

OFFICE OF THE STATE CONTROLLER

FISCAL PROCEDURES MANUAL

MARCH 31, 2024

1525 SHERMAN STREET DENVER, CO 80203 (303) 866-6200



TABLE OF CONTENTS

TABLE OF	CONTENTS	1
	1: SECTION 1	
INTROI 1.1	OUCTION AND LETTER FROM THE CONTROLLER	
	Audit Risk Letter	
1.2	FY 2024 Closing and FY 2025 Opening Highlights	
1.3	Department Planning Guidelines for FY 2024 Closing and FY 2025 Opening Activities	
1.4	Opening and Closing Calendar	
1.5	Abbreviations Used Throughout This Manual	
	1: SECTION 2AL INFORMATION	
2.1	CORE	
2.2	Accounting Periods	
2.3	Transaction Availability	
2.4	Automatic Transaction Submission Workbook Upload Functionality	
2.5	Central Transaction Approval	
2.6	Assignment of Transaction ID Numbers	
2.7	Recording Transactions in the Correct Fiscal Year	
2.8	Chart of Accounts	
2.9	Ledgers Rolled after Year-End Final Close	
2.10	New Year Table Initialization	
2.11	Presence and Budget Control	
2.12	Interim Modified Cash Basis of Accounting	
2.13	Positive Coding of Expenditures and Revenue	
2.14	Pre-Audit Sensitive Account Codes	
2.15	Fiscal Contacts	
	1: SECTION 3	
	OF COLORADO ACCOUNTING ORGANIZATION	-
3.1	State of Colorado Government Overview	26
3.2	State of Colorado Accounting Organization Overview	
3.3	State of Colorado Accounting Organization Objectives	27
3.4	State of Colorado Accounting Organization Guiding Principles	27
3.5	State of Colorado Office of the State Controller Overview	28
3.6	State of Colorado Departments' Accounting Offices Overview	28
3.7	State of Colorado Accounting Organization Shared Responsibilities	29
CHAPTER	2: SECTION 1	31
	IBRANCES ISSUES	
1.1	Recording New Year Pre-Encumbrance and Encumbrance Transactions Prior to July 1st	31
1.2	Processing Closing Year Pre-Encumbrances and Encumbrance Transactions	31
1.3	Roll/Lapse Process	31
14	Rolling Multi-Year Contract and GAE	33

	2: SECTION 2T	
2.1	CORE Budget Structures	
2.2	Budget Chart of Accounts	
2.3	Policy Regarding Appropriation Unit Creation Access	
2.4	Policy Regarding Changing Appropriation Unit Rollups	
2.5	Spending Authority Indicators	
2.6	Budget Systems	
2.7	New Year Table Initialization and Zero Dollar Budget Roll	
2.8	Recording the Long Bill	
2.9	Recording the Capital Construction Budget	
2.10	Recording Supplemental Bills	
2.11	Recording Special Bills	
2.12	Recording Federal Spending Authority	
2.13	Recording Statutory Spending Authority	
2.13.1		
2.14	Underearnings in the General or Capital Construction Fund	
2.15	Carry Forward of Spending Authority	
2.16	Spending Authority for Grants and Contracts	
2.17	Spending Authority for Donations	
2.18	Spending Authority for Court-Ordered Settlements	
2.19	Long Bill Headnote Definitions	
2.20	Spending Authority Event Type Matrix	
2.21	Budget Error Messages	
CHAPTER	2: SECTION 3	
	STS FOR INTERIM SPENDING AUTHORITY AUTHORIZED BY SECTION 24-75-111, C.R.S	
3.1	Process For Submitting Requests	58
3.1.1	Operating Requests	58
3.1.2	Capital Construction Requests	58
3.1.3	Information Technology Capital Construction Requests	59
3.2	Follow-up and Final Resolution	59
	3: SECTION 1	
YEAR-E	END APPROPRIATION TRANSFERS AND OVEREXPENDITURES	
1.1	Statutory Authority for Appropriation Transfers and Overexpenditures	60
1.2	Deficit Fund Balances	
1.3	Overexpenditure Restriction	61
REQUES	3: SECTION 2STING ROLLFORWARD OF APPROPRIATION AUTHORITY FROM CLOSING YEAR TO I	NEW
2.1	Rollforward of Appropriated Funds	
2.2	Allowable Circumstances for Rollforwards	
2.3	Procedures for Appropriated General and Cash Fund Rollforward Requests	
2.3	Procedures for Appropriated General and Cash Fund Konforward Requests	03

2.4	Appropriation Coding for the New Year Rollforward	65
2.5	Rollforwards from the Reappropriated Column of the Long Bill	65
	S: SECTION 3	
	G ACCOUNTING ISSUES	
3.1	Preparing Accounting Estimates	
3.1.1	Estimation of Accrued Expenditures	
3.1.2	Estimation of Accrued Revenues	
3.1.3	Continuous Improvement of the Estimation Process	
3.2	Accounts Payable Accruals	
3.2.1	Goods or Services Received by June 30, and Paid by the Cash Cutoff Date	67
3.2.2	Goods or Services Received by June 30, but Paid After the Cash Cutoff Date	
3.2.2.1	Reconciliation and Over-Accrual Adjustments	69
3.2.2.2	General Reminders and Troubleshooting Transaction Issues	70
3.3	Accounts Receivable and Tax Accruals	72
3.4	Accounts Receivable Allowances	73
3.5	Accounts Receivable Forgiveness	73
3.5.1	Debt Not Substantiated	73
3.6	Commercial Card (CCard) Transactions	73
3.7	Accepting Payment by Credit Card	74
3.8	Augmenting Revenue	74
3.9	Capital Asset Inventory	74
3.10	Cash Deposits with the State Treasurer	75
3.11	Compensated Absences Accrual	76
3.12	Pollution Remediation and Asset Retirement Obligations	77
3.12.1	Pollution Remediation Obligations	77
3.12.2	Asset Retirement Obligations	79
3.13	Prepaid Expenses and Consumable Inventories	
3.14	CORE Inventory Module Cycle Count Procedures	82
3.15	Internal Control and Certification of Accounting and Reporting Systems	82
3.16	Year-End Fund Balance Sweep Entries for Funds 1000, 4610, and 4611	
3.17	Internal Transfers and Transactions	82
3.18	Internal Receivable and Payable Balances	84
3.19	Abnormal Balances and Balances in Clearing Accounts	85
3.20	Budgeted and Unbudgeted Transactions	
3.21	Office of the State Controller Diagnostic Reports in infoAdvantage	
3.22	Unrealized Gains/Losses	
3.23	Clearing Warrants Payable	
3.24	Governmental Fund Balance	
3.25	Proprietary Fund Net Position and Restricted Assets	
3.26	Closing a Fund and Fund Balance Accounting	
3.27	Pay Date Shift	
3 28	OIT Purchased Services General Purpose Revenue Fund (Fund 1000) Rudgetary Shift	

3.29	Refunds, Reimbursements, and Retoractive Refinancing	92
3.30	Reversions to the State Employee Reserve Fund and the Legislature	92
3.31	Risk Management Funds	93
3.32	Retirement Payouts	93
3.33	Contractor and Subrecipient Relationships Involving Federal Funds	93
3.34	Interagency Agreements Between State Departments Involving State Funds	95
3.35	Reporting to the Federal Audit Clearinghouse	96
3.36	Internal Controls for Federal Awards	90
3.37	Pension and Other Postemployment Benefits (OPEB)	97
3.38	Use of Fund Balance Accounts 340A, 340P, and 340E	97
3.39	Prior Period Transactions – (Exhibit PPA)	97
3.40	Balance Sheet Accounts 1034 and 1043	98
3.41	Statewide System and Organizational Controls Reviews	98
3.42	Federal Treasury Offset Process	99
3.43	Private Collection Agency Commission Fees	100
3.44	Fiduciary Activities	101
CHAPTER	3: SECTION 4	110
INTER	NAL TRANSACTIONS	110
4.1	General Background and Use	110
4.2	Transaction Types	111
4.3	Internal Transaction Types	112
4.4	Multiple Departments Spending out of One Fund	113
CHAPTER	3: SECTION 5	114
FINAN	CIAL STATEMENTS	
5.1	Higher Education Financial Statements	
5.2	Non-Higher Education Agencies Financial Statements	
5.3	Financial Statement Line Item Account Groupings	
5.4	Discretely Presented Component Units Required by GASB Statement No. 39	
5.5	Nonstatutorily Created Discretely Presented Component Units Required by GASB Statement as amended by GASB Statement No. 61	
5.6	GASB Statement No. 90 – Majority Equity Interests – An Amendment of GASB Statements No. No. 61	
	3: SECTION 6	
SUPPLI	EMENTAL INFORMATION FOR STATEWIDE REPORTING/EXHIBITS	119
	3: SECTION 7ARDS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD	
7.1	What's New	121
7.2	GASB Statement No. 99 – Omnibus 2022	121
7.3	GASB Statement No. 100 – Accounting Changes and Error Corrections – An Amendment of Statement No. 62	
7.4	GASB Implementation Guide 2023-1, Implementation Guidance Update – 2023	123
7.5	Whats's Coming	
7.6	GASR Statement No. 101 Compensated Absences	

	7.7	GASB Statement No. 102 – Certain Risk Disclosures	125
	7.8	Other GASB Standards Already in Effect	126
	7.9	GASB Statement No. 93 – Replacement of the Interbank Offered Rates	126
	7.10	GASB Statement No. 92 – Omnibus 2020	127
	7.11	GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Report Internal Revenue Code Section 457 Deferred Compensation Plans	
	7.12	GASB Statement No. 98 – The Annual Comprehensive Financial Report	128
		3: SECTION 8	
CC	OVID-1	9 FEDERAL FUNDS ACCOUNTING AND REPORTING REQUIREMENTS	129
	8.1	General Requirements	
	8.2	Federal Revenue Classification	130
	8.3	Coronavirus Relief Funds (CRF)	
	8.3.1	CRF Returned Funds	130
	8.4	Paycheck Protection Program (PPP) Loan Forgiveness Program	131
	8.5	American Rescue Plan Act of 2021 (ARPA)	131
	8.6	State and Local Fiscal Recovery Funds (SLFRF) Subset of ARPA	131
	8.6.1	SLFRF Chart of Account Structure	
	8.6.2	ARPA – Budget – Appropriations/Allocations from the State and Local Fiscal Recovery Fund (S	
	8.6.3	Recording Budget Transfers Between SLFRF Operating Budget Lines	134
	8.6.4	SLFRF Modification Process for Reporting, Expenditure Category, Appropriation Unit and Probudget Changes	
	8.6.5	Carry Forward of SLFRF Spending Authority	135
	8.6.6	SLFRF Encumbrances	136
	8.6.7	SLFRF Transfers for Pass-thru Activity within State Government	136
	8.6.7.1	SLFRF Transfers for Pass-thru Activity to Institutions of Higher Education	138
	8.6.7.2	SLFRF Passthru of Pass-thru Revenue Earning Event Type Clarification	138
	8.6.7. <i>3</i>	Advances to SLFRF Subrecipients	139
	8.6.8	SLFRF Payments for Interagency Purchases of Goods and Services	139
	8.6.9	SLFRF US Treasury Expenditure Categories	140
	8.6.10	Federal SLFRF Reporting to the US Treasury	144
	8.6.10.	1 SLFRF Federal Obligation Types and Thresholds	144
	8.6.10.	2 SLFRF Financial Reporting Templates	145
	8.6.10.	3 SLFRF Performance Reporting Templates	146
	8.6.11	SLFRF infoAdvantage Reports	146
	8.6.12	SLFRF Monitoring Responsibilities	146
	8.6.13	SLFRF Exhibit K1 SEFA Reconciliation	147
	8.6.14	Closing Process for SLFRF Projects (Budget/Accounting)	147
	8.6.15	SLFRF Closeout Certifications	148
	8.6.16	SLFRF Capital Construction – Transfers, IHE Guidance and Sweep Entries	149
	8.6.17	Higher Education Institution (IHE) SLFRF CORE Entries	150
	8.7	Other US Treasury Federal Programs Subject to State Controller Certification	151

	8.7.1	Capital Projects Fund (CPF)	151
	8.7.2	Emergency Rental Assistance (ERA) and Housing Assistance Funds (HAF)	151
	8.8	State Stimulus Funds	151
СН	APTER	4: SECTION 1	152
		L CONSTRUCTION	
	1.1	Steps in the Lifecycle of a Typical Capital Construction Project	152
	1.2	Recording Long Bill, Special Bill, and Supplemental Capital Construction Appropriations	152
	1.3	Restrictions on Spending Authority	153
	1.4	Recording 1331s	154
	1.5	Carryforward and Reversion of Capital Construction Appropriations	155
	1.6	Six-Month Rule	155
	1.7	Art in Public Places	157
	1.8	Capital Construction Fund Revenues	157
	1.9	Use of the Capital Construction Budget	157
	1.10	Retainage for Capital Construction Projects	159
	1.11	Relationship Between Funds 4610/4611 and Higher Education Funds 320x/305x	159
	1.12	Emergency Maintenance Projects Completed by DPA on Behalf of Departments and Institutions	159
	1.13	Capitalized Emergency Maintenance Projects Duplicate Expenditures – Higher Education Only	160
	1.14	Non-Capitalizable Emergency Maintenance Projects Duplicate Expenditures – Higher Education	
	1.15	Funding Future Capital Construction, Controlled Maintenance, or Capital Projects	
	1.15.1	Depreciation Lease Equivalent Payment Transfers per SB22-239	162
	1.16	COP Projects	162
	1.17	Calculating TABOR Enterprise State Support for COP Projects	164
	1.18	SLFRF-Funded Capital Construction Projects (Including Refinanced Projects)	164
		4: SECTION 2	
(L ASSETS	
	2.1	Definition of Capital Assets	
	2.2	Capital Asset Reporting Systems	
	2.3	Valuing Capital Assets	
	2.4	Capitalization Criteria	
	2.4.1	Dollar Thresholds	
	2.5	Estimated Useful Lives	
	2.6	Recording of Capital Assets	
	2.6.1	Recording of IT Capital Assets	
	2.7	Recording Depreciation or Amortization Expense	
	2.8	Disposing of Capital Assets in Governmental Funds	
	2.9	Transfer of Capital Assets	
	2.10	Capital Asset Impairment and Insurance Recoveries – GASB Statement No. 42	
	2.11	Insurance Recoveries	
	2.12	Intangible Assets Including Computer Software Developed or Obtained for Internal Use	175

	4: SECTION 3 NTING FOR CAPITAL RELATED DEBT AND NONCAPITAL DEBT	
3.1	Energy Performance Contracts – Issuance and Payments	
3.2	Bond Issuance and Payments	
3.3	Bond Refundings	
3.4	•	
3.5	Accounting for Leases (GASB Statement No. 87)	
3.5.1	Definitions	
3.5.2	Leases Under GASB Statement No. 87	
3.5.3	Initial Reporting for Leases Under GASB No. 87	
3.5.4	Subsequent Reporting for Leases Under GASB No. 87	
3.5.5	GASB No. 87 Lease Accounting for Lessees	
	Governmental Funds Lease Entries Under GASB No. 87 – Lessee	
	Proprietary Funds Lease Entries Under GASB No. 87 – Lessee	
	GASB No. 87 Lease Payment – Lessee	
	GASB No. 87 Lease Accounting for Lessors	
	Inception of the Lease – Lessor	
	Preceipt of Lease Payment – Lessor	
	Recognize Rental Revenue in systematic manner, first month	
3.5.7	Contracts with Multiple Components and Contract Combinations	
3.5.8	Lease Modifications, Terminations, and Remeasurements	
3.5.9	Subleases and Leaseback Transactions	193
3.5.10	Inter-departmental Leases	193
3.5.11	Prepaid Leases	194
3.6	Subscription-based Information Technology Arrangements (SBITA or IT Subscriptions) under (Statement No. 96	
3.6.1	Accounting for IT Subscriptions	194
3.6.2	Prepaid IT Subscriptions	196
3.6.3	IT Subscriptions vs. Perpetual Software Licenses	197
3.6.4	Contract Components of IT Subscription Agreements	197
3.6.5	Short-term IT Subscription Agreements	197
3.6.6	IT Subscriptions Procured through the Governor's Office of Information Technology (OIT)	198
3.6.7	Materiality and Minimum Thresholds	198
3.6.8	Stages of Implementation	198
3.6.9	Other IT Subscription-related Accounting Issues	200
3.7	Available Tools to Assist Departments	201
3.8	Conduit Debt (GASB Statement No.91)	201
3.9	Service Concession Arrangements, Private-Public and Public-Public Parternships, and Availab Payment Arrangements	
CHAPTER :	5: SECTION 1	203
INFOAD	VANTAGE DIAGNOSIC REPORTS	203
1.1	Diagnostic Reports	203

1.2	Primary Year-End Financial Reports and Accounting Period Considerations	206
	5: SECTION 2YEE TRAVEL EXPENSES	
2.1	Reviewing Accounting Data	207
CHAPTER	5: SECTION 3	209
	TORY REPORTING OF OUTSTANDING LOANS AND ADVANCES	
3.1	Policy Statement	209
3.2	Definition of Terms	210
3.3	Criteria for Determining Working Capital Loans or Advances	210
3.4	Working Capital Loans	211
3.5	Working Capital Advances	212
3.6	Working Capital Advances for Tobacco Settlement Programs	212
3.7	Additional Criteria Guidelines for Institutions of Higher Education	212
3.8	Loan and Advance Review and Reporting	212
	5: SECTION 4	
PROCEI	OURES FOR PREPARING QUARTERLY FINANCIAL REPORTS	
4.1	Quarterly Reporting Overview	214
4.2	Policy Statements Related to Quarterly Reporting	214
4.3	Guidelines for Quarterly Reporting	214
4.4	Quarterly Reporting Procedures	216
	5: SECTION 5	
	REPORTING	
5.1	TABOR District and Exclusions from the District	
5.2	Fiscal Year Spending is the Same as Nonexempt Revenue	
5.3	Classifying Revenue for TABOR	
5.4	Quick Reference Guide and Diagram on TABOR	
5.5	Great Outdoors Colorado	
5.6	Investment Earnings	
5.7	Corrections of Errors in Recording Revenues in Prior Years	
5.8	Revenue Received from Higher Education Institutions	
5.9	Accounting for Changes in TABOR Enterprise Status (Higher Education Institutions Only)	
5.10	Requirement to Communicate with the OSC on Changes to TABOR	
5.11	Questions Regarding TABOR	
	5: SECTION 6 GEMENT REPORTING RESPONSIBILITIES	
6.1 6.2	Reporting for Financial Responsibility and Accountability Act Article 17, Title 24, C.R.S	
6.3	Management Representation Letter	
	Federal Funding Transparency and Accountability Act (FFATA)	
6.4	Transparency Online Project System (TOPS)	
6.5 6.5.1		
6.5.2	Commercial Card Violation Report	
0.3.2	Routine Programmatic Communication and/or Reporting	

