



CGFOA Audit 101
The basics of local government audits

May 10, 2022

- Crystal Dorsey, CPA
Local Government Audit Manager




SA
We Set the Standard for Good Government



Discussion Today

- What does Office of the State Auditor do?
- What are the Audit Law requirements?
- How do we select an auditor?
- How do we prepare for an audit?
- Why should we care about internal controls?
- What does the audit opinion mean?
- What does the OSA do with the audit?
- What are the new GASB requirements?
- How do we analyze fiscal health?



What does the Colorado Office of the State Auditor do?



Office of the State Auditor

- Kerri Hunter, CPA, State Auditor effective July 2021
- Non-partisan agency within Colorado's Legislative Branch
- Conducts high-quality, objective audits and reviews that hold government agencies accountable and promote positive change in government
- Legislative Audit Committee



What do we do?

- Financial audits
 - State agencies, colleges, and universities
 - Statewide single audit
- Performance audits
 - Foster Care Education Initiative
- Information technology audits
- Tax Expenditures Reports



What do we do?


- Local Government Audit Division
 - Over 4,000 local governments
 - Ensures compliance with the Audit Law
 - Receive all audit reports
 - Review for compliance
 - Applications for exemption from audit



Office of the State Auditor - Local Government Audit Division
Summary of Local Governmental Entities
As of 2003, 2010, 2019

Type	2003	2010	2019	Increase since 2003
Counties	64	64	64	0
Cities and Towns	268	269	270	2
School Districts	178	178	178	0
Institute Charter Schools	0	18	35	35
Metropolitan Districts	470	1,206	1,620	1,150
Other Special Districts	627	643	638	11
Irrigation Districts	16	16	16	0
Conservancy Districts	147	149	149	2
Housing Authorities	79	81	81	2
Cemetery Districts	81	81	81	0
Drainage Districts	12	13	15	3
Other Local Governments	226	260	300	74
Miscellaneous Entities	47	51	49	2
Inactive Special Districts	0	259	282	282
Component Units	711	893	806	95
Total	2,926	4,181	4,584	1,658


Source: Local Government Audit Division Database



Office of the State Auditor

Mission: *To improve government for the people of Colorado.*

Vision: *Our audits will identify efficiencies and cost savings and improve effectiveness and transparency in government.*



Trivia!

Who is the first person to trademark the cheeseburger in 1935 from Denver's Humpty Dumpty Barrel Drive In?

- A. Grandpa Bredo Morstoel*
- B. Louis Balast*
- C. Bob Ford*
- D. Lloyd Olsen*



What are the Audit Law requirements for local governments?



Local Government Audit Law

- Section 29-1-601, et seq., C.R.S.
- Duties of the State Auditor
 - Examine reports & report deficiencies to the governing board
- Requirements for local government audits
 - Audits or application for exemption
 - Deadlines for submission



Exemption from Audit

- Allowed for \leq \$750,000
 - Annual revenues or expenditures
- Deadline for submission:
 - 3 months after year end (March 31)
- Completed in accordance with OSA regulations



Audit Law Deadlines

- December 31 year-end
 - Audit shall be completed by June 30th
 - Submit to the OSA within 30 days of receipt of audit report
 - July 31st – Deadline to file an extension
 - Extension may be granted for 60 days
 - September 30



Audit Law Deadlines

- School Districts – June 30 year end
 - Audit shall be completed within 5 months
 - Submit to the OSA within 30 days of receipt of audit report
 - December 31st – Deadline to file an extension
 - Extension may be granted for 60 days
 - February 28



Audit Law Deadlines

- Housing Authorities
 - Seven months after year-end
 - For December 31 year-end:
 - Audit complete by July 31
 - Submit to OSA in 30 days
 - Deadline to file extension August 31
 - 60 days - October 31



Audit Law Consequences

- If audit not received by the deadline:
 - Notice sent to county treasurer to hold all taxes collected on behalf of the local government
 - Cause an audit
- Who pays for an audit?
 - Expenses shall be paid by the local government
 - Duty of the governing body



Audit Law

- Financial statements in conformity with generally accepted governmental accounting principles (GAAP)
- Comparison of budget to actual
- Audit opinion
- Full disclosure by the auditor of violations of state or local law which come to his/her attention



Budget Compliance

- Governmental Accounting Standards Board (GASB) requirements:
 - General Fund
 - Each major special revenue fund that has a legally adopted annual budget
 - Comparison, original and final budget, actual



Budget Compliance

- Audit Law, Section 29-1-605, C.R.S., requirements
 - Each fund or activity with an adopted budget
 - Comparison, budget to actual



Budget Law

- Section 29-1-101, et seq., C.R.S.
- Audit Law
 - Section 29-1-601, et seq., C.R.S.
- File certified copy with Department of Local Affairs (DOLA) January 31



Audit Law

- One copy of the audit report shall be maintained by the local government
 - For public inspection at all reasonable times
- Special districts
 - Submit a copy of audit or exemption to approving local government
 - Authorized but unissued debt
 - Current or anticipated plan to issue debt



How do we select an auditor?



Selecting an Auditor

- RFP Process
 - Define the entity to be audited
 - Federal grants received – COVID funds?
 - Define audit timeline
 - Request specific information - staffing
 - Request recent peer review
- GFOA.org
- CGFOA.org



Selecting an Auditor

- Interview process
- Check references
- Other references



Oversight of Auditors

- Licensed Certified Public Accountant
- Colorado Board of Accountancy
 - <https://apps.colorado.gov/dora/licensing/Lookup/LicenseLookup.aspx>



Mandatory Peer Review

- HB 10-1236, Section 12-2-108,117, C.R.S.
- Individual and Firm Licenses
 - Issues attest or compilation reports
- Required every 3 years
 - Report to the CO Board of Accountancy



Trivia!

*Who is Grandpa
Bredo Morstoel?*

(Hint - Nederland, Colorado)



**How do we prepare
for an audit?**



Audit Preparation

- Policies & Procedures
- Year-end accruals
- Bank reconciliations
- Trial balance
- Documentation



Policies & Procedures

- Policies
 - Bids – requests for proposals
 - Approval of expenditures - thresholds
 - Authorized check signers
 - Wire transfers
 - Revenue recognition
 - Receivable balance adjustments
 - Overtime
 - Adjusting journal entries
 - Capitalization thresholds
 - Budget transfers



Policies & Procedures

- Procedures
 - How do you process payroll?
 - Who reconciles the bank statement?
 - How do you determine amounts for billing to customers?
 - What happens when you collect money from customers?
 - Who enters and approves billing/receivable adjustments?
- Changes due to remote working?



Year-end accruals

- What vendor payments were made in January? (or July for 6/30 year ends)
- Were there hours worked in the prior year for your first payroll in January?
- What cash receipts came in during January that were for the prior year?
- Do you have projects in process that haven't been billed by the vendor?
- Property taxes?



Year-end accruals

- Capital assets
 - Depreciation
 - Additions
 - Deletions
- Long term debt
 - Interest owed
 - Payments made
 - New debt?



Bank Reconciliations

- Reconcile each bank account to cash balances
 - Operating bank
 - Savings
 - CDs – Money Market – ColoTrust/CSAFE
- How many reconciling items do you have?
 - Did they get resolved in the following month?



Trial balance

- Each fund's debits and credits should balance
- Beginning fund balance should equal prior year ending fund balance from the audit report



Subsequent Events

- Did you have a significant loss?
- Did you issue debt?
- What about new equipment – did you order that new fire truck?
- Has anyone filed a lawsuit against you?
- Amendments to the CARES Act enacted after the statement of net position but prior to issuance of the financial statements.



Documentation Documentation Documentation

- If it's not documented – it didn't happen!
- Document thought process and key decisions
- Approvals
- Contracts/agreements
- Board minutes
- Electronic records
- Auditor request list



What is the Audit Process?

Management's Responsibilities
Auditor's Responsibilities



Management's Role

- Management's responsibilities:
 - Management representation letter
 - Financial statements
 - Financial records complete
 - Controls designed to prevent & detect fraud
 - Related party disclosures
 - Violation of laws
 - Liabilities or other loss contingencies
 - Compliance with contracts
 - Subsequent events



Audit Process

- Audit scope
- Auditor's responsibility
- Timeline
- Engagement letter



Auditor's Role

- Independent audit
- AICPA standards
- Federal standards – OMB & GAO
- Understand internal control
 - Not necessarily find fraud
- Auditor's opinion



Auditor's Role

- Understand internal control
 - Inspect
 - Observe
 - Inquire
 - Confirm
- Financial statements fairly stated



Hold on – who’s responsible for finding fraud?



feds investigate

County employee's \$1 million mistake deepens budget crisis

Former bookkeeper sentenced to 10 years for embezzlement

Former Fire Chief Guilty Of Embezzling Hundreds Of Thousands Of Dollars

councilman charged embezzling city money

pleads guilty to theft

budget mismanagement

fire chief arrested felony theft accusations



Fraud

Common Government Fraud Schemes

- Corruption = 57%
- Billing Schemes = 21%
- Payroll Schemes = 16%
- Noncash = 16%
- Expense Reimbursements = 12%
- [2022 ACFE Report to the Nations](#)



Fraud - Discovery

- Tips = 42%
- Internal audits = 16%
- External audits = 4%
- External auditors are NOT responsible for discovering fraud.
- Management is responsible for preventing/discovering fraud through internal controls



Fraud – other facts

- Of the types of industry where fraud occurs:
 - 48% Private company
 - 25% Public company
 - 9% Nonprofit
 - 18% Government organizations
 - 46% Federal – median loss \$200k
 - 27% State – median loss \$56k
 - 27% Local – median loss \$125k



HOW DO PERPETRATORS CONCEAL THEIR FRAUDS?

