



BEGINNING GOVERNMENTAL ACCOUNTING

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Beginning Governmental Accounting

- Introductions
 - Name
 - Entity or Government
 - Position
 - What would you like to learn today?

The Governmental Environment

- General background –
Generally governments are divided into three categories:
 - Federal
 - State
 - Local Government
 - Counties
 - Municipalities
 - Towns and Townships
 - Special Districts



The Governmental Environment

In the State of Colorado, there are :

Total Active Local Governments: 3,568

Total Active Title 32 Districts: 2,075

Single purpose districts: fire, water

Total Active Title 32, Article 1 Districts: 2,064

Multi-purpose, Regional Services, Statutory Districts, Regional Transportation

The Governmental Environment

- Private/Public Sectors
 - Objectives of
 - Accountability

The Governmental Environment

- Financial Information
 - Who are the users of public-sector financial information?

The Governmental Environment

- Authoritative Standards for State and Local Governments.
 - GAAP
 - GASB
 - GAAFR

Statutory Filing Requirements

- Conservation Trust Fund (3/1)
- DLG30-public debt (3/15)
- Audit exemption (3/31)
- HUTF report (5/1)
- Annual audit report (7/31)
- Mill levy certification (12/15)
- Budget (1/31)

Technical Assistance=DOLA

<http://dola.colorado.gov/dlg/ta/index.html>

Statutory Filing Requirements Schools

- Proposed Budget (5/31)
- Budget (6/30)
- Capital Construction report (7/31)
- Pupil Transportation report (8/15)
- Pupil Count (10/1)
- Amended budget (1/31)
- Annual audit to Board (11/30)
- Mill levy certification (12/15)
- Annual audit report ADE(12/31)

Statutory Filing Requirements

- Budget C.R.S. 29-1-101
 - Document Requirements
 - Three years of information
 - Budget assumptions
 - Required schedules
 - Long-term debt
 - Lease obligations
 - » Applies to home rule cities & counties, school districts, and junior college districts also.

Statutory Filing Requirements

- Budget (Cont' d)
 - Adoption Process
 - Draft report to governing body (10/15)
 - Public hearing
 - Adoption of budget and certification of mills (12/15)
 - Filing of budget (1/31)
 - Supplemental Budget
 - Revised Budget
 - Spending in excess of the appropriation is NOT permitted
- CRS 29-1-110



DOLA

- <http://dola.colorado.gov/dlg/ta/budgeting/index.html>
- PDF | Local Government Budget Law - CRS 29-1-101
- Link | Electronic Filing Budgets
- Link | 5.5% Property Tax Revenue Limit
- Link | Budget Calendar
- Link | Inflation (Denver-Boulder CPI)



DOLA

- PDF | Statutory Budget Format Requirements
- PDF | Amending the Budget
- PDF | Legal Limits
- PDF | Local Government Annual Budget Filing Report

Statutory Filing Requirements

- Annual Financial Statements
 - Audit exemptions
 - Revenue or expenditures less than \$750,000
 - Short form vs. Long form
 - Audits
 - Document Requirements
 - Basic financial statements
 - CAFR

Statutory Filing Requirements

- Annual Financial Statements (Cont' d)
 - Adoption Process
 - Draft report to governing body (6/30) (11/30 schools)
 - Approved by governing body
 - Audit report filed to the State Auditors Office (7/31)
 - » Extension
 - » Request for (6/30)
 - » Filing of (9/30)

Statutory Filing Requirements

- <http://www.leg.state.co.us/osa/coauditor1.nsf/home?openform>
- Under Local Governments Tab
 - Financial Management Manual
 - Audit Due Dates Timeline
 - Local Government Budget Calendar
 - Special District Compliance Calendar
 - Filing Guidelines
 - Application for Exemption from Audit
 - Request for Extension of Time to File Audit

Office
of the State Auditor

Dianne E. Ray, CPA, State Auditor

Developer/ Special Districts

- Quasi-municipal corporation and political subdivision that provides
 - 1) improvements and/or
 - 2) operates public facilities for residents within the District.
 - Special Districts are created pursuant to Title 32 of the Colorado Revised Statutes.

