonded indebtedness by a capital improvement zone located within the school district. C.R.S. 22-44-105(1)(c)
- E. If a fund's budget is prepared on a basis other than GAAP, a footnote disclosure reconciling non-GAAP revenues and expenses to GAAP revenues and expenses must be disclosed in the audit report. GASB 2400.104.
- F. Under C.R.S. 22-44-111, each board of education shall submit its adopted annual budget to the department of education on or before January 31 of each year. The budget shall include data available to the board of education as of December 31 of the immediately preceding calendar year. The budget shall be presented in the required budget format as established by the state board of education.

IX. **Classification and Terminology**

- A. Interfund transfers and proceeds of general long-term debt issues should be classified separately from fund revenues and expenditures or expenses. GASB 1100.110(a)
- B. Fund revenues must be classified by fund, source and grant/project. Expenditures must be classified by fund, location, program, object, job classification and grant/project. Balance sheet accounts must be classified by fund, equity/liability/asset and grant/project.

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- C. Proprietary Fund revenues and expenses shall be classified in essentially the same manner as those of similar business organizations, functions, or activities. GASB 1100.110(c)
- D. A common terminology and classification (as defined by the FPP Handbook Chart of Accounts) shall be used consistently throughout the budget, the accounts and the financial reports of each fund. GASB 1100.111

X. *Interim and Annual Financial Reporting*

- A. Appropriate interim financial statements and reports of financial position, operating results and other pertinent information should be prepared to facilitate management control of financial operations, board of education oversight and for external reporting purposes.

Under C.R.S. 22-45-102(1)(b) the board of education of each school district shall review the financial condition of said school district at least quarterly during the fiscal year. The quarterly financial report shall cover the fiscal actions involving the General Fund, and other funds that the board may request. At a minimum, the report shall include:

- 1) The actual amounts spent and received as of the date of the report from each of the several funds budgeted by the district for the fiscal year, expressed as dollar amounts and as percentages of the annual budget;
 - 2) The actual amounts spent and received for each fund for the same period in the preceding fiscal year, expressed as dollar amounts and as percentages of the annual budget;
 - 3) The expected year-end fund balances, expressed as dollar amounts and as percentages of the annual budget; and
 - 4) A comparison of the expected year-end fund balances with the amount budgeted for that fiscal year.
- B. A comprehensive annual financial report (CAFR) covering all funds and account groups should include an introductory section, a financial section and a statistical section, (GASB 2200); appropriate combined, combining and individual fund statements; notes to the financial statements; required supplementary information; schedules; narrative explanations; and statistical tables. and activities of the primary government (including its blended component units) and providing an overview of all discretely presented component units of the reporting entity – including introductory section, management’s discussion and analysis (MD&A), basic financial statements, required supplemental information other than MD&A, appropriate combining and individual fund statements, schedules, narrative explanations, and statistical section. The reporting entity is the primary government (including its blended component units) and all other

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discretely presented component units combined in the report presented in accordance with Section 2100 of GASB. GASB 2200

- C. **General purpose Basic** financial statements of the reporting entity may be issued separately from the comprehensive annual financial report. Such statements should include the basic financial statements and notes to the financial statements that are essential to fair presentation of financial position and results of operations (and cash flows for those fund types and discretely presented component units that use proprietary fund accounting), as well as any additional supplemental schedules needed to comply with statutory requirements. GASB 2200
- D. The Single Audit Act of 1984 2003, as amended and related OMB Circular A-133 mandate independent financial and compliance audits of federal financial assistance programs. In addition to the required auditor's reports, the schedule of expenditures of federal awards and summary of instances of noncompliance schedule of findings and questioned costs are provided to support the requirements for compliance with OMB Circular A-133. These schedules provide more detailed financial information related to federal grant activity and other federal revenue.

XI. ***Nutrition Services Equipment, Inventory and Current Operating Resources***

A. ***General***

Nonexpendable tangible equipment includes all food service equipment with a useful life of more than one year and a purchase price of \$5,000 or more unless a lesser amount is established by the local Board of Education. Expendable equipment that is not required to be capitalized using the above criteria is to be recorded as a supply item or as non-capital equipment (consult the FPP Chart of Accounts).

B. ***Equipment that is Part of a Building***

Items of nonexpendable equipment, which are necessary may be considered as part of the building and may be subject to depreciation. There are a number of items of nonexpendable equipment necessary to the operation of a food service facility that by their nature could be part of the building, i.e., built-in/walk-in refrigeration, ventilation hoods, etc. The cost of such nonexpendable items shall be included as equipment and depreciated accordingly.