Examining the methods fraudsters use to conceal their crimes can assist organizations in more effectively detecting and preventing similar schemes moving forward.

TOP 5 CONCEALMENT METHODS USED BY FRAUDSTERS



39%

Created fraudulent physical documents



32%

Altered physical documents



28%

Created fraudulent electronic documents or files



25%

Altered electronic documents or files



23%

Destroyed or withheld physical documents



12% of cases did not involve any attempts to conceal the fraud



- Source: 2022 ACFE Report to the Nations

Trivia!

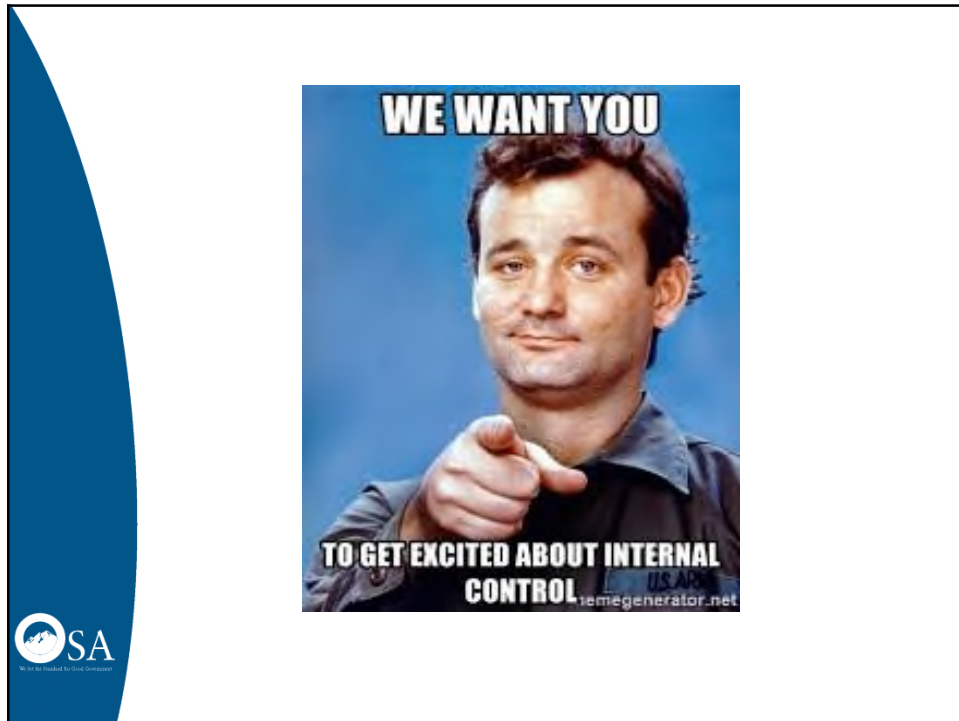
What is Bob Ford famous for?

(Hint - Creede, Colorado)



Do we really have to care about internal controls?





Internal Controls

- Nearly half fraud cases occurred
 - Lack of internal controls
 - Override of existing controls
- Perception of public trust
- Headline test
- Reduce/discover errors
- **Management's responsibility!**

Internal Controls - COSO

- Favorable Control Environment/ “Tone At the Top”
- Conducting Risk Assessment
- Control Activities/Policies and Procedures
- Effective Communication
- Monitoring of the effectiveness of control-related policies and procedures



Green Book 5 Components - 17 Principles

Control Environment	<ol style="list-style-type: none"> 1. Demonstrate Commitment to Integrity and Ethical Values 2. Exercise Oversight Responsibility 3. Establish Structure, Responsibility, and Authority 4. Demonstrate Commitment to Competence 5. Enforce Accountability
Risk Assessment	<ol style="list-style-type: none"> 6. Define Objectives and Risk Tolerances 7. Identify, Analyze, and Respond to Risk 8. Assess Fraud Risk 9. Analyze and Respond to Change
Control Activities	<ol style="list-style-type: none"> 10. Design Control Activities 11. Design Activities for the Information System 12. Implement Control Activities
Information & Communication	<ol style="list-style-type: none"> 13. Use Quality Information 14. Communicate Internally 15. Communicate Externally
Monitoring	<ol style="list-style-type: none"> 16. Perform Monitoring Activities 17. Remediate Deficiencies



Source: GAO

How does internal control work?

Internal control helps an entity



Run its operations efficiently and effectively



Report reliable information about its operations



Comply with applicable laws and regulations

Source: GAO



Definition of Internal Control



Objective identified



Controls designed



Controls in place



Objective achieved

Source: GAO. | GAO-14-704G



Definition of Internal Control

Bake
good
cakes



Objective

Controls
Designed

Controls
in place

Objective
achieved!



Internal Control – Test of Design

Auntie May's Chocolate Cake Recipe

Ingredients:

Flour – 2 cups

Sugar – 1 ½ cups

Butter – ½ cup

Eggs – 2

Milk – 1 cup

Baking Powder – ½ cup

Instructions:

Mix the batter and bake.



Process, procedures, and policies

- What are the first steps you need to do in order to bake a cake?
- Do you have policies that state much someone can purchase on their own?
- What are the main controls in your process that prevent errors?
- How do make sure they're working?
- What are the compensating controls?



What are the Controls that Prevent Errors?

Cake Baking Process

- | | |
|---|---|
| <ul style="list-style-type: none"> • Review the recipe • Establish time for baking • Take inventory • Develop shopping list • Review shopping list • Shop for ingredients • Gather the ingredients • Mix and bake the cake • Taste test to ensure quality • Clean the kitchen • Check inventory balances | <p><u>GREEN</u>
<u>BOOK</u></p> <ul style="list-style-type: none"> • Control Environment • Risk Assessment • Control Activities • Information and Communication • Monitoring |
|---|---|





Other Resources

- GAO Green Book:
 - <https://www.gao.gov/assets/670/665712.pdf>
- COSO Internal Control:
 - <https://www.coso.org/Documents/990025P-Executive-Summary-final-may20.pdf>

Components of Internal Control

- Control Environment
 - Tone at the top
- Risk Assessment
 - Analyze fraud risk
- Control Activities
 - Design of controls – policies & procedures
- Information & Communication
 - Communication of policies and procedures
- Monitoring
 - Monitor and evaluate results



**What do we have to consider
if we received federal grants
due to COVID-19?**



COVID Pandemic – Single Audit considerations

- When is it required?
 - \$750,000 or more expended in Federal financial assistance during the calendar/fiscal year
 - True whether received directly from the feds or through the state or county.



COVID Pandemic – Single Audit considerations

- As a result of pandemic funding, you may be subject to single audit for the first time.
 - Work with your auditor to determine if they have the capacity/competencies to conduct a single audit.



COVID Pandemic – Single Audit considerations

- Obtain a comprehensive understanding of your federal awards
 - Look at your grant award
 - Specific compliance requirements are based on the compliance supplement and federal award document



Tips for managing internal controls

- Ensure internal controls over compliance with the federal awards
 - Document purchasing policies
- It's not enough to say you are in compliance – you have to be able to prove it and provide supporting documentation to the auditors.



Tips for managing internal controls

- Communicate allowable uses and terms of conditions of new funding throughout the organization
- Consider increased monitoring and oversight to manage the risk of increased volume of transactions/activity.
- Retain documentation, for example, grantor communications as well as auditor communications.



Tips for managing internal controls

- Review policies & procedures
 - Update them as necessary for changes within the control environment
- Document, document, document
 - Formally document where certain decisions have been made
 - Exceptions to purchasing policies
 - Changes in timelines or new responsibilities being granted.



Tips for managing internal controls

- Additional due diligence over changing control environments may be required.
 - How have your processes changed by working remotely?
 - Changes in the close process including how the preparation and management's review of the financial statements takes place.



COVID Pandemic – Single Audit considerations

- Understand the auditee requirements under Part 2 CFR Part 200 Uniform Administrative Requirements
 - Cost Principles
 - Costs Allowed and Unallowed
 - Audit Requirements for Federal Awards.
 - Auditee Responsibilities



COVID 19 Pandemic – Single Audit considerations

- 2021 OMB Compliance Supplement
 - Issued in two parts - August and November 2021
- 2022 OMB Compliance Supplement
 - To be issued Summer 2022?



Important links

- <https://www.gfoa.org/coronavirus>
- <https://www.gasb.org/COVID19>
- <http://www.cde.state.co.us/caresact>
- <https://cdola.colorado.gov/local-government-covid19>
- <https://www.colorado.gov/pacific/osc/osc-guidance-cares-act>
- <https://www.whitehouse.gov/omb/management/office-federal-financial-management/>
- [2021 Compliance Supplement Addendum Final \(whitehouse.gov\)](#)



Trivia!

Who was Lloyd Olsen?

(Hint - Fruita, Colorado)



What does the audit opinion mean?



Auditor's Opinion CHANGES are in effect now!

- SASs 134 - 140
- Effective for periods ending on or after December 15, 2021
 - Delayed by SAS 141
 - 12/31/2021 & 6/30/2022 audits
 - Early implementation is permitted
- Opinion paragraph first!



Auditor's Opinion New format!

Report on the Audit of the Financial Statements

- Opinion
- Basis for Opinion
 - We conducted our audits in accordance...
 - We are required to be independent... and to meet other ethical responsibilities...
- Responsibilities of Management for the Financial Statements
- Auditor's Responsibilities for the Audit of the Financial Statements



Independent Auditor's Report - SAS 134-140

➤ Opinions

- We have audited the financial statements of the governmental activities,
 - the business-type activities,
 - the aggregate discretely presented component units, *(Only if applicable!)*
 - each major fund,
 - and the aggregate remaining fund information... *(Only if applicable!)*
- Opinion units matter!



