FINANCIAL POLICIES AND PROCEDURES COMMITTEE MINUTES
March 3, 2017

Members Present

Stephanie Corbo, Jefferson County R-1
Anthony Whiteley, St. Vrain Valley Re-1J
Deb County, Valley Re-1
Janell Wood, Swink 33
Jonathan Levesque, Littleton 6
Kristine Githara, Cherry Creek 5
Lana Niehans, Pueblo City Schools 60
Laura Hronik, Colorado Springs 11
Michael Everest, Mapleton 1
Mike Thomas, Fowler R-4J
Terry Kimber, Widefield 3
Theresa Larson, Aurora 28J
Wendy Everett, Cortez RE-1
Terry Buswell, Centennial BOCES
Chloe Flam, Northwest Colorado BOCES

Alternates Present

Justin Petrone, Boulder Valley RE-2J

Ex-Officio Members Present

Aaron Oberg, CDE
Adam Williams, CDE
Jennifer Okes, CDE
Kirk Weber, CDE
Yolanda Lucero, CDE
Crystal Dorsey, OSA
Eileen Johnston, James Irwin Charter

Members, Ex-Officio Members and Alternates Absent

Steven Clawson, Denver 1
Amy Lyons, Bayfield 10JT-R
Cara Golden, Mesa County Valley 51
Jana Schleusner, Douglas County RE-1
Kara Emmerling, Geona-Hugo C113
Karin Slater, Montrose County Re-1J
Kera Badalamenti, Poudre R-1
Lisa Clark, Weld RE-3J
Matthew Scoggins, Rangely RE-4
Richard Stettler, Ellicott 22
Christopher Telli, Colo. Society of CPAs
Kathy Shannon, CASB
Scott Szabo, Colo. Society of CPAs

Guests Present

Aaron Thompson, Pueblo 70
Alex Marino, Douglas County RE-1
Alicia Hancock, Delta County 50(J)
Amanda Ward, Garfield Re-2
Amber Valencia, Pueblo City Schools 60
Angela Slaven, Mesa County Valley 51
Angie Skalla, Widefield 3
Angie Velasquez, Del Norte C-7
Ashley Thang, Mesa County Valley 51
Audra Rettedal, South Routt Re 3
Brad Arnold, Cherry Creek 5
Brian Lund, Estes Park R-3
Brisa Villalobos, Adams 50
Carla Hoehn, Cortez RE-1
Cassie Walgren, Charter School Institute
Dana Tomsan, Academy #20
Dawn Chavez, Crowley RE-41J
Denise Pearson, Kiowa C-2
Diane Raine, Mesa County Valley 51
Donna Villamor, Littleton 6
Doug Moss, Weld RE-1
Eddie Storz, Adams 14
Eric Davies, Pikes Peak BCOES
Erich Dorn, Centennial BOCES
Georgia Steele, Strasburg
Gina Lanier, Adams 12
Ginger Lusty, Charter School Institute
Hyesun Son, Adams 14
Jan Brummond, Platte Valley Re-7
Jane Frederick, St. Vrain Valley Re-1J

Guests Present(Continued)