C. Depreciation

Depreciation must be computed in accordance with generally accepted accounting principles for all non-expendable equipment. The straight-line method of depreciation will be used. All equipment may be considered to have a useful life of 12 years. Alternatively, this depreciation may be based on the estimated useful life of each asset. Equipment must be in use to be depreciated. Depreciation is required to be recorded at least on an annual basis. The computed depreciation cost is allowable to the schools' breakfast, lunch, special milk and associated nutrition service program(s).

D. Disposal, Replacement, Trade-in, Repairs or Betterment of Nonexpendable Equipment

1. The **fixed capital** asset value and the accumulated depreciation for an item to be scrapped must be removed from both the accounting and the depreciation records.
2. If an asset is sold (not used as a trade-in) the cash received may be credited to the school Nutrition Service Fund or may be credited to another fund from which the asset was purchased. The difference between the amount received and the undepreciated cost would be charged or credited, as the case may be, to an account entitled "Gain or Loss on Disposal of Fixed Assets." In the case of a trade-in, the depreciable basis for a new asset must be the cash paid plus the book value of the asset traded. Book value is the cost of the asset less depreciation.
3. Repairs or betterment of a fixed asset that extends the useful life expectancy of that fixed asset must be added to the undepreciated cost of the fixed asset and claimed as depreciation expense over the revised useful life of the asset. Such repairs or betterment would not be claimed as a direct cost under "services and repairs."

E. Current Operating Resources

Current operating resources for Nutrition Services must be included with financial data transmitted electronically to the Colorado Department of Education each year. Consult the FPP Handbook Chart of Accounts for the appropriate code to be used for this transmission. Current operating resources for this purpose are computed by adding current assets excluding commodities inventory and subtracting current liabilities.

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F. **Inventories**

1. **Food and Supplies:** An inventory of all purchased food and expendable non-food supplies must be taken annually at a minimum. This inventory can be a perpetual inventory as long as it is verified by an actual physical inventory taken annually.
2. **Commodities:** U.S.D.A. donated commodities should be inventoried annually and valued at the U.S.D.A. pricing levels. Pursuant with procedures established by the food distribution unit of the Colorado Department of Human Services.
3. **Equipment:** A complete inventory of all food service equipment must be taken in compliance with C.R.S. 29-1-506. Acquisition cost or estimated original cost must be assigned to each item.

XII. **Salary & Benefit Accruals**

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, typically from September 1 through August 31. These salaries and benefits, however, are earned over a period of approximately nine months. This situation results in an outstanding liability for accrued salaries and benefits at the end of the fiscal year. **All salary and benefit accruals must be reported for GAAP purposes.**

An accrued salary and benefit liability may also exist for other non-certificated support services personnel. Although the accrual in this case may only be the equivalent of a few days or weeks of salaries and benefits, these amounts should also be reflected on the year-end financial statements as a liability. All districts having an outstanding liability for accrued salaries and benefits at year-end must reflect the liability in the annual financial statements of the district.

It may be a desirable option but **For budgetary purposes** it is not a requirement that districts fund or develop plans to fully fund the liability for accrued salaries and benefits. Districts which have not funded this liability may expense the increase, if any, from year-to-year. **However, per C.R.S. 22-44-105 (1.5)(b) each school district shall annually prepare an itemized reconciliation between the fiscal year end fund balances based on the budgetary basis of accounting used by the school district and the fiscal year-end fund balances based on the modified accrual basis of accounting. The reconciliation shall be included with the final version of the amended budget and the annual audited financial statements, which is also a GAAP requirement.**

Districts will generally fall in one of four categories when developing budgets with regards to accrual liability funding.

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- A. Districts that choose to fully fund the accrual liability should not include the accrual funds in the beginning fund balance for budgeting purposes.
- B. Districts which intend to fund any portion or all of the accrual liability **may** **must** include that portion of the liability which is intended to be funded as part of the expenditure budget. In this case, an expenditure budget may be created to protect and, depending on the district's long-range plan for accrual funding, increase the accrual funding level.

If a positive fund balance is available without considering accrual funds, then these funds should not be used to calculate the beginning appropriated fund balance for budgetary purposes. In this case, an expenditure budget should be created annually to increase or maintain the accrual funding level.

- C. Districts that are reducing accrual funding levels may include in the beginning fund balance that portion of the funded reserve which is intended to be budgeted to offset other expenditures.
- D. Districts that choose not to fund the accrual liability must consider the liability as deferred when calculating the appropriated fund balance for budgeting purposes.