Independent Auditor's Report - SAS 134-140

➤ Opinions

- We have audited the financial statements...
 - ... of the *[name of the governmental entity]*
 - as of and for the year ended December 31, 2021, *[or... June 30, 2022]*
 - and the related notes to the financial statements,
 - which collectively comprise the *[name of government]'s* basic financial statements as listed in the table of contents.



Independent Auditor's Report - SAS 134-140

➤ Opinions

- In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities...
- ... as of December 31, 2021,
- and the respective changes in financial position,
- and where applicable, **cash flows** thereof for the year then ended
- in accordance with accounting principles generally accepted in the United States of America.



Independent Auditor's Report - SAS 134-140

➤ Basis for Opinions

- We conducted our audits in accordance with auditing standards...
- **We are required to be independent... and to meet other ethical responsibilities...**
- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions



Independent Auditor's Report - SAS 134-140

- Management's Responsibility
 - Preparation of the financial statement
 - INCLUDES: Design, implementation, maintenance of internal control
 - Free from material misstatement
 - Whether due to fraud or error
 - Going concern



Independent Auditor's Report - SAS 134-140

- Auditor responsibility
 - Obtain reasonable assurance and issue opinions based on audit
 - Not absolute assurance, not a guarantee
 - In accordance with standards:
 - Exercise professional judgement and skepticism
 - Identify risks of material misstatement
 - Understanding of internal control
 - Appropriateness of accounting policies
 - Going concern
 - Required communications



Management Letter

- Required communications
- Auditor's recommendations
 - Deficiency in internal control
 - Significant deficiency
 - Material weakness



Independent Auditor's Report - SAS 134-140

- Required Supplementary Information
- Supplementary Information
- Other Information
 - Introductory and statistical sections
- Report on Other Legal and Regulatory Requirements
 - Government Auditing Standards



RSI versus SI

- What is RSI? (Required Supplementary Information)
 - MD&A (Management's Discussion & Analysis)
 - General fund budget schedule
 - Major special revenue fund budget schedule
- What is SI? (Supplementary Information)
 - Non major funds statements
 - Budget schedules - other funds
 - School district auditors integrity report
 - HUTF (Highway Users Tax Fund)
 - Statistical section



Audit Opinion

“In our opinion...”

- Unmodified
- Modified
- Disclaimer
- Adverse



Opinion - Unmodified

Clean

- “The financial statements ...
 - present fairly
 - in all material respects
 - respective financial position
 - changes in financial position and cash flows
 - in accordance with accounting principles generally accepted in the US.”



Opinion - Modified

Except for...

- “The financial statements ...
 - present fairly
 - in all material respects
 - financial position
 - results of financial operations and cash flows
 - in accordance with generally accepted accounting principles.”



Opinion - Disclaimer

- The auditor does not express an opinion



State of Colorado, as of June 30, 2020

BASIS FOR DISCLAIMER OF OPINION ON THE UNEMPLOYMENT INSURANCE FUND AND BUSINESS-TYPE ACTIVITIES

The State of Colorado did not have an adequate methodology to substantiate the estimated amount of receivables and payables within the Unemployment Insurance Fund of \$510 million and \$872 million, respectively, as of June 30, 2020. The receivable balance includes potential overpayments and comprises 54% of total assets of the Unemployment Insurance Fund, and 3% of Business-Type Activities. The payable balance includes potential claims outstanding at year-end and comprises 92% of total liabilities of the Unemployment Insurance Fund and 7% of the Business-Type Activities. As of June 30, 2020, and as of the date of this report, a significant backlog of unprocessed and unadjudicated unemployment insurance claims existed which may represent overpayments due to errors and/or fraud. The State's records do not permit us, nor is it practical to extend or apply other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that the receivable and payable balances in the Unemployment Insurance Fund and Business-Type Activities were free of material misstatement. As a result of these matters, we were unable to determine whether further audit adjustments may have been necessary in respect to the elements making up the statements of net position, statement of activities, the statement of revenues, expenses and changes in fund net position for proprietary funds, or the statement of cash flows for proprietary funds.



State of Colorado, as of June 30, 2020

DISCLAIMER OF OPINIONS

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Unemployment Insurance Fund and Business-Type Activities” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements for the Unemployment Insurance Fund and Business-Type Activities of the State of Colorado. Accordingly, we do not express an opinion on these financial statements.

UNMODIFIED OPINIONS ON THE GOVERNMENTAL ACTIVITIES, MAJOR FUNDS EXCEPT THE UNEMPLOYMENT INSURANCE FUND, AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS, AND AGGREGATE REMAINING FUND INFORMATION

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund except the Unemployment Insurance Fund, and the aggregate remaining fund information, as well as the budgetary comparison schedule—general fund component of the State of Colorado, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Opinion - Adverse

- “The financial statements ... do NOT present fairly
 - in all material respects
 - financial position
 - results of financial operations and cash flows
 - in accordance with generally accepted accounting principles.”



Trivia!

Who vetoed Colorado's first bid for statehood?

- A. President Andrew Johnson*
- B. President Ulysses S. Grant*
- C. President James Buchanan*



What does the OSA do with the audit?



OSA Review of Audit

- Review for compliance with Statutes
 - Budget Law
 - Disclosure of compliance with TABOR
- Valid CPA License
- Auditor's opinion
 - Unmodified(clean), modified or disclaimer?



Review of audit report

- Financial statements include all required by GASB
 - Statement of Net Position
 - Statement of Activities
 - Fund Statements
 - MD&A
- Footnotes contain appropriate disclosures
 - Cash and investments
 - Capital assets
 - Long-term debt
 - Pension



Component Units

- Describe component units included in the reporting entity
 - Criteria for adding
 - Information for separate financial statements
- Watch for changes year to year



Summary of Significant Accounting Policies

- Basis of presentation
- Basis of accounting
- Assets, liabilities, net position and fund balances
- Revenues



Cash and Investments

- PDPA
 - Section 11-10.5-101 et seq., C.R.S.
 - DORA Division of Banking
 - <http://www.dora.state.co.us/banking/>
- Investments
 - Section 24-75-601 et seq., C.R.S.



Other Note Disclosures

- Capital Assets
 - Schedule of changes
 - Consistency with prior year information
- Long Term Debt
 - Schedule of changes – due within 1 year
 - Payments for first 5 years, 5 year increments thereafter
 - Consistency with prior year information



Other Note Disclosures

- Expenditures exceed budget
 - Violation of Local Government Budget Law (Section 29-1-101, et seq., C.R.S.)
- Disclose in the audit
 - Local Government Audit Law, Section 29-1-605(1)(c), C.R.S.
 - Full disclosure by the auditor of violations of state or local law which come to his attention
 - Budget or compliance with TABOR



What are the new GASB requirements?



GASB Standards 2020 – FY2021

Effective for reporting periods beginning
after December 15, 2019

(Fiscal Years **12/31/20**, **6/30/21**, 9/30/21)

- GASB 84: Fiduciary Activities
- Implementation Guide 2019-2
- GASB 90: Majority Equity Interests



GASB 84: Fiduciary Activities

- Fiscal Years **12/31/20**, **6/30/21**
- Identifying and reporting fiduciary activities
- Stand-alone business type activities should report fiduciary activities
- **New!** Statement of Changes statements required



GASB 84: Fiduciary Activities

Four types

- Pension and other employee benefit trust funds
 - Could be component units
- Investment trust funds
- Private-purpose trust funds
- Custodial funds
 - Trust or equivalent arrangement NOT present
 - Formerly known as Agency Funds




GASB 84: Fiduciary Activities

- Does the government control the assets?
- AND – those assets are NOT
 - Derived from the government's own source revenues or,
 - From grants
 - Exception - pass through grants for which the government does not have administrative or direct financial involvement




Fiduciary Fund Statements Comparison

	Happiness County Statement of Fiduciary Net Position Fiduciary Fund December 31, 2019		Happiness County Statement of Fiduciary Net Position Fiduciary Fund December 31, 2020 GASB 84 Format
	Agency Fund		Custodial Fund
Assets		Assets	
Cash and investments	<u>\$1,560,000</u>	Cash and investments	<u>\$1,700,000</u>
Total Assets	<u>1,560,000</u>	Total Assets	<u>1,700,000</u>
Liabilities		Liabilities	
Due to Other Governments	<u>1,560,000</u>	Due to Other Governments	<u>1,700,000</u>
Total Liabilities	<u>1,560,000</u>	Total Liabilities	<u>1,700,000</u>
		Net Position	
		Restricted for Other Gov	<u>1,700,000</u>
		Total Net Position	<u>\$1,700,000</u>



Fiduciary Fund Statements Comparison

	Happiness County Statement of Changes in Fiduciary Net Position NEW! Fiduciary Fund December 31, 2020 GASB 84 Format	
		Custodial Fund
Additions		
Collections for Other Governments	\$2,650,000	
Public Trustee Foreclosure Collections	1,500,000	
Public Trustee Fees	<u>1,100</u>	
Total Additions	<u>4,151,100</u>	
Deductions		
Disbursements to Other Governments	2,650,000	
Public Trustee Foreclosure Disbursements	1,490,000	
Public Trustee Fees Disbursements	<u>1,020</u>	
Total Deductions	<u>4,141,020</u>	
Change in Fiduciary Net Position	<u>10,080</u>	
Fiduciary Net Position, Beginning	<u>1,689,920</u>	
Fiduciary Net Position, Ending	<u>\$ 1,700,000</u>	



GASB 90: Majority Equity Interests

- Interest in legally separate organization
 - Ownership of shares in stock
 - Explicit measurable right to net resources
- Clarifies reporting as an investment or component unit



GASB 89: Accounting for Interest Cost Incurred before the end of a Construction Period

- Fiscal Years 12/31/21, 6/30/22
- Business type activities
 - Recognize interest cost as expense in the period incurred
- Governmental type activities
 - Recognize as an expenditure consistent with governmental fund accounting principles



GASB 87: Leases

- Fiscal Years 6/30/22, 12/31/22
- No more operating leases
- New definition:
 - A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.



