



COLORADO
Department of Education

FPP Meeting

Budget Law Discussion

March 3, 2017

Purpose

- **Recommendation:** provide clarification of School District Budget Law within the FPP Handbook and Financial Accreditation form allowing budgeting of ending fund balance beyond the 15% non-appropriated
- Ensures cohesive, internally consistent application of the whole statute so all provisions work together
- Allows for greater transparency in presentation of budgeted fund balance, including quarterly and CAFR presentations; understandable to the lay person
- Allows for meaningful presentation of budget versus actual audited financial statements (see other states)
- Reflects realities of current accounting, reporting and bond rating trends; removes confusion in explaining the actual budgeted expenditures

Familiar Statutory Requirements

- Budget and appropriation resolution adopted prior to the beginning of the fiscal year. §22-44-103, -104, -110
- Mandatory budget report contents. §22-44-105(1)
 - (b) Summary of revenues and expenditures by pupil
 - (c) Expenditures by fund and by pupil in three columns
 - (II) Amount budgeted for the current fiscal year,
 - (III) Amount estimated for the current fiscal year, AND
 - (IV) Amount budgeted for the ensuing fiscal year
 - (c.5) Ensure compliance with TABOR
 - (c.7) Summarize revenue by source & expenditures by function, fund, and object
 - (d.5) Uniform summary sheet
- Use of beginning fund balance resolution, if any. §22-44-105(1.5)(a) and (c)
- Balanced relations. §22-44-105

Uniform Summary Sheet Requirements

- §22-44-105(1)(d.5) provides the elements of the uniform summary sheet by fund
- (I) beginning fund balance and the anticipated ending fund balance
- (II) revenues by source
- (III) transfers/allocations to and from a fund
- (IV) anticipated expenditures by program and object
- (V) amount of reserves in the fund
- *Question:* do we allow a budget of anticipated ending fund balance? What is the difference between ending fund balance and “reserves”?

Anticipated 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.
- If appropriate for your district, budget ending fund balance in GASB 54 categories (visible on CDE-18)
 - Nonspendable
 - Restricted, ensuring compliance with TABOR
 - Committed - includes §22-44-106 (cannot be expended)
 - Assigned
 - Unassigned
- Committed, §22-44-106, limits the amount to 15% and the amount cannot be expended and becomes a portion of the subsequent year's beginning fund balance (not allowed in a use of beginning fund balance resolution)

Anticipated Ending Fund Balance

- The budget law requires a budget for the anticipated ending fund balance. §22-44-105(1)(d.5)(I)
- The accounting and reporting law requires a quarterly financial report, including a comparison of the expected year-end fund balances with the amount budgeted for that fiscal year. §22-45-102(1)(b)(IV)
 - If the budgeted fund balance is zero, why require a comparison of forecast to budget?
- Use of a portion of beginning fund balance resolution. §22-44-105(1.5)(c) allows for an additional use resolution at any time during the fiscal year
 - Doesn't this provision necessarily presume that budgeted fund balance is available beyond the §22-44-106 reserve?

Statutory ending fund balance - restricted

- 1963: non-appropriated operating reserve limited to 15%
- 1992: TABOR 3% emergency reserve, statute did not specify if the amount should be appropriated or not
- 1992: TABOR multi-year obligations (assume non-appropriated)
- 1992: Colorado Preschool Program (CPP), any moneys remaining at the end of any budget year shall be used in subsequent budget years
- Assume these examples would be non-appropriated for budgetary purposes and would be classified as restricted fund balances for GASB 54 purposes

Budget interpretation and CDE-18

- Beginning fund balance
- *Plus* revenues
- *Plus/minus* transfers/allocations
- Less expenditures, may or may not include Contingency (object 0840) & Reserves (program 9xxx)
- Equals ending fund balance, Reserves(object 6xxx) & Reserves (program 9xxx)
 - Delineate components of ending fund balance and ensure compliance with TABOR for CDE-18 reporting
- If the ending fund balance is *less than* the beginning fund balance: a Use of a Portion of Beginning Fund Balance Resolution is required

School District Alternatives

Description	Alternative I	Alternative II	Alternative III
Beginning fund balance	\$ 33,024,540	\$ 33,024,540	\$ 33,024,540
Plus Revenues	212,367,451	212,367,451	212,367,451
Transfers/Allocations in (out)	3,897,922	3,897,922	3,897,922
Less Expenditures	228,926,734	228,926,734	228,926,734
Less Appropriated reserves (0840)	20,363,179	4,000,000	0
Equals Ending fund balance (6xxx)	<u>\$ 0</u>	<u>\$ 16,363,179</u>	<u>\$ 20,363,179</u>
Appropriation	<u>\$ 249,289,913</u>	<u>\$ 232,926,734</u>	<u>\$ 228,926,734</u>
TABOR and other restricted	<i>Notes</i>	5,110,321	5,110,321
Committed	<i>Notes</i>	1,826,000	1,826,000
Assigned	<i>Notes</i>	3,066,560	3,066,560
Unassigned	<i>Notes</i>	6,360,298	10,360,298
Total ending fund balance budget		<u>\$ 16,363,179</u>	<u>\$ 20,363,179</u>
<i>Requires use of a portion of beginning fund balance resolution</i>			

Discussion *and* Questions