6.6	Reporting Theft or Embezzlement	228
6.7	Accounts Receivable Collections Report	228
	5: SECTION 7	
UNCON	MITTED CASH RESERVES REPORTING	
7.1	Information about the Report and Requirement	230
7.2	Statutory Definitions and Report Programming	230
7.2.1	Cash Fund Defined	230
7.2.2	Cash Funds Excluded	230
7.2.3	Fund Balance	232
7.2.4	Exempt Assets	232
7.2.5	Capital Reserve	232
7.2.6	Previously Appropriated Fund Balance	232
7.2.7	Fee Revenue	232
7.2.8	Fees Set in Statute/Other Exclusions	233
7.2.9	Non-Fee Fund Balance	233
7.2.1	Uncommitted Reserve	233
7.2.1	l Maximum Reserve	233
7.2.1.	2 Alternative Maximum Reserve	233
7.2.1.	3 Excess Uncommitted Reserve	233
7.3	Reports and Procedures	234
7.3.1	Turnaround Report	234
7.3.2	Statutory Report	235
7.3.3	Request for Information (RFI) Report	235
7.3.4	Funds Out of Compliance on the Statutory Report	235
7.3.5	Removing a Restriction	235
7.4	Cash Funds Uncommitted Reserves Calculation	236
CHAPTER	5: SECTION 8	239
INDIRE	CT COST EXCESS RECOVERY FUND REPORT	239
8.1	Calculation	239
8.2	Transfer of Excess Indirect Cost Revenue	239
8.3	Use of Indirect Cost Excess Recovery Fund	239
8.4	Annual Report	239
	5: SECTION 9	
	RED LEGISLATIVE FEDERAL FUNDS REPORTS	
9.1	Expenditures of Federal Funds Used for Costs Associated with a Disaster	
9.2	Expenditures of Federal Funds by State Agencies	240
	6: SECTION 1	
	NAL FINANCIAL SYSTEMS AND BANK ACCOUNTS	
1.1	External Financial System Approval Process	
1.2	Deposit of Public Funds.	
1.3	External Bank Account Approval Process and Oversight	
1 1	Recording Cash in Approved External Rank Accounts	242

	7: SECTION 1/ACCOUNTS RECEIVABLE POLICY	
1.1	State of Colorado Credit Policy	
1.1	State of Colorado Past Due Receivable Policy	
	·	
1.3	State of Colorado Accounts Receivable Under the Method Allowance Policy	
1.4	Methods of collecting debt due to the State	
1.5	State of Colorado Policy on Forgiveness, Settlement, or Other Compromise of Debt Due the State	
1.6	Debt Not Substantiated	
	8: SECTION 1 VIDE SECURITY POLICY FOR ACCESS TO THE STATE FINANCIAL SYSTEM	
1.1	Security Policy	248
1.2	Applicability	248
1.3	System Specific Policies and Procedures	248
	8: SECTION 2IFOADVANTAGE	
2.1	Report Formats	250
2.2	Report Delivery	250
2.3	Beginning Balance Universe Definitions	251
2.4	Beginning Balance Differences	251
CORE FI	9: SECTION 1 EDERAL TAX REPORTING, DISBURSEMENT MANAGEMENT, AND VENDOR/CUSTOMEF ENANCE	2
1.1	Federal Tax (1099 and 1098-F) Reporting	252
1.2	Disbursements, Cancellations, and Reissues	253
1.3	CORE Warrant Escheatment Process	253
1.4	Vendor/Customer Maintenance	253
1.5	Vendor Intercept Management	254
1.6	PERA Reporting and Employer Contributions for Retirees Working as Independent Contractors	254
1.7	Gift Cards	254
	9: SECTION 2	
2.1	CCard Billing Cycle	256
2.2	CCard Statements and Interfaced Commodity-based Payment Request Transactions (PRC1s)	256
2.3	CCard Monitoring and Reconciliation	256
2.4	Recommended CCard Reports	257

CHAPTER 1: SECTION 1 INTRODUCTION AND LETTER FROM THE CONTROLLER

TO: Controllers and Chief Fiscal Officers of State Departments and Higher Education

Institutions and Boards

FROM: Robert Jaros, CPA, MBA, JD

State Controller

DATE: April 2024

SUBJECT: FY 2024 Closing/FY 2025 Opening Procedures

The Fiscal Procedures Manual has been updated to reflect the latest processes for closing and opening using CORE. For Fiscal Year 2024, we plan to meet most of our statutory and other deadlines. Key Dates:

- July 19 Period 12 close.
- August 5 Period 13 close; department close. Last day for entries to process through regular workflow channels. Transactions processed after this date workflow to OSC for approval.
- August 9 Period 14 close. Most exhibits due based on Period 14 ending balances.
- August 16 Department Exhibits due to OSC.
- August 16 TABOR variance analysis due.
- August 23 Departments and institutions submit Financial Statements, including Exhibits I and J
- September3– OSC issues Certifications and Schedules of Nonexempt TABOR Revenue.
- September 20 Period 15 close. Statutory deadline for issuance of the Basic Financial Statements.
- December 13 Period 16 close. OSC issues Annual Report and Schedule of TABOR Computations.
- March 31 or earlier OSC and OSA file Single Audit and Schedule of Expenditure of Federal Awards.

Other dates are included in the FY 2024 Closing & FY 2025Open Calendar. The "Highlights" section following this letter summarizes changes this fiscal year. I encourage each department to make full use of the "Department Planning Guidelines and Checklist" to ensure that each of the tasks required of your department is specifically assigned and completed, as tasks have changed with the implementation of CORE. A copy of the management representation letter that you provide to the State Auditor must also be submitted to the Office of the State Controller as soon as it is available. These procedures are available on our website at: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures. In addition to the Fiscal Procedures Manual, many other resources are available on our website.

We, at the Office of the State Controller, hope you will find these resources valuable. Best wishes for a successful open/close. Thank you for your continued cooperation and support.

Sincerely,

Robert Jaros, CPA, MBA, JD

Robert Jaros

State Controller

1.1 Audit Risk Letter

The Office of the State Auditor publishes an annual letter outlining their assessment of statewide preliminary audit risks. It is important for departmental finance, budget, and accounting staff review this letter. Refer to following link on the OSC website under the Fiscal Procedures Manual drop down banner:

https://osc.colorado.gov/financial-operations/fiscal-rules-procedures

1.2 FY 2024 Closing and FY 2025 Opening Highlights

The following items are brought to your attention, as they represent new policies and procedures, a new area of emphasis, or address problems identified during last year's closing process. Review of these highlights should not be used as a substitute for a close review of the text of these instructions.

- 1. Chapter 2: Section 2, Budget
 - 2.13 Recording Statutory Spending Authority, spending authority guidance was updated to clarify that the OSC will follow the most restrictive interpretation if there are conflicting statutory provisions. Where authority is unclear the OSC will consult with the AG, OSPB, and JBC, as needed. Additional guidance was added to clarify when the statute requires the State Treasury to transfer from the general fund and the departments are not given the general fund spending authority for the transfer, the departments need to work with the State Treasury on the transfers, where the State Treasury uses SAI 10 to set up the general fund statutory spending authority.
- 2. Chapter 3: Section 3, Closing Accounting Issues
 - 3.1 Guidance was updated for preparing and recording accounting estimates.
 - 3.9 Capital Asset Inventory section was updated.
 - 3.18 Added \$10,000 threshold for internal receivable and payable balance to the OSC Exhibit IR IP.
 - 3.29 Guidance was updated for reimbursements and refunds to require an
 adjustment to the accounting records for allowable budgetary credits for certain
 multi-year activity. Additionally, situations where expenditures have been
 retroactively refinances should be communicated to the OSC for individual
 guidance.
 - 3.43 Private Collection Agency Commission Fees guidance was updated.
 - 3.44 Fiduciary Activities section was updated.
- 3. Chapter 3: Section 5, Financial Statements
 - 5.4 Discretely Presented Component Units Required by GASB State No. 39 was updated.
 - 5.6 GASB Statement No. 90 Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61 was updated.
- 4. Chapter 3: Section 7, Standards Issued By The Governmental Accounting Standards Board
 - 7.1 What's New was updated
 - 7.2 GASB Statement No. 99 Omnibus 2022 was updated. GASB Statement No.

- 91 Conduit Debt was deleted.
- 7.3 GASB Statement NO. 100 Accounting Changes and Error Corrections an amendment of GASB Statement No. 62 was updated. GASB Statement No.94 Private Public and Public Partnerships and Availability Payment Arrangement, was deleted.
- 7.4 GASB Implementation Guide No. 2023-1, Implementation Guidance Updated 2023, was updated.
- 7.5 7.12 What's coming was updated.
- Chapter 3: Section 8, COVID-19 Federal Funds Accounting and Reporting Requirements
 - 8.6 Added The Joint Budget Committee plans to introduce a bill regarding the refinancing of existing SLFRF project dollars. If enacted, the OSC will provide additional guidance in an Alert.
 - 8.6.10 Federal SLFRF Reporting to the US Treasury was updated.
 - 8.6.11 SLFRF infoAdvantage Reports, was updated for new reports.
 - 8.6.14 Closing Process for SLFRF Projects (Budget/Accounting) was updated.
 - 8.6.15 SLFRF Closeout Certification Process was updated.
 - 8.7 Other US Treasury Federal Programs Subject to State Controller Certification was updated.
- 6. Chapter 4: Section 1 Capital Construction
 - 1.15 Depreciation Lease Equivalent Payment Transfers per SB22-239 was updated.
- 7. Chapter 4: Section 2, Capital Assets, the following sections were updated:
 - 2.1 Definition of Capital Assets
 - 2.4.1 Dollar Thresholds
 - 2.6 Recording of Capital Assets
 - 2.7 Recording Depreciation or Amortization Expense
 - 2.8 Disposing of Capital Assets
 - 2.9 Transfer of Capital Assets
- 8. Chapter 4: Section 3, Accounting For Capital Related Debt and Noncapital Debt The following sections were updated:
 - 3.5.5.1 Governmental Funds Leases Entries under GASB No. 87 Leasee
 - 3.5.5.2 Proprietary Funds Lease Entries under GASB No. 87 Lessee
 - 3.5.5.3 GASB No. 87 Lease Payment Lessee
 - 3.6 Subscription based Information Technology Arrangements (SBITA or IT Subscriptions) under GASB State No. 96
 - 3.6.7 Materiality and Minimum Thresholds
 - 3.6.9 Other IT Subscription-related Accounting Issues
 - 3.8 Conduit Debt (GASB Statement No.91)
 - 3.9 Service Concession Arrangements, Private Public and Public Public Partnerships, and Availability Payment Arrangements
- 9. Chapter 5: Section 3, Statutory Reporting Of Outstanding Loans and Advances
 - 3.1 Policy Statement was updated
 - 3.3 Criteria for Determining Working Capital Loans or Advances was updated.
- 10. Chapter 5: Section 6, Management Reporting Responsibilities

- 6.4 Transparency Online Project System (TOPS) was updated.
- 6.7 Accounts Receivable Collections Report was updated.
- 11. Chapter 5: Section 9, Required Legislative Federal Funds Reports
 - 9.1 Expenditures of Federal Funds Used for Costs Associated with a Disaster was updated.
- 12. Chapter 7: Section 1, Credit/Accounts Receivable Policy
 - 1.5 State of Colorado Policy on Forgiveness, Settlement, or Other Compromise of Debt Due the State was updated.

1.3 Department Planning Guidelines for FY2024 Closing and FY2025 Opening Activities

To ensure a successful close, adequate planning and scheduling of year-end activities are critical to departments. It is imperative that agencies plan and complete critical tasks early in the year and monitor year-end activities closely. Planning guidelines and task lists have been designed to give departments helpful suggestions for developing plans to complete both current year closing and new-year opening activities. The guidelines are available on the OSC's website at the following link: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures.

1.4 Opening and Closing Calendar

A successful close is contingent upon departments completing task timely and accurately. The FY 2024 Closing and FY 2024 Opening calendar is available on OSC's website at the following link: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures.

1.5 Abbreviations Used Throughout This Manual

ACFR – Annual Comprehensive Financial Report

APD – Accounting Period

APAs – Availability Payment Arrangements

ARPA – American Rescue Plan Act

AROs – Asset Retirement Obligations

BFS – Basic Financial Statements

BSA – Balance Sheet Account

BFY – Budget Fiscal Year

CARE - Coronavirus Aid, Relief and Economic Security Act

CAVO – Central Accounting and Vendor Operations Unit of the OSC

CCARD - Commercial Card

CCS – Central Collection Services

CCU - Central Contract Unit

CDC – Capital Development Committee

CFDA – Catalog of Federal Domestic Assistance

CFDCPA – Colorado Fair Debt Collection Practices Act

CGC – Core Governance Committee

COA – Chart of Account

COFRS - Colorado Financial Reporting System

COPs – Certificates of Participation

CORE – Colorado Operations Resource Engine

CPPS - Colorado Personnel Payroll System

CRF - Coronavirus Relief Funds

C.R.S. – Colorado Revised Statutes

DHE – Department of Higher Education

DUNS – Data Universal Numbering System Number

ESRC – Excess State Revenues Cap

FAR – Financial Analysis and Reporting Section of the OSC

FASB - Financial Accounting Standards Board

FDW - Financial Data Warehouse

FFATA – Federal Funding Accountability and Transparency Act

FSC – Funding Source Code

FSU – Financial Services Unit of the OSC

FY - Fiscal Year

GAAP – Generally Accepted Accounting Principles

GASB - Governmental Accounting Standards Board

GFAAG – General Full Accrual Account Group

IBNR - Incurred But Not Reported

IRC – Internal Revenue Code

JBC – Joint Budget Committee

JTC – Joint Technology Committee

LBLI - Long Bill Line Item

MOU – Memorandum of Understanding

NYTI – New Year Table Initialization

OIT - Governor's Office of Information Technology

OBJ – Object Code

OMB - Office of Management and Budget

OSA - Office of the State Auditor

OPEB – Other Postemployment Benefits

OSC - Office of the State Controller

OSPB – Office of State Planning and Budgeting

PERA – Public Employees Retirement Association

PB – Performance Budgeting

PCA – Private Collection Agency

PPPs – Public-Private and Public - Public Partnership arrangements

PROs – Pollution Remediation Obligations

RFI – Request for Information Report

RSRC – Revenue Source Code

RTU – Right to Use

SAI - Spending Authority Indicator

SAS – Statements on Auditing Standards

SBITA - Subscription Based Information Technology Arrangements

SCA – Service Concession Arrangement

SEFA – Schedule of Expenditure of Federal Awards

SLFRF – State and Local Fiscal Recovery Funds

TABOR – Taxpayer's Bill of Rights

TOPS - Transparency Online Project System

URGL - Unrealized Gain and Loss

VSCF - Various Sources of Cash Funds

CHAPTER 1: SECTION 2 GENERAL INFORMATION

There is a variety of general information relevant to operations throughout the year as well as the closing of one fiscal year and the opening of the next. This section addresses issues of general interest.

2.1 CORE

Colorado Operations Resource Engine (CORE) is a financial management system that is the single source of data for the majority of the State's financial operations. By integrating the State's accounting, budget, and procurement functions, CORE enables seamless operations and reliability of data. Through its key functions, CORE ensures the state is able to meet its long-standing commitment to fiscal discipline, financial accountability, government transparency, and cost benefit controls.

The CORE system including infoAdvantage is generally available daily 6:30 a.m. to 8 p.m. with the exception of scheduled maintenance windows on the weekends. For more information regarding maintenance windows as well as CORE governance, forms, access, training, job aids, policies, vendor self-services, and user support visit https://core.state.co.us/home

2.2 Accounting Periods

CORE has 16 accounting periods (APDs); 1-12 are normal operating periods and 13-16 are various closing periods as detailed below:

Period	Close	<u>Purpose</u>
1-12	July-June	Normal monthly accounting activity
13	August 5	Statutory/Department close
14	August 9	OSC close
15	September 20	BFS close
16	Period of Audit	Annual Financial Report close

CORE has two additional periods, 99 and 0, which are used for the system-generated closeout and roll of balances from one fiscal year to the next.

Accounting Periods 1-12

APDs 1-12 represent the normal monthly departmental accounting activity to include the periodic recording of revenues, expenses/expenditures, payroll, grant activity, and regular balance sheet transactions. The State's fiscal year runs from July through the following June; therefore, APD 1 represents the beginning of the fiscal year in July, and APD 12 represents the end of the fiscal year the following June.

Accounting Period 13

Pursuant to Section 24-30-204(3) C.R.S., APD 13 represents the date the "official books of the State" should close (statutory close), which is 35 days following the end of the prior fiscal year, or August 4. When August 4 falls on a Saturday or Sunday, the statutory close date is considered the following Monday. Statutory close is also known as Department close, which means that as of this date, all adjusted revenue, expenditures, and expense accounts by departments and institutions of higher education shall be closed into the *State accounting system*. The *State accounting system* not only includes the State's main accounting system, CORE, but also includes other systems used by departments and institutions of higher education that capture transactional data from which the

financial statements of the State and standalone entities are derived, and may or may not interface directly with CORE. As of the end of APD 13, departments and institutions of higher education should be finished entering transactions (including year-end accruals) into the State's accounting system, with the exception of certain transactions noted elsewhere in the Manual and in the Open/Close Calendar.

Entries after Period 13 (Department Close)

Periods 14 through 16 represents the OSC's time period to process year-end accounting adjustments in order to prepare the Basic Financial Statements by the statutory deadline of September 20th, as well as finalize the Annual Financial Report in December.

In order to be compliant with generally accepted accounting principles and standard issued by the Governmental Accounting Standards Board, the State Controller authorizes the following accounting entries after the statutory 35-day close deadline. These entries may occur in periods 14, 15, and 16.

Standard Entries

- ♦ OSC presentation and recurring entries for the BFS/Annual Financial Report
- ♦ Pension and OPEB entries (GASB 68 and 75)
- ♦ Medicaid deferral
- ◆ CU blended component unit
- ♦ Higher education budget entry
- ♦ CHC transactions to address cross-year warrant cancellations
- ♦ Non-TPool unrealized gains/losses
- ♦ Expenditure reallocations for opening year COVID-related federal awards, allocations or appropriations that are retroactive into the closing fiscal year
- ♦ System generated transactions
- ♦ Treasury's Highway User Tax Fund entry
- ◆ Cash sweep (see Chapter 3, Section 3.16)
- Adjustments made to implement requirements of new accounting standards

Non-Standard Entries (Errors)

- ◆ Department entries to correct errors discovered after period 13 close exceeding \$200,000
- ◆ Department entries to correct errors discovered after period 13 close over \$1,000 that would cause or prevent an overexpenditure
- ◆ Department requested entries to correct error discovered after period 13 close, generally compliance related (i.e., TABOR, Cash Funds Excess Reserves, etc.)
- Entries to correct errors in the alignment between standalone financial statements the BFS/Annual Report.
- ♦ Entries to correct errors in the alignment between CORE balances and exhibits, when the exhibit balances are correct
- Audit adjustments

• Other departmental entries requested by the OSC during the preparation of the BFS and Annual Financial Report.

Any non-standard entry submitted by a department in these periods must include a justification for the transaction, including reasons why the adjustment is necessary, departmental impact by not approving the entry, and why the adjustment was not processed as part of regular Period 13 close. The justification should be detailed enough that no prior knowledge of the condition leading to the proposed entry is necessary and should be sufficient for audit purposes. This justification should be included in the "Transaction Comment" section of each transaction submitted.

The OSC will exercise professional judgment when deciding whether or not to approve a particular entry. Factors the OSC will consider for approving entries include the justification given by the department, the importance/relevance to departmental operations, an evaluation of materiality as it relates to the accuracy and completeness of the financial statements by opinion unit, timing of the entry submission, whether the entry is necessary to correct an error, and whether the entry is required to reconcile with an Exhibit or standalone financial statement.

Accounting Period 14

APD 14 represents the OSC's closing period. During APD 14, the OSC will process cash sweep entries based on cash balances as of the end of APD 13. In addition, the OSC uses APD 14 as the start of processing certain year-end recurring entries needed to prepare GAAP-based financial statements. Because of the number of recurring entries required annually, the OSC processes recurring entries starting in APD 14 and throughout APD 15. OSC recurring entries are identified by using "SC" as a marker to in the CORE Sub-task (e.g. SC01, SC02, SC03, etc.), which indicate these entries were initiated by the OSC for the purposes of preparing the financial statements.

