In all sections of Exhibit N4, disclosure information for similar derivative instrument types may be provided individually or in aggregate; similarity is assessed based on derivative naming conventions, nature of the derivative, nature of the hedged item (if applicable), and the related reference rate.

Summary information shall be presented as required by GASB Statement No. 53 paragraph 69. The following provides definitions and explains the individual rows and columns in the spreadsheet.

Fair Value Hedge: A hedge that protects against the risk of either total changes in fair value or adverse changes in fair value caused by fixed terms, rates, or prices.

Cash Flow Hedge: A hedge that protects against the risk of either changes in total variable cash flows or adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain.

Investment Derivative: A derivative instrument that is entered primarily for the purpose of obtaining income or profit, or a derivative instrument that does not meet the criteria of a hedging derivative instrument.

- Column A – Enter the derivative description, such as, receive-fixed swap, pay-fixed swap, swaption, rate cap, basis swap, or futures contract.

- Column B – Notional amount is the dollar or unit amount upon which the derivative payments depend.

- Column C – Fair value at fiscal year-end should be based on market quotations (if available), discounted forecasted cash flows, formula based, or mathematical methods.

- Column D – Report the financial statement line item, such as, Investment, Derivative Instruments, or Bonds/Notes/COPs Payable where the derivative is reported.

- Column E – Report the valuation method used, such as, market quotations (if available), discounted forecasted cash flows, formula based, or mathematical methods. If a valuation service is used, their methodology should be disclosed to the extent they will provide the information, and so state if they will not.

- Column F – Report the change in fair value for all derivatives including effective hedges.

- Column G – Report the name of the financial statement affected using the following acronyms SONP, SOA, SCRECNP, or SCFNP and the financial statement line item (such as, on the SONP: Deferred Inflow, Deferred Outflow – or on the operating statements: Investment Revenue).

- Column H – Report the fair value of any previously effective hedging derivative that was reclassified as a derivative investment because it became ineffective during the fiscal year. (See the first note to the first table in the “Disclosures Example Derivative Instruments” in Illustration #12 in Appendix C of GASB Statement No. 53.)

- Column I – Report the amount of Deferred Inflow or Deferred Outflow (from the prior year) that was removed from the SONP and recognized in Investment Income related to the ineffective hedge reported in Column H. The amount in Column I will usually not match the amount in Column H due to the current year change in fair value of the derivative.

Synthetic Guaranteed Investment Contracts (SGICs) should not be reported in the summary information on Exhibit N4.

Exhibit N5 – Hedging Derivatives

Background:

Derivatives are divided into two major categories, those that are hedge derivatives and qualify for hedge accounting, and those that are investment derivatives (collectively called derivative instruments in GASB Statement No. 53). Hedge derivatives are reported on Exhibit N5, and investment derivatives are reported on Exhibit N6. Hedge derivatives are further subdivided into two categories, those that qualify as effective hedges and those that are ineffective hedges. When a hedge derivative becomes ineffective, it should be reported as an investment derivative on Exhibit N6 and the reclassification from hedge to investment derivative should be reported in the summary information on Exhibit N4. An investment derivative is a derivative instrument that is entered primarily for the purpose of obtaining income or profit, or a derivative instrument that does not meet the criteria of a hedging derivative instrument.

GASB Statement No. 53 provides various methods for determining effectiveness of a potential hedge derivative including the consistent critical terms method, one of the quantitative methods (synthetic instrument, dollar offset, or regression analysis), or other qualifying method. Please refer to the statement to determine whether your potential hedge derivative qualifies for hedge accounting and reporting on Exhibit N5.

Exhibit N5 must be submitted in electronic format due extensive text disclosures that are included in the tabular spreadsheet format. A printed version may not show all data entered. Each section of the exhibit should be clearly marked as "Not Applicable" if you are submitting Exhibit N5, but are not entering data in that section. In all sections of Exhibit N5, disclosure information for similar derivative instrument types may be provided individually or in aggregate; similarity is assessed based on derivative naming conventions, nature of the derivative, nature of the hedged item (if applicable), and the related reference rate.

Hedge specific information should be presented as required by GASB Statement No. 53 paragraphs 70 through 75. The information is divided into Fair Value Hedges and Cash Flow Hedges, which are defined as follows:

Fair Value Hedge: A hedge that protects against the risk of either total changes in fair value or adverse changes in fair value caused by fixed terms, rates, or prices.

Cash Flow Hedge: A hedge that protects against the risk of either changes in total variable cash flows or adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain.

The following explains the individual rows and columns in the spreadsheet.