PART 2: ACCOUNTING PROCEDURES

The materials in this section are primarily illustrative of the types of accounting documents, journals, ledgers and reports that could comprise the school district accounting process and records. Emphasis is placed on the fact that items contained herein are examples and suggestions, but are neither regulatory nor prescribed. It is possible to achieve compliance with the spirit and intent of this *Handbook* using procedures other than those illustrated on the following pages, especially with the opportunities afforded by the advances in technology. However, such procedures should follow good accounting principles and practices.

I. **Cash Receipts**

As is true with all financial operations, adequate internal controls should be established to protect the employees as well as the public's moneys.

- A. These controls will of necessity be regulated by the number of employees available and may include, but should not necessarily be limited to, the following:
1. Access to cash receipts by as few employees as possible.
 2. Clear establishment of responsibility at each point of transfer.
 3. Adequate bonding of each employee.
 4. Immediate record of all cash receipts.
 5. Physical protection of cash through the use of vaults, locked cash drawers, cashiers cage, etc.
 6. Holding cash on the premises should be kept to a minimum. Ideally, cash should be deposited daily.
 7. Separate handling of cash from cash record keeping.
 8. Lack of authority for any one person to handle a transaction from beginning to end.
 9. Centralized receiving of cash to the extent possible.
 10. Bank reconciliations by persons not responsible for handling cash.
 11. Rotation of personnel in key positions and surprise cash audits.
 12. *Immediate* investigation of all cash complaints or irregularities.

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- B. It is important that the processing and recording of cash be conducted with safeguards to ensure proper control and accounting procedures.
1. Mail should be opened promptly on arrival and any receipts should be listed in detail by fund.
 2. Counter receipts should be listed by cash register tape or pre-numbered cash slips.
 3. In reference to 1 and 2 above, one copy should go to the person responsible for recording transactions in the Cash Receipt Journal and one copy to the person who will later compare it to the deposit slip. The receipts should be added, compared to the total on the list and forwarded to the person responsible for preparing the deposit.
 4. If at all possible, deposits should be made daily with a three-part cash deposit slip. The person preparing the deposit should retain one copy with two copies going to the bank. After validation, the bank should retain one copy with the other returned for comparison to the list of mail and counter receipts.

II **Purchasing Cycle:**

- A. **General:** In order to ensure adequate internal control, a series of checks and balances should be built into the purchasing procedure.
1. Adequate separation of duties should be provided.
 2. All purchases should be initiated on purchase requisitions originated by those having designated authority. The requisition and purchase order could be combined if proper signature/approval control is provided.
 3. Purchase orders should be approved at the appropriate authorization level in accordance with district policy and related rules or regulations.
 4. Purchasing practices should be reviewed periodically to ensure that proper internal controls are preventing: (1) payment of fictitious invoices (2) duplicate payments and (3) alteration of invoices.
 5. Receipt of items should be documented.
 6. Vendor invoices should be mailed directly to the accounting department for verification with both the purchase order (accounting) and the receiving report.

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7. Invoices should not be approved for payment until properly verified and checked.

B. **Purchase Requisitions:** The purchase requisition is a written request for the purchase of supplies, services and equipment. It should be prepared in a standard format so that the information may be easily identified and transferred to a purchase order.

1. The number of copies needed for proper processing may vary by district but a minimum of two is recommended with distribution as follows:

- ◆ Original to the office responsible for approving and preparing purchase orders.
- ◆ Duplicate returned to the originating source

2. The purchase requisition form should contain spaces for the following information:

- ◆ Name and address of recommended source of supply.
- ◆ Date of requisition.
- ◆ Date items or services are required.
- ◆ The address to which items are to be shipped.
- ◆ Complete account code information.
- ◆ Items ordered.
- ◆ Part or catalog number and description of the item, quantity, unit of measure (box, each, etc.), unit price and total dollar value of each line item. (It is suggested that line items be double spaced so corrections can be made as necessary.)
- ◆ Estimated cost of all items requested.
- ◆ Signature of person authorized to submit requisitions.

C. **Purchase Orders:** The purchase order is written evidence of orders placed as a result of receiving a properly approved requisition. Acceptance of the purchase order by a vendor effects a legally binding contract which gives the vendor authority to provide the requested goods and/or services. The purchase order should be on a standard format so that information may be easily identified and processing can proceed accurately using district purchasing procedures (e.g. bids, quotations, etc.).

1. The number of copies needed for proper processing may vary by district, but a minimum of five is recommended with the distribution as follows:

- ◆ Original to vendor.