Accounting Period 15

APD 15 represents the Basic Financial Statements closing period. Pursuant to Section 24-30-204(1) C.R.S., the State Controller should prepare financial statements in accordance with GAAP, and submit them to the Governor and General Assembly each year no later than September 20. During APD 15, the OSC continues to process annual recurring entries needed to prepare GAAP-based financial statements. In addition, departments and institutions of higher education may use APD 15 to process entries needed to prepare GAAP-based standalone financial statements. The following entries are allowable in APD 15, and are not considered to be within the scope of the statutory closing deadline. Since the nature and type of recurring entries may change from year to year, this listing is not meant to be all-inclusive and may change:

- OSC recurring entries and other financial statement preparation entries (may be denoted by CORE Sub-task "SC")
 - Unrealized gain/loss
 - TABOR refunds and liability accruals
 - TABOR emergency reserve
 - Eliminations
 - General fund reserve
 - Statutorily-required reversions
 - o Receivable/payable reclassifications
 - Transfers
 - O Pension and other postemployment benefits entries necessary to comply with GASB Statement Nos. 68 and 75

- o Reversal of prior-year OSC recurring entries
- Indirect cost allocations
- Departmental allocation of direct distribution to PERA
- o Fund balance reclassifications
- o Prior-period adjustments
- Rollforwards
- Other adjustments in OSC's listing of recurring entries
- Medicaid and Medicaid funded payroll deferrals and reversals processed by the Department of Health Care Policy and Financing, or the Department of Human Services
- Year-end accounting entries posted by institutions of higher education and departments that prepare standalone financial statements
 - Pension and other postemployment benefits entries necessary to comply with GASB Statement Nos. 68 and 75
 - Entries related to blended component units
 - Year-end budgetary entries
 - o Reversals of prior-year accruals
 - Posting code reclassifications
 - Eliminations

Accounting Period 16

APD 16 represents the period of audit, and closes upon issuance of the final opinion on the State's Annual Report, scheduled for December each year. During this period, the only transactions entered into the State's accounting system related to the prior fiscal year resulting from test work performed by the auditor should be submitted to the OSC for approval, along with adjustments to the financial statements recommended by the auditor. The OSC may also allow departments to submit entries needed to correct material errors. However, the OSC will use professional judgment in determining whether it will approve a particular transaction submitted by a department or institution of higher education in APD 16. Additionally, the OSC may record "on-top" entries directly to the financial statements that are not reflected in the State's accounting system. The OSC will attempt to limit the number of "on-top" entries necessary to prepare GAAP-based financial statements.

2.3 Transaction Availability

The following are the last dates for processing CORE transactions.

Transaction Code	Description	Last Date Available
CI	Stock Issue Confirmation	30-Jun
OC	Over the Counter Stock Issue	30-Jun
SN	Stock Return	30-Jun
TR	Stock Transfer Receipt	30-Jun
UR	Universal Requestor	30-Jun
ACL	Manual Accrual Clearing	P12
AD	Automated Disbursement	P12

CR	Cash Receipt	P12
CR1	Cash Receipt Interface	P12
CR10XX	Cash Accounts Cash Receipt	P12
CR3	Cash Receipt Treasury Walk In	P12
CT	Contract	P12
CTGG1	Contract Grants Given	P12
DO	Delivery Order	P12
EFT	Electronic Funds Transfer	P12
FP	Fixed Asset Selling Price Change	P12
GAE	General Accounting Encumbrance	P12
GAEC	General Accounting Encumbrance Correction	P12
GAX	General Accounting Expense/Expenditure	P12
GAX1	General Accounting Expense/Expenditure Interface	P12
GAX3	General Accounting Expense/Expenditure Payroll	P12
IA	Inventory/Stock Adjustment	P12
IN	Vendor Invoice	P12
IT	Intercept Transfer	P12
MA	Master Agreement	P12
MAE2	External Award	P12
MD	Manual Disbursement	P12
PO	Purchase Order	P12
POGG1	Purchase Order Grants Given	P12
PRC	Commodity Based PR	P12
PRC1	Commodity Based PR Interface	P12
PREXC	Payroll Expenditure Correction	P12
PREXP	Payroll Expenditure	P12
PRLIA	Payroll Liability	P12
PRLID	Payroll Internal	P12
PRLNP	Payroll Net Pay	P12
PRM	Matching PR – Normal	P12
PRN	Matching PR - Negative (Inverse Reference)	P12
RQS	Standard Requisition	P12
SPA1	State Price Agreement	P12
SRQ	Stock Request	P12
SRQ1	Interface Stock Request	P12
WR	Warrant Reconciliation	P12
CA	Cost Allocation	P13
CH1	Charge Transaction	P13
CL	Referral to Collection Agency	P13
IET1	Interface - Internal Exchange Transaction	P13
IET3	Treasury Only-Internal Exchange Transaction	P13
IIA	Internal Inventory Adjustment	P13

IACC	Inventory Adjustment Cycle Counting	P13
JVA1	Interfaced Advanced Journal Voucher	P13
JVC1	Cost Accounting Journal Voucher Interface	P13
MD1	Manual Disbursement Warrant Interface	P13
MD2	Manual Disbursement EFT Interface	P13
MD4	Manual Disbursement Payroll	P13
RE1	Summary Receivable Interface	P13
WO	Write-Off	P13
ACC	Manual Accrual	P16
ACL	Manual Accrual Clearing	P16
ARE	Accrued Receivable	P16
BGP193	Project Budget	P16
BGG194	Grant Budget	P16
BGA190	Appropriation Budget Transaction	P16
BGA191	Bottom Line Funding Transaction	P16
BGE192	Department Expense Budget	P16
СН	Charge Transaction	P16
СНС	Charge Transaction Correction	P16
CR10XX	10XX Account Cash Receipt	P16
FA	Fixed Asset Acquisition	P16
FAIT	Fixed Asset Inter Funds Transfer	P16
FC	Fixed Asset Cancellation	P16
FD	Fixed Asset Disposal	P16
FE	Fixed Asset Depreciation Expense	P16
FI	Fixed Asset Increase/Decrease	P16
FM	Fixed Asset Modification	P16
FT	Fixed Asset Transfer	P16
FX	Fixed Asset Type Change	P16
IET*	Internal Exchange Transaction	P16
IET4	IHE Internal Exchange Transaction	P16
ITA*	Internal Transaction Agreement	P16
ITI*	Internal Transaction Initiator	P16
JV1ADVN	Advanced Journal Voucher	P16
JV1BOND	Journal Voucher Bonds	P16
JV1CASH	Cash Transfer Journal Voucher	P16
JV1CL	Journal Voucher Capital Lease	P16
JV1STND	Standard Journal Voucher	P16
JV1TRES	Treasury and Debt Accounting Journal Voucher	P16
JVA	Advanced Journal Voucher	P16
JVC	Cost Accounting Journal Voucher	P16
RE	Receivable	P16

* ITI/ITA and IET transactions are used to account for internal activity such as transfers, pass-thru grants, sales of goods/services, and reimbursements. These transactions are also used for some general accounting activities. Some of these standard event types also have payable/receivable offsets in addition to the cash offset version.

• July 1 through Period 14 Close

ITI/ITA and IET transactions can be processed without restriction between departments during this period, with the exception of interactions with higher education institutions which must be completed by the date in the open/close calendar. These transactions may offset cash.

Period 15 and After

Departmental entries to redistribute Treasury pooled cash are not allowable after Period 14 close. Any adjustments must be recorded offsetting payables and receivables and require the submission of the Exhibit IR IP.

2.4 Automatic Transaction Submission Workbook Upload Functionality

Some transactions may be uploaded through an Automatic Transaction Submission (ADS) spreadsheet. Once transactions are loaded in this manner they follow the same workflow path had the transaction been entered manually. Available ADS spreadsheets and troubleshooting guides can be located on the CORE website at: https://core.state.co.us/forms/ats-templates.

2.5 Central Transaction Approval

During the fiscal year, Periods 1 through 13, central OSC approval is required for:

- JV1ADVN Journal Voucher transactions containing Treasury Pooled Cash or Fund Balance/Net Position
- JV1STND Journal Voucher transactions with Event Type XG17 which is an entry to Fund Balance with an offset to Cash, or Event Type XG30 for authorized use of fund balance in the General Fund, Capital Construction Fund, and Information Technology Capital Account
- BGA190 and BGA191 Budget Transactions

Beginning with Period 14, all transactions route centrally for OSC approval except ABDL, ARE, CBDL, CT, JVA1, ME, PO, and RE transactions, unless these are submitted by a user other than BATCH/BATCHADMIN.

2.6 Assignment of Transaction ID Numbers

Transactions are automatically numbered in CORE, i.e., a department cannot manually enter the transaction ID. Many transactions have been configured to allow for prefixing. In those cases, a user enters the prefix into the transaction ID field and the system automatically populates the remaining numbers. The prefix settings are maintained on the ADNT table in CORE which are configured by CORE Operations. The fiscal year indicator in the ID number generally refers to the fiscal year in which the transaction is processed. If the closing year is still open, the transaction number may show the current year, but the transaction could be posting to the closing year. To determine the year the transaction is effecting, open and view the fiscal and budget year posted on the transaction.

2.7 Recording Transactions in the Correct Fiscal Year

On July 1, CORE starts a new fiscal year and the State operates in two fiscal years from July 1 through the close of Period 16. Therefore, for financial statement purposes, it is important to ensure transactions are recorded in the correct FY,BFY, and Accounting Period. Transactions with a blank FY, BFY, and Period including those still pending approval after June 30, will default to the current

period of the opening FY and BFY. Therefore, it is critical that all transactions be reviewed to ensure they post to the appropriate FY, BFY, and Period. Please note that these dates will not necessarily coincide with the date included in the transaction ID. The date in the transaction ID is based on CORE's current system date, which can result in transactions in the closing year with and opening year date in the transaction ID.

A few items to note about certain transactions are as follows:

Manually-Entered Payment Transactions (e.g. GAXs, PRCs, and MDs)

To post payments related to the closing year between July 1st and Period 12 close, users must leave the record date blank and manually enter the closing FY and BFY, and Period 12 on the transaction header.

Automatically-Generated Payment Transactions (e.g. PRMs, PRNs)

The BFY and FY of PRM/PRN transactions are inferred from the award transactions and accounting Period 12 will be used if the award transactions are dated to the closing BFY and FY. To post payments into the closing year, two things must occur. First, the IN transaction must reference the closing year's award accounting line and second, the IN must have an invoice date and service date, if applicable, of June 30 or prior. When the payment posts it will automatically record the accrual in vouchers payable account 2100 and no other steps are necessary. If this is a three-way match, the received date on the RC must also be June 30 or prior.

Internal Transaction Agreement Transactions (ITAs)

For an ITA to process in the closing year, the ITI must be processed in the closing year and users must manually enter a record date of June 30 or prior on the ITA. To correct an ITA that posted to the opening year, but should have posted to the closing year, users will need to discard the ITA then copy forward again from the ITI to create a new ITA and enter a record date of June 30 or prior.

Cash Receipt (CRs)

CR and CR1 transactions should have a record date when the money was deposited in the state's main operating account. The FY and BFY should match with the period that was open on that date. For example, the CR to record a deposit in the operating account on June 30 would have a record date of June 30, the closing FY and BFY, and Period 12 in the header. A deposit in the operating account on July 1 would have a record date of July 1, the opening FY and BFY, and Period 1. All closing year CR/CR1s must be submitted to Treasury by the day <u>prior</u> to Period 12 close. Any CR transactions submitted after that time will be processed in the opening year. Additionally, please note the BFY and FY must be the same on all CRs.

2.8 Chart of Accounts

A list of the Chart of Accounts is continuously available in infoAdvantage. The various chart levels can be accessed in the Financial Reference Data Folder under Statewide Reports as follows:

- REF-001 Departmental Chart of Account Listing
- REF-002 Central Chart of Account Listing
- REF-012 Higher Education Chart of Account Listing

All department codes with the letter "X" as the second character are for OSC use only.

Proposed changes to the chart or related tables should be submitted to the Financial Analysis and Reporting mailbox, dpa FARmailbox@state.co.us.

2.9 Ledgers Rolled after Year-End Final Close

Shortly after Period 16 closes, the beginning balance sheet account balances will be established on the opening year online ledgers.

2.10 New Year Table Initialization

Opening year (new year) tables will be available in CORE after the New Year Table Initialization (NYTI) process is run (typically starting late January to early February) to initialize tables for the new fiscal year. The NYTI job identifies all reference tables with either "Fiscal Year" or "Budget Fiscal Year" as a field and automatically creates new-year records with the same information as the prior year.

Cabinets should review their new fiscal year tables to determine if the chart of account elements will meet their needs for the new fiscal year. Cabinets may begin to modify departmentally-defined tables or request modifications to centrally defined tables for the new fiscal year, after they are created.

Most current year reference table updates that occur after the initial NYTI cycle will be automatically ported to the new year through incremental NYTI cycles that are scheduled to run daily (M-F) through Period 16 close. The exception to these automatic updates is with deleted records; these must be done in both the current and the new year.

Once the NYTI process and the \$0 budget roll to establish budget lines in the new fiscal year is complete, specific procurement transactions, such as the CT, CTGG1, PO, POGG1, DO, MA, SPA1, and GAE, can be created in the new year.

2.11 Presence and Budget Control

During the first few months of the new fiscal year all funds in CORE, except Fund 4710, will be set at "presence control" to allow time for recording budgets. Presence control means that in order to process transactions against a budget line, at a minimum, a zero-dollar budget will be required. Once the budgets have been recorded, all funds, except Fund 4710, will be placed on "budget control" at which point adequate budget is required to process a transaction. The date that the system will be placed on budget control is expected to be by the end of September, but will be communicated in advance and included in the Open/Close calendar.

2.12 Interim Modified Cash Basis of Accounting

With the implementation of CORE, the state moved to an interim modified cash basis of accounting. This means that quarterly estimated activity that has not yet been reflected through daily operations should not be accrued. At fiscal year-end, accruals must be recorded in Period 13 to support the modified accrual basis of accounting in governmental funds, and the full accrual basis of accounting in proprietary and fiduciary funds. Accruals shall be reversed in the subsequent year, with the exception of long-term accruals such as various items in the Department of Revenue, the most significant including income, sales and use, wage withholding, excise, fuel, tobaccorelated, and severance tax accruals as well as motor vehicle and marijuana fees. Additionally, accrual reversals will not be required in departments operating in the Highway Users Tax Fund.

2.13 Positive Coding of Expenditures and Revenues

With the implementation of CORE, revenues and expenditures must be recorded to the Long Bill cell. Budgeted operating activity shall be split by funding source - general, general exempt, cash, reappropriated, and federal - and by Long Bill Line Item (LBLI). To the extent possible, departments should utilize CORE functionality to split transactions to this level upfront; however, reclassification entries may be necessary to accomplish this after-the-fact.

When a Long Bill cell of the budget has been letternoted to a specific fund within a single cabinet, the department must operate within the fund as letternoted. No intra-cabinet transfers between other funds or Fund 1000 will be allowed to record revenues and expenditures for the budget line.

One exception is related to enterprises, either those that issue stand-alone financial statements, or internal service funds for resale. For these funds, if a department has a general fund appropriation, please keep the budget in that appropriation as General, but then record a revenue/expense transfer into the enterprise fund for spending. This will require inferred spending authority in the enterprise fund.

2.14 Pre-Audit Sensitive Account Codes

There are a number of account codes that are particularly audit and reporting sensitive. An example is travel object codes that need to be properly reported as in-state, out-of-state, and international travel. Another example is the proper use of revenue source codes to appropriately classify revenues in accordance with the provisions of the TABOR amendment. Accounts of this nature should be carefully reviewed for proper classification throughout the year and again prior to year-end close.

2.15 Fiscal Contacts

The OSC publishes a list of department and institution Fiscal Officers on its website (see https://osc.colorado.gov/contact/fiscal-managers-contact-list). If any of the information on the site appears to be incorrect, please submit an update request to the depa_FARmailbox@state.co.us. Requests should also be directed to this mailbox for changes to the Controller's distribution list.

CHAPTER 1: SECTION 3 STATE OF COLORADO ACCOUNTING ORGANIZATION

3.1 State of Colorado Government Overview

The State of Colorado Government includes three separate branches: Executive, Legislative (Cabinet M), and Judicial (Cabinet J). Within the Executive Branch, there are five elective officers including Governor, Lt. Governor, Attorney General, Secretary of State, and State Treasurer. The Executive Branch includes the Office of the Governor (Cabinet E) and 20 principal departments as follows:

- Cabinet B Department of Agriculture (CDA)
- Cabinet C Department of Corrections (CDOC)
- Cabinet D Department of Education (CDE)
- Cabinet Q Department of Early Childhood (CDEC)
- Cabinet U Department of Health Care Policy and Financing (HCPF)
- Cabinet G Department of Higher Education (CDHE)
- Cabinet I Department of Human Services (CDHS)
- Cabinet K Department of Labor and Employment (CDLE)
- Cabinet L Department of Law (DOL)
- Cabinet N Department of Local Affairs (DOLA)
- Cabinet O Department of Military and Veterans Affairs (DMVA)
- Cabinet P Department of Natural Resources (CDNR)
- Cabinet A Department of Personnel and Administration (DPA)
- Cabinet F Department of Public Health and Environment (CDPHE)
- Cabinet R Department of Public Safety (CDPS)
- Cabinet S Department of Regulatory Agencies (DORA)
- Cabinet T Department of Revenue (DOR)
- Cabinet V Department of State (DOS)
- Cabinet H Department of Transportation (CDOT)
- Cabinet W Department of the Treasury (CDT)

Each Executive Branch principal department may include agencies, divisions, and offices. The Department of Higher Education includes all State supported institutions of higher education.

The Legislative Branch includes the General Assembly, Legislative Council, Office of the State Auditor, and various legislative offices.

The Judicial Branch includes the State's court system, except for municipal courts. The Judicial Branch also includes independent organizations including Office of the Public Defender, Alternate Defense Counsel, Office of the Child's Representative, and Office of Respondent Parent's Counsel.

The State of Colorado government does not include political subdivisions, such as counties and cities.

3.2 State of Colorado Accounting Organization Overview

The State of Colorado accounting organization includes the Office of the State Controller (OSC) and accounting offices in each principal Executive department, Legislative Branch, and Judicial Branch, as well as most agencies. The State has a decentralized accounting model and operates primarily through the departments. The State Controller delegates certain responsibilities, department controllers have other responsibilities, and there are shared responsibilities for the OSC and departments. Each department controller reports to a department executive. In addition, each department controller in the Executive Branch, other than an elective officer, has a dotted line reporting relationship with the State Controller.

3.3 State of Colorado Accounting Organization Objectives

Compliance - Comply with applicable statutes, rules, and policies.

Internal Control – Maintain an internal control environment that enhances sound business practices, clearly defines roles, responsibilities, and accountability, and provides for the prevention and detection of fraudulent activity.

GAAP – Maintain accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting – Provide accurate and relevant financial reports. Comply with State and Federal reporting requirements.

Budgetary Controls – Utilize budgetary controls to ensure compliance with General Assembly appropriations. Prepare and monitor budget to actual variances.

Support each Department's or Office's mission and goals – Accountants should support their department's or office's mission and goals.

3.4 State of Colorado Accounting Organization Guiding Principles

Professionalism – Through training, education, and experience accountants should maintain and enhance their understanding of government accounting, the State's accounting and budgeting policies and procedures, and the department's or office's accounting processes.