Janelle Urista, Meeker RE-1
Jim Ventrello, Delta County 50(J)
John Angelo, MCDS
Jona Layton, East Central BOCES
Kathey Lewis, Stratton R-4
Kay Bridges, Jefferson County R-1
Kelly Varney, Platte Canyon R-1
Kenneth Wieck, Colorado Springs 11
Kirk Youngman, St. Vrain Valley Re-1J
Kristi Brown, Pueblo City Schools 60
Leona Hollond, Monte Vista C-8
Linda Hawthorne, Frenchman RE-3
Lisa Anderson, Jefferson County R-1
Luke Gonzales, Thompson R2J
Mandy Hydock, Greeley RE-6
Marie Horn, Ignacio 11-JT
Marita Vogrin, Academy #20
Mark Rydberg, Steamboat Springs
Melanie Heath, Mesa County Valley 51
Melissa Kirchner, Peyton 23JT
Mike Lee, Ft Morgan RE-3
Mimi Livermore, Adams 12
Missy Corn, Springfield R-4
Mona Larsen, Woodland Park SD
Nicole Stewart, Jefferson County R-1
Nikki Schmidt, Windsor RE-4
Ron Whitling, Aurora 28J
Rose Belden, Garfield 16
Roxanne Weers, Northeast BOCES
Samantha Gallagher, Denver 1
Sandra Nees, Adams 50
Scott Lee, CDE
Shelley Becker, Harrison 2
Shelly Murphy, St. Vrain Valley Re-1J
Sherry Dennis Murphy, Yuma 1
Sherry Shay, Thompson R2J
Sosan Schaller, Englewood 1
Staci Turner, San Luis Valley BOCES
Tammy Hohn, Englewood 1
Teresa Hopson, Bethune R-5
Terry Scharg, Gilpin County RE-1
Tina Wallace, NCAAK
Tracy John, Academy #20
Tracy McVicker, Elizabeth C-1
Valerie Rodriguez, Pueblo City Schools 60
Wendy Swanhorst, Swanhorst & Company
Willie Leslie, Clear Creek RE-1

MINUTES

FINANCIAL POLICIES AND PROCEDURES COMMITTEE
March 3, 2017

I. Call to Order and Introductions

Jennifer Okes, CDE called the meeting to order at 9:30 am.
Those in attendance were asked to introduce themselves and their district.

II. Presentation of Agenda

Terry Buswell, Centennial BOCES, Member District made a motion to approve the agenda.
Kristine Githara, Cherry Creek 5, Member District 2nd the motion. Motion carried.

III. Approval of Prior Meeting Minutes

Anthony Whiteley, St. Vrain Valley Re-1J, made a motion to approve the prior meeting minutes.
Jonathan Levesque, Littleton 6, 2nd the motion. Motion carried.

IV. Legislative Updates

Signed Bills

SB17-052 Statutory Revision Committee Colorado Department of Education
Governor Signed: The bill implements 2 recommendations related to title 22 from the department of education to the statutory revision committee. The first recommendation is to change the single remaining statutory reference in title 22 that names October 1 as a mileage or pupil enrollment count date to the 'pupil enrollment count day, as defined in section 22-54-103 (10.5)' in order to conform with the rest of the references in title 22. The second recommendation is to delete from statute the phrases 'accredited independent school' and 'accredited nonpublic school' because the state board of education does not accredit either type of school.

SB17-160 Supplemental Appropriations Department of Education
Governor Signed: Legal Services, CORE, Contingency Reserve Fund (1,235,956)

SB17-173 School Finance Mid-year Adjustments
Governor Signed: The general assembly recognizes that the actual funded pupil count and the actual at-risk pupil count were less than anticipated during the 2016 legislative session resulting in a reduction of $25.5 million. In addition, local property tax and specific ownership tax receipts were less than anticipated, reducing the local share of total program funding by $23.1 million. The bill reflects the general assembly's intent to maintain the state share of school districts' total program funding at the level of the original appropriation during the 2016 legislative session, and to adjust total program funding, after application of the negative factor, to reflect a reduction in the negative factor of $2.4 million. The bill appropriates $3,950 cash funds from the state education fund to align the hold-harmless full-day kindergarten funding with the change in total program funding. (Note: This summary applies to the reengrossed version of this bill as introduced in the second house.)

Legislative Updates (continued)

HB17-1042 Increasing Funding For Full-day Kindergarten

Refer Unamended to Appropriations

Under existing law, the 'Public School Finance Act of 1994' funds kindergarten students as half-day pupils plus the supplemental kindergarten enrollment, which is an additional .08 of a full-day pupil. The bill increases the supplemental kindergarten enrollment for the 2017-18 budget year and each budget year thereafter to .16 of a full-day pupil.