GASB 87: Leases

- Scope Exclusions:
 - Short term leases (maximum 12 months)
 - Contracts for services
 - Financed purchases
 - Leases of inventory, intangible assets, biological assets
 - Contracts for service concession arrangements
 - Supply contracts – power purchase agreements
 - Leases of investment assets



GASB 87: Leases

Disclosures - lessee

- Basis, terms, conditions
- Total amount leased assets and accumulated depreciation
 - Disclosed separately from other capital assets – by major classes
- Amount recognized in current period
- P&I requirements to maturity



GASB 98: Annual Comprehensive Financial Report

- Changed the name from Comprehensive Annual Financial Report
- Effective now



Upcoming GASB Standards 2023

Effective for reporting periods beginning
after June 15, 2022

(Fiscal Years 6/30/23, 9/30/23, 12/31/23)

- GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB 96: Subscription-Based Information Technology Arrangements
- GASB 97: Certain Component Unit Criteria – 457 Deferred Comp Plans
 - Effective 6/30/2022, 12/31/2022
- GASB 99: Omnibus 2022



GASB Standards - Summary

GASB Standard	Name	Reporting periods beginning after
GASB 84	<i>Fiduciary Activities</i>	December 15, 2019
GASB 85	<i>Omnibus 2017</i>	June 15, 2017
GASB 86	<i>Certain Debt Extinguishment Issues</i>	June 15, 2017
GASB 87	<i>Leases</i>	June 15, 2021
GASB 88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	June 15, 2019
GASB 89	<i>Accounting for Interest Cost Incurred before the end of a Construction Period</i>	December 15, 2020
GASB 90	<i>Majority Equity Interests</i>	December 15, 2019
GASB 91	<i>Conduit Debt Obligations</i>	December 15, 2020
GASB 92	<i>Omnibus 2020</i>	June 15, 2021
GASB 93	<i>Replacement of Interbank Offered Rates</i>	June 15, 2020 to December 31, 2021
GASB 94	<i>Public-Private and Public-Public Partnerships</i>	June 15, 2022
GASB 95	<i>Postponement of the Effective Dates</i>	Immediately
GASB 96	<i>Subscription-Based Information Technology Arrangements</i>	June 15, 2022
GASB 97	<i>Certain Component Unit Criteria/457 Compensation Plans</i>	June 15, 2021
GASB 98	<i>The Annual Comprehensive Financial Report</i>	December 15, 2021
GASB 99	<i>Omnibus 2022</i>	June 15, 2022 to June 15, 2023



GASB Standards – How it Works

- Pre-agenda research
- Round tables
- User forums
- Task forces
- Invitation to Comment
- Preliminary Views
- Exposure Draft
- Final Standard



Financial Reporting Model Improvements

- Reexamination of GASB 34, 35, 37, 41, and 46 and Interpretation 6
- History:
 - Invitation to Comment – Dec 2016
 - Preliminary Views – Sept 2018
- Exposure Draft issued June 2020
 - Public hearings March-April 2021



Financial Reporting Model Improvements

Recognition in Governmental Funds

- Short-term transactions
 - Period of inception to conclusion is 1 year or less

Government Wide

- Long-term transactions
 - Period of inception to conclusion is greater than 1 year



Financial Reporting Model Improvements

Management's Discussion and Analysis (MD&A)

- Information presented confined to the following five topics:
 - Introduction,
 - Financial Summary
 - Detailed Analyses
 - Significant Capital Asset and Long-Term Debt Activity
 - Currently Known Facts, Decisions, or Conditions



Financial Reporting Model Improvements

Other proposed changes

- Proprietary fund statement of revenues mirror statement of cash flows
- Two variance columns
 - Original and final budget
 - Final budget to actual
- All budget schedules RSI
- Unusual or infrequent items



Financial Reporting Model Improvements

Statement terminology changes – Governmental Funds:

- Short-Term Financial Resources Balance Sheet
- Statement of Short-Term Financial Resource Flows
 - Instead of *Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds*



Financial Reporting Model Improvements

- Planned issuance Spring 2023
- Tiered implementation date based on the amount of revenues/expenditures
- Smaller local governments will have an additional year to implement



GASB Preliminary Views and Exposure Drafts and New Standards

- Revenue and Expense Recognition
- Risk and Uncertainties Disclosures
- Prior Period Adjustments
- Going Concern Uncertainties
- Classification of Nonfinancial Assets
- Compensated Absences

<https://gasb.org/home>



Trivia!

Who was Ralph Carr?

(Hint - Ralph Carr Justice Center)



**How do we analyze
fiscal health?**



Fiscal Health Analysis for Counties and Municipalities

- History
- Roles of the OSA and DOLA
- Development of the Fiscal Health Analysis Report
- Trends and evaluation of ratios



Fiscal Health Analysis - History

- Report provides information on ratios
- Fiscal Health of Colorado School Districts
- Home rule counties and municipalities
- Other State's analysis



Focus on Highest Risk

- General Fund
- Governmental Funds
- Debt
- Changes in Net Position
- Includes Enterprise Funds



Factors to Consider

- Starting point for discussions
- One tool in your tool box
- MD&A
- Economic factors
- One year doesn't tell the whole story
- Current budgetary actions



Questions to Guide Analysis

- What will this ratio tell me?
- What will a trend in this ratio tell me?
- How do I calculate the ratio?
- Where do I find the information?
- What is the benchmark and financial indicator criteria?
- What questions should be considered if the government misses the benchmark?



Ratio 1: Cash to Liabilities (CLR)

Is there enough cash to pay current liabilities?

- Formula:
$$\frac{\text{Entity-wide unrestricted cash and investments}}{\text{Entity-wide current liabilities}}$$
- *Benchmark: The numeric benchmark is 1.0. When a government has a CLR of 1.0 it has exactly enough cash available to pay off its current liabilities.*
- *Financial indicator: Continuous decline in CLR from year one to year three, with year three less than 1.0, OR CLR less than 1.0 all three years.*



Ratio 2: Unrestricted Fund Balance (UFB)

How long will reserves last to pay future expenditures?

- Formula:
$$\frac{\text{General fund unrestricted fund balance}}{\text{General fund total expenditures (net of transfers)}}$$
- *Benchmark: Unrestricted fund balance no less than 2 months of regular general fund expenditures, or a ratio of 0.167.*
- *Financial indicator: Continuous decline in UFB from year one to year three, with year three less than 0.167, OR UFB zero or less in year three.*



Ratio 3: Debt Burden Ratio (DBR)

Do annual revenues cover debt service payments?

- Formula:
$$\frac{\text{Total governmental revenue of fund(s) paying debt service}}{\text{Total governmental debt payments}}$$
- *Benchmark: A DBR of 1 would indicate debt service equals the annual revenue of the fund supporting the debt.*
- *Financial indicator: Continuous decline in DBR from year one to year three, AND year three less than 1.0.*



Ratio 4: Tax Revenue per Capita (TRC)

What is the relationship between population growth and tax revenue growth?

- Formula:
$$\frac{\text{Total governmental funds tax revenue}}{\text{Population}}$$
- *Benchmark: A steady or increasing number, irrespective of what the number actually is.*
- *Financial indicator: Continuous decline in TRC from year one to year three.*



CO DOLA COLORADO
Department of Local Affairs

Home Population Births, Deaths, Migration Economy & Labor Force Housing & Households Census & ACS

STATE DEMOGRAPHY OFFICE

The State Demography Office is the primary state agency for population and demographic information.

Demographic Dashboard Download Data Interactive Data Learn More

Popular Items

- State Demography Office Census 2020 Page
- Registration Open: 36th Annual State Demography Summit, November 2, 2018
- Census 2020: Colorado Complete Count Campaign Application
- Crosstabs - The Blog Taking a Closer Look at the Economics & Demographics of Colorado
- Colorado Demographic Profiles
- Publications and Presentations

The screenshot shows the Colorado Department of Local Affairs website. The header includes the DOLA logo and the text "COLORADO Department of Local Affairs". A navigation menu contains links for Home, Population, Births, Deaths, Migration, Economy & Labor Force, Housing & Households, and Census & ACS. The main content area is titled "Population Totals for Colorado Municipalities" and includes sections for "Historical Census - years (1870 to 2010)", "Population Estimates - years (2010 to Current)", and "Population Forecasts".

Population Totals for Colorado Municipalities

Home > Population > Population Totals Municipalities [Get Data](#)

Historical Census – years (1870 to 2010)

Population totals for Colorado, counties & places, 1870 to 2010 are available [here](#).

Population Estimates – years (2010 to Current)

Population estimates are produced annually by the State Demography Office. The most recent estimate available is for the year of 2016 and was finalized in August 2017.

- [Municipalities within Counties, 2010 - Current](#)
- [Municipalities Ranked by Population](#)

User Lookup: This option allows the user to select any combination of counties or municipalities for the years 2010 to current.

Population Forecasts

Population forecasts are not available for municipalities. Forecasts are available for counties and sub-state regions only.

Ratio 5: Expenditures per Capita (EPC)

What is the relationship between population and annual general fund expenditures?