Integrity –Accountants should perform their responsibilities with the highest sense of integrity. As State employees, accountants serve the public interest and are in a fiduciary position of public trust.

Objectivity—Accountants should maintain objectivity and be free of conflicts of interest in performing their responsibilities.

Communication and Collaboration—Accountants should communicate and work collaboratively with other accountants to improve the practices of accounting in the State.

3.5 State of Colorado Office of the State Controller Overview

The State Controller's powers, duties, and responsibilities are included in Sections 24-30-201, 202, 202.4, 203.5, and 205, C.R.S. The State Controller is appointed by the executive director of the Department of Personnel & Administration and is bonded in such amount set by the executive director. The State Controller shall be devoted full time to the duties of the office and shall not have other gainful employment. The State Controller has rule-making authority and may promulgate fiscal rules. The State Controller has the overall responsibility "to manage the finances and financial affairs of the state."

The duties of the State Controller include, but are not limited to: monitor the operations, plans, and needs of departments and agencies of the state; track the sources and amounts of revenue and other receipts of the state; examine and approve all statements and reports on the financial condition and estimated future financial condition of the operations of the state government; coordinate all procedures for financial administration and financial control so as to integrate them into an adequate and unified system; conduct all central accounting and fiscal reporting for the state; maintain a current audit of all cash and receivables; pre-audit and control the incurring of obligations; pre-audit all disbursements; issue warrants and checks; recover moneys owing the state; and control all supply stocks, property, and equipment.

The Office of the State Controller provides oversight of the State's accounting organization. The OSC issues rules, policies and procedures and provides general and specific guidance. Key responsibilities of the OSC are to: pay employees and vendors; record and report revenues and expenses; prepare statewide financial reports; sign contracts and manage procurements; and run the State's financial system including security and workflow for the system. The OSC includes five budgetary operating units: Financial Operations (includes Financial Analysis & Reporting, Central Payroll, Central Accounting & Vendor Operations), and OSC Administrative Office), State Purchasing & Contracts Office; CORE Operations, American Rescue Plan Act Consulting and Reporting, and State Office of Risk Management.

For the State's accounting organization, the OSC supports the department controllers in their duties and responsibilities; provides advice on accounting and budget questions; issues the annual Fiscal Procedures Manual; updates CORE policies and procedures; reviews and approves transactions submitted by departments; and provides training on all areas of responsibility. Some of the specific duties include technical interpretation of the CRS and GAAP; maintaining CORE; booking the Long Bill, supplemental bills, and some special bills; processing employee payroll including deductions; manage W-2s and 1099-MISC; 1099-INT process; manage vendor files and vendor payments; provide guidance on internal controls and OMB circulars; and act as a liaison to the OSA and OSPB.

3.6 State of Colorado Departments' Accounting Offices Overview

Department Controllers in the Executive Branch have the following delegated responsibilities from the State Controller:

a) Contract Approval and Signature Authority

Except as limited by their delegation, a Department Controller and Signature Delegate may sign and approve all State contracts on behalf of the State Controller, including modifications to State

contracts, entered into by the Department. A Department Controller and Signature Delegate may also sign grants, interagency agreements, phase I waived contracts, and purchase orders in accordance with each department's practices. A Department Controller and Signature Delegate may not approve a waiver of any State Fiscal Rule or ratify any disbursement made or liability incurred in violation of Section 24-30-202, C.R.S.

b) Section 24-30-201(h), C.R.S. – Pre-Audit Responsibilities

Each Department Controller or a member of the Department's staff has a responsibility to control the incurring of obligations and preaudit all disbursements in compliance with Section 24-30-201(1)(h), C.R.S. This includes ensuring that all supporting information such as invoices, receipts and agency approval or other forms are present before making payment.

c) Section 24-30-201(f), C.R.S. – Internal Controls

Each Department Controller has a responsibility to ensure that activities of the agency comply with the General Accounting Office Standards for Internal Control in the Federal Government (Green Book) and OSC Guidance on Internal Control.

d) Section 24-30-201(f), C.R.S. – System Security Administration

Each Department Controller is delegated the role of security administrator and is responsible for managing user access in CORE, the State's financial system. Security administrators may delegate the responsibilities for entering and approving UDOCs to other members of their staff. Security administrators must only grant access required for a user's job duties and must disable access for any user who has terminated employment with a department. Security administrators will comply with CORE Policies SWF.PO.01 User Access and SWF.PO.02 Security Role Administration.

Department Controllers have responsibility for accounting, financial reporting, and internal control activities of the Department. Specific responsibilities include:

- e) Accounts Receivable Collect accounts receivable balances.
- f) Capital Asset and Inventory Control Record and adjust capital asset and inventory records to accurately reflect the balances as required by Section 24-30-201(1)(k), C.R.S.

3.7 State of Colorado Accounting Organization Shared Responsibilities

- a) Internal Controls Departments establish internal controls for their departments. The Office of the State Controller (OSC) provides oversight and guidance.
- b) Payroll For departments where payroll is in the accounting organization, prepare and approve all entries needed to run payroll including hours worked and compensation. The OSC runs payroll and handles all payments and reporting (e.g., IRS, PERA). As part of quarterly reporting requirements, departments provide quarterly certifications that payroll is reconciled monthly, and will submit summary schedules that tie to department reports to show the systems are in balance.

- c) Disbursement Departments enter vendors and prepare and approve payment transactions. OSC approves vendor record set up, modifications to vendor records and oversees the disbursement process.
- d) Budget Most departments propose budgets to the Office of State Planning & Budgeting and all departments track expenditures compared with budget. The OSC ensures the budget is recorded in the State's financial system and provides oversight on actual to budget expenditures.
- e) General Ledger Departments enter and approve transactions. The OSC monitors the general ledger and works with departments to make necessary adjustments.
- f) Contracts and Grants Departments sign low-risk state contracts, grants, interagency agreements, phase I waived contracts, and purchase orders in accordance with each department's practices. The OSC signs high-risk contracts, develops and updates model agreements, and provides oversight and guidance.
- g) Financial Reporting Departments complete monthly closing, review diagnostic reports, make correcting entries, and complete exhibits. The OSC prepares statewide financial reports.
- h) CORE Departments enter transactions into CORE, participate on the CORE Governance Committee as members and on task forces, suggest improvements to CORE, and participate in upgrades to the system. Department assistance in these areas is subject to resource constraints and department management approval. The OSC provides help desk support for both the first level of support such as re-setting passwords, as well as second level of support involving more in-depth analysis of an issue, functional expertise, training materials and training delivery, management of CORE with the vendor, research, development and testing of CORE including upgrades, and oversight of the CORE Governance Committee.
- i) Commercial Card Departments must comply with the terms of the commercial card administrator agreement, and the State Controller Policy entitled, "Commercial Card Program Administrator." The OSC provides oversight to the program, provides a commercial card manual, and monitors compliance.
- j) Audits Departments respond to audit requests from the Office of the State Auditor (OSA), as well as federal agencies. The OSC also responds to the OSA and federal auditors, as well as compiles and submits departments' audit responses as part of the Single Audit filing.

CHAPTER 2: SECTION 1 ENCUMBRANCES ISSUES

This section discusses the processes for pre-encumbrance (RQS) and encumbrance (PO, CT, etc.) documents for both the close of the old fiscal year and the opening of the new fiscal year. These processes include: (1) Recording new-year pre-encumbrance and encumbrance documents prior to July 1st, (2) Processing closing year pre-encumbrance and encumbrance documents at year end, (3) Roll/Lapse process, and (4) Rolling multi-year contract and GAE.

1.1 Recording New Year Pre-Encumbrance and Encumbrance Documents Prior to July 1st

Regardless of funding sources, the departments shall enter new-year encumbrance documents into CORE for the amounts required to be encumbered for new year contracts. Pre-encumbrance and encumbrance documents for the new fiscal year can be created after the NYTI (New Year Table Initialization) is run and zero-dollar budget lines are established in February. If the budget line has not yet been created from this process, a zero dollar BGA document needs to be manually processed to establish the budget line for the opening year. When entering a requisition or award for the new year prior to July 1st, users must enter Period 1 and the opening FY and BFY on the header and accounting lines. The department also has the option to enter the opening FY and BFY in the document description field so that the document can be identified as a new year transaction in the procurement folder.

For departments whose controllers have contract signature delegation and only for low risk contracts, the program or contract staff shall forward the encumbrance documents with the contracts to the department controller. The department controller may approve the encumbrance at their discretion without a sufficient custodial or statutory budget. For departments whose controllers lack contract signature delegation or for high-risk contracts, the program or contract staff shall forward the encumbrance documents to the OSC and the OSC may approve the encumbrance at their discretion without a sufficient custodial or statutory budget. By entering the encumbrance document, the department is asserting that the funding and budgetary authority exists, but may or may not be recorded in the system due to timing. The department is responsible to take the necessary steps to record any remaining related budget before budget controls are activated.

1.2 Processing Closing Year Pre-Encumbrances and Encumbrance Documents

Pre-Encumbrance and encumbrance documents for the closing year can be created through June 30th. After July 1st, creation of new pre-encumbrances and encumbrances for the closing year is prohibited and only modification is allowed. All closing year pre-encumbrances and encumbrances should be reduced to zero in CORE at fiscal year-end by issuing payments, via manual modification, or through the roll/lapse processes. Accounting-based documents, such as journal vouchers, may not be used to clear encumbrance balances without appropriate approval from OSC.

1.3 Roll/Lapse Process

Pre-Selection Process

The Pre-selection process is a batch job runs on June 30th or the last business day prior to July 1st to populate the Roll/Lapse Detail Pre-Selection Table (RLPSD) with encumbrance and pre-encumbrance documents in the closing year. The RLPSD table will only include accounting lines with a positive open dollar amount in the closing year and the document in Final phase. Departments should make every effort to ensure any closing year Pending documents are Final before this table is populated. This table allows departments to flag documents to roll or lapse as appropriate.

All RQS documents are defaulted to "Lapse" action in the RLPSD table. RQS pre-

encumbrances on accounting lines will lapse unless the department changes the action to "Roll". Departments should roll open requisitions that will be awarded in the new year. If a requisition was lapsed before being awarded, the department will need to re-enter the requisition in the new-year and submit it through workflow.

All award documents (CT, CTGG1, GAE, DO, PO, POGG1) are defaulted to "Roll" action in the RLPSD table. If there is a balance outstanding (open balance) on an encumbrance on an accounting line, it will roll and establish an encumbrance in the new fiscal year unless the department lapses the accounting line. If you do not want the encumbrance to roll, you must change the action to "Lapse" on the pre-selection table.

After the pre-selection process, department users with the general accounting table maintenance security role or department procurement roll/lapse table maintenance security role can manually flag the action to Roll or Lapse by the date prescribed in the open/close calendar, if changes are needed.

- To access the RLPSD table, enter page code RLPSD in the "Jump to" box. Alternatively, users may use the Page Search function and enter *Roll/Lapse* in the Description search box.
- On the RLPSD table, departments can search for documents by document code, document ID, accounting line, commodity line, department, vendor, or budget fiscal year. When departments change the action for an accounting line, the "Approved" box must be checked and the Save button has to be clicked to save the changes made. Note, all accounting lines for a single commodity line must have the same action. Departments should not select "No Action" as this will neither lapse nor roll the line. Departments should not select "Accrue" either because the accrue batch job will not be run for the fiscal year-end. Any records on the table with "No Action" or "Accrue" will be reverted to the default of roll or lapse based on document type.

Document modifications can be entered and approved after the pre-selection process. However, departments should make every effort to ensure any modification documents are Final before the roll/lapse occurs. If a Modification is in Draft status, the most recent Final version of the document will roll or lapse based on the action in the RLPSD table. If a Modification has been submitted in the Pending phase, neither the original, nor the modification will roll into the new fiscal year. Departments may also continue to make payments against encumbrances on the pre-selection table after the table is populated. While payments made during the pre-selection period will not be reflected on the pre-selection table, they will be applied against the open amount when the roll/lapse is performed in CORE.

The Chart of Account Crosswalk (COAX) Table

The COAX table provides the ability to automatically update chart of account elements on accounting lines rolled into the new fiscal year as part of the roll process without having to manually liquidate the accounting line. Presently, the COAX table is only available to update appropriation units for the new fiscal year. CORE Operations will provide additional information about this process closer to roll/lapse execution.

Roll/Lapse Execution

Roll/Lapse will be executed on the dates in the open/close calendar. CORE will roll or lapse documents based on the actions specified on the pre-selection table. Documents that are not populated in the RLPSD table will neither lapse nor roll into the new year.

CORE rolls documents by creating a new version of the prior year document with the opening BFY, FY and accounting Period 1. The total outstanding encumbrance for the closing year will be liquidated and the same amount will be created to encumber the fund for the opening year.

Commodity based documents are lapsed with a Commodity Based Document Lapse (CBDL) document and GAE documents are lapsed with an Accounting Based Document Lapse (ABDL)

document. CBDL and ABDL documents will use the closing BFY, FY, and the last open accounting Period to liquidate all outstanding balances.

Post Roll/Lapse

Be aware that some errors may occur in the Roll/Lapse process. These errors are primarily due to coding problems that are under the control of the departments. Examples include appropriation units not being active, budget lines not being active, grants closed, etc. It is essential that departments do everything possible to ensure that the codes necessary to roll encumbrances into the new fiscal year are active and available.

After the Roll/Lapse process is run, departments should review the statewide report of rejected documents (to be distributed to departments) or look for rejected documents in the document catalog, correct the errors, and submit them through workflow in a timely manner.

Any remaining open encumbrances for the closing year must be closed. CORE Operations will coordinate with departments and re-run the lapse job to close all remaining encumbrances before Period 14 close. Departments may not use journal voucher documents to close open encumbrance amounts in lieu of properly closing encumbrances via the Roll/Lapse process.

1.4 Rolling Multi-Year Contract and GAE

Multi-year contracts and General Accounting Encumbrance (GAE) documents may be established in the current year with lines for each of the subsequent years. Departments enter the full amount of the contract, but enter each out year on a different commodity or accounting line. The current year lines should use Event Type PR05, the current BFY, the current FY, and the reserved funding field "No". The out year lines will use the non-accounting Event Type PR08, a future BFY, the current FY, and the reserved funding field "Yes." PR08 Event Types are only to be used for an upcoming fiscal year if the intent is to establish those accounting lines as non-encumbering placeholders until the new fiscal year arrives. It is critical that all out year lines have reserved funding set to "Yes." If any of the out year lines have reserved funding set to "No", payments may be incorrectly processed against these lines. Accounting lines for upcoming fiscal years that were erroneously established with Event Type PR08 and reserved funding "No" can be updated to reflect a reserved funding setting of "Yes".

Contract Roll Execution

The Contract Roll job is run after the Roll/Lapse jobs complete as the last step of the year end Roll/Lapse activities. During the Contract Roll process, a new version is created for a contract or GAE document with Event Type PR08 and a budget fiscal year that matches the opening year. In the new version of the document:

- The PR08 (non-accounting) Event Type is updated to a PR05 (accounting) Event Type,
- The reserved funding field is updated from "Yes" to a value of "No" to allow for payments against the accounting line, and
- The fiscal year and period are updated to the current values of the new fiscal year.

All other out year lines (later than the opening year) will remain as originally entered until the contract rolls for those years are performed. Documents containing accounting lines with PR08 Event Types must be "Final" (not Pending in workflow) when the Contract Roll job is processed or they will not be rolled into the new fiscal year as encumbering and payable lines.

Post Maintenance

After the Contract Roll process is completed, departments should review the statewide report of rejected documents (to be distributed to departments) or look for rejected documents in the

document catalog, correct the errors, and submit them through workflow in a timely manner.

The same document may be included in both the Encumbrance Roll process in Section 1.3 above and the multi-year contract roll. After both the encumbrance roll and multi-year contract roll processes are run, there will be two lines in the document for the new fiscal year, one for the closing fiscal year rolled amount and one for the multi-year contract roll amount.

CHAPTER 2: SECTION 2 BUDGET

2.1 CORE Budget Structures

Budget structures are used in CORE as a framework for determining the type of budget and to provide budgetary control and reporting.

The required central (or legal) budget structures are:

- Legal Budget (structure 190)
- Bottom Line Funding (structure 191)

The optional departmental budget structures are:

- Departmental Expense Budget (structure 192)
- Project Budget (structure 193)
- Grant Budget (structure 194)

This chapter is primarily focused on the central budget structures (190 and 191).

The sources of funding for the Legal Budget (Structure 190) are identified in the Long Bill, by Long Bill line and source of funds (general, general exempt, cash, reappropriated, or federal). The sources of funding for the Bottom Line Funding (structure 191) are identified in the Long Bill for a group of line items in total by type of funding and in total by line. Bottom Line Funding does not control by the source of funds at the line level, which allows for more flexibility in applying revenues within the bottom line group. Below are examples of both structures:

Legal Budget (structure 190) Example:

						APPROPRIATION FROM							
		EM & FOTAL		TOTAL		GENERAL FUND		GENERAL FUND EXEMPT		CASH FUNDS	REAPPROI FUN		FEDERAL FUNDS
	\$		\$		\$		\$		\$		\$	\$	
(C) Employee Benefits Ser	vices												
Personal Services		949,34	16							949,346a			
										(12.0 FTE)			
Operating Expenses		58,09	93							58,093°			
Utilization Review		25,00	00							25,000°			
H.B. 07-1335 Supplemental													
State Contribution Fund		1,848,25	55							1,848,255(I) ^b		
Indirect Cost Assessment		260,50	06							260,506a			
		3,141,20	_										

^a These amounts shall be from the Group Benefit Plans Reserve Fund created in Section 24-50-613 (1), C.R.S.

b This amount shall be from the Supplemental State Contribution Fund created in Section 24-50-609 (5), C.R.S. The amount is shown for informational purposes as it is continuously appropriated pursuant to Section 24-50-609 (5), C.R.S.

Bottom Line Funding (structure 191) Example:

	ITEM & SUBTOTAL		TOTAL	GENERAL FUND	GENERAL FUND EXEMPT	CASH FUNDS	 PROPRIATED FUNDS	FEDERAL FUNDS
	\$	\$		S	\$	\$	\$ \$	
(6) ADMINISTRATIVE Co		383						
(6) ADMINISTRATIVE Concession of the Concession	OURTS 4,560,3 (44.7 F)							
• /	4,560,3	ΓΕ)						
Personal Services	4,560,3 (44.7 FT	ΓE) 233						

Within each budget structure, there are three levels of reporting, with each level providing more detail than the previous level. Levels 1 and 2 contain the appropriation category, type, and group codes which provide the information necessary to report budget information at the legal level of control. Level 3 includes the Fund.

Budget Structure	Level	Chart of Account Elements					
	1	Budget Fiscal		Appropriation	Appropriation		
	1	Year	Cabinet	Category	Type		
Legal Budget	2	Budget Fiscal		Appropriation	Appropriation	Appropriation	
(structure 190)	2	Year	Cabinet	Category	Type	Unit	
	2	Budget Fiscal		Appropriation	Appropriation	Appropriation	
	3	Year	Cabinet	Category	Type	Unit	Fund

Budget Structure	Level	Chart of Account Elements							
	1	Budget Fiscal		Appropriation	Appropriation				
Bottom Line	1	Year	Cabinet	Category	Group				
Funding	2	Budget Fiscal		Appropriation	Appropriation	Appropriation			
(structure 191)	Z	Year	Cabinet	Category	Group	Class			
(structure 191)	2	Budget Fiscal		Appropriation	Appropriation	Appropriation	Appropriation		
	3	Year	Cabinet	Category	Group	Class	Unit	Fund	

Each budget structure has its own transactions and inquiry screens.