HB17-1082 BEST Building Excellent Schools Today Act Technology Grant Funding

Refer Amended to Appropriations

State law requires the first $40 million of retail marijuana excise tax revenue annually collected to be credited to the public school capital construction assistance fund (assistance fund). Sections 2 and 5 of the bill require the next $5 million of retail marijuana excise tax revenue to be credited to a newly created technology grant account of the assistance fund for the purpose of providing 'Building Excellent Schools Today Act' (BEST) financial assistance in the form of technology grants to public schools as specified in section 4. Sections 3 and 4 define the term 'technology' for purposes of both the existing statute that gives high priority to BEST applications for projects that are designed to incorporate technology into the educational environment and the new technology grant program to include hardware, devices, or equipment necessary for individual student learning and classroom instruction, including access to electronic instructional materials, or necessary for professional use by a classroom teacher. For additional clarification, section 1 amends the definition of 'capital construction' used for purposes of BEST to include 'technology', as defined in the bill. Section 4 also requires the public school capital construction assistance board, when evaluating applications for BEST financial assistance, to consider the extent to which retail marijuana excise tax revenue credited to the public school capital construction assistance fund is derived from each county of the state.

HB17-1194 Technical Changes For P-tech Schools

Refer un-amended to House Committee of the Whole

The bill amends the definition of pathways in technology early college (p-tech) high school to include a p-tech program that operates within a host school. In addition, in applying school accreditation requirements and reporting graduation rates, a p-tech student is counted as a high school graduate in the year in which the student completes the local education provider's or host school's minimum high school graduation requirements. A p-tech school or the host school shall notify the department of education prior to a p-tech student's twelfth-grade year if the student will be enrolled in the p-tech school for grades 13 or 14.

HB17-1182 Charter School And District Student Revenue True Up

Assigned to Education

The bill requires a charter school to reimburse the chartering school district or another school district, whichever is applicable, for excess student revenue attributable to a student who was enrolled in the charter school on the pupil enrollment count day and who subsequently enrolled in a non-charter school of the chartering school district or of another school district in the same budget year. The bill defines student revenue. Excess student revenue is the amount of student revenue proportionate to the time the student remained in the school before changing schools. To determine the amount of the reimbursement, the bill requires the chartering school district to prepare an accounting for each charter school of the school district at the end of the budget year. The accounting identifies students who transferred between a charter school and a non-charter school of the school district after the pupil enrollment count day, and students who transferred from a charter school to a non-charter school of a different school district after the pupil enrollment count day. Based on the accounting, the bill requires each charter school of the school district to reimburse the chartering school district for excess student revenue for students who transferred from the charter school to a non-charter school in the chartering school district in the same budget year. The amount of the charter school's reimbursement to the chartering school district is reduced by the total amount of excess student revenue attributable to students who started in a non-charter school of the school district and transferred to the charter school in the same budget year; except that the chartering school district is not required to reimburse the charter school if the calculation results in a negative number. Further, each charter school of the school district is required to reimburse the chartering school district for excess student revenue for a student who transferred from the charter school to a non-charter school of a different school district in the same budget year. The chartering school district shall pay the excess student revenue received from the charter school to the school district in which the student subsequently enrolled.

SB17-061 Additional Funding Charter School Operating Costs
Senate Second Reading Laid Over to 03/06/2017 - No Amendment
Beginning in the 2017-18 budget year, the bill requires a school district to distribute revenue it receives from ongoing local property tax mill levies equally, on a per-student basis, to the school district charter schools. Under specified circumstances, the school district may distribute the revenue using a different calculation. The bill does not require a school district to redistribute to charter schools any amount of the mill levy revenue that it distributed in budget years before the 2017-18 budget year. The bill directs the department of education to calculate a mill levy equalization payment for each institute charter school in the amount of the per pupil share of the mill levy overrides of an institute charter school's accounting district. The state will pay the mill levy equalization amounts, subject to annual appropriations.