- Column A – Enter the derivative description, such as, receive-fixed swap, pay-fixed swap, swaption, rate cap, basis swap, or futures contract.
- Column B – Enter text that provides your objective in entering the hedge, the context necessary to understand the objective, your strategy for achieving the hedge objective, and the type of derivative instrument entered into.
- Column C – Enter the notional amount in dollars or units upon which the hedge cash flows are based.
- Column D – Enter the terms of the hedging derivative, including the reference rate such as indices or interest rates, and the pay versus receive arrangements.
- Column E – Enter any embedded options such as caps, floors, or collars.
- Column F – Enter the date when the hedging derivative instrument was entered into.
- Column G – Enter the date when the hedging derivative is scheduled to terminate or mature.
- Column H – Enter the amount of cash paid or received at inception of the hedge derivative.
- Column I – Enter the credit quality rating of the counterparty to the hedge derivative.
- Column J – Enter the maximum amount of loss due to credit risk (based on the fair value of the hedging derivative instrument as of the end of the reporting period) that the government would incur if the counterparties to the hedging derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangement.

Enter the above data in the portion of Section A that aligns with the classification of the fund where the derivative AND related hedgeable item is reported on the State financial statements, that is, Governmental Activity, Proprietary Activity, or Fiduciary Activity.

Sections B through I:

An explanation of the required disclosure is provided for each section in the Exhibit N5 spreadsheet, and no further instruction is deemed necessary.

Exhibit N6 – Investment Derivatives (Not Hedge Qualified), Ineffective Hedge Derivatives, Contingent Features, and Synthetic Guaranteed Investment Contracts

Background:

Derivatives are divided into two major categories, those that are hedge derivatives and qualify for hedge accounting and those that are investment derivatives (collectively called derivative instruments in GASB Statement No. 53). Hedge derivatives should be reported on Exhibit N5 and investment derivatives are reported on Exhibit N6. Hedge derivatives are further subdivided into two categories, those that qualify as effective hedges and those that are ineffective hedges. When a hedge derivative becomes ineffective it should be reported as an investment derivative on Exhibit N6 and the reclassification from hedge to investment derivative should be reported in the summary information on Exhibit N4.

GASB Statement No. 53 provides various methods for determining effectiveness of a potential hedge derivative including the consistent critical terms method, one of the quantitative methods (synthetic instrument, dollar offset, or regression analysis), or other qualifying method. Please refer to GASB Statement No. 53 to determine whether your potential hedge derivative qualifies for hedge accounting and reporting on Exhibit N5.

Exhibit N6 must be submitted in electronic format due extensive text disclosures that are included in the tabular spreadsheet format. A printed version may not show all the data entered. Each section of the exhibit should be clearly marked as "Not Applicable" if you are submitting Exhibit N6, but are not entering data in each section. In all sections of this Exhibit N6, disclosure information for similar derivative instrument types may be provided individually or aggregated; similarity is assessed based on derivative naming conventions, nature of the derivative, nature of the hedged item (if applicable), and the related reference rate.

Sections A through C:

In Sections A through C report the specifics of credit risk, interest rate risk, and foreign currency risks associated with derivative instruments that do NOT qualify as effective hedge derivatives or that have been purchased primarily for the purpose of obtaining income or profit. An explanation of the required disclosure is provided for each section in the Exhibit N6 spreadsheet; and no further instruction is deemed necessary.

Section D:

Section D addresses contingent features of derivatives. An explanation of the required disclosure is provided for this section in the Exhibit N6 spreadsheet; and no further instruction is deemed necessary.

Section E:

Section E addresses Synthetic Guaranteed Investments Contracts (SGICs). SGICs are normally related to an investment contract with an insurance company that provides a separate feature commonly referred to as a wrapper that guarantees a value to the underlying instruments in the investment contract. These investments are reported at the contract value rather than fair value. A familiar example is the guarantee associated with the Great West Stable Value Fund offered in the PERA 457 Deferred Compensation Plan. An explanation of the required disclosure is provided for this section in the Exhibit N6 spreadsheet; and no further instruction is deemed necessary.

Exhibit O1 – Related Party Transactions

The State is required to disclose certain related party transactions. If the substance of a particular transaction is significantly different from its form because of the involvement of related parties, financial statements should recognize the substance of the transaction rather than merely its legal form. Examples of related party transactions include transactions:

(a) between a government and its related organizations (an entity for which the State appoints a voting majority of its board, but is not financially accountable), joint ventures, and jointly governed organizations;

(b) between a government and its elected and appointed officials, management, or members of their immediate families; and

(c) between a government and trusts for the benefit of employees, such as pension and other postemployment benefit trusts that are managed by or under the trusteeship of the government's management.