Budget Structure	CORE Inquiry Screen	Level	Chart of Account Elements					
I and Dades	BO190LV1	1	Budget Fiscal		Appropriation	Appropriation		
Legal Budget	BQ190LV1	1	Year	Cabinet	Category	Type		
(structure 190)	DO1001 V1	2	Budget Fiscal		Appropriation	Appropriation	Appropriation	
CORE Transaction:	BQ190LV1	2	Year	Cabinet	Category	Type	Unit	
	DO1001 V1	2	Budget Fiscal		Appropriation	Appropriation	Appropriation	
<u>BGA190</u>	BQ190LV1	3	Year	Cabinet	Category	Type	Unit	Fund

Budget Structure	CORE Inquiry Screen	Level	Chart of Account Elements						
Bottom Line Funding	BQ191LV1	1	Budget Fiscal Year	Cabinet	Appropriation Category	Appropriation Group			
(structure 191) CORE Transaction:	BQ191LV1	2	Budget Fiscal Year	Cabinet	Appropriation Category	Appropriation Group	Appropriation Class		
BGA191	BQ191LV1	3	Budget Fiscal Year	Cabinet	Appropriation Category	Appropriation Group	Appropriation Class	Appropriation Unit	Fund

2.2 Budget Chart of Accounts

The chart of account elements used for the budget are primarily defined by elements on the Long Bill. The FSU prepares a coded long bill each year with these elements. The Long Bill coding is usually consistent from year to year, unless there are new lines or groups added. However, the coded Long Bill is typically distributed to departments in late-June or early-July each year whether or not there are new chart of account elements after FSU has validated the coding in the CORE financial and PB modules.

One of the main elements used in the chart of accounts is the GCF indicator.

• GCF Indicator (1 character): Within the appropriation unit, appropriation group, and appropriation type, the second character of the code is the General/Cash/Federal (GCF) indicator. This indicator identifies the nature of the appropriation, and is based on the Long Bill column or as defined:

G: General

X: General Exempt/Capital Construction

C: Cash (generally also used for non-appropriated budgets)

R: Reappropriated

F: Federal

The GCF indicator is not used as a standalone code, but it is combined with other elements to make up the chart of accounts. Each chart of account element is defined as follows.

• Appropriation Unit (9 characters): Appropriation units are created by the FSU, and a limited number of cabinet/department users. The first five characters of the appropriation unit are centrally defined by the FSU and match the appropriation type code, with the last four characters (department appropriation code) determined by the department, except for miscellaneous general revenue, which must be coded as "9999".

1st Character: Cabinet **2nd Character:** GCF indicator

3rd-5th Characters: Funding source code **6th-9th Characters:** Department assigned

Appropriation rollup codes are created by the FSU, and are linked to the appropriation unit in the rollup section of the APPR table. The rollups are then inferred on the various transactions based on the appropriation unit used. Although not all rollup codes are used by both central budget structures (190/191), all rollup codes must be entered for all appropriation units to allow for additional reporting by the OSC.

The rollup codes used with appropriation units are defined as follows:

• <u>Appropriation Class (7 characters)</u>: The appropriation class includes the Long Bill line item number and line type indicator. Long Bill line items are established by the FSU and are numeric for appropriated and can also be alphanumeric for nonappropriated.

1st Character: Cabinet

2nd Character: Line type indicator (see definitions below)

3rd-7th Characters: Long Bill line item

The line type indicators are as follows:

P: Personal Services. This indicator is used for Long Bill lines with the following titles: Personal Services, Group Health, Life, and Dental; Short-Term Disability Insurance; Amortization Equalization Disbursements; Supplemental Amortization Equalization

- Disbursements; Salary Survey, Shift Differential, Family Medical Leave Insurance, and Temporary Employees Related to Authorized Leave. At this time, Merit Pay is not included as Personal Services. This line type indicator code will be used to prepare the Merit Pay Reversion and Calculation Report (see Chapter 3, Section 3.30).
- **O: Operating Expenses.** This indicator is used for Long Bill lines with the words "Operating Expenses" in the title. This line type indicator code will be used to prepare the Merit Pay Reversion and Calculation Report (see Chapter 3, Section 3.30).
- **I: Indirect Costs.** This indicator is used for Long Bill lines with the words "Indirect Cost Assessment" in the title. This code will be used to prepare the Excess Indirect Cost Recovery Report (see Chapter 5, Section 8).
- **G: Program Lines.** This indicator is used for Long Bill lines that are not labeled as Personal Services, but are program lines that have FTE listed in the Long Bill cell.
- **R:** Other. This indicator is used for Long Bill lines that are not applicable to P (Personal Services), O (Operating Expenses), I (Indirect Cost Assessment), or G (Program Lines). It is also used for capital construction and nonappropriated budget lines excluded from the Long Bill.
- Appropriation Category (1 character): This code designates if the budget line is appropriated, non-appropriated, capital, or capital informational only, with further designations for line item funding or bottom line funding. This code is used by the OSC to assist with reviewing the authority used for each budget line and in performing various statewide budget tasks including federal and capital carryforwards. The appropriation category is not contained in any of the other rollup codes.
 - **A: Appropriated (structure 190)** For Long Bill, special bills, or supplemental bills, any amount *not* treated as nonappropriated is coded as appropriated.
 - **B:** Appropriated (structure 191) Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level. For Long Bill, special bills, or supplemental bills, any amount *not* treated as nonappropriated is coded as appropriated.
 - N: Nonappropriated (structure 190) In Long Bill, special bills, and supplemental bills, line amounts with an (I) informational only notation. Also, other items are coded as nonappropriated if the amount is letternoted as "informational only," even if no (I) notation exists. If noted as "continuously appropriated," those budget lines should also be coded as nonappropriated if indicated with an (I) headnotes by the General Assembly. Based on the definitions in the Long Bill headnotes, all Long Bill lines in the federal column are considered informational only, whether an (I) note is included or not, except for Long Bill Lines that are specifically labeled as or (M) or (H) headnoted, or appropriated funds that include certain block grants.
 - **F:** Nonappropriated (structure 191) Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level. This includes amounts with an (I) informational only notation. Also, other items are coded as nonappropriated if the amount is letternoted as "informational only," even if no (I) notation exists. If noted as "continuously appropriated," those budget lines should also be coded as nonappropriated if indicated with an (I) headnotes by the General Assembly. Based on the definitions in the Long Bill headnotes, all long bill lines in the federal column are considered informational only, whether an (I) note is included or not, except for Long Bill lines that are specifically labeled as or (M) or (H) headnoted, or appropriated funds that include certain block grants.
 - C: Capital Appropriated (structure 190) Capital amounts in the Long Bill, special bills, and supplemental bills, if not treated as nonappropriated, should be booked as capital

appropriated.

- **D:** Capital Appropriated (structure 191) Capital amounts in the Long Bill, special bills, and supplemental bills, if not treated as nonappropriated. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.
- **E:** Capital Informational Only (structure 190) Capital amounts in the Long Bill, special bills, and supplemental bills, if (I) noted, should be coded as capital informational only.
- G: Capital Bottom Line Informational Only (structure 191) Capital amounts in the Long Bill, special bills, and supplemental bills, if (I) noted, should be coded as capital informational only. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.
- Appropriation Type (5 characters): The appropriation type is also used as the first five characters of the appropriation unit. The last three characters of the type are referred to as the funding source code, which is assigned to each line of the Long Bill or other legislation. There may be one or many funding source codes for a single Long Bill group. Funding source codes are established by the FSU and are generally alpha or alpha-numeric codes for appropriated lines and numeric codes for nonappropriated.

1st Character: Cabinet2nd Character: GCF indicator

3rd-5th Characters: Funding source code

• <u>Appropriation Group (5 characters)</u>: The appropriation group is used to assist the OSC in reviewing the Long Bill and is also used as the legal level of control for bottom-line funding (structure 191). The appropriation group code is established by the FSU.

1st Character: Cabinet **2nd Character:** GCF indicator

3rd-5th Characters: Appropriation group

2.3 Policy Regarding Appropriation Unit Creation Access

Access to the APPR table (to create appropriation units) may be granted for up to three individuals per cabinet using the security role D_GA_APPR_MAINT on the UDOC form. This access is only used to create an appropriation unit on the APPR table. The FSU will still provide the rollup codes to be used for any appropriation unit. FSU will also still be available to create appropriation units even if access has been granted to a department.

In order to obtain this access, the individual must first attend a training provided by the FSU. Since it may take some time to organize a training, it is recommended an initial UDOC is submitted without the APPR table access so the user can access CORE to perform their other duties. Once the user has attended training, another UDOC may be submitted to add APPR table access. The FSU will review UDOCs requesting access to this role, and will periodically review the APPR table to ensure that those individuals with the APPR access are following the guidelines for creating appropriation units. If a department already has the number of users allowed, FSU will request access be removed from another user prior to approving the UDOC for a new user. Please contact DPA FARmailbox@state.co.us for more information related to this access.

2.4 Policy Regarding Changing Appropriation Unit Rollups

The OSC has limited the access to the APPR table, with instruction that rollups may not be changed

for existing appropriation units. If a rollup code needs to be changed, a new appropriation unit with the appropriate coding will need to be created. This is required due to issues with infoAdvantage, the budget query screens, and some transactions (e.g. procurement roll/lapse) created when a rollup code is changed. Send an email to DPA_FARmailbox@state.co.us if new appropriation units or rollups are needed. Please refer to section 2.8 of this chapter for more information on how this policy applies to Long Bill reorganizations.

2.5 Spending Authority Indicators

All budget transactions in structures 190 and 191 require a spending authority indicator (SAI) code. This code is intended to identify the source of the spending authority and not the type of funding for the budget line. The SAI is essential to the production of statewide budget-to-actual statements and the OSC's budget reconciliations. A summary table of the SAI codes is below and detailed descriptions follow. Additionally, see the end of Chapter 2, Section 2 for the event type and spending authority indicator matrix to determine the proper event type to be use with each spending authority indicator when entering BGA190 and BGA191 transactions.

Summary of SAI codes:

SAI	SAI Name
1	Long Bill
2	Special Bill
3	Supplemental Bill
4	Custodial
5	Roll Forwards
6	Capital Construction Reversions
7	Transfers
8	Capital Construction Carry Forwards
9	Year-End OSPB Approved Transfers
10	Statutory Authority
11	Inferred Appropriation
12	General Fund Restriction- Departmental
13	General Fund Exempt Restriction- Departmental
14	Cash Fund Restriction- Departmental
15	Reappropriated Fund Restriction- Departmental
16	Federal Fund Restriction- Departmental
17	General Fund Restriction-Controller
18	General Fund Exempt Restriction- Controller
19	Cash Fund Restriction-Controller
20	Reappropriated Fund Restriction-Controller
21	Federal Fund Restriction-Controller
22	General Fund Restriction-Governor
23	General Fund Exempt Restriction- Governor
24	Cash Fund Restriction-Governor
25	Reappropriated Fund Restriction-Governor
26	Federal Fund Restriction-Governor
27	General Fund Restriction-Overexpenditure
28	General Fund Exempt Restriction- Overexpenditure

29	Cash Fund Restriction-Overexpenditure
30	Reappropriated Fund Restriction-Overexpenditure
31	Federal Fund Restriction-Overexpenditure
32	Salary Survey
33	Merit Pay
34	Health, Life and Dental (HLD)
35	Amortization Equalization Disbursement (AED)
36	Supplemental Amortization Equalization Disbursement (SAED)
37	Short-term Disability (STD)
38	Shift Differential
39	HR133 Consolidated Appropriations Act
40	HR1319 American Rescue Plan Act
41	Long Bill ARPA-CSFR
42	Special Bill ARPA-CSFR
43	Supplemental Bill ARPA-CSFR
44	Statutory ARPA-CSFR
45	Inferred/Carryforward ARPA-CSFR
46	Other COVID-19 Acts of 2021
47	Infrastructure Bill
48	Paid Family Medical Leave Insurance
49	Temporary Employees Related to Authorized Leave

Definitions of SAI codes:

• 1 – LONG BILL – This code is used for the initial recording of the operating portion of the Long Bill. It is also used by the OSC to record the capital construction portion of the Long Bill in the year it is signed by the Governor. This SAI code should also be used to reclass any budget lines that were originally recorded in the Long Bill as "VSCF" – Various Sources of Cash, which needs to be removed prior to the end of the fiscal year. When reclassifying Fund VSCF, be sure to decrease Fund VSCF (BG01 and SAI 1 if recorded with the Long Bill; BG03, SAI 3 if recorded with a Supplemental Bill), and increase the new budget line (same BG01/SAI 1, or BG03/SAI 3). This entry should have no effect on the event type or SAI coding once complete.

SAI 1 should never be used to increase or decrease appropriation authority after the Long Bill has been recorded and reconciled. It should only be used during the year to reclassify lines recorded as VSCF to other funds.

Once the Long Bill is booked, the FSU will process budget transactions to apply a federal Controller's restriction for any federal lines with an (I) notation or specifically letter-noted as "informational only." For federal informational only cells, the spending authority will be established from approved federal awards, coded as event type BG03, SAI 4 (see below). SAI 1 may not be used to increase spending authority for "informational only" federal funds.

Add-ons to the Long Bill, if effective for the current fiscal year, are interfaced from the PB module to CORE financial as a supplemental bill (see the definition for SAI 3-Supplemental Bill below for additional guidance on add-ons, including those effective for a prior fiscal year).

Note: American Rescue Plan Act (ARPA) federal funds appropriated in the Long Bill should be

recorded using SAI 41.

• 2 – SPECIAL BILL – This code is used for any appropriation spending authority that arises from a special bill passed by the legislature and approved by the Governor during the regular or any special session and is not otherwise appropriated to a department through the Long Bill, Supplemental Bill, or a statute. Appropriation spending authority recorded with this code must be recorded in an appropriated (alpha or alphanumeric) Long Bill line item code. This activity will be recorded with an event type of BG01.

Any special bill appropriations that are effective for the current fiscal year will not be interfaced as Special Bills with SAI 2, rather, they are treated as Supplemental Bills (see SAI 3 below).

Note: American Rescue Plan Act (ARPA) federal funds appropriated in special bills should be recorded using SAI 42.

• 3 – SUPPLEMENTAL BILL – This code is used for any spending authority that arises from a Supplemental Bill that adds, reduces, or otherwise changes appropriation authority granted to a department by the Long Bill or a Special Bill. If this code is used, budget must be recorded in an appropriated (alpha or alphanumeric) Long Bill line item code. This SAI code is used to record adjustments to a Special Bill included in a narrative section of a Supplemental Bill that is an actual adjustment to the spending authority and not a repeat of a special bill. It is also used to record items that are special bills, but effective in the current year, not the subsequent year. This SAI code should also be used to record approved 1331 emergency supplementals and used when 1331 emergency supplementals are reversed. See Chapter 2, Section 3 for more information on 1331 supplemental bills.

Note: American Rescue Plan Act (ARPA) federal funds appropriated in supplemental bills or the Long Bill add-on should be recorded using SAI 43.

• 4 – CUSTODIAL – This code is used to record any nonappropriated custodial funds. Custodial funds are defined as funds which are given to the State that can be specifically identified and set aside, which are for a specific purpose, for which the State is to act as a custodian, and which are not available for the general use of the state. Examples of custodial funds are federal funds, private gifts, grants or donations, and court awards. Gifts, grants and donations received for the general use of a state department are not considered custodial funds. Please refer to SAI 10 if your agency has statutory authority to receive and expend gifts, grants, donations and/or contracts. Please refer to Fiscal Rule 3-4 for a definition of grant. Please be sure to record this activity with event type BG03. This SAI code is used to establish spending authority for any federal amounts, where the original budget was recorded in the Long Bill, Supplemental Bill, or Special Bill as informational only and subsequently restricted by the OSC. Federal nonappropriated carryforwards are also processed with this SAI. For more information about these carryforwards, please see Section 2.15 of this chapter.

Proper use of this code includes:

- Recording federal awards that are either nonappropriated or informational only.
- Recording the amount of a federal award that is in excess of the informational appropriations in a legislative act (Long Bill, Special Bill, or Supplemental).
- Recording federal funds, whether the department is the prime recipient, subrecipient, prime contractor, or subcontractor.
- Recording nonappropriated gifts (gifts per definition in Section 24-77-102(6), C.R.S.) or

the amount of a gift that is in excess of the appropriations in a legislative act (Long Bill, Special Bill, or Supplemental) when use of the gift is restricted for a particular purpose by the donor.

- Recording the carryforward of any of available nonappropriated or informational only federal spending authority into a subsequent fiscal year.
- Recording spending authority related to gifts, grants or donations received by a department for which the department acts as a trustee or agent and where the use of the funds have been restricted for a specific purpose. Statutory authority is not needed for the department to act in this capacity and expend custodial funds.
- Awards to the state by court action (any level of court), such as a settlement agreement.

Improper use of this code includes:

- Recording gifts, grants and donations where the donor has not placed a restriction on the use of the funds (see SAI 10).
- Recording gifts, grants, and donations from external entities other than the federal government (e.g. a non-profit, a private company, a local government, or a quasi-governmental entity such as SIPA) where the department does not have statutory authority to expend such gifts, grants, and donations without an appropriation from the General Assembly. Departments that do have statutory authority should refer to SAI 10.
- Recording any item that has been appropriated.
- Recording any item that does not meet the definition of custodial funds.
- Recording any federal awards related to the COVID pandemic and Infrastructure Investment and Jobs Act (see SAI codes 39-47).
- Recording other statutory spending authority, including continuously appropriated cash funds (see SAI 10).

Documentation required to support use of the code includes:

- A copy of a federal award document applicable for the period in which the appropriation authority is being requested and supporting the requested amount.
- A copy of a preliminary federal award document applicable for the period in which the appropriation authority is being requested. This may take the form of an official preliminary award, an amount specific letter from the granting agency, or a general intent to fund letter from the granting agency.
- For interagency activity using federal funds, a copy of the documentation from the contracting/granting department indicating the source of funds is federal. Documentation must also show the applicable time period. See Chapter 2, Section 2.16.
- Evidence (copy of a check, CR transaction, warrant, award letter, etc.) of a nonappropriated, nonstatutorily authorized gift, grant or donation when the funds have been restricted for a specific purpose.
- Court award or settlement document.
- Documentation of any previous period expenditures of the funds for awards with budget/award periods that cross state fiscal periods. Possible sources for this item are BQ190/BQ191 and/or grant/project-level screen prints. Any activity related to federal

nonappropriated budget lines will be processed by FSU by the date outlined in the open/close calendar.

• 5 – ROLLFORWARDS – This code is used to request rollforwards of general, general exempt, cash, reappropriated, and in some rare cases, federal appropriations. In the current year, record the amount requested as a decrease of the budget line for the amount of the rollforward requested. When used, the budget reduction request needs to be in existing closing year coding. Once approved by the State Controller, the new year rollforward budget may be recorded in the same appropriation unit as the previous year, or may be recorded in a nonappropriated Long Bill line item code, as defined by the OSC. If the amount of the rollforward changes after the reduction is processed, the budget line will need to be adjusted before the end of the fiscal year, and, if the amount of the rollforward is greater, the form will need to be revised. See Chapter 3, Section 2 for more information on rollforwards.

Proper use of this code includes:

• Recording any general, general exempt, cash, or reappropriated appropriation for which the State Controller has approved a rollforward from one fiscal year to the next.

Improper use of this code includes:

- Recording the carryforward of multi-year appropriations (e.g. capital construction see SAI 8).
- Recording the carryforward of custodial or other nonappropriated funds (see SAI 4 and SAI 10).