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- ◆ Part 2 to the accounting department.
- ◆ Part 3 to the receiving unit to be approved for payment and returned to accounting department upon receipt of items ordered.
- ◆ Part 4 to requesting unit for notification that order was placed.
- ◆ Part 5 retained by the purchasing department (alpha or numerical file).

2. The purchase order should provide spaces for the following items:

- ◆ The date of the order and the date items are required.
- ◆ The name and address of the vendor.
- ◆ Name and address where items are to be shipped.
- ◆ Complete account code information.
- ◆ Part or catalog number, description, quantity, unit of measure, unit price and total dollar value of each line item.
- ◆ Total cost of all items ordered.
- ◆ Special conditions (payment terms, etc.).
- ◆ Signature or other evidence of authorization for expenditure of funds from the account code provided above.
- ◆ Signature of person authorized to approve purchase orders for the amount purchased.

D. **Receiving Documentation/Invoices:** Vendor invoices should be sent directly to the accounting department for verification with both the purchase order and the receiving documents. Invoices should not be approved for payment until properly verified and checked for accuracy. Receiving documents are generally the third page of the purchase order and should included the following information:

- ◆ Verification of items received
- ◆ Notation of any damage or shortages
- ◆ Signature of the person receiving the goods or services
- ◆ Packing slips or other documents received with the shipment should be attached to the receiving document when sent to the accounting department

E. **Procurement Cards:** The purpose of a purchasing card (also known as a procurement card) program is to provide an efficient, cost-effective method of purchasing and paying for small-dollar as well as high-volume, repetitive purchases. This type of program is designed as an alternative to the traditional purchasing process and can result in a significant reduction in the volume of purchase orders, invoices and checks processed. Purchasing cards can be used whenever a purchase order, check request, or petty cash would have been processed and with any vendor that accepts credit cards.

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Procurement cards may be issued in a designated individual's name with the government's name clearly indicated on the card as the buyer of goods and services. The procurement card and any transactions made with the card may become a liability of the governmental entity. For this reason it is important that governments be aware of the risks related to the use of procurement cards and develop plans to address those risks.

The Government Finance Officers Association (GFOA) recommends that governments explore the use of procurement cards to improve the efficiency of their purchasing procedures. A competitive process should be used to select the procurement card provider. Purchasing card programs should be designed to be simple and easy to use. However, governments need to maintain appropriate controls to ensure the ongoing success of the purchasing card program. These controls should include:

1. Written agreements with banks, which include fee schedules and processing procedures
2. Written policies and procedures for internal staff
3. Instructions on employee responsibility and written acknowledgments signed by the employee
4. Spending and transaction limits for each cardholder both per transaction and on a monthly basis
5. Written requests for higher spending limits
6. Recordkeeping requirements, including a review and approval process
7. Clear guidelines on the appropriate uses of purchasing cards, including approved and unapproved merchant category codes (MCC)
8. Guidelines for making purchases by telephone and fax or over the Internet
9. Periodic audits for card activity and retention of sales receipts and documentation of purchases
10. Procedures for handling disputes and unauthorized purchases
11. Procedures for card issuance and cancellation, lost or stolen cards, and employee termination
12. Segregation of duties for payments, accounting and reconciliation

III. **Cash Disbursements**

The control of and documentation for cash disbursements are of vital importance. Special care should be made for internal control. Not all procedures will fit each district's needs.

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A. **System of Internal Controls**

An adequate system of internal controls may prevent errors. The disbursement function should be separated completely from the receiving of cash and from the approval for payment. As much separation of responsibility should be provided within the disbursement function as the resources of the district permit. Consider the following:

1. The disbursement function should be limited to specifically authorized persons.
2. A definite assignment of responsibility for disbursements should be made.
3. A record of every disbursement should be made and checks should be entered in a cash disbursement journal.
4. Separation of duties with respect to electronic payments, check preparation, signing and distribution.
5. Large amounts of currency should not be kept on hand.
6. Payment authorization should be clear.
7. Proper controls should be devised for the processing of all payments.
8. Proper controls should be instituted in the signing of checks and comparison made with underlying documents.
9. Controls should be instituted for transmittal of payments to payee.
10. Reconciliation of bank accounts should be done promptly.

B. **Checks**

1. All checks should be serially pre-numbered to permit full accountability.
2. Checks should be written with care to prevent alteration. **Checks should not be written to "cash".**
3. Checks should be prepared only on the basis of a properly authorized written document such as approved invoices.
4. Checks should be submitted to persons authorized to sign accompanied by the substantiating data.

