

## FINANCIAL POLICIES AND PROCEDURES COMMITTEE MINUTES

May 6<sup>th</sup>, 2016

### Members Present

Christy Hamrick, Garfield RE-2  
Amy Lyons, Bayfield 10JT-R  
Anthony Whiteley, St. Vrain Valley Re-1J  
Janell Wood, Swink 33  
Karin Slater, Montrose County Re-1J  
Kurt Shugars, Telluride R-1  
Mike Thomas, Fowler R-4J  
Theresa Larson, Aurora 28J  
Kathleen Askelson, Jefferson County R-1  
Terry Buswell, Centennial BOCES  
Chloe Flam, Northwest Colorado BOCES

Laura Hronik, Colorado Springs 11  
Cara Golden, Mesa County Valley 51  
Donna Villamor, Littleton 6  
Kara Emmerling, Geona-Hugo C113  
Kristine Githara, Cherry Creek 5  
Lisa Clark, Weld RE-3J  
Steven Clawson, Denver 1  
Wendy Everett, Cortez RE-1  
Kera Badalamenti, Poudre R-1  
Eileen Johnston, James Irwin Charter

### Alternates Present

NA

### Ex-Officio Members Present

Leanne Emm, CDE  
Kirk Weber, CDE  
Paul Reynolds, CDE  
Crystal Dorsey, OSA

Jennifer Okes, CDE  
Adam Williams, CDE  
Yolanda Lucero, CDE  
Kathy Shannon, CASB

### Members, Ex-Officio Members and Alternates Absent

Fran Christensen, Falcon 49  
Scott Szabo, Colo. Society of CPAs  
Shae Martinez, Mapleton 1  
Deb County, Valley Re-1

Christopher Telli, Colo. Society of CPAs  
Richard Stettler, Ellicott 22  
Lana Niehans, Pueblo City Schools 60

### Guests Present

Alicia Hancock, Delta County 50(J)  
Amber Valencia, Pueblo City Schools 60  
Angie Skalla, Widefield 3  
Ashley Thang, Mesa County Valley 51  
Becky Samborski, Weld RE-1  
Brad Arnold, Cherry Creek 5  
Brenda Brown, Arriba-Flagler C-20  
Brenda Johnson, Weld Re-8  
Brenda Segelke, Peetz Plateau RE-5  
Brian Lund, Estes Park R-3  
Brook Quint, Centennial BOCES  
Carla Herman, Hi-Plains  
Carla Hotter, Durango SD  
Carrie Rigneg, Bright Bytes  
Caryn Braddy, Vision Charter Academy  
Cheryl Wallace, Rubin Brown LLP  
Chrissie Miller, Mancos Re-6

Cindy Squires, San Luis Valley BOCES  
Colleen Love, Ridgeway  
Conni Salzbrenner, Vilas  
Denise Pearson, Kiowa C-2  
Diane Jones, Otis  
Diane Raine, Mesa County Valley 51  
Doreen Jones, Dolores RE-4A  
Doug Moss, Weld RE-1  
Erich Dorn, Centennial BOCES  
Georgia Steele, Strasburg  
Gordon Jones, Thompson R2J  
Hayley Whitehead, Deer Trail 26J  
Hyesun Son, Adams 14  
Jan Brummond, Platte Valley Re-7  
Jana Schleusner, Douglas County RE-1  
Jane Frederick, St. Vrain Valley Re-1J  
Jess Young, Plateau Valley #50

Jona Layton, East Central BOCES  
Justin Petrone, Boulder Valley RE-2J  
Kara Drake, Summit Re-1  
Kathie Lewis, Stratton R-4  
Kelly Varney, Platte Canyon R-1  
Kenneth Wieck, Colorado Springs 11  
Laurie Darnell, Sheridan #2  
Leona Hollend, Monte Vista C-8  
Linda Hawthorne, Frenchman RE-3  
Lisa Anderson, Jefferson County R-1  
Lisa Horn, BKD  
Lori Schiek, Jefferson County R-1  
Lucinda Lounge, Burlington  
Luke Gonzales, Thompson R2J  
Marie Horn, Ignacio 11-JT  
Marita Vogrin, Academy #20  
Michael Everest, Mapleton 1  
Mike Hodgson, Archuleta County 50JT  
Mike Lee, Ft Morgan RE-3  
Monica Johnson, Strasburg  
Nanci Sweet, Deer Trail 26J  
Nikki Schmidt, Windsor RE-4  
Pam Warner, Colorado Springs 11  
Patty Venem, Rocky Ford R-2  
Rachel Morse, Widefield 3  
Regina Enciso, Pueblo City Schools 60