Documentation required to support use of this code includes:

- State Controller approval of the rollforward transaction.
- Evidence that the amount requested is actually available (e.g. BQ190LV3/BQ191LV3 screen prints).
- 6 CAPITAL CONSTRUCTION REVERSIONS Use this code when recording decreases in appropriated capital construction projects for the purpose of appropriation close-out/reversion. This is the only appropriate use. This code is primarily used in Funds 4610 and 4611. Please contact your FSU specialist for use in other funds. For additional information on capital construction reversions see Chapter 4, Section 1.
- 7 TRANSFERS Use this code when allocating appropriation authority for routine purposes. There must never be a net impact, either increase or decrease, on total appropriation authority at the statewide level. This code may be used in either an appropriated (numeric) or nonappropriated Long Bill line item code.

Proper use of this code includes:

- Recording the allocation of "centralized appropriation" items as defined in the headnotes to the Long Bill where a specific SAI code is not available for that item.
- Moving appropriation authority among appropriation codes within a single Long Bill line item.
- Recording allocations of appropriations made to one department which are intended to be utilized at another department.
- Recording transfers of controlled maintenance appropriations approved by the Office of the State Architect.

- Recording transfers authorized by statute other than Section 24-75-108 to 110, C.R.S.
- Recording transfers authorized by Long Bill footnote.
- Recording zero-dollar BGA transactions for activating a budget line regardless of funding source.

Improper use of this code includes:

- Recording transfers of appropriation required by Special Bills.
- Recording year-end transfers allowable per Section 24-75-108 to 110, C.R.S.
- Recording actions that increase or decrease net appropriation authority at the statewide level.
- Recording actions that change the type of appropriation authority (e.g., decrease cash and increase reappropriated in the same amount).

Documentation required to support use of the code includes:

- Indication that appropriation codes used are in the same line item (i.e. through review of BQ190LV3/BQ191LV3 budget screens or other means of determining Long Bill lines).
- Documentation that amount is available to transfer from one line item to another.
- Legislative intent that an appropriation to one department is to be used by another department and the amount intended to be used; such as letternote in an appropriations bill.
- Properly approved Form SC4.1 for controlled maintenance project transfers.
- 8 CAPITAL CONSTRUCTION CARRYFORWARDS Use this code to record the encumbered portion of a capital construction project appropriation that is available in the current fiscal year related to expired projects. Note that carryforwards within the three-year availability period will be recorded the OSC during period 15 (see the open/close calendar for timing).

Carryforwards are calculated based on the <u>fiscal year</u> for the spending authority and the expenditure amounts (not calculated based on budget fiscal year). This is to keep carryforwards in sync with the financial statements, which are based on fiscal year.

If a project is expiring in the current year, a carryforward will not be processed by the OSC. For expiring/expired projects with valid encumbrances recorded, see Chapter 4, Section 1.

Proper use of this code includes:

- Recording the unexpended balance of capital construction projects appropriated in prior years that have not expired (three-year capital construction appropriation life).
- Recording the unexpended, but properly encumbered balance of expired capital construction projects.

Improper use of this code includes:

- Recording the reversion of a completed or closed project.
- Recording any noncapital construction item.
- Recording the carryforward of any nonappropriated capital construction project.
- Recording transfers of controlled maintenance appropriations approved by the Office of

the State Architect.

Documentation required to support use of this code includes:

- InfoAdvantage OSC-019 Capital Construction Reversions and Carryforwards Report and evidence of valid outstanding encumbrances or a list of encumbrance transactions in CORE or other systems for institutions of higher education. Documentation must clearly show the date encumbered or that the amount was encumbered by the required date.
- 9 YEAR-END OSPB-APPROVED TRANSFERS Use this code to record the approved OSPB year-end transfers. An approved form, signed by OSPB (or Chief Justice in the case of Judicial transfers), must be attached to the BGA transactions. See Chapter 3, Section 1 for more instructions.
- 10 STATUTORY Use this code to record appropriation authority based in substantive statute. The statutory authority may or may not be specific in dollar amount. Be sure to provide the statute citation in the house bill field of the BGA transaction.

Proper use of this code includes:

- Recording spending authority for gifts, grants and donations when ability to accept <u>and expend</u> these funds is expressly authorized by statute.
- Recording spending authority for statutorily required distributions.
- Recording spending authority for casualty insurance reimbursements.
- Recording transfers to the capital construction fund required by statute and repeated in the headnotes to the Long Bill; including transfers from the general fund and the Lottery.
- Recording spending authority in a fund necessary for the transfer of excess fund balance to any other fund when there is a statutory limitation on the fund's fund balance.
- Recording off-budget spending authority necessary for a department to meet its statutory responsibilities.
- Recording amounts that the Legislature has expressly authorized, through statutes, the Executive Branch to expend.
- Recording of continuously appropriated spending authority (e.g. "The moneys in the fund are hereby continuously appropriated to the board for the purposes of this part").
- Recording amounts authorized through a Governor's Executive Order where the Governor
 is expressly allowed by statute to authorize spending.
- Recording and releasing restrictions when the original source of funding was statutory.

Improper use of this code includes:

- Recording any gifts, grants or donation received when statutory authorization does not exist to receive <u>and expend</u> those funds.
- Recording appropriation authorized through legislative appropriation action (Long Bill, Special Bill, or Supplemental).
- Recording a rollforward of appropriated funds, even if authorized in statute (see SAI 5 and Chapter 3, Section 2).
- Recording most federal funds (limited instances of federal funds are specifically authorized

in statute). See SAI 4 – Custodial.

Recording nonappropriated spending authority without express legislative authority.

Documentation required to support use of this code includes:

- Statutory citation being used to support spending authority request.
- Documentation of nonappropriated statutorily authorized gift, grant or donation (or amount in excess of appropriation).
- For interagency cash activity, documentation should show interagency agreement (IA, PO, GAE), also statute citation for gifts, grants and donations (with authority to spend), and affirmation of purpose. See Section 2.16 for more information.
- Evidence of insurance settlement (Section 24-30-202(21), C.R.S.) or Risk Management claim estimate (see Chapter 2, Section 2.13.1).
- 11 INFERRED APPROPRIATION Use this code when appropriation authority is needed to execute a transfer of revenues from one fund to another fund where the department that earns the revenue does not have a specific appropriation to make the transfer, but another department has received an appropriation to spend from the fund and needs revenue to support the appropriation. This activity should be used in support of cash appropriations. All spending authority recorded using this SAI must be recorded in a nonappropriated appropriation category.

For intra-cabinet activity, departments must use the cash fund that is referenced in the Long Bill, and therefore, do not use SAI 11.

Proper use of this code includes:

- Recording spending authority to execute a transfer required to support an appropriation in another area (Long Bill headnote Section 2(1)(e)(IV)). In situations related to the headnote, there must be a corresponding and equal appropriation to justify the amount.
- Recording appropriation authority to make disbursements to outside parties when legislative appropriation is made to a different fund or cabinet from where the actual disbursement occurs.

Improper use of this code includes:

- Recording spending authority for reversion purposes.
- Intra-cabinet activity, as the actual cash fund must be used instead.
- Recording statutory spending authority, including continuously appropriated cash funds (see SAI 10).

Documentation required to support use of this code includes:

- Evidence of appropriation intended to be supported from the transferring source. This can
 include letternotes or footnotes contained in the Long Bill or Supplemental Bill or
 legislative intent specified in Special Bills.
- 12-16 DEPARTMENTAL RESTRICTIONS These codes are used for recording departmental restrictions against the budget line, and are added and removed at the department's discretion. All restrictions are decreases of budget when placed, and increase of budget when removed. Event type BG03 must be used with all restrictions.
 - SAI 12 General Fund Restriction Departmental

- SAI 13 General Fund Exempt Restriction Departmental
- SAI 14 Cash Fund Restriction Departmental
- SAI 15 Reappropriated Fund Restriction Departmental
- SAI 16 Federal Fund Restriction Departmental
- 17-21 STATE CONTROLLER'S RESTRICTIONS These codes are used for recording State Controller's restrictions against the budget line. These restrictions are added and removed at the State Controller's discretion. All restrictions are decreases of budget when placed, and increases of budget when removed. Event type BG03 must be used with all restrictions.
 - SAI 17 General Fund Restriction Controller
 - SAI 18 General Fund Exempt Restriction Controller
 - SAI 19 Cash Fund Restriction Controller
 - SAI 20 Reappropriated Fund Restriction Controller
 - SAI 21 Federal Fund Restriction Controller
- 22-26 GOVERNOR'S RESTRICTIONS These codes are used for recording Governor's restrictions against the budget line. These restrictions are mandated by the Governor's Office. All restrictions are decreases of budget when placed, and increases of budget when removed. Event type BG03 must be used with all restrictions.
 - SAI 22 General Fund Restriction Governor
 - SAI 23 General Fund Exempt Restriction Governor
 - SAI 24 Cash Fund Restriction Governor
 - SAI 25 Reappropriated Fund Restriction Governor
 - SAI 26 Federal Fund Restriction Governor
- 27-31 OVEREXPENDITURE RESTRICTIONS These codes are used for recording
 Overexpenditure restrictions against the budget line. All restrictions are decreases of budget when
 placed, and increases of budget when removed. Event type BG03 must be used with all restrictions.
 - SAI 27 General Fund Restriction Overexpenditure
 - SAI 28 General Fund Exempt Restriction Overexpenditure
 - SAI 29 Cash Fund Restriction Overexpenditure
 - SAI 30 Reappropriated Fund Restriction Overexpenditure
 - SAI 31 Federal Fund Restriction Overexpenditure
- 32-38 and 48-49 Salary and Benefit Common Policies These codes are used for allocating salary and benefit common policy pots across budget lines. Use event types BG06 and BG07 for transfers within the same budget structure and BG03 for transfers between budget structures 190 and 191. The associated Fund Source Code (FSC) is also shown in parenthesis for easy reference.
 - SAI 32 Salary Survey (P10)
 - SAI 33 Merit Pay (P20)

- SAI 34 Health, Life, Dental (HLD) (P30)
- SAI 35 Amortization Equalization Disbursement (AED) (P40)
- SAI 36 Supplemental Amortization Equalization Disbursement (SAED) (P50)
- SAI 37 Short-term Disability (STD) (P60)
- SAI 38 Shift Differential (P70)
- SAI 48 Paid Family Medical Leave Insurance (F10)
- SAI 49 Temporary Employees Related to Authorized Leave (P80)
- 39-46 HR133 Consolidated Appropriations Act, American Rescue Plan Act (ARPA), and Other COVID-19 Funds These codes are used for COVID-19 federal funds. SAI 41, 42, 43 are used for SLFRF appropriations from the Long Bill, special bills, and supplemental bills. See Chapter 3, Section 8 for additional information on recording these federal appropriations, including the use of these spending authority indicators.
- 47 Infrastructure Bill This SAI code is used for federal awards pursuant to the Infrastructure Investment and Jobs Act. This code should be used rather than SAI 4.

2.6 Budget Systems

The state's appropriated budget is generally managed through two systems. The Governor's Office of State Planning and Budgeting (OSPB) and CORE Operations manage the Performance Budgeting (PB) module of CORE. The PB module is used by department budget offices throughout the budget development process. Once the Governor has signed appropriations into law (Long Bill, Special Bill, Supplemental Bill appropriations), budget lines are interfaced from the PB module to the CORE financial module. This process is intended to reduce the need for departmental staff to enter appropriations in two different modules. Departments should make effort to ensure the PB data is accurate before it is advanced to the OSC for approval and interface to CORE financial.

More information on the PB process and guidance can be found on the OSPB and PB websites.

2.7 New Year Table Initialization and Zero Dollar Budget Roll

For appropriation units and rollup codes (and other fiscal year based chart of account elements), the new year table initialization (NYTI) process populates new year coding based on active codes in the old year, as of the date of the chart of accounts roll (see open/close calendar). NYTI continues to run daily, during normal business hours, through the close of period 16 of the old fiscal year. If new appropriation unit or rollup codes are needed for the new year, those may be requested via email to DPA_FARmailbox@state.co.us, per the dates in the open/close calendar.

Zero-dollar budget lines for the new fiscal year are then created, based on existing budget lines in the prior year. New year transactions are created at the budget line level (appropriation unit and fund) using department 999A in the header, and are created in draft status. Departments are given time to review these budget transactions and corresponding budget lines using the OSC-025 report in infoAdvantage, and should identify budget transactions for any budget lines that will not be needed in the new fiscal year, and communicate these to the FSU by the date in the open/close calendar. The FSU will then discard those transactions. Once complete, CORE Operations will process the budget rollup and submit of the existing transactions to final. Any rejected transactions will be analyzed, and in most cases, be discarded by FSU. Budget transactions related to the zero-dollar roll include "ZERO" and the new fiscal year at the start of the transactions ID.

2.8 Recording the Long Bill

The Long Bill for the new-year is recorded in CORE using the Performance Budgeting (PB) module. This information is reviewed by the departments at various points in PB. Once approved, the Office of State Planning and Budgeting (OSPB) will forward the data to begin the detailed review by the Office of the State Controller (OSC). When this review is complete, the data will be interfaced to the CORE financial module as finalized BGA190 and BGA191 transactions.

Departments should perform a thorough review of the data entered in PB prior to advancing to OSPB. Errors are the primary cause of delays in booking the Long Bill in CORE financial and only OSPB and CORE Operations are able to make corrections after the department advances the request. The "Long Bill Review Job Aid" available on the OSC and PB websites (https://osc.colorado.gov/financial-operations/fiscal-rules-procedures) provides information on the items the OSC reviews that may assist departments in their own review of the PB data before advancing to OSPB.

Requests for coding for appropriation units and rollup codes should be sent to <u>DPA_FARmailbox@state.co.us</u>, and will be handled by the FSU staff. Generally, coding for new lines or groups is not created until the Long Bill has been introduced due to the inability to change rollups (see Chapter 2, Section 2.4). Departmental PB users entering budget requests in PB may use "0" as a placeholder appropriation unit for new lines until the Long Bill has been introduced.

When lines or group move within the Long Bill, it is imperative that departments coordinate with the PB Helpdesk and the Financial Services Unit to determine whether it is appropriate to create new rollups for the line or not. If a line moves between groups, a new funding source code will likely be required if the department uses PB. Lines that move within the same group do not necessarily require a new funding source code, but departments that use PB may request a new funding source code to reorder the lines in the PB infoAdvantage reports. Finally, lines that have been renamed, but are appropriated for the same purpose and remain in the same group do not require a new funding source code, but departments that use PB will need to contact the PB Helpdesk to ensure the name is updated in PB.

The Long Bill is recorded in CORE as event type BG01 (Adopt), and SAI 1 and SAI 41 (Long Bill). The Long Bill is typically interfaced to CORE financial by June 30.

Once the Long Bill load occurs from PB into CORE financial, the FSU will send out the final coded Long Bill to controllers. Departments are encouraged to use the OSC-006 and OSC-007 reports in infoAdvantage to review the Long Bill in CORE and reconcile to the coded to Long Bill. The coded Long Bill may be distributed to other department staff as appropriate.

2.9 Recording the Capital Construction Budget

For information related to recording the capital construction budget, see Chapter 4, Section 1.

2.10 Recording Supplemental Bills

Supplemental bills are recorded in CORE using the PB module. This data reviewed by the departments, OSPB and OSC, and is interfaced to the CORE financial module as finalized BGA190 and BGA191 transactions. Requests for coding for appropriation units and rollup codes should be sent to DPA_FARmailbox@state.co.us, and will be handled by FSU staff. In most cases, this activity is recorded as event type BG03 (Amend) and SAI 3 and SAI 43 (Supplemental).

Add-ons to supplemental bills, if effective for the current fiscal year, are interfaced from PB to CORE financial. Operating add-ons, if related to a prior fiscal year, will be reviewed by FSU, but no additional action is needed unless the add-on is releasing an overexpenditure restriction. In this case, the add-on will need to be booked manually. Capital construction add-ons, if related to a

prior fiscal year, will be reviewed by FSU and any changes, if needed, will be processed.

For information related to 1331 Emergency Supplementals, see Chapter 2, Section 3.

2.11 Recording Special Bills

Special bills will be interfaced in CORE in a similar way to the Long Bill. Requests for coding for appropriation units and rollup codes should be sent to DPA_FARmailbox@state.co.us. If the department is aware of which long bill group the line will eventually be included in, that known appropriation group may be used, otherwise, the appropriation group for the cabinet and the appropriate GCF indicator with "Special Bill" in the title should be used. Any federal informational only budget amounts will also have a controller's restriction (SAI 21).

Special bills will be recorded in CORE as event type BG03 (Amend), and SAI 2 or SAI 42 (Special Bills), referencing the applicable bill number. Special bills are typically interfaced to CORE by June 30.

2.12 Recording Federal Spending Authority

Federal funds consist of informational only/nonappropriated funds and appropriated funds that include certain block grants, and (M) or (H) headnoted line items.

Long Bill Informational Only and Nonappropriated Federal Funds

Federal funds in the Long Bill are generally defined by the headnotes as informational only. In many cases, these are shown with an (I) notation, but, in cases where it is not, the OSC considers all federal funds to be informational only unless (M) or (H) headnoted, or specific block grants listed in the headnotes. For any federal line that is considered informational only, the related spending authority is merely an estimate. All federal funds (with the exception of the items listed in the headnotes) will be 100% restricted by the OSC with a controller restriction (SAI 21) after the PB to CORE financial interface is complete. The criteria used for placing this restriction is any line items with an N or F appropriation category depending on the budget structure, and an F GCF indicator. Spending authority will be recorded in one of two ways: (1) an automated carryforward of unexpended federal budget from the prior year (see section 2.15 below) or (2) submission of manual BGA transactions as new federal awards are received (with proper documentation). The above mentioned restriction will remain in place, with additional spending authority recorded with SAI 4 – Custodial or the appropriate COVID-19 federal funds SAI code (SAI 39-47).

When the General Assembly adds or removes an (M) or (H) notation to a line, departments should be aware of the impact of that action on the appropriation coding for that line. Adding an (M) or (H) headnote will require the department to use an appropriated category code. If an (M) or (H) headnote is removed from a line, the department will need to use a nonappropriated category code. As a result of the OSC's policy of not changing rollups on an existing appropriation unit (see Chapter 2, Section 2.4), departments may need to create new appropriation units and ensure those new units are used in PB and on all accounting and procurement transactions.

Estimates of Nonappropriated Federal Spending Authority

Since the implementation of CORE, the OSC's general policy of not approving estimated federal spending authority was put in place to ensure that the budgets booked in CORE reflect "real" spending authority to the extent possible. However, in certain cases, it may be necessary for a department to request estimated federal spending authority, which is evaluated by the OSC on a case-by-case basis. Estimates may only be requested for the current fiscal year, even if the federal award is a multi-year award.

Requests for estimated federal spending authority, should include the following (attached to the

header of the budget transaction) for evaluation by the FSU:

- The past two complete fiscal years of grant awards (just the award pages are sufficient)
- Current year federal grant application, which clearly shows the amount being requested. If applicable, please also include the Intent to Award letter, federal register, or other communication from the Feds regarding the amount they expect to award.
- A written justification as to why the spending authority must be booked prior to receipt of the award document and why the requested exception should be granted. Also, include justification for the amount of the estimate to be booked (generally limited to 75% of the amount requested/expected from the federal government). If the estimate requested is greater than the awarded amount during the past two fiscal years, please provide adequate explanation (and documentation to support) in the narrative as to the reason for the increase.
- Any other relevant information or documentation that would be helpful for us to evaluate the request.

Once the federal award document has been received, reverse the estimated portion of the budget line, and process the budget transaction for the full amount of the federal award, attaching the award to the header of the budget transaction.