Financing Options

- Purpose for
- Benefits of
- Authorization of
 - Voter approval
- Type of financing options
 - General Obligation bonds
 - Revenue bonds
 - Certificates of participation

Financing Options

- Who's who in the bond deal?
 - Underwriters
 - Attorneys
 - Bond council
 - Disclosure council
 - Tax council
 - General council
 - Bond insurers, credit enhancement providers, and rating agencies
 - CPA
 - Trustee

Financing Options

Components of the bond

Par amount of bonds	\$20M *
Less:	
Underwriter's discount	(400K)
Issuance costs	(400K)
Capitalized interest	(900K)
Reserve amounts	<u>(700K)</u>
Net proceeds	<u>\$17.6M</u>

*Plus Accrued interest

Financing Options

- Refunding of bonds
 - Purpose for

Section 218 Plans

- Prior to 1951: social security not available to public employees
- Voluntary coverage for public employees
- Not covered under Section 218 Agreement, not in public retirement system, mandatory FICA by 7/1/91

The Accounting Equation

- Assets = Liabilities + Fund Balance
- Assets are resources an entity owns. An asset has the capacity to provide future service or benefits.
 - Cash & Investments
 - Accounts Receivable
 - Property Tax Receivable
 - Inventory
 - Prepaid Expenses
 - Property, Plant & Equipment



The Accounting Equation

- Liabilities are claims against assets or in other words, obligations
 - Any Payable
 - Accounts payable
 - Loans payable
 - Salaries payable
 - Taxes payable
 - Obligation to provide a service or product
 - Unearned Revenue
 - Deposits



The Accounting Equation

- Fund Balance is the residual equity for the entity. It is the difference between the assets and the liabilities. Another term you will hear used is the Net Worth of the entity.
- Fund Balance can have restrictions placed upon it by outside entities (TABOR), and your governing body.

Revenues and Expense (Expenditures)

- Revenues are the gross increase in the entity's equity resulting from business activities entered into for the purpose of earning income.
- Expenses (expenditures for governmental) are the cost of assets consumed or services used in the process of earning revenue. They decrease the entity's equity that result from operating the business.

How do Revenue & Expenditures fit in the Equation?

- Revenues increase equity, while expenses (expenditures) decrease equity. The “equity” account in the equation is Fund Balance.
- The net affect gets closed to the Fund Balance:
 - profit if revenue $>$ expenditures
or
 - loss if revenue $<$ expenditures.

What is a debit and a credit?

- Looking at the accounting equation:

The left side is a debit and the right side is a credit

Therefore, NORMAL balances:

Assets are debits

Liabilities are credits

Fund Balance is (are) credits

Revenues are credits

Expenses (Expenditures) are debits

Financial Statement Reporting

- Fund Accounting
 - What is a fund?
 - A fund is defined as “a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and charges therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.”

Financial Statement Reporting

- Types of Funds
 - Governmental
 - General
 - Special revenue
 - Debt Service
 - Capital Projects
 - Permanent
 - Proprietary
 - Enterprise
 - Internal Service

Financial Statement Reporting

- Types of Funds (Cont' d)
 - Fiduciary
 - Pension
 - Investment
 - Private purpose trust
 - Agency
- How many funds is a government required to have?

Financial Statement Reporting

- Measurement Focus
 - Economic / Current Financial Resources
- Basis of Accounting
 - Full accrual / modified accrual

Financial Statement Reporting

- Components of Report
 - Balance Sheet
 - Assets
 - Liabilities
 - Fund Balance-GASB 54
 - Non-Spendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned

Fund Balance

- Non-Spendable
 - Form
 - Prepaid items
 - Inventories
 - Long-term portion of receivables
 - Assets held for re-sale
 - Must be maintained intact
 - Usually pursuant to legal or contractual requirements
 - Principal of endowment
 - Capital of a revolving loan fund

Fund Balance

- Restricted
 - External Enforceable legal restrictions
 - Creditors
 - Grantors
 - Contributors
 - Other governments
 - Authorization to raise revenues conditioned on being used for particular purpose

Fund Balance

- Committed
 - Constrained by highest level of own governing body
 - Constraint can only be removed in the same manner
 - Board designed projects

Fund Balance

- Assigned
 - Entities intended use of resources
 - Authority can be delegated to some other body or official
 - Can not assign resources you don't have
 - Must be narrower than the purpose of the fund

Fund Balance

- Unassigned
 - Net resource in excess of other commitments
 - General Fund should be only fund with positive unassigned fund balance
 - Other funds may have a negative unassigned fund balance

Financial Statement Reporting

Data Description: Current Assets & Liabilities

- **Cash:**
Cash is a subset of “Current Assets” and includes all cash, investments, and deposits, as well as restricted cash and investments. Cash and investments do not include assets in pension funds.
- **Current Assets:**
Cash and investments are included in this category, along with receivables, inventory and prepaid expenses. Amounts “due from other funds” are included in current assets only in multiple-column summaries wherein one service has amounts due from another service (or governmental activity) in the summary (e.g., a water service has amounts due from a sanitation service in a two-column water & sanitation district summary).
- **Current Liabilities:**
Principal and interest due in the following year are included in this category, along with accounts payable, accrued liabilities, and deferred revenue. Amounts “due to other funds” are included in current liabilities only in multiple-column summaries wherein one service has amounts due to another service (or governmental activity) in the summary (e.g., a water service has amounts due to a sanitation service in a two-column water & sanitation district summary).