Rich Allen, Bright Bytes  
Robyn Klunder, Miami Yoder JT  
Roxanne Weers, NE BOCES  
Sabrina Hunt, Woodlin  
Scott Lee, CDE  
Sean Conner, Jefferson County R-1  
Shanna Yochum, Karval Re-23  
Sherry Shay, Thompson R2J  
Sosan Schaller, Englewood 1  
Staci Turner, SLV BOCES  
Sue McKnight, School District 27J  
Tammy Schneider, Revere  
Teresa Hopson, Bethune R-5  
Teresa Warner, Greeley RE-6  
Terry Kimber, Widefield 3  
Terry Scharg, Gilpin County RE-1  
Tina Wallace, NCAAK  
Valerie Rodriguez, Pueblo City Schools 60  
Vic Craven, Agate 300  
Mona Larsen, Woodland Park SD  
Stacey Yoshimoto, School District 27J  
Ron Patera, Elizabeth C-1  
Austin Bump, Swanhorst & Company  
Tammy Hohn, Englewood 1  
Brett Parsons, Poudre R-1  
Diane Doney, Littleton 6

## MINUTES

### FINANCIAL POLICIES AND PROCEDURES COMMITTEE

May 6, 2016

#### I. Call to Order and Introductions

Leanne Emm called the meeting to order at 9:30 am.

Those in attendance were asked to introduce themselves and their district.

#### II. Presentation of Agenda

*Steven Clawson, Denver 1, made a motion to approve the agenda.*

*Donna Villamor, Littleton 6, 2<sup>nd</sup> the motion. Motion carried.*

#### III. Approval of Minutes

*Kristine Githara, Cherry Creek 5 made a motion to approve the March 4, 2016 meeting minutes.*

*Steven Clawson, Denver 1, 2<sup>nd</sup> the motion. Motion carried.*

#### IV. Legislative Updates

There are a few days left in this legislative session, the session is scheduled to end Wednesday at midnight. Currently, the School Finance Act is in the Senate. They are trying to work out a compromise between the two charter Bills (SB16-187 and SB16-188) and the School Finance Act (HB16-1422). As of yesterday, the School Finance Act was amended, if it passes with the amendments the School Finance Act will either go back to the House for concurrence with the amendments or to a conference committee. As part of the School Finance Act we still have the same total program with the \$ 830 million negative factor. The size factor has a new calculation for the size of 3,500 or more but less than 5,000. In addition, the size factor for 2,293 or more but less than \$4,023 is now 2,293 or more but less than 3,500 with a slight change to the factor amount. Within the buy-out of categorical program, a section was added to give the state the ability to withhold the funds from state funds due to the school district if the buy-out of categorical program was not paid by the district. There is also a new section in the contingency reserve funds that applies to 7-8 districts, see Leanne if you need additional information on how this works. The total program reserve fund and financial assistance for public school capital construction remain in the School Finance Act. Added into the School Finance Act is a section regarding the charter school networks and audit requirements. Also added is a section for the institute chartering authority with the exclusive authority, once an institute school is established by a local board in which is the charter school is located continues to be authorized and accountable to the institute regardless of later actions by the local board. The sections of notice of vacant buildings and the meetings open to public were amended. The itemized charter school accounting section was added under School Finance.

School Finance Act HB16-1422: [Link](#)

SB16-187: [Link](#)

SB16-188: [Link](#)

#### V. Financial Transparency

##### a. BrightBytes Presentation

The data approval tool has gone live for the business managers at the pilot districts. This tool allows the business managers to review the data being collected before it makes it to the public website. BrightBytes would like to thank the pilot districts for their time and commitment. During recent meetings and discussions, the top five topics we have been hearing from districts are fund grouping, terminology, narrative fidelity, data reconciliation and totaling of revenues and expenditures. The two items we would like to discuss today are terminology and fund grouping.