Transactions between related parties commonly occur in the normal course of operations. Some examples of common types of transactions with related parties are sales, purchases, and transfers of realty and personal property; services received or furnished, for example, accounting, management, engineering, and legal services; use of capital assets by lease or otherwise; borrowings and lendings; guarantees; and reimbursements based on allocations of common costs. Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. For example, a government may receive services from a related party without charge and not record receipt of the services. Examples of related organizations that might require related party transaction disclosure include <u>but are not limited to</u>:

Colorado Agricultural Development Authority
Colorado Beef Council Authority
Colorado Educational and Cultural Facilities Authority
Colorado Health Benefit Exchange
Colorado Health Facilities Authority
Colorado Housing and Finance Authority
Colorado New Energy Improvement District
Colorado Sheep and Wool Authority
Fire and Police Pension Association
Pinnacol Assurance
The State Board of the Great Outdoors Colorado Trust Fund
Venture Capital Authority

There are four questions to be answered for each related party on the Exhibit O1. If you have questions, contact your assigned FSU Financial Specialist.

Exhibit P – Accounting Estimates & Changes in Accounting Estimates in Excess of $5,000,000

The use of estimates has been encouraged to aid in completing the close of the State financial books of record as early as possible. This exhibit provides information to the State Controller regarding major accounting estimates used in closing.

For purposes of this exhibit, estimates or changes in estimates include those over $5,000,000. The $5,000,000 threshold applies both to balance sheet accounts and expenses/expenditures and revenues.

The State Controller will review departments' listings of major accounting estimates and request additional information if needed.

For those estimates where the current year accounting entry is an adjustment of the prior year estimate, you should also report the total amount of the estimate that is reflected in the balance sheet accounts. For example, the adjustment for the compensated absences liability may be small in any one fiscal year but your department's cumulative balance sheet liability for compensated absences may be large and exceed the $5,000,000 threshold.

The exhibit requests information on the accounting entry resulting from the estimate and a brief narrative description of the purpose of the estimate.

<u>Exhibit P exclusions</u>

- Estimates related to recording depreciation of capital assets.
- Actuarial estimates related to GASB 68 – Pensions and GASB 75 – OPEB.

Exhibit PPA – Prior Period Adjustments

A prior period adjustment is a correction of an error from a prior fiscal year. Exhibit PPA and related thresholds are designed to allow flexibility for departments to routinely report most prior period transactions with current year revenue or expenditure/expense which allows for association with a budget, grant, program, etc. The Exhibit PPA and related processes support OSC materiality determinations on the entire statewide population of prior period transactions. Departments must maintain adequate internal controls to ensure that the population of prior period transactions provided on Exhibit PPA is complete. The ultimate objective is to report material prior period transactions as adjustments to beginning equity in the State's annual report (a prior period adjustment) and to report immaterial prior period transactions with current year (FY2024) operations.

Prior period transactions of $1 million or less

Departments should account for prior period transactions of $1 million or less with revenue or expense/expenditure of FY 2024 (current year operations) and include the related information on Exhibit PPA.

Prior period transactions over $1 million

Departments should contact their FSU Financial Specialist at the time a prior period transaction in excess of $1 million is identified. OSC will provide direction regarding the accounting treatment in CORE. Prior period transactions in excess of $1 million should also be included on Exhibit PPA.

The thresholds above are applicable to individual prior period transactions. Prior period transactions should be reported individually on Exhibit PPA. The OSC will perform analysis of all prior period transactions. Prior period transactions posted to current year operations may be reclassified to 340P if deemed material to the State's annual report either individually or in the aggregate. Prior period transactions posted to 340P may be reclassified to current year operations if deemed to be immaterial to the State's annual report either individually or in the aggregate.

Exhibit PPA and Exhibit A1 should be reviewed together for consistency of reporting between the two Exhibits since both Exhibits provide information on transactions from prior fiscal years.

Exhibit Q – Governmental Fund Balance Disclosures

GASB Statement No. 54 outlines the requirements and disclosures related to governmental fund balance classifications. See Chapter 3, Section 3.22 in the Fiscal Procedures Manual for more information about fund balance classifications. The purpose of this exhibit is to identify new or changed conditions from the prior year related to fully restricted fund balances for which the OSC classifies programmatically in Fund Class, as well as identify other required disclosures.

Section A – Stabilization Arrangements:

Stabilization arrangements must be subject to controls that dictate the circumstances in which the funds can be spent, and can only be spent under the specified circumstances. The expectation is that the circumstances would not be expected to occur routinely. Please indicate any new stabilization arrangements exceeding $5.0 million, or any changes to previously reported stabilization arrangements.