Financial Statement Reporting

Data Description: Long-Term Debt Information

- **General Obligation Debt:**
General obligation debt is debt secured by the full faith and credit of the issuer. General obligation (or G.O.) debt issued by special districts is secured by a pledge of the district's *ad valorem* taxing power. In the event of default, holders of G.O. debt have the right to compel a tax levy in order to satisfy the district's obligation on the defaulted bonds. Any type of G.O. bond or loan is included in this category, including limited tax obligations.
- **Other Debt:**
Other debt includes revenue bonds, notes payable, contracts payable, capital leases, developer advances, certificates of participation, capital leases underlying certificates of participation, and any other long-term financial obligation that is not a general obligation of the district. Amounts due for compensated absences are not included.
- **Debt Service Schedule:**
This section provides the annual amounts of principal and interest due on all outstanding long-term debt for the next five years.
- **Authorized but Unissued Debt:**
This figure represents the amount of debt that voters have authorized the district to issue at various elections, minus amounts that have already been issued, and minus amounts authorized for refunding bonds, if such information is detailed. It should be noted that Authorized but Unissued Debt is not always reported in the districts' annual audited financial statements.

Financial Statement Reporting

- Components of Report (Cont' d)
 - Statement of Revenue, Expenditures and Changes in Fund Balance
 - Revenue
 - Expenditures
 - Other Financing Sources/Uses
 - Beginning Fund Balance
 - Ending Fund Balance

Financial Statement Reporting

Data Descriptions: Revenue Items

- **Property Tax:**
The revenue derived from a local *ad valorem* tax levy on real property and certain types of personal property as defined by law.
- **Specific Ownership Tax:**
The revenue derived from a State-formulated levy on certain motor vehicles, trailers, mobile machinery, and self-propelled construction equipment. Specific ownership tax is distributed by the county based on the proportion of the district's mill levy in relation to all levies in the county.
- **Charges:**
Charges and fees designed to defer the cost of current services that are of benefit to the recipient.
- **Contributed Capital:**
Contributed capital is an investment in the facilities or infrastructure of the district, and includes developer fees, plant investment fees, system development fees, tap fees, impact fees, or any other type of capital fee.
- **Intergovernmental Revenue:**
Revenue from federal, state, county, municipal, and district sources in the form of grants, entitlements, payments in lieu of taxes, charges, shared revenues, and amounts due in fulfillment of intergovernmental agreements are included in this category.
- **Transfers In:**
This category is only used in multiple-column summaries in which amounts are transferred between two services (or between a service and a governmental activity). An example would be amounts transferred into a water service from a sanitation service, as presented in a two-column summary for a water & sanitation district.
- **Interest:**
Revenue received as compensation for the use of financial resources over a period of time. This category includes interest revenues, dividends, and increases (or decreases) in the fair value of investments.
- **Miscellaneous:**
Miscellaneous revenue includes rents, royalties, special assessments, fines, proceeds from the sale of fixed assets, contributions and donations, refunds for (non-capital) expenditures, and any other revenue that does not fit into one of the other categories.
- **Debt Proceeds:**
The net proceeds from bond issues, loans, certificates of participation, developer advances, or any other type of long-term debt issuances are recorded here. This is the amount of the long-term debt proceeds minus any issuance costs. For refunding issues, debt proceeds equal the amount of the new issue minus the amount of debt refunded minus any issuance costs. Amounts reported for capital lease proceeds are subtracted from capital outlay.

Financial Statement Reporting

Data Descriptions: Expenditure Items

- **Operating Expenditures:**
Operating expenditures reflect day-to-day running costs, including all administrative, operations, and maintenance of assets costs. (Depreciation, amortization, and other non-cash expenses are not included.)
- **Principal Payments:**
This category includes the principal portion of debt service payments for bonds, loans, capital leases, certificates of participation, developer advances, or any other type of long-term debt.
- **Interest Payments:**
This category includes the interest portion of debt service payments for bonds, loans, capital leases, certificates of participation, developer advances, or any other type of long-term debt. Certain financing fees, such as letter of credit fees, are also included in this category if they are not subtracted from debt proceeds.
- **Capital Outlay:**
Capital outlay includes expenditures for the acquisition of capital assets, including land, buildings, equipment, and any improvements thereto. Also included are infrastructure costs such as those associated with the construction of roads and bridges, curbs and sidewalks, water and sewer systems, park and recreation facilities, fire stations, etc.