- **Formula:**

$$\frac{\text{General fund expenditures (net of transfers)}}{\text{Population}}$$
- **Benchmark:** A steady or declining number, irrespective of what the number actually is.
- **Financial indicator:** Continuous increase in EPC from year one to year three.



Ratio 6: Operating Margin Ratio (OMR)

How much is added to reserves for every dollar generated in revenues?

- Formula:

$$\frac{\text{General fund total revenue} - (\text{general fund total expenditures, net of transfers})}{\text{General fund total revenue}}$$

- *Benchmark:* An OMR of zero means a government has equal revenue and expenditures. Greater than zero indicates more revenue than expenditures, less than zero indicates more expenditures than revenues.
- *Financial indicator:* Decrease in OMR from year one to year three, with year three less than zero, OR OMR less than zero all three years.



Ratio 7: Enterprise Funds Net Position (EFNP)

Is net position in the enterprise fund increasing or decreasing?

- Formula: $\frac{\text{Current year net position of the enterprise fund}}{\text{Prior year net position of the enterprise fund}}$

- *Benchmark:* A steady or constant EFNP over time, irrespective of what the number actually is.
- *Financial indicator:* Continuous decrease in EPC from year one to year three, with year three less than zero, OR negative net position all three years.



Trend Analysis


- Purpose
 - Users analyze fiscal health themselves
 - Starting point for discussions
 - Transparency
- OSA use as part of review process
 - IF deficiency identified warranting formal letter
 - Provide results of analysis as a courtesy
 - No response required




Appendices

- Appendix A
 - Ratio descriptions, calculations, benchmarks, financial indicators
- Appendix B
 - Sample financial statements of where to find ratio information








Fiscal Health Analysis for Colorado Counties and Municipalities

Instructions:

- Begin by referring to the OSA's Fiscal Health Analysis Report for guidance, examples and background information. The report can be found by visiting the Office of the State Auditor's web site at the link noted below. Then simply click on the "local government" bar on the left side of the page, and look for the "Fiscal Health Analysis for Colorado Counties and Municipalities Report" among the list of available documents.
www.state.co.us/auditor
- Enter the information from your financial statements in the yellow fields for each year.
- Review the results below and consider the questions included in the Fiscal Health Analysis for Colorado Counties and Municipalities Report for further discussion and analysis. "Yes" in the calculated result column means you missed the benchmark and "No" means you met the benchmark for this ratio.

Ratio 1: Cash to Liabilities Ratio (CLR)

Year 1:	20X1	Inputs (below)	Calculated Result
		Entity-wide Unrestricted Cash and Investments = \$ 46,678,891	7.16
		Entity-wide Current Liabilities = \$ 6,517,427	
Year 2:	20X2	Entity-wide Unrestricted Cash and Investments = \$ 37,532,831	5.37
		Entity-wide Current Liabilities = \$ 6,989,354	
Year 3:	20X3	Entity-wide Unrestricted Cash and Investments = \$ 11,887,585	0.98
		Entity-wide Current Liabilities = \$ 12,130,189	
Below Benchmark?			Yes



Ratio 7: Enterprise Funds Net Position (EFNP)

Year 1:	20X1	Inputs (below)	Calculated Result
		Current Year Net Position of the Enterprise Fund = \$ 75,826,958	1.25
		Prior Year Net Position of the Enterprise Fund = \$ 60,446,647	
Year 2:	20X2	Current Year Net Position of the Enterprise Fund = \$ 49,287,320	0.65
		Prior Year Net Position of the Enterprise Fund = \$ 75,826,958	
Year 3:	20X3	Current Year Net Position of the Enterprise Fund = \$ (4,928,732)	(0.10)
		Prior Year Net Position of the Enterprise Fund = \$ 49,287,320	
Below Benchmark?			Yes

Summary of Ratios

	Missed Benchmark?
Ratio 1: Cash to Liabilities Ratio (CLR)	Yes
Ratio 2: Unrestricted Fund Balance Ratio (UFB)	Yes
Ratio 3: Debt Burden Ratio (DBR)	Yes
Ratio 4: Tax Revenue per Capita (TRC)	Yes
Ratio 5: Expenditures per Capita (EPC)	Yes
Ratio 6: Operating Margin Ratio (OMR)	Yes
Ratio 7: Enterprise Funds Net Position (EFNP)	Yes
Number of ratios that missed the benchmark	7

Refer to the Fiscal Health Analysis for Counties and Municipalities Report for further guidance in interpreting the results.

School District Fiscal Health

COLORADO
OFFICE OF THE
STATE AUDITOR



COLORADO SCHOOL DISTRICTS

FISCAL HEALTH ANALYSIS
FISCAL YEARS 2018-2020

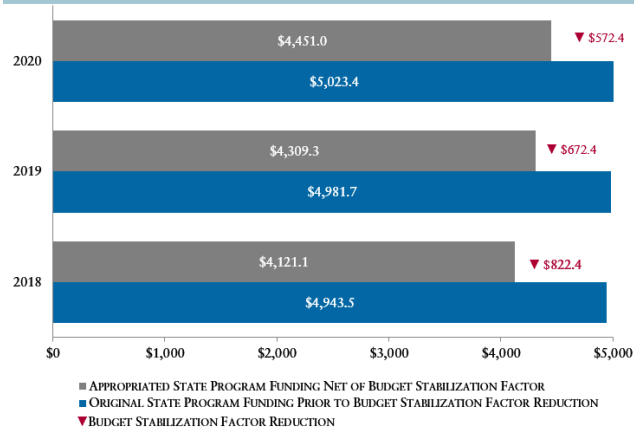
School Fiscal Health Analysis

- School District Fiscal Health Analysis
- August 2021
- Reviewed trends over Fiscal Years ended 2018, 2019, 2020



School District Fiscal Health Analysis

EXHIBIT 1.2. FISCAL HEALTH ANALYSIS
STATE FUNDING FOR SCHOOL DISTRICT PROGRAMS FOR THE
FISCAL YEARS ENDED JUNE 30, 2018, 2019, AND 2020
(DOLLARS IN MILLIONS)



SOURCE: Colorado General Assembly Bill Digest for each annual legislative session.



School District Fiscal Health Ratios

- Asset Sufficiency
 - General Fund Assets / Liabilities
- Debt Burden
 - Revenue paying debt / debt payments
- Operating Reserve
 - GF fund balance / GF expenditures
- Operating Margin
 - GF revenues-expenditures / GF fund balance
- Deficit Fund Balance
 - Total deficit fund balance(s) – fund balance of the general fund (if positive)/Total revenues in deficit fund balance(s)
- Change in Fund Balance
 - Current year GF fund balance-prior year / GF prior year fund balance



School District Fiscal Health Analysis

- 20 school districts with one or more missed benchmarks
 - 15 districts with one
 - 5 districts with two
 - Hanover 28 (El Paso)
 - Huerfano RE-1 (Huerfano)
 - Summit RE-1 (Summit)
 - Weld RE-4 (Weld)
 - West Grand (Grand)



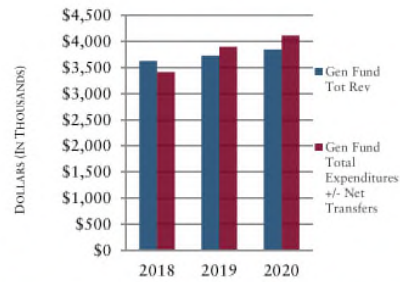
School District Fiscal Health Analysis

- Missed benchmarks do not always mean there is a problem
 - Increase in special needs student enrollment
 - Capital expenditures
 - Increased wages to attract and retain employees
- However: the more missed benchmarks, the greater the risk
 - Identify potential problems early



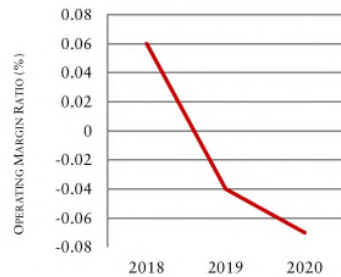
Hanover School District (El Paso County)

3 YEAR OPERATING MARGIN RATIO (OMR)



	2018	2019	2020
Revenue	\$3,626,812	\$3,729,021	\$3,842,971
Expenditures	\$3,412,455	\$3,896,629	\$4,113,623

3 YEAR OMR TRENDING

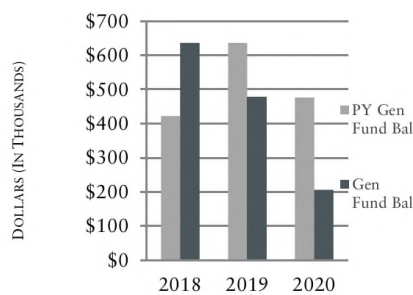


OMR	2018	2019	2020
	0.06	-0.04	-0.07



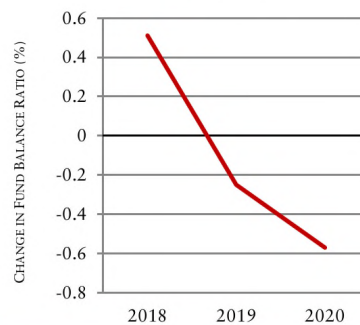
Hanover School District (El Paso County)

3 YEAR CHANGE IN FUND BALANCE RATIO (CFBR)



	2018	2019	2020
PY Fund Bal	\$421,521	\$635,878	\$476,647
CY Fund Bal	\$635,878	\$476,467	\$205,815