Section B – Minimum Fund Balance Policies:

The focus of minimum fund balance policies is on nonstatutory policies established by the government above any minimum balance requirements imposed on the government from other sources and authority. Statutorily required reserve levels do not constitute minimum fund balance policies. Please indicate any new minimum fund balance policies exceeding $5,000,000, or any changes to previously reported minimum fund balance policies, in this section.

Section C – Restricted Fund Balance Classification Changes:

Restricted fund balances consist of funds whereby an external party can legally compel the State to use the specified resources for only a specific purpose. Legal restrictions arise from constitutional provisions or external parties, and do not include funds solely created by the General Assembly. A fund may meet this criteria in its entirety, or may partially meet this criteria. The OSC programmatically classifies fund balance if the funds are restricted in their entirety in Fund Class RST. Fund balance entries will need to be prepared at the department-level to reflect partially restricted fund balances, along with any associated restricted cash, receivables, and investments.

This section only pertains to gathering changed information for the programming of the funds that are fully restricted, or can reasonably be expected to, based on the State spending prioritization policy. Previously reported funds meeting this criteria in their entirety are included in the restricted fund balance based on their Fund Class rollup: RST indicates fully restricted and URS unrestricted. As long as circumstances have not changed, no further action or reporting is necessary. If circumstances have changed, or a new fund is fully restricted, complete this section. It is the responsibility of the department to support the restricted classification through the audit process. The OSC's sole responsibility is for the programming of the fund as restricted in the financial statements as an administrative convenience.

Section D – Prioritization Policy:

The State prioritization policy for spending is contained in Chapter 3, Section 3.22. In most cases, the policy specifies that the least restrictive sources of funds be spent first when there is an option to use multiple classifications of funds (committed versus restricted, for example). Please indicate any circumstances whereby department spending practices are not supported by the State policy.

Exhibit R – Application/Letter of Certification for Petty Cash and Change Funds

Section 24-30-202(20.1), C.R.S., and Fiscal Rule 6.2 allow the State Controller to delegate approval of petty cash funds to a designee. This delegation allows the department to establish, abolish, or change the dollar amount of petty cash and change funds.

The Exhibit R may apply differently based on an individual department's circumstances, as follows.

1. For *delegated* departments, use the Exhibit R to complete an annual certification confirming that delegation conditions are still in place.

2. If a department or higher education institution is *not delegated*, use the Exhibit R to re-certify accounts approved by the State Controller.

3. Use the Exhibit R to *apply for delegation* of the State Controller's approval for petty cash and change funds. Application for delegation may be completed at any time during the fiscal year, not just during the open/close process.

The "List of Approved Petty Cash and Change Funds" in Item No. 6 on Exhibit R contains the minimum data elements required. Departments may use a more inclusive format if desired and attach it to Exhibit R. The item "Petty Cash or Change Fund Identifier" is the department assigned descriptor of the petty cash or change fund; it could be location, an assigned number, or a text description. Only report petty cash (BSA 1012) and change funds (BSA 1011) on this exhibit. Petty cash and change funds should not be recorded in BSA 1010 (cash on hand). If your institution has opted out of the fiscal rules subject to CRS 24-30-202(13)(b), enter "N/A, CRS 24-30-202(13)(b)" on the Exhibit Listing Form and do not complete this exhibit. Due to the attest nature of this exhibit, it must be submitted with original signatures visible on the scanned document.

Exhibit R is not applicable to the Judicial Branch.

<u>Submission to the OSC</u>
Scan the completed and signed Exhibit R to PDF and attach the PDF file to an email sent to the FAR mailbox at DPA_FARmailbox@state.co.us

Exhibit S – Changes in Short-Term Financing

Paragraph 12 of GASB Statement No. 38 requires disclosure of short-term debt financing even if no short-term debt was outstanding at June 30. Exhibit S applies only to short-term financing that is external to the State reporting entity; therefore, State Treasury loans and advances and inter and intrafund borrowings should not be reported on this exhibit.

In Section A, enter beginning short-term debt balance, any increase or decrease in the balance during the year, and the ending balance. All amounts should be entered with the accounting normal-balance signs, that is, credit balances and increases are entered as negative numbers and debits to the account and decreases are entered as positive numbers. The decrease is calculated by the formulas in the exhibit template. If you enter balances in the line item titled “Other Short-Term Financing,” please provide a descriptive title for the activity.

Section B should be used to provide detailed information related to each transaction for note disclosure purposes. If the volume of short-term financing transactions is significant and stand-alone financial statements are published, Section B may be reported at a summary level rather than at the transaction or trade ticket level.