Financial Statement Reporting

Data Descriptions: Expenditure Items

- **Intergovernmental Expenditures:**
This category includes expenditures made by the district to another level or unit of government in support of governmental activities administered by the recipient government. Also includes grants, revenues shared with other governments, and payments made in fulfillment of intergovernmental agreements. This category was added to the database in 2004, primarily to account for the transfer of funds between metropolitan districts that are part of the same development project (i.e., transfers between “financing districts” and “operating or service districts”). Prior to 2004, these expenditures or transfers were recorded in the “Miscellaneous” category.
- **Transfers Out:**
This category is only used in multiple-column summaries in which amounts are transferred between two services (or between a service and a governmental activity). An example would be amounts transferred from a water service to a sanitation service, as presented in a two-column summary for a water & sanitation district.
- **Miscellaneous Expenditures:**
This category includes TABOR refunds, damages paid as the result of lawsuits, certain extraordinary items, and other expenditures that do not fit into any of the other categories.

Financial Statement Reporting

- GASB 34
 - Additional reporting requirements
 - Government-wide financial statements
 - Statement of Net Assets *****
 - » Net Assets comprised of three components: Investment in capital assets, net of related debt, restricted and unrestricted net assets
 - Statement of Activities
 - Reconciliation between fund statements and government-wide statements
 - MD&A
 - GASB 63 changed Net Assets to Net Position

Year End Closeout and Rollover

- All balance sheet accounts must be reconciled to actual.
For Example:
 - Bank reconciliations will support the General Ledger balances in the cash/investment accounts.
 - Inventories in GL should balance to your actual year end physical count.
 - Receivables in GL should balance to the bills you have sent, including grant billings to the State or Federal Government

Year End Closeout and Rollover

- Balance sheet accounts are **permenant accounts**. The ending balance at year end will be the beginning balance in the new year.
- Revenues and Expenditures are **temporary accounts**. These accounts will start with zero in the new year. The Income/Loss at year end will be closed to the Fund Balance accounts.
- $\text{Assets} = \text{Liabilities} + \text{Fund Bal}$

Colorado Statutes

- Cash deposits and investments
 - PDPA
 - Investment restrictions
 - US Treasury Notes
 - Agency Notes
 - GIC
 - Local Government investment pools
 - CSAFE
 - ColoTrust
 - Recordation of
 - Cash (Actual)
 - Investments (Fair market value)

CRS 24-75-601.1

Colorado Statutes

- Helpful websites

Colorado Statutes and Constitution

- <http://www.leg.state.co.us>

Division of Local Governments

- <http://www.dola.state.co.us>

Office of the State Auditors

- <http://www.leg.state.co.us>

Colorado Statutes

- Taxpayer' s Bill of Rights – TABOR
 - Proposed by Douglas Bruce
 - Purpose for
 - Voters approved in 1992
 - Calculation of
 - “De-Brucing”
 - Emergency reserves

Colorado Statutes

- Gallagher Amendment
 - Purpose for
 - Adopted in 1982
 - Requirements of
 - 55% / 45%

AMENDED CERTIFICATION OF VALUES

MONTROSE SCHOOLS

Name of Jurisdiction: **RE1J-GENERAL FUND**

New District.

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY

In accordance with 38-5-121(2)(e) and 39-3-120(1), C.R.S. The total Assessed Valuations for taxable year 2015
 In _____ On **11/30/2015** Are:

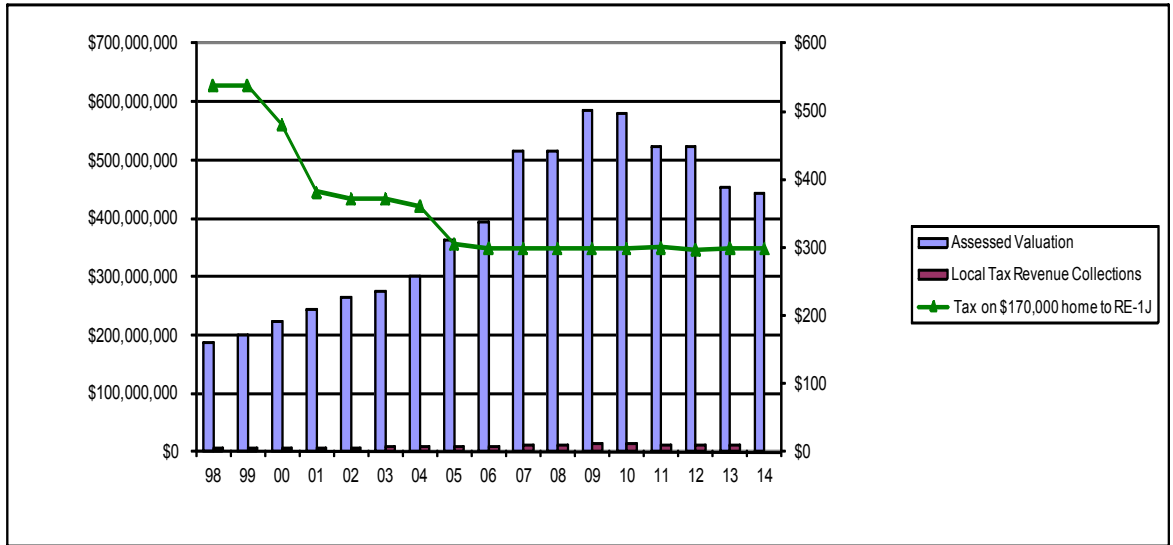
Previous Year's Net Total Assessed Valuation:	\$442,250,639
Current Year's Gross Total Assessed Valuation:	\$463,757,212
(-) Less TIF district increment, if any:	\$0
Current Year's Net Total Assessed Valuation	\$463,757,212
New Construction*:	\$5,060,376
Increased Production of Producing Mines**	\$0
ANNEXATIONS/INCLUSIONS:	\$0
Previously Exempt Federal Property**	\$0
New Primary Oil or Gas production from any Oil and Gas leasehold or land (29-1-301(*) (f) C.R.S.)***:	\$0
Taxes Received last year on omitted property as of August 1 (29-1-301(1)(a) C.R.S.) Includes all revenue collected on valuation not previously certified.	\$1,943,44
Taxes Abated or Refunded as of August 1 (38-10-114;1)(a)(1)(B) C.R.S.)	\$14,489.57

This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec. 20(8)(b), Colo. Constitution
 * New Construction is defined as: Taxable real property structures and the personal property connected with the structure.
 ** Jurisdiction must submit a certification to the Division of Local Government in order for a value to be accrued (DLG52 & 52A)
 *** Jurisdiction must submit an application to the Division of Local Government in order for a value to be accrued. (DLG 52B)

USE FOR SCHOOL DISTRICTS ONLY

NOTE: No later than August 25th, the Assessor shall certify the total actual value of all taxable property to school districts, (39-5-126(*) C.R.S.): **\$3,516,016,977**

Montrose County School District Assessed Valuation v.s. School District Taxes



SCHOOL DISTRICT TAXES ON \$170,000 HOME

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Market Value of Home	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000
Adjustment	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796	0.0796
Assessed Valuation	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532	\$13,532
Mill Levy Operating	26.667	22.575	22.091	22.029	22.018	22.047	22.037	22.151	21.967	22.098	22.034
Property Tax Revenue	\$361	\$305	\$299	\$298	\$298	\$298	\$298	\$300	\$297	\$299	\$298
Mill Levy Special Bond	2.799	2.329	2.148	1.640	1.562	1.455	1.460	1.502	1.495	1.739	1.729
Property Tax Revenue	\$38	\$32	\$29	\$22	\$21	\$20	\$20	\$20	\$20	\$24	\$23
Total Property Tax Paid on a \$170,000 home to RE-	\$399	\$337	\$328	\$320	\$319	\$318	\$318	\$320	\$317	\$323	\$321

SCHOOL DISTRICT TAXES ON \$500,000 BUSINESS OR AGRICULTURE

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Market Value of Property	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Adjustment	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Assessed Valuation	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Mill Levy Operating	26.667	22.575	22.091	22.029	22.018	22.047	22.037	22.151	21.967	22.098	22.034
Property Tax Revenue	\$4,098	\$3,972	\$3,976	\$3,194	\$3,193	\$3,197	\$3,195	\$3,212	\$3,185	\$3,204	\$3,195
Mill Levy Special Bond	2.799	2.329	2.148	1.640	1.562	1.455	1.460	1.502	1.495	1.739	1.739
Property Tax Revenue	\$0	\$0	\$415	\$238	\$226	\$211	\$212	\$218	\$217	\$252	\$251
Total Property Tax Paid on a \$500,000 business/ag	\$4,098	\$3,972	\$4,390	\$3,432	\$3,419	\$3,408	\$3,407	\$3,430	\$3,402	\$3,456	\$3,446

Beginning Governmental Accounting

Q & A