3 YEAR CFBR TRENDING

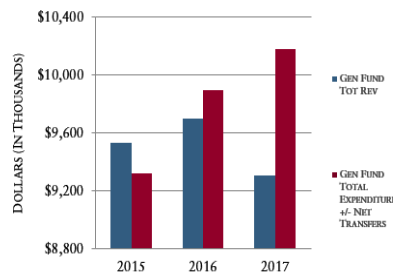


CFBR	2018	2019	2020
	0.51	-0.25	-0.57

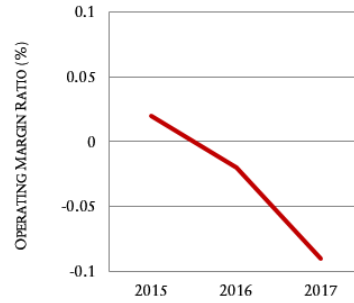


Las Animas RE-1 School District (Trinidad) Fiscal Year 2017 Analysis

3 YEAR OPERATING MARGIN RATIO (OMR)



3 YEAR OMR TRENDING



	2015	2016	2017
Revenue	\$9,533,667	\$9,700,122	\$9,306,069
Expenditures	\$9,319,245	\$9,895,176	\$10,177,590

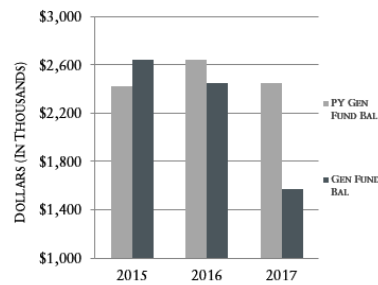
OMR	2015	2016	2017
OMR	0.02	-0.02	-0.09



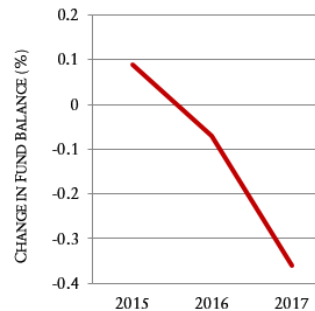
155

Las Animas RE-1 School District (Trinidad) Fiscal Year 2017 Analysis

3 YEAR CHANGE IN FUND BALANCE RATIO (CFBR)



3 YEAR CFBR TRENDING



	2015	2016	2017
PY Fund Bal	\$2,427,251	\$2,641,673	\$2,446,619
CY Fund Bal	\$2,641,673	\$2,446,619	\$1,575,098

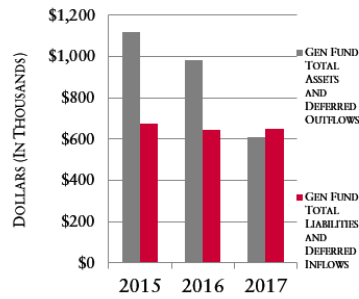
CFBR	2015	2016	2017
CFBR	0.09	-0.07	-0.36



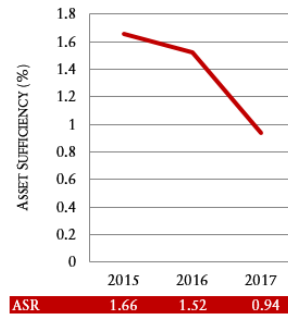
156

Hayden School District RE-1 (Routt County) Fiscal Year 2017 Analysis

3 YEAR ASSET SUFFICIENCY RATIO (ASR)



3 YEAR ASR TRENDING



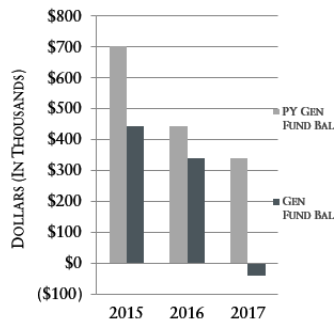
	2015	2016	2017
Assets	\$1,117,636	\$985,165	\$609,526
Liabilities	\$673,679	\$646,526	\$649,463



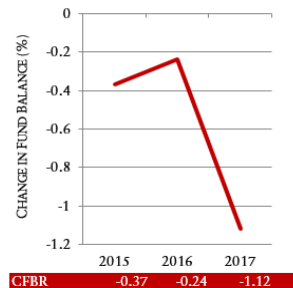
157

Hayden School District RE-1 (Routt County) Fiscal Year 2017 Analysis

3 YEAR CHANGE IN FUND BALANCE RATIO (CFBR)



3 YEAR CFBR TRENDING



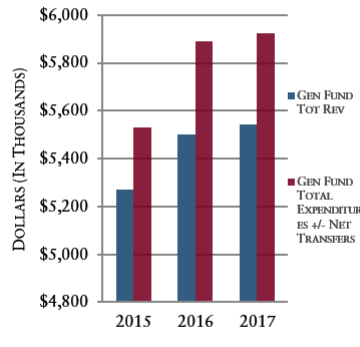
	2015	2016	2017
PY Fund Bal	\$704,460	\$443,957	\$338,638
CY Fund Bal	\$443,957	\$338,639	(\$39,937)



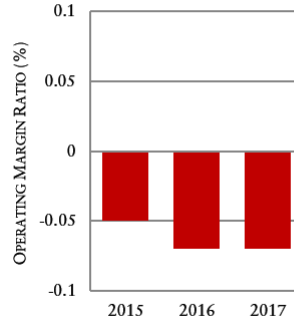
158

Hayden School District RE-1 (Routt County) Fiscal Year 2017 Analysis

3 YEAR OPERATING MARGIN RATIO (OMR)



3 YEAR OMR TRENDING



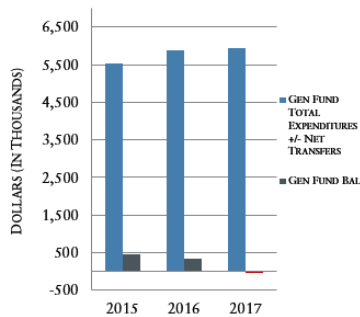
	2015	2016	2017
Revenue	\$5,270,679	\$5,501,016	\$5,544,662
Expenditures	\$5,531,182	\$5,888,081	\$5,923,237

OMR	2015	2016	2017
	-0.05	-0.07	-0.07

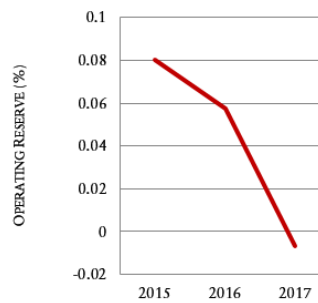


Hayden School District RE-1 (Routt County) Fiscal Year 2017 Analysis

3 YEAR OPERATING RESERVE RATIO (ORR)



3 YEAR ORR TRENDING



	2015	2016	2017
Expenditures	\$5,531,182	\$5,888,081	\$5,923,237
Gen Fund Bal	\$443,957	\$338,639	(\$39,937)

ORR	2015	2016	2017
	0.0803	0.0575	-0.0067



Best Practices

- Financial Policies
 - Internal controls
 - Budget
 - Capital improvement
 - Debt
 - Revenue and Expenditure
 - Investments
 - Minimum levels of reserve



Best Practices

- Management and Operations
 - Systems to monitor performance
 - Budget to actual
 - Program performance
 - Fiscal health – financial condition
 - Asset inventory
 - Capital improvement plan
 - Define and implement budget processes
 - Professional management and staff



GFOA Best Practices

<http://gfoa.org/best-practices>

- The Use of Trend Data and Comparative Data for Financial Analysis



Trivia!

Who was the first female practicing lawyer in Denver?

- A. Katherine Lee Bates*
- B. Mattie Silks*
- C. Mary Florence Lathrop*



Office of the State Auditor

Audits | Legislative Audit Committee | Local Government | Fraud Reporting Hotline | About

Visit our Website: Colorado Office of the State Auditor

www.colorado.gov/auditor

First Regular Session | 73rd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

INTERIM SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

See dates of the next LAC hearing and view the agenda.

Obtain copies of financial and performance audits.

Or hover over Local Government for access to exemption forms, fiscal health tools and other useful information.

Office of the State Auditor

Audits | Legislative Audit Committee | Local Government | Fraud Hotline | Tax Expenditures | About

A Message from the State Auditor

Welcome to the Colorado Office of the State Auditor (OSA), where our mission is to improve government for the people of Colorado.

The OSA is a nonpartisan agency in Colorado's Legislative Branch. Our performance, financial, and IT audits provide the General Assembly, agencies, and the public with thorough, credible, and impartial assessments of the operation of state programs and the use of state and federal funds. Our audits provide solution-based recommendations that focus on reducing costs, increasing efficiency, promoting the achievement of legislative intent, improving effectiveness of programs and the quality of services, ensuring transparency in government, and ensuring the accuracy and integrity of financial and other information that decision makers need to hold government agencies accountable for the use of public resources.

CONTACT INFORMATION

ADDRESS
State Services Building
1525 Sherman St., 7th Floor
Denver, CO 80203
United States
Get Directions

PHONE
303.869.2800

FAX
303.869.3060

166

First Regular Session | 73rd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

INTERIM SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Office of the State Auditor

This is where you would find more information about the tax expenditure reports.

Audits | Legislative Audit Committee | Local Government | Fraud Hotline | **Tax Expenditures** | About

A Message from the State Auditor

Welcome to the Colorado Office of the State Auditor (OSA), where our mission is to improve government for the people of Colorado.

The OSA is a nonpartisan agency in Colorado's Legislative Branch. Our performance, financial, and IT audits provide the General Assembly, agencies, and the public with thorough, credible, and impartial assessments of the operation of state programs and the use of state and federal funds. Our audits provide solution-based recommendations that focus on reducing costs, increasing efficiency, promoting the achievement of legislative intent, improving effectiveness of programs and the quality of services, ensuring transparency in government, and ensuring the accuracy and integrity of financial and other information that decision makers need to hold government agencies accountable for the use of public resources.