Exhibit T – Segment Reporting

Paragraph 122 of GASB Statement No. 34, as revised by paragraph 17 of GASB Statement No. 37, requires certain disclosures of enterprise activities that qualify as segments. An enterprise activity qualifies as a segment if it is an identifiable activity that has revenue bonds with a revenue stream pledged in support of debt and is required by an external party to separately account for the assets, liabilities, revenues, and expenses of the activity.

Section A – Condensed Financial Information

In Section A of the exhibit, you should enter the condensed financial information specified by the line items listed. The exhibit template includes Check Totals at the bottom of Section A that must remain at zero after the data entry for the segment is complete. These Check Totals ensure that the financial statements reconcile and required financial statement relationships are maintained.

Section B – Operating Statement Balances Recast

Section B is used to recast the operating statement balances from Section A into the format required on the government-wide Statement of Activities for reporting in the State's annual report. Amounts reported in this section of the exhibit will be reported on a line separate from the related business-type activity in the State's annual report Statement of Activities. This section is applicable only if the segment reported in Section A is considered a "different" identifiable activity from the business-type activities in which it is reported on the fund-level statements. If the goods or services of a segment are supplemental or secondary to the delivery of the primary goods or services of the enterprise, then the segment is not considered "different," and it would not be reported in Section B of this exhibit. GASB Statement No. 37, paragraph 10, footnote C states that, "For higher education institutions reported in enterprise funds, the variety of activities common to those institutions – for example, food service, bookstore, residence halls, and student unions – generally would not be required to be reported separately." An example of a "different" identifiable activity that would be reported in Section B is the generation and sale of electricity by a higher education enterprise that qualifies as a segment. In this instance, the goods sold are unrelated to the primary products of the enterprise, and Section B of the exhibit should be completed. The OSC will interpret the absence of balances reported in Section B as each department's representation that its segments are not "different" from their normal enterprise activity.

Section C – Segment Information

In Section C of the exhibit, describe the type of goods or services provided by each segment. Two segments may be reported on the exhibit. Additional numbered instances of the exhibit may be needed if a department or institution has more than two segments.

Exhibit U1 – Other Disclosures

Sections A and B - Special and Extraordinary Items

Paragraph 89 and other paragraphs in GASB Statement No. 34 require specific reporting treatment of special and extraordinary items as defined in paragraphs 55 and 56 of that standard. Because the nature of unusual and extraordinary items can vary widely, there are not specific or dedicated accounts in CORE to record the transactions. Unusual and infrequent transactions should be recorded in CORE using the account that most accurately reflects the underlying event. For items over $5 million, Sections A and B on Exhibit U are used to disclose how the transaction was coded and to describe the nature of the transaction.

Special items are transactions that are either unusual in nature or infrequent in occurrence and are under the control of management. The terms unusual and infrequent should be assessed in the context of the activity's normal operations (see GASB Statement No. 62 for more on the definitions of unusual and infrequent). In Section A of the exhibit show how the special item was coded on CORE and provide a description of the underlying event. The description should be adequate for disclosure in the State annual financial report, and it should explain the transaction without the need for prior knowledge of the event. The OSC will reclassify the transaction in a post-closing entry to make it possible to report the transaction separately from other balances.

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence; whether or not the event was within the control of management. The terms unusual and infrequent should be assessed in the context of the activity's normal operations (see GASB Statement No. 62 for more on the definitions of unusual and infrequent). In Section B of the exhibit show how the extraordinary item was coded on CORE, and provide a description of the underlying event. The description should be adequate for disclosure in the State annual financial report, and it should explain the transaction without the need for prior knowledge of the event. The OSC will reclassify the transaction in a post-closing entry to make it possible to report the transaction separately from other balances.

Section C – Capital Assets

C1 – Asset Class Lives

The State Controller does not specify the asset class lives to be used in calculating depreciation; instead, departments are required to use their own experience in establishing class lives. The OSC is required to disclose in the State's annual report the policy for estimating asset useful lives. Show in Section C1 the shortest estimated life used and the longest estimated life used for each of the following classes of assets: land improvements, buildings, leasehold improvements, vehicles & equipment, software, library materials/collections, other capital assets, & infrastructure. Do not consider assets that are clearly immaterial in completing this section of the exhibit. The OSC will disclose a range of class lives used based on the information provided in Section C1 of this exhibit.