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5. Those authorized to sign checks should not prepare them.
6. Checks should not be returned, for mailing, to the person who prepared them.
7. Blank checks should not be signed
8. For ease of locating information related to cash disbursements, the check should have three parts:
 - ◆ Original - to vendor or payee.
 - ◆ Part 2 - attached to the support documents authorizing the payment.
 - ◆ Part 3 - kept for reference purposes. It is filed alphabetically when Part 2 is kept in a numerical file. If Part 2 is kept in an alphabetical file, then Part 3 is filed numerically.

IV. Warehouse or Inventory Supply Requisition

The inventory supply requisition is used to request transfer of goods from the warehouse to the cost center that created the requisition. Approval by the person who authorized the requisition indicates sufficient unencumbered budgetary moneys to cover the cost of the items. The inventory supply requisition should be on a standard format so that information may be easily identified and processing can proceed accurately.

- A. The number of copies needed for proper processing may vary by district, but a minimum of three is recommended with distribution as follows:
 1. Original and Part 2 are both sent to the stockroom. When the order is processed for delivery and all pricing verified, the *original* is forwarded to the accounting department. Part 2 is retained by the stockroom with verification of delivery to the ordering unit.
 2. Part 3 is retained by the ordering unit.
- B. The inventory supply requisition should provide spaces for the following items:
 1. Date of order and date items are required.
 2. Complete account code information.
 3. Inventory control number, quantity, unit of measure, item description, unit price and extended amount.
 4. Signature of person authorized to submit requisition and signature of person authorized to approve purchase.

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5. Delivery date.
6. Indication that items were received.
7. Total value of all items delivered.

V. **Payroll**

Maintenance of the payroll records is a continuous process. The records must be amended every time there is a change in the status of an individual, a change in related district policy, or a change in governing state or federal laws. A separate payroll record must be maintained for each employee.

A. **Board of Education Payroll Responsibilities.**

Actions taken by the board of education and recorded in the official minutes initially control all payroll operations. Some examples follow:

1. Adopted salary schedules.
2. Rates of pay for substitute and hourly employees.
3. Detail related to policies governing sick, personal, vacation and other types of leave, both with and without pay.
4. Name, date of employment, assignment and rate of pay for each employee.
5. Authorization to employ substitute personnel.
6. Name and date of termination of each employee
7. Full details of employee programs for district-paid benefits.
8. Authorization for the district fiscal officer(s) to provide payroll services such as deductions for credit unions, professional dues, savings bond purchases, annuity programs, etc.
9. Specific details related to when employees will be paid and by what method they will receive payment (mail, hand delivery, direct deposit, etc.).

B. **"Employee" Definition and Requirements**

Compliance with state and federal regulations (IRS) regarding the definition of "employee" and "independent contractor" is required. The difference between an employee and an independent contractor must be clarified by the district. Proper clarification of this issue provides for consistent classification and protection of employees and the district. A major payroll issue is the deduction of required withholdings for the independent contractor and the employee.

1. Definition of an employee:

Current IRS regulations classify an individual as an employee under the following conditions: the employer sets conditions such as working hours, provides work space and tools or equipment and

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subjects the individual to routine supervision or evaluation. Regulations change from time to time and the district should review current regulations if questions arise.

2. Requirements:

The employer is required to comply with federal and state withholding requirements from the payroll of personnel who meet the definition of an employee.

- a. Employees hired after April 1, 1986, are subject to Medicare withholding.
- b. Federal and state income tax must be withheld from employees' wages.
- c. Wages, taxes withheld from employees and certain tax deferred/sheltered compensation must be reported on Form W-2.
- d. Districts must comply with PERA and other qualified pension plan requirements. Generally, retirees and active full time students are not eligible to participate in such plans. State law requires that a PERA-affiliated employer who hires a PERA retiree returning to work to remit employer contributions on salary earned by the retiree.
- e. Taxes must be deposited under applicable I.R.S. depository regulations.
- f. Districts must comply with wage and hour regulations as prescribed by the Fair Labor Standards Act.
- g. Federal grant programs, such as construction type grants and some Recovery Act of 2009 (ARRA) grants require the use of "prevailing wages" under the Davis-Bacon Act.

3. Compensation Based Insurance

- a. Unemployment Compensation Insurance requirements must be met. Districts have two options for payment, either at a flat tax rate or on a reimbursement basis.
- b. Workers Compensation Insurance is required by statute and is fully paid by the district. It provides for medical expenses and loss of earnings benefits to workers who are injured on the job.