CONTACT INFORMATION

ADDRESS
State Services Building
1525 Sherman St., 7th Floor
Denver, CO 80203
United States
Get Directions

PHONE
303.869.2800

FAX
303.869.3060

167

Office of the State Auditor

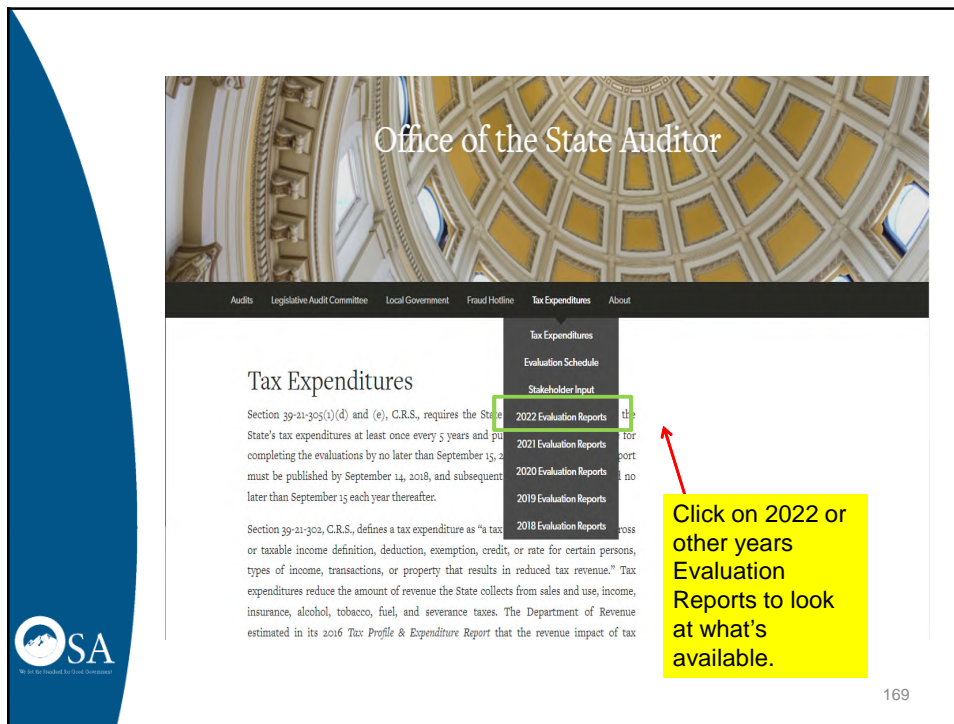
Audits | Legislative Audit Committee | Local Government | Fraud Hotline | **Tax Expenditures** | About

Tax Expenditures

Section 39-21-305(1)(d) and (e), C.R.S., requires the State Auditor to evaluate all of the State's tax expenditures at least once every 5 years and publish a multi-year schedule for completing the evaluations by no later than September 15, 2017. The first evaluation report must be published by September 14, 2018, and subsequent reports must be published no later than September 15 each year thereafter.

Section 39-21-302, C.R.S., defines a tax expenditure as "a tax provision that provides a gross or taxable income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue." Tax expenditures reduce the amount of tax collected from sales and use, income, insurance, alcohol, tobacco, fuel, and severance taxes. The Department of Revenue estimated in its 2016 *Tax Profile & Expenditure Report* that the revenue impact of tax expenditures in 2015 was \$4.3 billion.

168



Office of the State Auditor

Audits Legislative Audit Committee Local Government Fraud Hotline Tax Expenditures About

Tax Expenditures

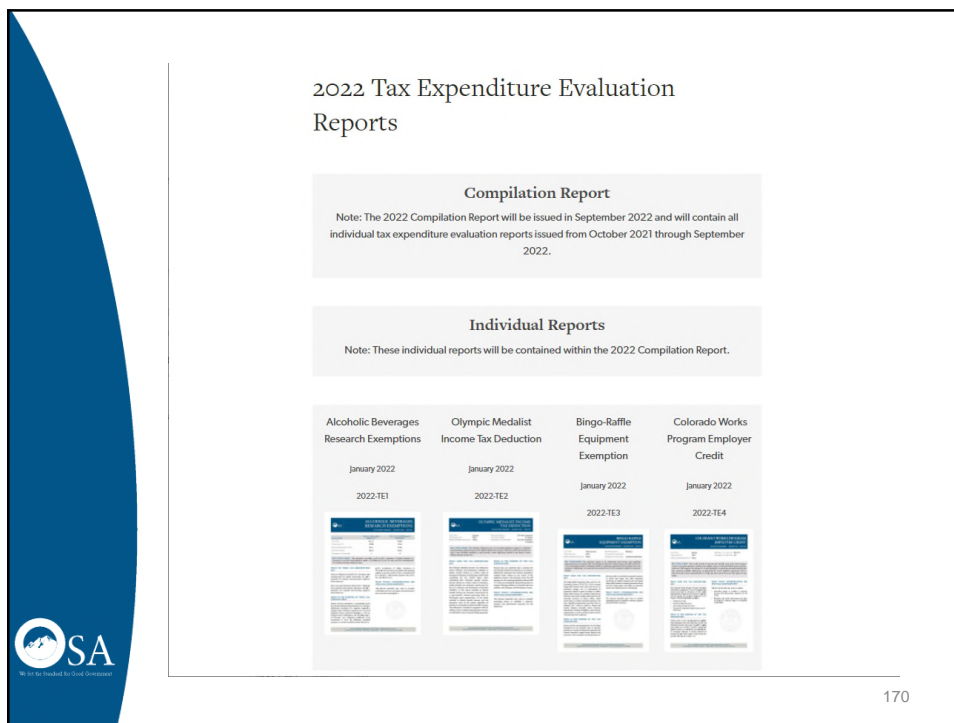
Section 39-21-305(1)(d) and (e), C.R.S., requires the State to evaluate the State's tax expenditures at least once every 5 years and publish the results of the evaluations by no later than September 15, 2018, and subsequent evaluations must be published by September 14, 2018, and subsequent evaluations must be published by no later than September 15 each year thereafter.

Section 39-21-302, C.R.S., defines a tax expenditure as "a tax exemption, deduction, credit, or other benefit that results in reduced tax revenue." Tax expenditures reduce the amount of revenue the State collects from sales and use, income, insurance, alcohol, tobacco, fuel, and severance taxes. The Department of Revenue estimated in its 2016 *Tax Profile & Expenditure Report* that the revenue impact of tax expenditures is approximately \$1.2 billion annually.

- Tax Expenditures
- Evaluation Schedule
- Stakeholder Input
- 2022 Evaluation Reports
- 2021 Evaluation Reports
- 2020 Evaluation Reports
- 2019 Evaluation Reports
- 2018 Evaluation Reports

Click on 2022 or other years Evaluation Reports to look at what's available.

169



2022 Tax Expenditure Evaluation Reports

Compilation Report

Note: The 2022 Compilation Report will be issued in September 2022 and will contain all individual tax expenditure evaluation reports issued from October 2021 through September 2022.

Individual Reports

Note: These individual reports will be contained within the 2022 Compilation Report.

Alcoholic Beverages Research Exemptions	Olympic Medalist Income Tax Deduction	Bingo-Raffle Equipment Exemption	Colorado Works Program Employer Credit
January 2022 2022-TE1	January 2022 2022-TE2	January 2022 2022-TE3	January 2022 2022-TE4

170

First Regular Session | 73rd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

INTERIM SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Office of the State Auditor

A Message from the State Auditor

Welcome to the Colorado Office of the State Auditor (OSA), where our mission is to improve government for the people of Colorado.

The OSA is a nonpartisan agency in Colorado's Legislative Branch. Our performance, financial, and IT audits provide the General Assembly, agencies, and the public with thorough, credible, and impartial assessments of the operation of state programs and the use of state and federal funds. Our audits provide solution-based recommendations that focus on reducing costs, increasing efficiency, promoting the achievement of legislative intent, improving effectiveness of programs and the quality of services, ensuring transparency in government, and ensuring the accuracy and integrity of financial and other information that decision makers need to hold government agencies accountable for the use of public resources.

CONTACT INFORMATION

ADDRESS
State Services Building
1525 Sherman St., 7th Floor
Denver, CO 80203
United States
Get Directions

PHONE
303.869.2800

FAX
303.869.3060

OSA
We Are All Rooted In Good Government

171

First Regular Session | 73rd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

INTERIM SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Colorado Laws
U.S. Constitution
Colorado Constitution
Colorado Revised Statutes
Session Laws
Uniform State Laws
Executive Agency Rules & Regulations









The 73rd General Assembly
The First Regular Session of the Seventy-third General Assembly adjourned on June 8, 2021. The Second Regular Session of the Seventy-third will convene on January 12, 2022.

OSA
We Are All Rooted In Good Government

172

Legislative Audit Committee Members As of May 2022

COMMITTEE MEMBERS

 Senator Jim Smallwood Chair	 Senator Robert Rodriguez Vice Chair	 Representative Rod Bockenfeld
 Senator Julie Gonzales	 Representative Colin Larson	 Representative Dafna Michaelson Jenet
 Representative Dylan Roberts	 Senator Rob Woodward	



First Regular Session | 73rd General Assembly



Colorado General Assembly

[Visit & Learn](#) | [Find My Legislator](#) | [Watch & Listen](#)

[SESSION SCHEDULE](#) | [BILLS](#) | [LAWS](#) | [LEGISLATORS](#) | [COMMITTEES](#) | [INITIATIVES](#) | [BUDGET](#) | [AUDITS](#) | [PUBLICATIONS](#) | [AGENCIES](#)

JOINT COMMITTEE YEAR ROUND COMMITTEE

Legislative Audit Committee

 [Committee Audio](#)  [Share](#)

VIEW BY SESSION 2021 Regular Session ▾

The Legislative Audit Committee (LAC) is a permanent standing committee comprised of four senators and four representatives with equal representation from the two major political parties. The Committee is responsible for reviewing and releasing audit reports and recommending special studies. The LAC also recommends an appointment for State Auditor to the leadership of the General Assembly every five years. The meeting minutes can be found on the Office of the State Auditor's website. Click here: <https://leg.colorado.gov/agencies/office-state-auditor/minutes>.