Long Bill Appropriated Federal Funds

Appropriated federal funds will not be restricted, as identified by an appropriation category of A or B, and will be available to support the related federal activity.

Whether appropriated or nonappropriated, federal funds may have additional attributes that impact how spending authority is recorded including entitlement funds and activity-based funds.

Entitlement Funds: Entitlement funds represent guaranteed reimbursement based on eligible transactions; for example, Medicaid funds. For these funds, the OSC must have on file program documentation substantiating the entitlement attributes of the funds to make adjustments to spending authority. To support an entitlement spending authority, provide the assumptions used to support the requested amount (prior year, caseload, projections, etc.). If the entitlement program is informational only and 100% restricted, spending authority can be rerecorded based on the Long Bill amount. Please note that on any manual BGA transaction impacting entitlement funds, please note "Entitlement" in the description field on each line of the BGA transaction.

Activity-Based Federal Funds: Activity-based funds represent situations where reimbursement based on something other than a federal award document. For these types of federal funds, an estimate may be recorded with documentation such as the prior year's budget and expenditures, supporting the reasonableness of the amount requested. At year-end, any excess in these appropriations must be trued-up and reduced to zero. Both the estimate and the true-up must contain a notation of "Activity-Based" in the description. Also include "True Up" in the description when you are reducing the excess spending authority to zero.

2.13 Recording Statutory Spending Authority

Cash statutory spending authority are entered directly into CORE financial on a BGA transaction based on the criteria noted for spending authority indicator 10. Statutory spending authority must be expressly authorized by the General Assembly. In situations where statute is silent as to appropriation, the fund is considered to be subject to annual appropriation. If there are unclear or conflicting statutory provisions for spending authority, the OSC will follow the most restrictive interpretation. The OSC may also consult the AG, OSPB, and JBC before granting statutory spending authority as needed. If activity-based, please include "Activity-Based" in the description field, similar to federal funds discussed in Section 2.12. A true-up will generally not be necessary.

When the statute requires the State Treasury to transfer from the general fund and the departments are not given the general fund spending authority for the transfer, the departments need to work with the State Treasury on the transfers, where the State Treasury uses SAI 10 to set up the general fund statutory spending authority.

2.13.1 Recording Statutory Spending Authority for Risk Management Claims

The State is self-insured for property insurance, which means that the State pays the cost of property insurance claims and Risk Management handles such claims. A claims adjuster prepares an estimate for the cost of repair and/or replacement. Departments pay for the repair or replacement and request reimbursement from Risk Management. Spending authority will be granted in Fund 4620 for the full amount of the claims adjuster's estimate; assuming an experienced adjuster conducts the estimate and it is attached to the budget transaction. Departments shall true-up spending authority once the claim is closed. Spending authority for risk management claims is granted as statutory spending authority (Section 24-30-202 (21) and 24-30-1510.5, C.R.S).

2.14 Underearnings in the General or Capital Construction Fund

Underearnings of cash, reappropriated and federal funds for activity accounted for in the General or Capital Construction Fund indicate that General Fund resources were used to cover expenditures. When this occurs, departments must reclassify expenditures from cash, reappropriated, and federal to general to represent the transactions as general-funded. Entries have to be complete by the close of period 13 of the fiscal year.

2.15 Carry Forward of Spending Authority

During period 15, the FSU will prepare budget transactions to carryforward any unspent spending authority related to federal nonappropriated budget lines (see Chapter 3, Section 8.6.5 for information related to the SLFRF carryforwards) and for any unspent spending authority for continuing capital projects. These transactions will be processed with BG04 (Carryforward) and SAI 4 (Custodial) for the federal, nonappropriated lines, and BG04, SAI 8 (Capital Carryforward) for the capital construction lines. These types of carryforwards are calculated based on the fiscal year for both spending authority and expenditure amounts (not budget fiscal year), as to keep in sync with the state's financial statements. Departments should contact the assigned FSU Specialist before submitting any manual adjustments to the carryforward amounts.

2.16 Spending Authority for Grants and Contracts

	Source of		GCF	Source of Spending	
Arrangement	Funds	State Role	Indicator ¹	Authority ²	Required Documentation
Grant	Federal	State is the Prime Recipient	F	Custodial or	Approved award letter from the Feds
				Long Bill, if appropriated	
Grant	Federal	State is the Subrecipient	F	Custodial or	Documentation from granting entity
				Long Bill, if appropriated	that indicates source of funds are
					Federal
Contract	Federal	State is the Prime Contractor	F	Custodial or	Approved contract from the Feds
				Long Bill, if appropriated	
Contract	Federal	State is the Subcontractor	F	Custodial or	Documentation from contracting entity
				Long Bill, if appropriated	that indicates source of funds are Federal
Interagency	Federal	State is either Subrecipient	F	Custodial or	Documentation from
		or Subcontractor		Long Bill, if appropriated	granting/contracting department indicating the source of funds are federal.
Interagency	Non-federal	State receiving non-federal money from another state department	С	Custodial	 Documentation to show interagency agreement (PO, GAE, IA, MOU, or other documentation) specifying the amount and the time period of the award, AND A document comment added to the budget document stating: "I affirm that the requested spending authority is intended for the public purpose, not the direct benefit of my department."
Grant	Non-federal	State is the Grantee	С	Statutory ³	1. Copy of grant award including the scope of work, amount, and any other relevant documentation, AND 2. Statute citation for authority to spend gifts, grants and donations, OR 3. Statute citation showing that the fund is continuously appropriated.
Contract	Non-federal	State is the Contractor	С	No additional spending authority granted.	N/A
Notes	¹ GCF Indicator	as defined in Chapter 2, Section	n 2.2. F: Fed	deral and C: Cash	
					nitions for custodial (SAI 4) and statutory
		ore information.		•	, ,
	`		statutory au	thority (if not appropriated	by the General Assembly) include grants
	· ·	=	· ·		s, and quasi-governmental entities such as

If departments recognize the full amount of revenue at the beginning of a multiyear agreement in Fund 1000, the revenue in excess of the current year expenditures must be reserved to prevent it from reverting to the general fund. See Chapter 3, Section 3.8 for guidance on how to reserve revenue in Fund 1000.

2.17 Spending Authority for Donations

The following provides guidance to departments for obtaining spending authority for donations defined in Fiscal Rule 2-1 as "property, services, or money given without receiving consideration for the transfer." Department controllers have the responsibly for ensuring that monies recorded as donations comply with the Fiscal Rule definition. Additional spending authority will be granted if the department has express statutory authority to accept and spend gifts and donations. The

documentation needed to record spending authority is information such as a report from infoAdvantage showing the amount recoded as donation revenue.

Determination	Donation/Not a Donation		
For the general welfare of the State	Donation		
For the general purpose of the department, program, or fund	Donation		
For a specific purpose, but anyone can receive the benefit	Donation		
For a specific purpose, but the donor is the sole beneficiary	Not a Donation		
To direct the work of the State for a specific purpose without			
General Assembly appropriation	Not a Donation		

2.18 Spending Authority for Court-Ordered Settlements

For any court-ordered settlements, spending authority will be granted to any pass-through department who is carrying out the responsibility of the settlement agreement, whether through a subrecipient or contractor relationship. However, in all cases an Interagency Agreement must be used between the two departments, and explicitly state the arrangement.

2.19 Long Bill Headnote Definitions

Certain Long Bill lines and line types have been defined in Section 24-75-112, C.R.S. Lines and line types defined include: capital outlay, centralized appropriation, leased space, legal services, and personal services. These definitions should be use to ensure expenditures are recorded in the appropriate Long Bill lines.

2.20 Spending Authority Event Type Matrix

To assist in BGA transaction preparation, the following table indicates proper combinations of spending authority indicators and event types.

Spending Authority Indicator and Event Tr							2010
Event Type Spending Authority Indicator	BG01	BG03	BG04	BG06	BG07	BG08	BG10
Spending Authority Indicator	Adopt ✓ - Adoption and	Amend	Carryforward	Transfer In	Transfer Out	Deactivate	Delete
1 - Long Bill	changes to last 4 of approp unit only						
2 - Special Bill	 ✓ - Adoption and changes to last 4 of approp unit only 	✓ - Amending Special Bill (uncommon)					
3 - Supplemental		√- Amendments and changes to last 4 only					
4 - Custodial		 ✓ - New awards and amended awards 	✓ - Carryforward of award				
5 - Rollforward		✓ - DECREASE when recording the old year rollforward amount	✓- INCREASE When recording new year rollforward amount (Using new APPR coding)				
6 - Capital Reversion		 ✓ - DECREASE budget to record a capital reversion ✓ - DECREASE budget to revert unspent SLFRF budget at the end of the project 					
7 - Transfers (non-SLFRF Funds only) See SLFRF section for information on how to do SLFRF transfers	✓ - \$0 Docs	✓ - When transfers crossing budget structures or cabinets		✓ - Use INCREASE in BG doc to INCREASE budget within the same budget structure - for changes to FUNDS including VSCF shift	✓ - Use INCREASE in BG doc to DECREASE budget within the same budget structure - for changes to FUNDS including VSCF shift	✓ - After reducing budget line to \$0, use INCREASE with a \$0 amount to deactivate a budget line	✓ - After reducing budget line to \$0, use INCREASE with a \$0 amount to delete a budget line
8 - Capital Carryforward			✓				
9 - Year-End Transfer		✓ - Only when transfers cross budget structures		✓ - Only with Year End Transfers within the same budget structure	✓ - Only with Year End Transfers within the same budget structure		
10 - Statutory	✓ - Initial	 ✓ - Amend initial budget (including (M) or (H) Headnote adjustments) 	✓ - Carryforward authority				
11 - Implied/Inferred	✓ - Initial	✓ - Amend initial budget					
12-31 - Restrictions		✓ - DECREASE budget to record a restriction; INCREASE budget to remove restriction					
32-38, 48-49 - POTS		✓ - Only when transfers cross budget structures		✓ - Same budget structure	✓ - Same budget structure		
39 - HR133 Consolidated Appropriations Act 40 - HR1319 American Rescue Plan Act	✓ - New awards	✓- Amended awards					
41 - Long Bill (SLFRF Funds)	✓ - Adoption and changes to last 4 of approp unit only						
42 - Special Bill (SLFRF Funds)	 ✓ - Adoption and optional for changes to last 4 of approp unit 	✓ - Amending SLFRF Special Bill					
43- Supplemental (SLFRF Funds)		√- Amendments and changes to last 4 only					
44 - Statutory (SLFRF Funds, generally direct Governor allocations)	✓- New SLFRF allocations	✓- Amended SLFRF allocations					
45 - Duplicate Spending Authority (SLFRF Funds, generally, IA's between cabinets. Direct Governor SLFRF allocations use SAI 44)	✓ - Use for recording pass- through SLFRF budgets from another state cabinet	✓ - Use for amending pass-through SLFRF budgets from another state cabinet ✓ - Use for recording budget in order to transfer unspent unearned SLFRF back to the originating department ✓ - Use for transfers of SLFRF capital construction between SLFRF capital projects	✓- OSC will use this for recording new year carryforwards of SLFRF budget ✓- OSC will use this for recording the carryforward of SLFRF capital construction budget				
46 - Other COVID-19 Acts of 2021	✓ - New Other COVID-19 Acts	✓- Amended Other COVID-19 Acts					
47 - COVID-19 Infrastructure	✓ - New COVID-19	✓ - Amended COVID-19					
TO VID-13 IIII asu ucture	Infrastructure Acts	Infrastructure Acts					

2.21 Budget Error Messages

Error Code A5000 may be showing with different budget-related error messages such as:

- Budget line not found for BFY, Cab, Appr Cat, Appr Grp within Appropriation Budget 191 (A5000)
- Budget line not found for BFY, Cab, Appr Cat, Appr Grp, Appr Cls within Appropriation Budget 191 (A5000)
- Budget line not found for BFY, Cab, Appr Cat, Appr Grp, Appr Cls, Appr Unit, Fund within Appropriation Budget 191 (A5000)
- Budget line not found for BFY, Cabinet, Appr Cat, Appr Type within Appropriation Budget 190 (A5000)
- Budget line not found for BFY, Cabinet, Appr Cat, Appr Type, Appr Unit within Appropriation Budget 190 (A5000)
- Budget line not found for BFY, Cabinet, Appr Cat, Appr Type, Appr Unit, Fund within Appropriation Budget 190 (A5000)

When these errors appear on a transaction, the departmental accounting/budget office should first determine if a new budget line needs to be created or if there is incorrect information entered onto the transaction.

• Budget line not found for Dept/Majr Prog/Prog/Period/Fund Prfl/Fund Prty/Fund Line within Reimbursable Grant Budget (A5000)

When this error appears on a transaction, the department's accounting/budget office should be contacted first because a budget transaction creating the budget line used in the transaction has not been approved by the OSC yet, or the budget line may have been deactivated by the department's accounting/budget office for a specific reason.

CHAPTER 2: SECTION 3 REQUESTS FOR INTERIM SPENDING AUTHORITY AUTHORIZED BY SECTION 24-75-111, C.R.S.

When the General Assembly is not in session, Section 24-75-111, C.R.S. establishes a process to provide appropriation authority to state agencies due to unforeseen circumstances. Specifically, the OSC may allow department overexpenditures when approved by the Office of State Planning and Budget (OSPB), as applicable; the Capital Development Committee (CDC), if related to a capital construction project; the Joint Technology Committee (JTC), if related to an information technology project; and the Joint Budget Committee (JBC) in anticipation of an approved supplemental appropriation. This process is for use in emergency situations only when the Legislature is not in session.

3.1 Process for Submitting Requests

The processes for submitting requests for both non-capital construction and capital construction follow.

3.1.1 Operating Requests

Requests for interim spending authority should be consistent with all statutory provisions applicable to the program, function, or purpose for which the request is made, including the provisions of appropriation acts. This means the request should conform with or address existing statutes, Long Bill line items, and any related revenue source annotations associated with the original appropriation. All relevant documentation supporting the request should be included with the submission. Department staff should involve related contacts at the OSPB, the JBC, and the OSC as they prepare requests so all of the central oversight agencies are aware of the request and may provide input into its preparation.

Once complete, requests for interim spending authority are submitted to the OSPB for review and approval. Once approved by the OSPB, the requests are forwarded to the JBC for review and approval. Requests for interim spending authority submitted by the Departments of Law, Treasury, State, the Judicial Department, and the General Assembly may be submitted directly to the JBC for review and approval.

A request must be approved, in whole or in part, by a majority vote of the JBC. If approved, the JBC sends a letter to the State Controller notifying of such approval. The approval includes a statement that the JBC intends to introduce a supplemental appropriation for the applicable fiscal year.

Upon final approval by the State Controller, the FSU staff will provide the department with the approved 1331 letter. The department should prepare the BGA190/191 transaction to record the new spending authority, attaching the letter approved by the State Controller to the header. A spending authority indicator of "3" and event type BG03 should be used in the budget transaction. In addition, include "1331" or "HB98-1331" to the house bill field in the BGA transaction.

3.1.2 Capital Construction Requests

For requests involving capital construction projects, requests should be completed as described in Section 3.1.1. The CDC and the Office of the State Architect staff should be included in discussions as appropriate. However, once approved by the OSPB, capital construction requests are submitted to the CDC for review and approval. Requests for the Departments of Law, Treasury, State, the Judicial Department, and the General Assembly may be submitted directly to the CDC for review and approval. Once approved by the CDC, the CDC forwards the request with a letter signifying the CDC approval to the JBC. The process followed by the JBC and OSC are the same as for operating requests outlined in the previous section. In addition, the new capital

construction spending authority will be restricted by the OSC and need to be unrestricted by the departments and IHEs following the procedure in Chapter 4 Section 1.3.

3.1.3 Information Technology Capital Construction Requests

For requests involving information technology projects, requests should be completed as described in Section 3.1.1. However, once approved by the OSPB, information technology requests are submitted to the JTC as required by statute. Requests for the Departments of Law, Treasury, State, the Judicial Department, and the General Assembly may be submitted directly to the JTC for review and approval. Once approved by the JTC, the JTC forwards the request with a letter signifying the JTC approval to the JBC. The process followed by the JBC and OSC are the same as for operating requests outlined in Section 3.1.1. The new IT capital construction spending authority will be restricted by the OSC and need to be unrestricted by the departments and IHEs following the procedure in Chapter 4 Section 1.3.

3.2 Follow-up and Final Resolution

The OSC maintains a log of all approved interim spending authority requests requiring action in the subsequent legislative session. The log also includes the budget transactions used to record the 1331 spending authority.

Once the department's final supplemental bill has been signed and interfaced from PB to CORE, all BGA transactions previously processed related to 1331 emergency supplementals will need to be reversed entirely. This is necessary regardless of whether the original request was ultimately approved as part of the final supplemental bill. Use the same event type (BG03) and SAI indicator (3) as the original transaction, and include "1331" or "HB98-1331" in the house bill field. Include the original transaction ID in the transaction description field or as a transaction comment.

In cases where a 1331 emergency supplemental was signed and approved in June for the current fiscal year, a reversal of the 1331 amount will not be necessary. The new year supplemental bill will be reviewed to ensure that an add-on appropriately reflects the 1331 supplemental that was approved in the prior year, and no additional entries are needed in CORE.

CHAPTER 3: SECTION 1 YEAR-END APPROPRIATION TRANSFERS AND OVEREXPENDITURES

1.1 Statutory Authority for Appropriation Transfers and Overexpenditures

Colorado Revised Statutes (C.R.S.) contain two provisions intended to provide flexibility in dealing with overexpenditures. Section 24-75-108, C.R.S. allows the Governor, or in the case of the Judicial Department, the Chief Justice, to authorize transfers between like-purpose appropriations. This provision is not available prior to May 1 and is subject to a maximum statewide threshold of five million dollars. Section 24-75-109, C.R.S. allows the State Controller, with the approval of the Governor, to approve expenditures in excess of appropriations. This provision is not available prior to May 1 and shall not exceed three million dollars in any fiscal year. This section sets forth guidelines for departments to request these approvals. See also Fiscal Rule 7-3.

Wherever possible, overexpenditures should first be covered by transfers from an eligible budgetary line. For questions about which budgetary lines are eligible for possible transfer, refer to Section 24-75-108, C.R.S. If needed, contact the department's assigned OSC Financial Specialist or OSPB analyst for assistance.

Advance approval to transfer an appropriation or overspend a budgetary line is required. Release of disbursements against an overdrawn appropriation without prior approval will subject a fiscal officer to penalties per Section 24-30-202(14), C.R.S. Overexpenditures not covered by provisions of statute must be considered null and void ab initio per Section 24-30-202(3), C.R.S.

The OSC-009 and OSC-010 diagnostic reports showing overexpenditures are available and updated daily throughout the year. All budget lines identified on the OSC-009 diagnostic report's "190" and "191" tabs are considered overexpenditures (the "All LBLI" tab is provided for informational purposes). Overexpenditures are reported at the GCF indicator level and must be submitted as an overexpenditure even if the line is not overexpended in total. For example, cash and reappropriated appropriations on the same Long Bill line are evaluated separately because they are in different GCF indicators. Over and under expenditures in cash funds within the same GCF column of a long bill line item are reportable at the net amount when the net is an overage. Net underages are not reportable, but rather are technical violations for the funds with overages. Technical violations are not captured in the OSC-009 diagnostic report. All overexpenditures must either be cleared by proper accounting entries or supported by an approved appropriation transfer or overexpenditure form.

Please make every effort to identify appropriation transfer needs and potential overexpenditures as soon as possible using the forms published on the OSC website. The electronic forms are available at: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures. When an overexpenditure is going to occur, but the exact amount can't be identified, submit a form with an estimate as soon as possible. Submit a revised form with the actual amount by the date indicated in the open/close calendar. If the deadline for reporting overexpenditures or estimates of overexpenditures cannot be met, a department must provide sufficient written justification to the OSC for review by the State Controller. Departmental cooperation is necessary to determine whether or not the State as a whole is in compliance with the above mentioned statutes.