C. **"Contractor" Definition and Requirements**

1. Applicable Internal Revenue Service regulations establish the classification of an individual as an independent contractor. There are additional criteria to consider and the district may need further guidance from the district legal counsel. Refer to the *IRS* publication for the criteria in determining an independent contractor.
2. Requirements:

The employer is required to comply with the following rules concerning state/federal withholdings:

 - a. Any fees or payments in excess of \$600 in the calendar year must be reported by the payer on a federal Form 1099-MISC.
 - b. A 20% back-up tax must be withheld by the payer, if the independent contractor has not provided a taxpayer identification number on Form W-9 (*Request for Taxpayer Identification Number Verification*) to the payer, for payments in excess of \$600 and submitted to the IRS under the applicable depository regulations.
 - c. The independent contractor is responsible for paying and reporting the applicable self-employment tax.
3. Questions concerning the status of a contractor versus employee relationship should be directed to district legal counsel.

D. **Payroll Record**

Certain record keeping requirements are established by the Federal Wage and Hour Division within the U.S. Department of Labor. Detail must be maintained on each individual's payroll record in accordance with the Fair Labor Standards Act. Districts may keep additional detail at their own discretion. Any action which has an effect on the employee's net pay should be recorded on the individual record for each pay period so affected.

1. The following listing is not meant to be all-inclusive but indicates items to be considered
 - a. Name and address
 - b. Social Security Number.

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- c. Marital status and number of exemptions claimed for income tax purposes.
 - d. Gross contract salary, monthly gross salary, hourly rate, etc.
 - e. Assignment and location
 - f. Appropriation account classification or prorated classification if assignment is divided and fund from which the payment will be made.
 - g. Date of duty and termination date for contracted employees.
 - h. Gross payroll period salary.
 - i. Salary reductions which reduce gross payroll period salary, e.g., deferred compensation plans or annuity plans.
 - j. Gross taxable salary.
 - k. Withholding taxes for federal/state/local governments.
 - l. Deductions regulated by law such as payments into retirement programs.
 - m. Other deductions as authorized by the employee.
 - n. Net salary for the payroll period.
 - o. Totals for the month, quarter and calendar year
2. Certain critical issues require special consideration for payroll record keeping purposes.
- a. Changes in the rate of pay including dates and details
 - b. Tax sheltered/deferred compensation arrangements
 - c. Compliance with IRS regulations regarding tax shelter annuities and similar arrangements
3. The district has certain responsibilities relative to monitoring compliance with IRS regulations for tax sheltered arrangements. Questions regarding this issue should be directed to the district's legal counsel and/or auditor. Check with appropriate agencies to ensure compliance with accounting and recording requirements for special programs funded by grants, etc. **Salary and benefits funded by Federal grant programs required a time and effort certification under OMB Circular A-87. Please refer to the Circular for additional information.**
4. Because payroll represents such a large portion of day-to-day expenditures, care must be exercised to ensure accurate recording. There will often be records maintained in other offices, which supply information to the payroll department. For example, the personnel or human resource department may keep sick leave records and request payroll deductions for excess leave on approved forms. Bus driver time cards may be kept in the transportation office, which furnishes a payroll document for action. The district should be sure all such records are retained to provide

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an accessible and complete audit trail for each item on an individual payroll record.

5. Some payroll records may need to be retained indefinitely. Districts must retain records in accordance with the Division of State Archives and Public Records' permanent records control schedule authorization.

E. **Public Employees' Retirement Association (PERA)**

All school district employees are required to become members of PERA. There are **Please check with PERA for possible** exceptions to this requirement. **Check with PERA to determine if students or certain retirees are exempted from PERA.** Employees of Denver Public Schools are **also exempted now part of PERA.** The retirement board is authorized to determine membership eligibility. Decisions of the retirement board are final and are subject to review only by proper court action. C.R.S. 24-51-203, *et seq.*

1. Both the employee and employer make monthly contributions to the retirement fund.
2. Employer contributions are required of school districts. In addition, contributions are required for overtime and for extra duty pay. **Districts should be aware that the 2004 legislation provided for an additional 0.40 percent employer contribution in 2013.**

An Amortization Equalization Disbursement (AED) is an additional amount contributed by PERA employers that increases gradually between 2006 and 2013. Legislation signed into law in May 2006 requires employers to also submit a Supplemental Amortization Equalization Disbursement (SAED). The SAED increases gradually between 2008 and 2013.