SB17-200 Reward Excellence With Annual Redirected Dollars
Assigned to Education
The bill creates the 'Rewarding Excellence With Annual Redirected Dollars Act' or 'REWARD Act' (program) to award excellence funding to school districts that achieve a level of success in student performance above that of their peer districts. The bill defines 'school district' to include school districts and the state charter school institute (institute). The bill directs the department of education (department) to annually identify peer school districts by categorizing all school districts as either non-rural or rural, as defined in the bill, and then group the school districts within those categories based on demographically similar student populations. Once peer school districts are identified, the department shall compare those school districts to determine which school districts outperform their peer school districts using objective measures of student performance. The bill includes eligibility criteria for participation in the program. The department shall annually award excellence funding to the top 10 highest-performing non-rural school districts and to the top 10 highest-performing rural school districts, for a total of 20 districts. The program is funded by redirecting 1% of statewide total program funding, after application of the negative factor, for the applicable budget year. The department shall reduce the state's share of total program funding for the applicable budget year by the amount of excellence funding, proportionately reducing each school district's state share of total program funding. The department shall distribute 35% of the excellence funding to the top 20 highest-performing school districts in equal shares, and the remaining 65% of excellence funding to those school districts on a per-pupil basis. School districts, including the institute, shall transfer to a district charter school or an institute charter school 100% of the charter school's per-pupil allocation of the total amount of excellence funding received by the school district or the institute. The program is implemented beginning in the 2018-19 budget year, and excellence funding is based on the school districts' student performance in the

Legislative Updates (continued)

budget year immediately preceding the applicable budget year. The department shall reduce the amount of excellence funding by the department's reasonable and necessary direct costs incurred in implementing the program.

Resource Documentation: Link

V. OSA Fiscal Health Analysis Update

The Office of the State Auditor (OSA) is currently in the data entry process for the school district health analysis looking at fiscal year 2016. As part of the normal process, they will be sending all of the information to all of the school districts; this is targeted to be sent out in the month of May. They ask that the school districts take a look at the information and follow-up with them if anything needs to be updated, adjusted or changed. The presentation to the Legislative Audit Committee should be scheduled for the end of July, at this time the date has not been set. If a school district is identified as having two or more missed benchmarks, OSA will reach out to those particular school districts. The school district would have an opportunity to tell their story of what is going on in the school district that may have impacted the ratios. The information will be sent through the CDE School finance list serve, feel free to contact OSA at that time.

If you have any questions you may contact:
Colorado Office of the State Auditor
Crystal L. Dorsey, CPA
Direct: (303) 869-3002, crystal.dorsey@state.co.us

VI. Financial Transparency Update

The website will be launched on July 1, 2017; it will get here before we know it. The project is in a pilot 2 phase of the public website. At this time, most school districts have been in contact with Glenn Zollman at BrightBytes. He has been reaching out to all LEPs to attend the approval webinars. According to Glenn and the school districts we have spoken to the webinars have been very successful in familiarizing the school districts with the BrightBytes approval tool. About 60% of the LEPs have attended one of the webinars. Bright Bytes will be in attendance at the April meeting to walk everyone through the website. A possible development is a state-wide page to give users of the website a very high level of how Colorado looks in comparison to other states.

We are now at the tail end of collecting pipeline data for FY 2015-2016, for the past two years it has been communicated that LEPs may include school codes in the data pipeline file for FY 2015-2016, if they choose to do so. Based on the files in data pipeline it has indicated that the data pipeline file and BrightBytes files might not be the same data. CDE will be receiving a data dump from BrightBytes, with this we will be able to determine which LEPs did not use the same file. It appears that some LEPs may have pulled the pre-rollup files from data pipeline and if they did not include a school code they filled the school code with a crosswalk based on the location code that was used. We are hoping that for most LEPs that the totals for the BrightBytes data are in sync with the data pipeline totals.

Many Thanks to the sub-committee members and the pilot districts; they have been an invaluable to the whole process. The overall process has gone remarkably well, considering that this has been the first year of the required posting and requirements.

I. ESSA Per-Pupil Expenditure Reporting

Part of the ESSA law has school level reporting, because of all the work we have put into our Financial Transparency has put Colorado well ahead of the other states to meet the requirements. I believe Colorado is second to Rhode Island in terms to meet the new federal requirement. Rhode Island is much smaller than Colorado which makes it a lot easier for them, as they are reporting all transactions to the school level. The ESSA law has passed and is in effect, it is very minimal with what is required with the law.

