



FPP: Chart of Accounts Discussion Item:

1. Question or Issue:

A) Pursuant to [HB 16-1354](#) in Colorado Revised Statutes, 22-45-103 (j), the following fund is created for each school district for supplemental capital construction, technology, and maintenance fund, as needed.

The revenue from a tax levied pursuant to section 22-54-108.7 for the purpose of providing ongoing cash funding for the capital construction, new technology, existing technology upgrade, and maintenance needs of a school district, and no other money other than interest and income credited to the fund pursuant to this paragraph (j), shall be deposited in the supplemental capital construction, technology, and maintenance fund of the district. The district may expend money from the fund only for the purpose of providing cash funding for capital construction, new technology, existing technology upgrade, and maintenance needs of the district and may not pledge any money in the fund for the repayment of any existing or new borrowing. All interest and income derived from the deposit and investment of money in the supplemental capital construction, technology, and maintenance fund shall be credited to the fund.

B) Pursuant to [HB 16-1422](#) in Colorado Revised Statutes, 22-45-103 (k), the following total program reserve fund is created for each school district, as needed:

A district shall deposit the property tax revenues that it collects from a tax levy imposed pursuant to section 22-54-107(5) in the Total Program Reserve Fund of the district. The district may expend money from the Total Program Reserve Fund only to offset the amount of a reduction in the district's state share caused by application of the negative factor pursuant to section 22-54-104(5)(g); except that, in a budget year in which the district levies for its total program the number of mills calculated pursuant to section 22-54-106(2)(a)(II), if the balance of the total program reserve fund exceeds an amount equal to the district's total program for that budget year multiplied by the negative factor calculated pursuant to 22-54-104(5)(g) for that budget year, the district may expend the amount of the excess balance. Any money remaining in the fund at the end of a fiscal year must remain in the fund and may be used in future years only as provided in this paragraph (k).

A) Any Prior FPP Action:

A) At the May 16, 2016 FPP Committee Meeting, the group discussed creation of a new fund. However, the issue was tabled to provide for further research.

B) Discussion Points/Department Recommendation or Observations (if any)::

A) Given the wording of the statute, to isolate these activities for the stated purposes, it appears that new funds should be established within the Statewide Chart of Accounts. Based on GASB Statement No. 54, a capital projects fund would be required if the proceeds were restricted solely to capital outlays, while a special revenue fund would be appropriate for either non-capital outlays or a combination of capital outlays and non-capital costs. Statute language allows for both capital and non-capital costs, or some combination thereof. However, a district's ballot language may be more restrictive than the statute language (i.e. may allow only for capital outlays).



It is therefore recommended that fund codes 26 and 46 be established to accommodate either a special revenue fund or a capital projects fund, respectively, for use by the Supplemental Capital Construction, Technology, and Maintenance Fund as defined by statute.

The use of fund 26 would require funds 26 through 29, currently optional special revenue funds, to be repurposed as funds 06 through 09, which would impact a small number of districts that report activity in funds 26 through 29. These optional funds being used by districts would roll to fund 20 for data pipeline and auditor's integrity report purposes. The 26 – 29 series would be restricted for assignment as specific special revenue funds as created by the State.

Alternatively, fund 06 could be established for the Supplemental Capital Construction, Technology, and Maintenance Fund as defined by statute. However, this treatment may be confusing when reviewing the auditor's integrity report that must be included in the audit.

B) Given the wording of the statute, it appears that a new fund should be established within the Statewide Chart of Accounts. Because the use of funds is not restricted for a purpose more narrowly defined than other expenditures of the general fund, the use of a special revenue fund is not appropriate. It is therefore recommended that fund code 17 be designated as a Sub-Fund of the General Fund for the specific use by the Total Program Reserve Fund as defined by statute. Currently, fund code 17 is being used by 7 districts. Fund codes 12 – 16 would continue to be available for their usage.

C) FPP Action, Decision Made:

This discussion item is being brought back to the June meeting for further discussion and FPP action.

D) Further Action/Research Needed/Table for Future Meeting:

This discussion item is being brought back to the June meeting for further discussion and FPP action. See the attached basic fund definitions as provided for in GASB Statement No. 54:

Special Revenue Funds

30. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes. Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

31. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. 2 Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will

derive from restricted or committed revenue sources.

32. Governments should disclose in the notes to the financial statements the purpose for each major special revenue fund—identifying which revenues and other resources are reported in each of those funds.

Capital Projects Funds

33. Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The following is from May 2016 GAAFR Review newsletter and references a new Q/A in 2016 Implementation Guide... makes clear that capital outlays are acceptable in SRF, so long as there is a split between capital and non-capital:

Governmental fund type definitions. A government wishes to use a separate fund to account for storm water fees that are restricted by enabling legislation to storm water activities (either capital or operating). The government anticipates that it will have to subsidize a quarter of the cost of storm water activities by means of an annual subsidy from the general fund. Moreover, storm water fees are not designed to recover depreciation or debt service. In these circumstances the use of a special revenue fund would be appropriate because: 1) the use of a capital projects fund would not be required (since the resources could be spent for either capital or operating purposes); and 2) the use of an enterprise fund would not be required (in the absence of a requirement or intent to recover cost through fees). [4.73]

E) Effective Date:

Effective starting in FY16-17.