4. Reimbursements for out-of-pocket expenses are excluded from deductible compensation. (See PERA regulations for a complete list.)
5. Check current PERA regulations to determine if payments such as one-time bonuses, early retirement incentives, etc are excluded from deductible compensation.
6. Payments to independent contractors are not classified as **compensation for PERA provided the independent contractor is not a PERA retiree. Check PERA regulations regarding PERA retirees working as or for independent contractors.**

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7. Contact PERA for any necessary workshops or orientation meetings. Requests for copies of rules, regulations and interpretations related to PERA should be sent to the PERA office in Denver:

Public Employees' Retirement Association
1300 Logan
P.O. Box 5800
Denver, Colorado 80203-5800
(303) 832-9550 or 800-759-PERA (7372)

F. Withholding Taxes

Withholding taxes are required and apply to compensation of all employees.

VI. Sales Tax

A. Collections

Sales tax applies to "sale to the final consumer." Sales are tax-exempt only if the school district is the final consumer. Sales where students, parents, staff and patrons are the final consumer are taxable. Taxes should be collected for sales that benefit individuals and purchases which are not made directly from district funds.

Sales tax applies to "sale to the final consumer." Sales are tax-exempt only if the proceeds are donated to the school district or a school-approved student organization. The sale is tax exempt if it is made by any of the following: the school district, an association or organization of parents and school teachers, a booster club or other club, group or organization whose primary purpose is to support a school activity, and a school class or student club, group or organization. Taxes should be collected for sales that benefit individuals and purchases which are not made directly from district funds. C.R.S. 39-26-718 and 39-26-725

Caution is advised for sales to pupils and the public. Purchases by the district of tangible personal property for sale to individuals are taxable, such as class rings, yearbooks, magazine and candy sales.

1. When the district makes occasional purchases of tangible personal property to be either sold or given away, such as carnival prizes, the district is not deemed to be the ultimate consumer and therefore must pay the sales tax at the time of purchase.

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2. A sales tax license must be secured by the district if there are sales. Sales tax must be collected and remitted to the State and/or City/County Department of Revenue.
3. Tangible personal property purchased by the district for resale is a tax-free purchase. When the property is resold, sales tax is charged on the sale price. For example, items sold for fundraising at an increase over cost are taxed on the sale price, not on the cost to purchase.

B. Exemptions

Items purchased by a school or a school district for the use of the school or school district are exempt, provided such purchases are made on a prescribed purchase order and paid for with a school or district check.

1. The school or school district cannot pass its exemption on to any individual or group, such as a Booster Club, or PTA.
2. C.R.S. 39-26-114 39-26-708 enables a contractor to purchase materials tax-free when this material is to become a part of the structure for a tax-exempt entity. The contractor should apply with the Department of Revenue, Sales Tax Division, for an exemption certificate in order to purchase the material tax-free.
3. Currently, there is no sales tax on Nutrition Service sales.
4. Other tax items, such as Hotel type taxes may apply.

VII. General Requirements

A. Surety Bond

Each employee who is likely to have in his or her temporary custody at any one time an amount of school district money in excess of fifty dollars is to be bonded in an amount at least sufficient to cover the amount of school district moneys which is likely to be in his or her temporary custody. C.R.S. 22-32-109(1)(h) A blanket form of surety bond may be utilized to cover more than one such employee. Under C.R.S. 22-32-104(4), the board secretary, treasurer, their assistants and any board appointed custodian must provide surety bonds as required by the board.

B. Facsimile Signature

If a facsimile signature is to be used to sign checks, orders or warrants, each board of education officer shall give written consent to the board for the use of such facsimile signature and written approval of the employee designated to affix the facsimile signature. Such authorization shall be evidenced by a resolution adopted by the board and shall be recorded in the proceedings of the board. Any employee authorized and approved to affix the facsimile signature of the board officer(s) shall be bonded. C.R.S. 22-32-121

C. Public Records

As a public entity, a school district is required by statute and regulations not only to maintain and preserve certain records in a prescribed manner, but also to dispose of any records in a prescribed manner.