C2 – Capitalization Thresholds

The State Controller has allowed departments to select lower minimum dollar thresholds for the capitalization of assets than those outlined in Chapter 9, Section 1.4.1. The OSC is required to disclose in the State's annual report the capitalization policy for capital assets. If your department has chosen to capitalize assets at thresholds lower than those set by the OSC, show in Section C2 the threshold used for each of the following classes of assets: land improvements, buildings, leasehold improvements, intangible assets, vehicles & equipment, software, library materials/collections, other and infrastructure. The OSC will disclose a range of capitalization thresholds based on the information provided in Section C2 of this exhibit.

<u>Section D – Legal or Contractual Violations</u>

Paragraph 9 of GASB Statement No. 38 requires disclosure of significant violations of finance-related legal or contractual provisions and the actions taken to address the violation. In Section D, describe any such violations that occurred within the fiscal year and the actions taken to cure the violation and/or prevent recurrence.

<u>Section E – Public Private Partnerships & Availability Payment Arrangements</u>

GASB Statement No. 94 addressed issues related to public-private and public-public partnership arrangements (PPPs). Confirm whether or not GASB Statement No. 94 is applicable. If yes, provide a summary description of the PPP or Availability Payment Arrangement.

<u>Section F – Conduit Debt</u>

GASB Statement No. 91 addresses disclosures related to conduit debt. Review GASB Statement No. 91 for the definition of conduit debt and other information. Confirm yes/no if conduit debt is applicable to your department or institution. The OSC will evaluate any confirmed instances of conduit debt for disclosure in the state's ACFR.

Exhibit U2 – Other Disclosures

Section A – On Behalf Payments of Salary and Fringe Benefits

GASB Statement No. 24, paragraphs 7-13 require employer governments (the State) to report revenues and expenditures/expenses for salaries and fringe benefits paid by another entity (such as, a government, not-for-profit, or private company or individual) to a third party (such as, employees or a pension/benefit plan) for services provided to the State. Report in Section A the amount of salaries or fringe benefits the employee or pension/benefit plan received from the other entity and describe the relationship with the paying entity.

Section B – Discretely Presented Component Units

As discussed in Chapter 3, Section 4 of the Fiscal Procedures Manual, GASB Statement No. 39 requires the State to report certain organizations as discretely presented component units. Use Section B to inform the OSC of any foundation or other organization associated with your department that meets GASB 39 requirements (see Fiscal Procedures Manual (FPM), Chapter 3, Section 5, paragraph 5.4), or a nonstatutorily created entity that meets GASB 14 and 61 requirements (see FPM, Chapter 3, Section 5, paragraph 5.5). Audited financial statements must be submitted to the OSC for entities reported in this section. The absence of information presented in this Section B will be considered to be each department's representation that no additional organizations have met the State discrete presentation requirements under GASB Statements No. 14, No. 39, and No. 61. Entities identified in this section will be further evaluated in terms of significance to the primary government. The further evaluation will determine whether the entity will be included or excluded as a component unit of the State, and if included, as a major or nonmajor component unit. Although the evaluation for an entity is not expected to change from year to year, it is necessary for the OSC to review the financial statements for all entities meeting the criteria cited in this section, to adequately assess changes in conditions.

Section C – Idle Impaired Assets

Paragraphs 17 and 20 of GASB Statement No. 42 require the State to disclose a description of asset impairments, the amount of the impairments, and the carrying value of assets that are impaired and are idle at year-end regardless of whether the impairment is considered temporary or permanent. Use Section C to report these three items, and to report the fund in which the asset is reported. Assets reported in this section must have met the impairment criteria of GASB Statement No. 42, that is, the impairment must be both unexpected and the decline in service utility must be significant in relationship to the current service utility of the asset. See Chapter 4, Section 2.10 of the Fiscal Procedures Manual for more information on impairments and insurance recoveries. Please note that an asset impairment may also qualify as a special or extraordinary event and may require submission of an Exhibit U1.

Section D – Termination Benefits

The accounting and disclosure requirements related to termination benefits are found in GASB Statement No. 47 – Accounting for Termination Benefits (GASB 47). Termination benefits are different from normal employee benefits in that they are not related to services provided, but rather, they are inducements for employees to terminate service. As a result, the State generally must recognize termination benefit costs when they are offered or accepted rather than over a period of employee service. The first requirement for a benefit arrangement to qualify as a termination benefit (rather than a payment in exchange for services) is that it be an incentive to induce early termination of employment or severance pay related to voluntary or forced termination. While COBRA payments occur in many instances they are not necessarily related to termination benefits as defined in GASB 47. Unless COBRA payments are incurred as the result of an incentive for early termination of employment, the requirements of GASB 47 will not apply to those payments. In governmental funds, termination benefits are only reported as an expenditure if the related liability is due and payable at June 30; however, on the government-wide statements and in full accrual funds (proprietary and fiduciary funds), termination benefits must be reported as an expense by any state department that offers these benefits. In governmental funds, an entry in Fund 4710 is required if the estimated amounts are not due and payable at June 30. In general, the present value of projected benefits costs must be recorded using a discount rate that matches the supporting investment and future cost inflation assumptions relevant to the projected benefits, with an adjustment of these estimates each reporting period.