The law states that for the Section 1111(h) (1) ANNUAL STATE REPORT CARD — (C) MINIMUM REQUIREMENTS—Each State report card required under this subsection shall include the following information: The per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual nonpersonnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local education agency and each school in the State for the preceding fiscal year.

The regulation further clarifies that states must annually report the per-pupil expenditures on the State and LEA report cards. The expenditures must be disaggregated by source of funds by Federal funds and State with local funds combined. This must include Impact Aid funds and excludes private funds expenditures reported for each LEA and for each school reported amount of expenditures for each LEA that were not included in school-level per-pupil expenditure data. Additionally, as a state we must develop a single, statewide procedure to calculate and report LEA-level per-pupil expenditures and develop a separate single, statewide procedure to calculate school-level per-pupil expenditures. This will be effective for the FY 2017-18 data to be reported by June 30, 2019

ESSA per-pupil expenditure regulations are included in the Final Accountability and State Plans with the effective date was January 30, 2017, however there was a delay moving the effective date to March 21, 2017. It is a possibly the regulations can be withdrawn by the Congressional Review Act, if withdrawn they cannot be replaced by substantially similar regulations. I am not sure how these regulations can be set to be substantially different, it is likely that we may not have regulations. Without the regulations ESSA would be in effect with the FY 2016-17 data to be reported by June 30, 2018. Currently CDE prepares State and LEA Report Cards, makes sense that CDE continues to do this.

A request for volunteers for subcommittee, with districts volunteering from Adams 12, Academy 20, Aurora, Cherry Creek, Harrison and Littleton.

Resource Documentation: Link

II. Budget Law Discussion

CDE is looking to provide clarification whether or not we are allowed to budget for an ending fund balance. Many school districts choose to appropriate the entire expenditure and fund balance amount resulting in a zero ending fund balance. We have had questions as to if that is the intent of the budget law. We want to ensure cohesive, internally consistent application of the whole statute so all provisions work together, allows for greater transparency in presentation of budgeted fund balance and allow for meaningful presentation of budget versus actual audited financial statements.

Looking at the statutory requirements, the budget and appropriation resolution adopted are required prior to the beginning of the fiscal year. Mandatory budget report contents include; summary of revenues and expenditures by pupil, expenditures by fund and by pupil in three columns, ensure compliance with TABOR, summarize revenue by source & expenditures by function, fund, and object and uniform summary sheet. Looking at the expenditures by fund and by pupil in three columns this includes; amount budgeted for the current fiscal year,

Budget Law Discussion (continued)

amount estimated for the current fiscal year and amount budgeted for the next fiscal year. If the amount budgeted and the amount estimated are the same amount, a district may choose to display this in two columns as long as the wording reflects wording of both. Remember that the use of beginning fund balance resolution can be done at any time during the fiscal year.

The required elements of the Uniform Summary sheet are; beginning fund balance and the anticipated ending fund balance, revenues by source, transfers/allocations to and from a fund, anticipated expenditures by program and object and the amount of reserves in the fund. Many districts appropriate the entire ending fund balance. The budget law, circa 1963, does not incorporate competing new world provisions: GASB 54, TABOR, financial transparency guidance, charter schools, bond ratings, etc. Moving forward on the Uniform Summary sheet (CDE-18) we are looking to display the appropriate categories of ending fund balance. However, displayed on your income statement in the audit these categories would not be broken out. In statute the committed reserve is limited to the amount to 15% and the amount cannot be expended and becomes a portion year's beginning fund balance.

In further examining, budget law requires a budget for the anticipated ending fund balance. If the budgeted fund balance is zero, why require a comparison of forecast to budget? Furthermore, if the entire fund balance was appropriated, why would we continue to allow for a resolution for the use of a portion of beginning fund balance? These are some of the areas where statute does not make complete sense.

Looking at the timeline of the statutory restricted ending fund balance, we have the following:

> 1963: non-appropriated operating reserve limited to 15%. Many of the districts and charter schools do not want to limit the fund balance to 15%.
>
> 1992: TABOR 3% emergency reserve, statute did not specify if the amount should be appropriated or not. Many of the districts are appropriating this portion, could this be considered non-appropriated and would this be part of the 15% limitation.
>
> 1992: TABOR multi-year obligations. Could this be considered non-appropriated and would this be part of the 15% limitation.
>
> 1992: Colorado Preschool Program (CPP), any moneys remaining at the end of any budget year shall be used in subsequent budget years. Could this be considered non-appropriated and would this be part of the 15% limitation.