An example of terminology is the grouping of program codes 0010 to 1799 and being referred to as curricular. The feedback we received is that most business managers refer to this grouping as instructional and believe that instructional would be understood by the general public. In turn, the grouping previously named co-curricular was also renamed to be activities and athletics. With regards to the expenditures they were categorized as salaries, benefits, services, supplies and other. The other includes items like property and debt repayments, so it was decided to be more explicit with "other" in order to be able to identify changes that may occur year to year. When we are thinking of terminology we want to ensure we are using verbiage that makes sense to us here in this room and to "grandma". Who is "grandma"? "Grandma" is the general public, the outside user, the lay person of the website. In the public view we have to balance these two extremes as the experts in school finance / accounting and the "grandma".

When we start thinking about the fund breakdowns, it is our livelihood as finance experts; to the lay person this is quite complex. Looking specifically at the revenues; the breakdown includes local share, state, federal and other. We implemented a fund categorization bar to associate with each of the revenue components. If you click on the bar, you are able to see the fund breakdown and an indication if the fund can be used for instructional purposes. On the revenue detail page you can see the breakdown in reverse, by selecting the fund you can see the breakout of the local share, state, federal and other revenues. Our approach is to look at the fund breakdown from multiple directions that way it is more understandable to both the finance experts and to the lay person.

We are open to continual feedback and open communication to help us to improve what we are doing. Continual feedback is showing us that the process is working and encourages us to continue the conversations going. It is important for us to communicate, that is what a partnership is all about.

BrightBytes Contacts:            Rich Allen, rich@brightybttes.net, (415) 340 – 2273 and  
   Carrie Rigney, carrie@brightybttes.net, (720) 280 - 1645

## **VI. Mill Levy Revenue Override Revenue Report**

At the last FPP meeting we showed the Mill Levy Revenue Override Revenue Report, this was also sent to all business managers through the listserv with a non-public web link of the report and addendum request templates. We have been collecting the addendum information from the school districts required to submit addendums. In the next couple weeks we will have the addendum information compiled to be published along with the Mill Levy Revenue Override Revenue Report. We have been asked about the time of completing the report and why we cannot make the report available sooner. Remember that if a school district files for an extension they have until March 1<sup>st</sup> to submit the financial data to CDE, after that we run some edits against the data. Additionally, for the Mill Levy Revenue Override Revenue Report, first we have to develop the report and send to the school districts to review the data and report, next there is a process where addendums can be requested. If an addendum is requested we send a request to the school district and compile the addendum information from the school districts. After all these steps are complete we are in a position to complete the Mill Levy Revenue Override Revenue Report. Thank you for your assistance, support and turn around on the addendum requests.

## **VII. GASB Fiduciary Activities Exposure Draft**

GASB is working on some possible changes to the fiduciary activities. After discussions with the Governmental Issues Forum we decided to write a letter to GASB to seek clarification. GASB responded by asking us to provide comments to the Board on April 21<sup>st</sup>. They were interested of the nature of the student clubs and scholarships, in addition to the level of involvement of the school districts. We talked about the distinction of these being self-supporting in Colorado, we allow school districts to use agency funds for self-supporting programs. We also discussed the budget process for agency funds; one of the proposed changes in the exposure draft is to add a statement or schedule of changes in the activities, which Colorado is already doing. Another potential issue that came up is how it would be presented if it

were a special revenue fund; can it still be restricted, because the nature of these activities is not for general purposes and they should be restricted for the nature of how they were collected. They are going in the direction of special revenue fund treatment, but they may seek guidance from other states to see how they are treated. This may be a possible change in the future.

GASB Fiduciary Activities Exposure Draft: [Link](#)

## **VIII. Inventory Commodities**

During the financial audit review process there have been issues related to reporting and accounting for commodities. We did some research with Colorado Department of Human Services (CDHS) because they oversee the commodities distribution. In the chart of accounts we have a balance sheet code for commodity inventory. Working with CDHS, there is an option that due to the nature of commodities which are being processed into commercial products they lose their distinction of being able to be trackable through the process. The CDHS allows for you to account for the commodities at the point that you receive them. You still have to take inventory of all food items as of June 30th as the requirement for annual inventory. You do not need to distinguish between commodities and other food items, if you do not wish to. Therefore, the commodities must be recognized as revenue (source code 4010, with appropriate grant code such as 4555) when received. The SFA must also recognize the expenditure (object code 0633) in the amount of this recognized revenue for the fiscal year. If a single inventory system is being used, the activities (additions, uses, and adjustments) of all commercially purchased foods together with the USDA donated foods would be accounted for under the balance sheet code of 8171 or 8172, with the use of object code of 0630 for such change tracking. Another item we noted with the change to the Special Revenue Fund treatment, the inventory value reported as an asset as of June 30th should also be reported as a non-spendable portion of the fund equity section as balance sheet code 6710.