Paragraphs 18-21 of GASB 47 also require note disclosures including a description of the termination benefit arrangement, the number of employees affected, the time period over which benefits will be provided, the cost of the termination benefits accrued, the change in the actuarially accrued liability of a pension plan or other postemployment benefits plan (other than the PERA Health Care Trust Fund) affected by the termination benefits, the assumptions underlying the benefits cost estimate (such as, cost inflation assumptions, and discount rate). In addition, if the benefit cost has not been reported in the financial statements because the amount is not estimable, departments should disclose that fact. Please be aware that this reporting requirement only applies to accrued obligations, not payments that have already been made.

Section E – Covered Payroll (Higher Education Institutions Only)

Paragraphs 5 and 6 of GASB 82 require the disclosure of covered payroll as Required Supplementary Information. Because institutions of higher education do not operate on the State's Central Payroll CPPS system, this information must be obtained separately. Covered payroll includes covered payroll is the payroll on which contributions to a pension plan are based. The information is required on both a calendar year and fiscal year basis. For the measurement period, amounts should include payrolls with pay period end dates that fall within the calendar year. For the employer reporting period, amounts should be reported on an accrual basis.

Section F – Changes in IHE Non-PERA Pension and OPEB Plans

IHE must confirm if there have been any changes to non-PERA pension and OPEB plans. If there are new or discontinued non-PERA pension or OPEB plans relative to the prior fiscal year, provide a brief description of the changes.

Section G – Majority Equity Interests

Section G is used to disclose any equity interests in legally separate organizations identified using the criteria contained in paragraph 3 of GASB Statement No. 90 – *Majority Equity Interests*.

Exhibit U3 – Tax Abatement Disclosures

GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and, (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. For financial reporting purposes, a tax abatement is defined as:

> *"A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments."*

A transaction's substance, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement for the purposes of GASB 77. Governments should disclose in the notes to financial statements – separated by agreements the Department enters into vs. agreements entered into by other governments that reduces the reporting Department's tax revenues, the following information related to tax abatement agreements that they enter into:

- Brief descriptive information, such as the tax being abated; the authority under which tax abatements are provided; the criteria that make a recipient eligible to receive a tax abatement; the mechanism by which taxes are abated (including how the recipient's taxes are reduced and how the amount of the recipient's taxes are determined – such as specific dollar amount of percentage of taxes owed); provisions for recapturing abated taxes – including the conditions under which abated taxes become eligible for recapture; and the types of commitments made by tax abatement recipients.

- The gross dollar amount of taxes abated during the period.

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Exhibit V1 – Higher Education Cash Flow Statement – Supplemental Information

The OSC is required to present a cash flow statement for all proprietary fund types, and it must use the direct-method format for the presentation. Because higher education feeds summarized transactions to CORE, the OSC does not have access to the transaction detail needed to convert the indirect method to the direct-method format. Higher education should complete Exhibit V1 to provide the information needed for the conversion and to disclose noncash transactions.

Section A – Indirect Method Adjustments for Direct Method Format

The items listed in Section A of the exhibit are cash inflows and outflows that affect real accounts (Statement of Net Position accounts – SONP) and that generally do not affect nominal accounts (operating statement accounts). The indirect method in some instances results in net cash flows that must be converted to gross cash flows. The amounts presented in Section A provide that conversion.

Cash From Operations:

The two lines related to loans are used to show the cash inflows and outflows that result from SONP transactions in the loan revolving activity. The sum of the cash inflows and outflows for the loan revolving activity must equal the year-to-year change in the real accounts used to track the loan activity. The OSC includes loan cancellations in the indirect-method calculation of the year-to-year change in loans receivable, so loan cancellations should not be included in the amounts shown on the exhibit.

Cash Flows From Noncapital Financing:

The two lines related to Deposits Held in Custody are used to show the cash received and disbursed when the institution holds funds for others that it will not report as revenues or expenses. This is commonly referred to as department or balance sheet accounting in the proprietary funds. Examples of this situation include funds held and disbursed for campus organizations, and funds related to the Federal Direct Lending Program. The sum of the cash inflows and outflows for department activity must equal the year-to-year change in the real accounts used to track this activity.