COMMITTEE INFORMATION

STAFF CONTACTS
Jayne Watson
303-869-2804



Filter > Year-Round Committees > Legislative Audit

Recordings Start Date End Date Sort: Newest to Oldest Filter

Categories Legislative Audit

Week of Mar 20, 2022

- Legislative Audit Committee Hearing [Mar 23, 2022] [Old Supreme Court] Adjourned
Wed, Mar 23, 2022 8:00 AM-12:00 PM
- Legislative Audit Committee Hearing [Mar 22, 2022] [Old Supreme Court] Adjourned
Tue, Mar 22, 2022 7:00 AM-11:00 AM

Week of Mar 6, 2022

- Legislative Audit Committee Hearing [Mar 08, 2022] [Old Supreme Court] Adjourned
Tue, Mar 8, 2022 7:30 AM-11:30 AM

Week of Feb 20, 2022

- Legislative Audit Committee Hearing [Feb 22, 2022] [Old Supreme Court] Adjourned
Tue, Feb 22, 2022 8:00 AM-12:00 PM

Week of Feb 6, 2022

- Legislative Audit Committee Hearing [Feb 08, 2022] [Old Supreme Court] Adjourned
Tue, Feb 8, 2022 7:30 AM-11:30 AM

Week of Jan 23, 2022

- Legislative Audit Committee Hearing [Jan 25, 2022] [Old Supreme Court] Adjourned
Tue, Jan 25, 2022 8:30 AM-12:30 PM

Week of Jan 16, 2022

- Legislative Audit Committee Hearing [Jan 18, 2022] [Old Supreme Court] Adjourned
Tue, Jan 18, 2022 8:30 AM-12:30 PM

View

Now Playing

Recordings

Calendar-Day / Month

Calendar-Year

calendar

May 2022

Su Mo Tu We Th Fr Sa

1 2 3 4 5 6 7

8 9 10 11 12 13 14

15 16 17 18 19 20 21

22 23 24 25 26 27 28

29 30 31

Filter

No Filter

- Senate Chamber
- House Chamber
- Senate Committees
- House Committees
- Joint Committees
- Year-Round Committees
- Interim Committees
- Other Committees

OSA
We Are All Connected by Good Government

Legislative Audit Committee Hearing [Mar 16, 2021] Adjourned

Audio Only

7:09:31 AM

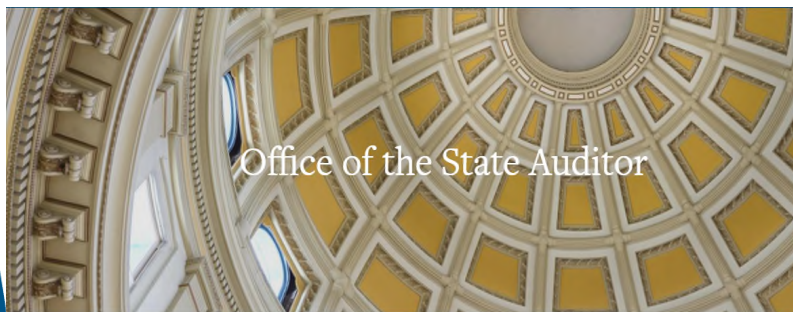
Info Agenda Handouts

- 7:09:25 AM Roll Call
- 7:16:07 AM State of Colorado, Statewide Financial Audit, Fiscal Year
- 7:25:23 AM State of Colorado, Comprehensive Annual Financial Rep
- 8:49:48 AM Approval of Minutes from March 2, 2021
- 8:56:03 AM Approval of Minutes from March 9, 2021
- 8:50:17 AM Legislation
- 8:52:25 AM 2021 LAC Interim Calendar
- 8:53:05 AM Reports Released Without a Hearing
- 8:53:55 AM Information Only
- 8:54:53 AM Adjourn

OSA
We Are All Connected by Good Government

Website Portal!

- Submit audit reports through the website
- Registered user or submit without registering.
- Search and view local government audits and exemptions
- Electronic submission rules still apply for exemptions
 - Electronic only with resolution or DocuSign
 - Original signatures via mail



Audits Legislative Audit Committee Local Government Fraud Hotline Tax Expenditures About

Local Government

The OSA's Local Government... governments for compliance... seq., C.R.S.], which require... State Auditor. Please contact us with any... how the law's requirements may apply to your local government.

- Local Government Filing Portal
- Forms
- Contact Local Government
- Calendars and Due Dates
- Filing Guidelines
- Fiscal Health
- Useful Documents & Links

Hover on Local Government Click on Local Government Portal



First Regular Session | 73rd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

SESSION SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Office of the State Auditor
 Local Government Audit Division

Welcome to the Office of the State Auditor's Local Government Portal

On this website, you can submit your local government's audited financial statements, applications for exemption from audit, inactive notices, or request an extension of time to file an audit with the Office of the State Auditor. You may also search for a local government's submission history and view processed audits and exemptions. If you create an account you can also view the history of your own local government submissions.

Create an Account

You can also create an account to track all submission history. Your account shows what you submitted and when you submitted it. An account is not required to submit an audited financial statement, an extension of time to file, applications for exemption from audit, or an inactive notice. Click [here](#) or on Register on the menu to the right to create an account.

Sign In

After you have created an account, you can click [here](#) to sign into your account or by clicking on the Sign In link in the menu to the right.

Submissions

Click [here](#) to submit audited financial statements, applications for exemption from audit, inactive notices, or request an extension of time to file an audit. Or, click on Create New Submissions in the menu to the right.

Local Government Portal

- Register
- Sign In
- Create New Submission
- Local Governments
- Search Submissions

Click on Local Government to search for any local government

179

First Regular Session | 72nd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

SESSION SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Office of the State Auditor
 Local Government Audit Division

Local Government Entities

Local Government Name

Control Number

County

Type

Enter key search terms (names of local governments)

Filter by county or local government type (water districts)

Local Government Portal

- Register
- Sign In
- Create New Submission
- Local Governments
- Search Submissions

Local Government	Control Number	County	Local Government Type
Appletree Metropolitan District No. 1	1004.03	El Paso	Metropolitan District
Appletree Metropolitan District No. 2	1004.04	El Paso	Metropolitan District
Applewood Sanitation District	2100.00	Jefferson	Sanitation District

180

Office of the State Auditor
Local Government Audit Division

Arvada West Town Center Business Improvement District

Address:


8390 E. Crescent Pkwy.
Suite 300
Greenwood Village, CO 80111

Control Number: 3905.00
Status: Active

Click on "view" to pull up your selected audit/exemption.

Submissions

Submission Type	Submission Status	Submission Year	
Exemption	Processed	2016	View
Exemption	Processed	2017	View



181

Office of the State Auditor
Local Government Audit Division

2016 Exemption submission for Arvada West Town Center Business Improvement District #3905.00


Submission Type Exemption
Submission Year 2016
Submission Status Processed

Processed Files

[Download 3905.00](#)

Click on "Download" to view selected file.

Local Government Arvada West Town Center Business Improvement District #3905.00



182

First Regular Session | 72nd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

SESSION SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Office of the State Auditor
Local Government Audit Division

Create New Submission

* Submission Type
Select a Submission type

Submitter's Name

Submitter's Email

Submitter's Phone

* Submission Year

Local Government
Select Entity
Component units should be uploaded under the primary government's name.

Are you a robot?
 I'm not a robot

Local Government Portal
Register
Sign In
Create New Submission
Local Governments
Search Submissions

183

First Regular Session | 72nd General Assembly
Colorado General Assembly

Visit & Learn | Find My Legislator | Watch & Listen

SESSION SCHEDULE | BILLS | LAWS | LEGISLATORS | COMMITTEES | INITIATIVES | BUDGET | AUDITS | PUBLICATIONS | AGENCIES

Office of the State Auditor
Local Government Audit Division

Welcome to the Office of the State Auditor's Local Government Portal

On this website, you can submit your local government's audited financial statements, applications for exemption from audit, inactive notices, or request an extension of time to file an audit with the Office of the State Auditor. You may also search for a local government's submission history and view processed audits and exemptions. If you create an account you can also view the history of your own local government submissions.

Create an Account

You can also create an account to track all submission history. Your account shows what you submitted and when you submitted it. An account is not required to submit an audited financial statement, an extension of time to file, applications for exemption from audit, or an inactive notice. Click [here](#) or on Register on the menu to the right to create an account.

Sign In

After you have created an account, you can click [here](#) to sign into your account or by clicking on the Sign In link in the menu to the right.

Submissions

Click [here](#) to submit audited financial statements, applications for exemption from audit, inactive notices, or request an extension of time to file an audit. Or, click on Create New Submissions in the menu to the right.

Local Government Portal
Register
Sign In
Create New Submission
Local Governments
Search Submissions

Click on "Create New Submission" to submit an audit or exemption.

184

185

186

QUESTIONS?

Thank you!!!



We Set the Standard for Good Government

1525 Sherman Street, 7th Floor, Denver, Colorado 80203
Main: 303.869.3000

crystal.dorsey@state.co.us
Direct: 303-869-3002

 [@COStateAuditor](https://twitter.com/COStateAuditor)
www.colorado.gov/auditor