Inventory Commodities: [Link](#)

## **IX. School District Fiscal Health Analysis**

The School District Fiscal Health Analysis Report is on the agenda for the August 22<sup>nd</sup> Legislative Audit Committee; this is a little later than it was last year. The first thing we do in the process is send school districts a pdf document that shows all the school district along with the numbers pulled from your audited financial statements. We give districts an opportunity to look at the information to ensure it is accurate and that it does not have data entry errors. This document should be sent in the third week of May. After that, for any school districts that have two or more missed benchmarks for the targeted ratios will be contacted to provide us with a response to explain your story which will be included in the report. The same ratios will be used for this year's analysis. Please contact Crystal if you have any questions.

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## **X. Chart of Accounts**

### **a. F-33 Annual Survey Object Codes**

The F-33 Annual Survey of School System Finances is collected by the US Census Bureau jointly with the National Center for Education Statistics (NCES). For the FY 2014-2015 collection, new reporting elements were added within section Part X Exhibits of Selected Items. The reporting elements are utilities and energy services, technology-related supplies and purchased services and technology-related equipment. The new exhibit items are mainly being collected at the request of NCES due to demand that they have seen from researchers and policymakers who are looking for more information on these types of expenditures. They state that the new exhibit items will not have anything to do with funding or grant calculations. The items

are being collected for informational and research purposes only. There is not expectation for a complete data collection for these items for most states for FY 2014-2015 or FY 2015-2016, since they were added on relatively short notice. The recommendation is to bold the following object codes, with revision to the definitions: 0410 Utility Services, 0620 Energy, 0432 Technology Related Repairs and Maintenance, 0340 Technical Services, 0530 Communications, 0650 Electronic Media Materials and 0734 Technology Equipment.

Kristine Githara, Cherry Creek 5 made a motion to postpone the accounts to be bolded.  
Donna Villamor, Littleton 6, 2nd the motion. Motion carried

The motion was made to postpone the request to bold these account codes and discuss again at the first FPP meeting in FY 2016-2017. These account numbers are optional for school districts to use in FY 2015-2016 and in FY 2016-2017.

F-33 Annual Survey Object Codes: [Link](#)

**b. HB16-1354 Fund Discussion**

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. Given the wording of the statute, to isolate these activities for the stated purposes, it appears that a new fund should be established within the Statewide Chart of Accounts. Based on GASB Statement No. 54 definition of special revenue and capital project funds, it appears that either fund type may work. The possible issue with the capital project fund relates to what would be considered to be “capital outlays”. If capital outlays is determined based on the program category, would be OK to use a capital projects fund. If capital outlays is determined based on the object category, maintenance costs would not be considered to be appropriate. The GAAFR blue book would support the program category treatment. Looking at the optional usage of funds within the capital projects coding (44 to 49), no district reported the use of fund code 46 or 48 within the FY14-15 data file.

A subcommittee was established to further examine the statute, determine which is the most appropriate fund and to discuss again at the June 24<sup>th</sup> FPP meeting.

HB16-1354 Fund Discussion: [Link](#)

**XI. Other Topics of Interest**

- a. CASBO , <http://www.coloradoasbo.org/i4a/pages/index.cfm?pageid=1>  
August 5, 2016, Applying GASB 34: Books to Financial Statements in Westminster  
October 5-7, 2016, 21st Annual CASBO Fall Conference in Breckenridge
- b. CASE-DBO, <http://www.co-case.org/?815>  
A proposal is submitted for bylaw change in order to add two new members to the board. If this passes they will be looking for two new members. Anyone interested please contact CASE.

There are two scholarships available for anyone wanting to be in the profession or currently in the profession looking to further their education.

July 25-29, 2016, 47th Annual CASE Convention in Breckenridge.

- c. **CGFOA**, <http://www.cgfoa.org/>

A String of accounting courses will be held over the summer, dates and locations are on the website.

June 28, 2016, Fiscal Health Webcast

**XII. Reminder:**

**Future Meeting Dates:**

<b>June 24, 2016</b>	<b>November 4, 2016</b>	<b>March 3, 2017</b>
<b>April 7, 2017</b>	<b>May 5, 2017</b>	<b>June 23, 2017</b>

**XIII. Adjourn**

There being no further business to come before the Committee, meeting adjourned.