1. "All records shall be maintained at the principal administrative offices of the school district. Accounts shall be posted and recorded with fund resources at least monthly." C.R.S. 22-45-102
2. "The secretary of the board shall cause minutes of each meeting of the board to be kept and preserved." (Attached to and made part of the appropriate minutes shall be copies of the officially adopted budgets, audits and financial reports.) C.R.S. 22-32-106(1)
3. "The board of education shall cause to be kept the stubs of, or a register of, all warrants or orders drawn upon school district moneys in the various funds, showing the number of each warrant or order, the date issued, the object or purpose for which drawn, the amount and to whom payable, or in lieu thereof, similar records as normally provided in accounting procedures through the use of automatic processing." C.R.S. 22-32-109(1)(j)
4. The board of education shall cause such reports as relate to the affairs or business of the district to be preserved and disposed of only in the manner provided by law. C.R.S. 22-32-109(1)(m)
5. The Division of State Archives and Public Records is the state agency that coordinates and jointly approves the preservation and destruction of public records for local government. No public officer of a state agency or any county, municipality or school district shall destroy any record without having first secured from the state archivist and the attorney general authorization to do so in accordance with the provisions of an act relating to public records. C.R.S. 24-80-105

PART 3: REPORTING REQUIREMENTS

I. *Introduction to Reporting Requirements*

Each school district in Colorado must prepare and have audited, a **general purpose basic** financial statement that includes all funds and activities of the district, **including the general fixed asset account group including reportable component units**. The requirement for annual financial statements in conformity with generally accepted **governmental** accounting principles is set forth in the Colorado Local Government Audit Law, C.R.S. 29-1-601, *et seq.* The annual financial statements must be prepared in accordance with GAAP. C.R.S. 29-1-603(2) *They must set forth the financial position and results of operation of each fund and include a comparison of budgeted amounts to actual for all funds and activities.* The **supplemental** combining and individual fund schedules must be prepared in accordance with the formats prescribed by the Colorado Department of Education.

II. *Schedule of Revenues and Expenditures*

"The supplemental schedules of receipts and expenditures for each fund shall be in the format prescribed by the State Board of Education and shall be in agreement with the audited financial statements of the school district." C.R.S. 29-1-603(1) **The auditor's electronic financial data integrity check figures report mentioned below is the required format for this schedule.**

The Colorado Department of Education shall prepare and disseminate the prescribed format to be utilized by school districts. C.R.S. 29-1-603. This form is the Schedule of Revenues and Expenditures (CDE-3). The CDE-3 shall be incorporated in the audit for each fiscal period. The current form and a template are available from CDE.

School districts are required to electronically submit annual financial data to CDE. This process will produce an auditor's electronic financial data integrity check figures report. This report must match the audited annual financial statements, not only in the amounts presented but also the types of funds. For example, each type of fund presented in the audited financial statements must be transmitted to CDE electronically. No funds are exempt from electronic reporting, **including reportable component units**. Except for small allowances made for rounding, the amounts on the auditor's integrity check figures report must match those presented in the audited annual financial statements. Many auditors **may** treat the **statutory optional** per pupil allocation to Capital and/or Insurance Reserve as a transfer between funds instead of as an allocation of revenue. For electronic data transmission purposes, these transactions must be treated as an allocation. (See the FPP Handbook Chart of Accounts).

III. Compliance With the Financial Policies and Procedures Handbook

The independent auditor is required to disclose whether or not the district is in compliance with the *Financial Policies and Procedures Handbook*. "As part of the audit of a school district, the auditor shall ensure that the school district is complying with the provisions of section 22-44-204(3), C.R.S., concerning the use of the *Financial Policies and Procedures Handbook* adopted by the State Board of Education." C.R.S. 29-1-603

IV. Colorado Department of Education Reporting Requirements

Complete PDF or bound annual financial statements covering all funds and activities, including appropriate combined combining and individual fund statements, must be prepared, audited and submitted to the State Auditor and the Department of Education no later than January 31 December 31 of each year. The audit report for each school district shall include a calculation of the school district's fiscal year spending under Section 20 of Article X of the State Constitution (only for districts that have not fully de-bruced the TABOR requirement) and the auditor's electronic data integrity check figures report and bolded balance sheet report identified as the "Final" report. The bolded balance sheet report and the completed "Accreditation Report" must also be submitted to the Department of Education. Without these reports, CDE and the State Auditors Office will consider the financial statements incomplete and unacceptable. DO NOT REMOVE, ERASE OR OTHERWISE ALTER ANY OF THE INFORMATION ON THE AUDITOR'S INTEGRITY CHECK FIGURES REPORT OR BOLDED BALANCE SHEET REPORT. Audited annual financial statements will be returned if they do not agree with the electronically transmitted data.

PDF or bound audited financial statements must be submitted within thirty (30) days after the district receives the audit report or within five (5) months after the close of the fiscal year, whichever is earlier. If this deadline cannot be met, the district must file an extension with the State Auditors Office. Extensions will be granted on an "as needed" basis, in 15-day increments, not to exceed 60 day