The two lines related to noncapital debt are used to show the cash inflows and cash outflows that result from notes, noncapital debt, and anticipation warrants that are used for operations rather than capital financing. Accounts used to populate this line are noted in the follow table:

BSA	BSA Account Name
2605	NonCapital Bonds Payable - Current
2610	Notes Payable - Current
2615	Unspent Notes Payable Proceeds
2630	Anticipation Warrants Payable - Current
2805	Noncapital Debt Payable - Noncurrent
2806	Noncapital Unamortized Premium/Discount - Noncurrent
2810	Notes Payable - Noncurrent
2811	Unamortized Notes Premium/Discount - Noncurrent
2830	Anticipation Warrants Payable
2850	Derivative Instrument Liability

Cash Flows from Capital and Related Financing:

The line titled State Capital Contributions applies to those higher education institutions as all disburse funds for capital projects from the 3*xxx* funds and then are reimbursed by Fund 4610. In order to present the higher education enterprise fund similarly to other enterprise funds, the OSC will report expenditures in the capital construction fund for the general-funded portion of projects and convert the transfer-in (revenue source code 9300) recorded by higher education in the plant fund (or Fund 320X) to a capital contribution (RSRC 8801). Revenue source code 8801 will be included with the change in capital assets, thus, eliminating the cash outflow that would have been shown for the acquisition of capital assets.

The two lines related to capital assets should show the cash disbursed for capital asset acquisitions and the cash received from sales of capital assets. Together these amounts should equal the net change in the real and nominal accounts related to capital assets. The OSC will calculate the net amount for these two lines combined by adjusting the year-to-year change in net capital asset balances for depreciation, leases entered, gain/loss on sale, capital contribution, and any other account for which capital assets are the offset. Departments can calculate the gross amount for each of these lines by reviewing transactions that affect capital assets and that have cash offsets, or the calculation can be done by a separate tracking mechanism.

The line titled Capital Lease and Mortgage Principal Payments should show the cash disbursements for lease and mortgage principal payments but not the cash disbursed for interest payments, which the OSC can identify from the operating statement accounts. This amount may not match the amount shown as lease liability reduction on Exhibit C if you have mortgage payments. This amount will be shown as a capital related cash outflow, and it will be used to adjust the cash provided/used in Acquisitions of Capital Assets where the change in lease and mortgage liability is included.

The line titled Proceeds from Bonds, Notes, and COPs should show the cash received at issuance of the debt instrument including any premium or discount. The line titled Bond, Note, and COP Principal Payments should show disbursements for capital related debt service, but it should exclude interest payments, which are presented in a separate line and can be identified from the operating statement accounts. The sum of the cash inflows and outflows for debt activity must equal the year-to-year change in the real accounts used to track the debt.

Cash Flows From Investing:

The line titled Purchases of Investments should show cash disbursed to buy investments. The line titled Proceeds from Sale and Maturity of Investments should show cash received from the sale of investments and the cash received when investments mature. The sum of the cash inflows and outflows for investment activity must equal the year-to-year change in the real accounts used to track investments.

Bank Confirmation Form

In order for your department to properly prepare Exhibit M, you need to confirm June 30 checking, savings, and certificate of deposit account balances. The Bank Confirmation Form requests information about amounts insured and collateralized under a given Public Deposit Protection Act (PDPA) number. The bank confirmation form is included in the Exhibit Listing and is intended for use by departments to provide to banks. The bank confirmation form is not submitted to the OSC. If a department has more than one PDPA number at the same bank, please use one confirmation form, with the account numbers and PDPA numbers filled out by your department. For your reference, a listing of the PDPA numbers for each department can be found at:

http://www.dora.state.co.us/banking/pdpainformation/pdpanumbers.html

The information received from the financial institutions on this form should be summarized on the Exhibit M. Reporting & Analysis uses the risk classification information for note disclosure in accordance with GASB Statements No. 3 and No. 40 in the statewide financial statements.

The information provided on the confirmation by the banking institution must be reviewed carefully. Incomplete or inaccurate information should be clarified with the bank. If FDIC insurance is applicable on the account, it should be reported as the lesser of the June 30 balance or the applicable FDIC limit. Questions regarding FDIC insurance should be directed to the Division of Banking at 303-894-7855.

It is also important to determine that the PDPA number assigned to your department is the PDPA number attached to the account on the banking institution's records. Banking institutions report monthly to the Division of Banking regarding FDIC insurance and collateralization requirements for public funds identified with a PDPA number. If the bank does not confirm the PDPA number, contact the bank.