These inconsistencies have occurred over time within statute. On the CDE-18 we are looking to add a section to allow districts to anticipate a budgeted ending fund balance. This would include; beginning fund balance, plus revenues, plus/minus transfers/allocations, less expenditures, may or may not include contingency & reserves, equals ending fund balance (reserves in object 6xxx & reserves in program 9xxx). District may choose to budget with the CDE-18 in one of three ways, each of these three ways would be acceptable. The CDE-18 and the Assurances for Financial Accreditation will be updated and available for districts for fiscal year 2017-2018.

Budget Law Discussion (continued)

Alternative I: the district may continue to appropriate the entire ending fund balance as an appropriated reserve in object 0840.

Alternative II: the district displays in the notes of the audit a budgeted amount for ending fund balance. The district appropriates a portion of the ending fund balance as an appropriated reserve in object 0840 and the amount as stated in the notes as an ending fund balance within the appropriate categories (non-spendable, restricted, committed, assigned and unassigned).

Alternative III: the district displays in the notes of the audit a budgeted amount for ending fund balance. The district appropriates the entire ending fund balance as the amount as stated in the notes plus the appropriated reserves as an ending fund balance within the appropriate categories (non-spendable, restricted, committed, assigned and unassigned).

This came to light after Moody's completed a ratings call for a large school district. They saw that the district has an ending fund balance but the budgeted ending fund balance was always zero. The school district in turn took an hour to try and explain to Moody's why this was presented in this manner and what the non-appropriated operating reserve limited to 15% was. Additionally as we review the financial audits the 15% limitation is one of the top violations by school districts. When we spoke to the school districts they felt that the current presentation is less transparent than what is occurring with the actual budget. We have also heard from some charter schools where they are intentionally trying to build an ending fund balance and were not able to with a limitation of 15%.

Resource Documentation: Link

III. Website Update

On the School Finance Division website you will now see a "Statutory Compliance and Reporting". In this section you will see the critical dates, CDE-18, data pipeline guidance along with the other reports. Here is where you would find the reports as related to the current year and a link for the prior year information. In that last couple weeks we have received several phone calls regarding the Interest Free Loan Program, therefore, a link was added in the "Other Resources section of the website. In this section there are also links to Legislative Council Staff, Office of State Planning and Budgeting, Office of the State Auditor, Colorado Revised Statutes – LexisNexis and Code of Colorado Regulations - Secretary of State. We have also moved the link for the Understanding Colorado School Finance and Division Presentations and Training in the "About" section at the top of the web page, this make is easier to explain to others where to find basic information on school finance. When you click on the School Finance and Division Presentations and Training, there are two trainings that we highlight, which are the New Superintendents Training September 2016 and the Budget Training that was presented in 2014. We are in the process of updating some of the training documents that way they are continually updated as school districts hire new business managers. If you have any suggestions, updates or additions to the webpage please let us know.

School Finance Website: Link

IV. GASB Update

Statement No. 84 for Fiduciary Activities was adopted by GASB, this statement defines the Fiduciary Activities. It looks at whether a government is controlling the assets and what is beneficiaries' relationship with whom a fiduciary exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. They explain four fiduciary funds that should be reported, pension, investment trust funds, private-purpose trust funds and custodial funds. They changed the agency funds to be custodial funds. You can now display a net position if you have a fiduciary fund, liabilities should only be presented if there is a commitment for those liabilities. The requirements are effective for reporting periods beginning after December 15, 2018 (FY2019-2020). It is optional if you would like to adopt these changes earlier.

Statement No. 77 for Tax Abatement Disclosures was issued in August 2015. This is Effective beginning after 12/15/15 (FY16-17). Tax abatement is the result of an agreement between a government and an individual or entity in which the government promises to forego tax revenues and an individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The statement requires disclosures about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. During the JBC hearing in December 2016, CDE identified 41 school districts in Colorado that were impacted by tax increment financing agreements (TIFs). If TIFs are tax abatement agreements, the district financial statement would require that school districts to disclose: the names of the governments that entered into the agreements, the specific taxes being abated and the gross dollar amount of taxes abated during the period. This would be a discussion with your Auditor to determine if the TIF for the district is considered a Tax Abatement.

GASB Invitation to Comment (ITC) on the Financial Reporting Model Reexamination, related to governmental funds issued 12/7/2016. The comment period ends March 31st, feel free to provide them with comments of your likes or dislikes of the reporting model. They have outlined three approaches for comment; near-term, short-term and long-term. Each approach has its benefits and challenges.

> The near-term looks similar to what it looks like now with a range of 60 to 90 days. The GASB Board would deliberate on the specific length of time later in the project if the near-term approach is considered. With this approach the prepaid items and inventories would not be recognized as assets as of year-end, they would be considered expensed as incurred. The conflict with this will be with governmental grants, as the Uniform Grant Guidance defines prepaid items as not being an obligation until the even has occurred and that inventories must be based on the consumption method.
>
> The short-term approach looks at the one-year fiscal period (operating cycle). Liabilities would include those that are payable at period-end and that normally are due within the subsequent operating cycle the operating year. For example a Bonds Payable that is paid in December would be recognized the prior year at June 30th. It would treat the pension contributions differently as it is looking at the actuarially determined contributions instead of the statutory defined contribution, this could be a significant change for districts. With this approach a statement of cash flows would be required in the financial statements.
>
> The long-term approach is full-accrual accounting without the capital assets and related liabilities. In the statements the full amount of the pension liability would be recognized. With this approach a statement of cash flows would be required in the financial statements.

GASB Update (continued)

The Invitation to Comment is the first step of the process, followed by the preliminary views and the exposure draft. There will be plenty of time to provide comments along the process; GASB will look at every letter that is received. If you have concerns please let them know during this Invitation to Comment period.

OPEB statements will be required for school districts effective for FY 2017-2018. PERA will be providing some guidance of the treatment of the Health Care Trust Fund (HCTF) under these new standards. At this time we are not aware of any chart of account changes with this statement.

The exposure draft for leases was issued in January 2016 with the final statements possibly being issued in May 2017. The effective period would be December 15, 2018 (FY19-20). This would define a lease contract as "conveys control of the right to use another entity's nonfinancial asset". With this statement the concept of capital leases and operating leases would go away. Operating leases, greater than 1 year would be reported as leases going forward. Capital leases, would be reported as capital financing activities instead of being called leases. This will impact the terminology and footnote disclosure of such activities going forward. For the reporting of leases in governmental funds, the exposure draft carries forward the existing guidance, this would only be for government-wide reporting. For the Lessee Governments, the government-wide statements would report an intangible lease asset that represents the lessee's right to use the leased asset and a long-term liability for the lease. This would be amortized and reduced over time. For the Lessor Governments, they would report on the government-wide statements a receivable for the right to receive payments, initially measured based on the present value of future lease payments to be received. A corresponding deferred inflow of resources, measured at the initial value of the lease receivable, to reflect that the receivable relates to future periods.

GASB has a Revenue and Expense Recognition project that they are working on. The objective of this project is to develop a comprehensive application model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions. Look for an Invitation to Comment at the beginning of 2018.

Resource Documentation: Link
Financial Reporting Model Reexamination: Link
Exposure Draft for Leases: Link

V. Other Topics of Interest

a. **CASBO ,** http://www.coloradoasbo.org/i4a/pages/index.cfm?pageid=1
   The 64th annual spring conference will be held April 19-21 at the Westin Hotel in Westminister.
b. **CASE-DBO,** http://www.co-case.org/?815
   We would like to thank those who attended the CASE winter leadership conference.
c. **CGFOA,** http://www.cgfoa.org/
   No updates at this time

VI. Reminder:

Future Meeting Dates

April 7, 2017 May 5, 2017 June 23, 2017

VII. **Adjourn**

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