The State Controller and the OSPB will approve or deny all transfer and overexpenditure forms by the date published on the open/close calendar and notify the department whether the request is approved or denied.

Most overexpenditures will be reported in the Governor's Overexpenditure Letter and may require an overexpenditure restriction in the next fiscal year and will be reported in a note in the State's Annual Report.

1.2 Deficit Fund Balances

Deficit fund balances are reported in a note in the State's Annual Report, unless otherwise excluded. The OSC-024 Fund Balance Deficits report at year-end is the basis for identifying deficit fund balances. Statutory funds with cash funding source codes that have underearned revenue are not considered overexpenditures if the fund has sufficient fund balance to cover the under-earned amount, however, funds with cash funding source codes that have underearned revenue and do not have sufficient fund balance will be considered an overexpenditure. Federal expenditures unsupported by federal revenue constitute an overexpenditure, they must be covered elsewhere in the budget or be reported as an overexpenditure. Departments that have deficit fund balances as of final year-end close must submit an overexpenditure authorization form. Pension and OPEB liabilities reducing fund balance as a result of the implementation of GASB Statements No. 68 Accounting and Financial Reporting for Pensions and No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and OSC use only department codes (department codes with X as the second character) are not included when determining deficit fund balances for overexpenditure per a review by the Attorney General's Office.

Overexpenditure forms related to deficit fund balance should be submitted to the OSC by the date specified in the open/close calendar. However, the State Controller cannot approve deficit fund balance overexpenditures or a line overexpenditure that results in a deficit fund balance per Section 24-75-109(2)(b), C.R.S. The overexpenditure form will not be signed, but is required to assist the OSC prepare the overexpenditure letter. The deficit fund balance may be reported in the Governor's Overexpenditure Letter and may require an overexpenditure restriction in the next year as if it was a spending authority overexpenditure.

1.3 Overexpenditure Restriction

If an overexpenditure is approved, Section 24-75-109(3), C.R.S. requires that a like amount be restricted in the year following the overexpenditure. Departments will be notified of the amount and asked to enter the necessary budget transaction(s).

Overexpenditures of nonappropriated funds are reported to the Governor by the State Controller when the overexpenditures are significant, appear to be ongoing, are related to a sensitive activity, or for other reasons determined appropriate by the State Controller. The department will be contacted by its OSC Financial Specialist if an overexpenditure form is needed for nonappropriated overexpenditures.

As required by statute, new year budget lines related to the prior year overexpended budget lines will be restricted as an overexpenditure restriction. The deadline to record restrictions is outlined in the open/close calendar. Depending on the type of funding, at least one of the following Spending Authority Indicator (SAI) codes shall be used on the budget transaction with Event Type BG03:

- ♦ SAI 27 General Fund Restriction Overexpenditure
- ♦ SAI 28 General Fund Exempt Restriction Overexpenditure
- ♦ SAI 29 Cash Fund Restriction Overexpenditure
- ♦ SAI 30 Reappropriated Fund Restriction Overexpenditure
- ♦ SAI 31 Federal Fund Restriction Overexpenditure

CHAPTER 3: SECTION 2 REQUESTING ROLLFORWARD OF APPROPRIATION AUTHORITY FROM CLOSING YEAR TO NEW YEAR

By state law, unexpended annual appropriations expire at the end of each fiscal year and do not carry over to a subsequent fiscal year, unless otherwise authorized by statute. The State Controller may approve the rollforward of unexpended annual appropriations as provided by State of Colorado Fiscal Rule 7-2 under certain circumstances discussed in this section. Due to continuing demands on resources, departments are encouraged to seek legislative approval through the addition of footnotes for any general-funded requests.

The rollforward process will also be used for any purpose for which General Funds or Capital Construction funds should rollforward, outside of the parameters of the Fiscal Rule as an administrative tracking mechanism. Please mark these requests as "extenuating circumstances" on the rollforward request form.

A rollforward request is required for encumbered Tobacco Settlement money that is allowed per the statute creating the program.

2.1 Rollforward of Appropriated Funds

A rollforward of an unexpended appropriation may arise out of timing problems associated with completing a legislatively authorized project within a single fiscal year. In these cases, a rollforward *must* be requested in order to extend appropriations funded from general, cash, or reappropriated fund sources beyond the initial appropriation year. A rollforward request will not be considered when it represents an effort to capture unexpended balances for general operations or when an adequate appropriation is available in the next fiscal year for the same purpose. Each rollforward request must include both adequate justification and documentation of the issue(s) that prevented the expenditure of funds within the current year. Additionally, General Purpose Revenue Fund balance must be available to support requests for general-funded rollforwards.

A rollforward request is not required for custodial funds (e.g., federal funds) unless there is a requirement that the funds be appropriated or if they are (M) or (H) headnoted. Federal non-appropriated custodial funds will be carried forward from the old year to the new year by the OSC. A budget transaction for appropriated federal funds needs to be submitted by the department by the date specified in the open/close calendar for fund balances in Funds 1000, 4610, and 4611.

2.2 Allowable Circumstances for Rollforwards

Rollforwards must be requested on the basis of one or both of the allowable circumstances below. Documentation supporting the circumstances leading to the request should be submitted with the request to the OSC.

- ♦ The appropriated funds have been legally committed by purchase order or contract and there are extenuating circumstances that warrant carryover of the remaining appropriation (this applies to both an external vendor and internally to other state departments). Due to the ongoing budget constraints due to COVID-19, the following criteria also apply:
 - The department's mission critical activities and primarily its customers would be severely impacted if the rollforward was not approved. Severity would include possible harm to health, housing, food, security, or other critical care-related and enforcement services,
 - O Denial of the request results in significant statutory noncompliance and alternative programmatic options and funding options have been exhausted, or

o Other compelling circumstances.

Extenuating circumstances must clearly be beyond the control of the department and should have been mitigated to the greatest extent possible by advanced planning, documented early ordering, early and frequent status monitoring, and documented delivery deadlines communicated to and acknowledged by the vendor. The following items do not qualify as extenuating circumstances and this list is not intended to be all inclusive:

- o Inadequate time to implement a new program before the statutory deadline,
- Failure of the selected contractor to perform for any reason other than force majeure,
- Shipping delays, or
- Customs delays.
- ♦ There is *express* legislative intent that allows the rollforward of spending authority. The State Controller cannot rollforward an appropriation based on *implied* legislative intent. Departments are encouraged to review the signed Long Bill and add-ons, supplemental bills, special bills, and fund statutes prior to fiscal year end close to help identify and submit legislative intent rollforwards by the deadline set in the open/close calendar.

Legislative intent must be in written form in a formal legislative action signed by the Governor and will not be inferred or deduced by the State Controller. Common forms of express legislative intent include:

- Letternotes and footnotes in the Long Bill, supplemental bills, and Long Bill add-ons,
- o Rollforward authority included in special bill appropriation clauses, and

Express legislative intent may also be included in substantive and fund enabling legislation (e.g. "Any unexpended and unencumbered moneys from an appropriation made pursuant to this subsection remain available for expenditure in the next fiscal year without further appropriation" or "Any moneys not expended or encumbered from any appropriation at the end of any fiscal year shall remain available for expenditure in the next fiscal year without further appropriation").

2.3 Procedures for Appropriated General and Cash Fund Rollforward Requests

It is important to submit rollforward requests by the deadline set in the open/close calendar. Late requests, particularly in Funds 1000, 4610, and 4611, may be denied if submitted after the due date.

The process for completing a rollforward is as follows:

1. Complete the rollforward request form found on the OSC's website at https://osc.colorado.gov/financial-operations/fiscal-rules-procedures. The "Rollforward Request #" on the form is the department code, closing fiscal year, and request number in sequential order (e.g., AAAA-2022-1). The OSC will use the Rollforward Request # to track the request throughout the process. Separate rollforward request forms must be submitted for each appropriation code. The form requires the listing of funding sources by general, general exempt, cash funds, or reappropriated. Only federal funds subject to appropriation per the Long Bill headnotes are included on this form; other federal funds and custodial funds are not included on these forms. Rollforward requests must be submitted to your OSC Financial Specialist by the date specified in the open/close

- calendar. Department controllers may establish a policy to "electronically sign" the form. Although not a secure signature, the OSC will accept a typed "signature" in the Excel form as acknowledgement that the department controller has reviewed the request.
- 2. Attach the rollforward request form and proper documentation to a BGA transaction. Proper documentation may come in various forms such as a letter explaining that an item on a purchase order, which under normal circumstances would have been delivered prior to June 30, has not been received. Attach a copy of the original encumbrance transaction with this type of request. If the justification for the rollforward is express legislative intent, please include a copy of the statute or Long Bill letternote or footnote that allows the funds to be rolled forward. The BGA transaction must be processed in the closing FY and BFY as a decrease in the amount of the rollforward using the budget line coding of the line from which a rollforward is requested. The BGA transaction should use event type BG03 and SAI 5. Finally, the rollforward request number from the form must be entered in the house bill field on the BGA transaction.
- 3. State Controller approval or rejection of a budget transaction serves as approval or denial of requests based on extenuating circumstances. Financial Specialist approval of a budget transaction serves as approval of a request based on express legislative intent. Departments requesting reconsideration of denied requests should submit any additional justification or documentation to the Financial Specialist assigned to the department.
- 4. If the request is approved, separate appropriation codes may need to be created for each rollforward request if desired by the department for tracking purposes. Send an email request to dpa_FARmailbox@state.co.us to establish the rollups for the new-year appropriation code. See section 2.4 below regarding appropriation coding for the new-year. Departments may elect continued use of the request coding in the following year if agreed to by the Financial Services Unit.
- 5. A BGA transaction must be processed in the new year FY and BFY as an increase using the budget line coding established for the rollforward in the new year. The BGA transaction must use event type BG04 and SAI 5. The rollforward request number must be entered in the house bill field on the BGA transaction. The BGA transaction should be in the amount of the approved rollforward, or less if the actual amount remaining is less than the estimate. Conversely, if the actual amount of the funds to rollforward is more than the approved amount, a new rollforward request will be required.
- 6. If the basis of the unexpended appropriation is fund balance, departments must submit a JV1STND in the new-year with event type XG30 and RSRC 9523 to flag the usage fund balance. Failure to record a JV1STND for previously earned cash, reappropriated, or federal revenues (RSRC 9523) in Funds 1000, 4610, or 4611 could result in the unintended reversion of the fund balance, leaving the rollforward appropriation unfunded.

To avoid a delay in processing any rollforward request, the request forms must be properly completed and properly documented in accordance with the above instructions. Rollforward requests with insufficient documentation or justification will be disapproved. It is not necessary to round up rollforward requests because decimals are permitted in CORE. Rollforward requests must be received (via BGA190/191 transaction) at the OSC by the date indicated in the open/close calendar. Email all requests to dpa_FARmailbox@state.co.us. If you have questions, please contact your OSC Financial Specialist.

In certain instances, a department may have multiple-year contracts extending beyond the current fiscal year that will require the rollforward of the current year appropriation. This includes late contracts that require an amendment to extend the performance period beyond June 30 into the next fiscal year. In these situations, it is critical that both the contract/amendment and the rollforward be evaluated and approved at the same time. Therefore, if a department submits a

contract to the OSC that will require a rollforward of current year appropriation, the department must also submit a completed rollforward request along with the contract. The OSC Central Contract Unit (CCU) will then work with the related OSC Financial Specialist and the State Controller to evaluate the contract and the rollforward request together.

It is important to note that if the OSC approves a multiple-year contract it is assumed that any funding beyond June 30 of the current year will come from appropriations in the subsequent fiscal year(s). Contract provisions, unexpected circumstances, and other mitigating factors will be evaluated as part of the approval process and all such items should be clearly communicated to the OSC with the contract and the rollforward request. Communication on these types of contracts should occur as soon as possible after they are identified by the department.

When departments' contracts route to the central approvers that are contingent upon an approved spending authority rollforward, a copy of the rollforward request should be attached. This will ensure that they are delivered to the OSC for review by the CCU and the Financial Specialist in a timely manner.

In addition, the OSC CCU may identify contracts submitted within 60 days of June 30 that they believe may need a rollforward. In these instances, the department will be contacted to determine whether a spending authority problem exists for the current fiscal year or whether a rollforward is needed for the following year.

2.4 Appropriation Coding for the New Year Rollforward

If new coding is desired by the department for tracking the request in the subsequent year, the OSC will setup rollups based on the following requirements:

Appropriation Type: The OSC has set aside funding source codes 910-929 as the last three digits of the appropriation types, to distinguish the rollforward appropriation type from other appropriation types.

For each cabinet, any funding source code within this range is acceptable in any given fiscal year. In the request for rollups, please provide the FSC that is requested. If you have multiple, separate rollforward requests with different GCF indicators, you will need to use a separate FSC for each request.

Appropriation Category and GCF: The increase in spending authority in the new year is always coded as non-appropriated (category N) and General Funds Exempt or Cash Funds (GCF- G or C). The following table provides guidance on how General Funds Exempt and Cash Funds should be rolled forward based on the original appropriation type, the fund in question, and the earnings status of the amount to be rolled at year-end.

Original Appropriation Type	Fund 1000 Roll As	Funds other than Fund 1000 Roll As
General Funds	General Funds Exempt	N/A
Cash/Reappropriated Funds Already Earned or Not Yet Earned	Cash Funds / Nonappropriated	Cash Funds / Nonappropriated

2.5 Rollforwards from the Reappropriated Column of the Long Bill

When a department has a rollforward request that is from the reappropriated column, <u>both state</u> <u>departments – the one spending the funds and the one providing the funding - must submit a</u> rollforward request.

CHAPTER 3: SECTION 3 CLOSING ACCOUNTING ISSUES

The material in this section has several intended purposes:

- Assist departments in developing uniform year-end accounting procedures.
- Inform departments of significant accounting changes that impact year-end financial reporting.

Each department is responsible for accurate, timely, and complete year-end accounting. These procedures are applicable to all State departments in the legislative, judicial, and executive branches of government.

3.1 Preparing Accounting Estimates

Departments should review their current accounting estimation procedures to ensure they are consistent with this guidance. If estimates are necessary to meet closing dates, this guidance will serve as a standard for developing processes to prepare estimates. If a department follows this guidance and produces an estimate that subsequently proves to be inaccurate, the department will be supported by the standard. The revenue and expenditure accrual estimation methodologies must be documented so the process and source data may be used from year to year to achieve consistency and improve the estimation methodology. An inaccurate estimate may indicate the need to research variances and use a different methodology that produces a more accurate estimate. Departments should improve estimation processes over time – see 3.1.3 below. Departments that must record information in CORE by the close of Period 14 using estimates are responsible only for estimates based on the best information known prior to the date for statutory close.

3.1.1 Estimation of Accrued Expenditures

All known liabilities and related expenditures must be accrued for fiscal year-end. Contingent liabilities must be reported in accordance with GASB Statement No. 62. As part of the year-end close process, some liabilities must be estimated. Year-end estimates should be based on situations, circumstances, and documented evidence known before the close of Period 14. Deviations from a historical methodology to an estimate should be documented (e.g., a change in the weather from prior year would be a reason to deviate from the department's utility bill of the prior year, if all other factors remain constant).

3.1.2 Estimation of Accrued Revenues

Revenues may be estimated and accrued in accordance with GAAP and the revenue recognition criteria applicable to the fund for which the accrual is made. Estimates of accrued revenue are calculated based on situations, circumstances, and documented evidence known before the close of Period 14. If current facts and circumstances indicate that a change is needed to a historical information source or estimation methodology, the change and the reasons for it should be documented.

3.1.3 Continuous Improvement of the Estimation Process

In order to assess the reliability of the estimation process and improve that process in successive years, departments should compare accounting estimates with subsequent results. Departments may want to refer to AU Section 342, AU Section 9342, and AU-C Section 540 to better understand the relevance of such a comparison.

3.2 Accounts Payable Accruals

Generally, monthly interim accruals are not allowed in CORE. However, annual accruals are required by all departments at year-end for inclusion in the State's financial statements. The following two sections discuss the accrual process for goods or services received by June 30 and

paid before or after the cash cutoff date.

3.2.1 Goods or Services Received by June 30, and Paid by the Cash Cutoff Date

When payment occurs after June 30 but before the cash cutoff date, the transactions in CORE automatically book the accrual, however departments must take a few steps to ensure this occurs as discussed below.

• Manually-Entered Payment Transactions (e.g., GAXs, PRCs, and MDs)

As of any July 1, CORE will auto-populate transaction headers with the <u>new-year</u> BFY, FY, and current period. Therefore, to post payments related to the closing year users must leave the record date blank and manually enter transaction headers with the <u>closing year's</u> BFY, FY, and Period 12. When the payment posts it will automatically record the accrual in vouchers payable account 2100 and no other steps are necessary.

• Automatically-Generated Payment Transactions (e.g., PRM and PRN)

The BFY, FY, and Period on the accounting line is inferred from the award transaction's BFY, FY. Therefore, to post payments related to the closing year, two things must occur. First, the IN transaction must reference the closing year's award accounting line and second, the IN must have an invoice date and service date, if applicable, of June 30 or prior. When the payment posts, it will automatically record the accrual in vouchers payable account 2100 and no other steps are necessary. Note: If this is a three-way match, the received date on the RC must also be June 30 or prior.

• Internal Transactions

Internal transactions (e.g., IETs or ITI/ITAs) between and among departments should be coordinated by both parties and can be processed through Period 14 close with event types that transfer cash. Internal transactions (e.g., IETs or another payment transaction such as a GAX) between departments and higher education institutions must be processed by the deadline in the open/close calendar. This is important because of the time involved in closing and feeding higher education accounting information to CORE.

3.2.2 Goods or Services Received by June 30, but Paid After the Cash Cutoff Date

For goods or services not paid by the cash cutoff date, departments must manually enter the accruals in CORE, using the ACC transaction to record the accrual in the closing year and the ACL to reverse the accrual in the new year. The exception to this is the use of the JVC transaction as discussed later. Both the ACC and ACL transactions must be used in tandem. The following section provides information about each transaction and the accounting entries, how to correct overaccruals, and some general reminders and tips for troubleshooting issues. A job aid for creating these transactions is also available on the CORE website at https://core.state.co.us/job-aids/fiscal-year-end.

• Manual Accrual Transaction (ACC)

- This transaction records the accrued expenditure and accounts payable. The payable account, any BSA 2xxx liability code, can be specified in the OBSA field. If this field is left blank the BSA will default to 2120.
- O Users must manually enter transaction headers with the closing year BFY, FY, and Period 13.
- The postings created by the ACC occur in the closing year as follows:

Dr. Accrued Expense

Cr. Accounts Payable

 Please see Section 3.2.2.2 guide for troubleshooting common issues with accruals including the process for handling changes in COA elements between the new and closing year.

• Manual Clearing Transaction (ACL)

- This transaction fully reverses the accrual recorded by the ACC. It is important that the accrual be fully reversed to support both 1099 reporting and the automation of accrued receivables that are generated in the reimbursement cycle. Specifically, to generate a 1099, a cash expenditure must be posted with a vendor code and a 1099-reportable object code. Therefore, all accruals should be fully reversed so that 1099-reportable payments are not paid out of a liability account.
- The ACL is created by copying forward from an ACC transaction and must be processed by the end of the closing year's Period 13. This is necessary because the ACL creates the cash expenditure in the closing BFY, which is necessary to capture matching receivable accruals (RE transactions) for grants.
- O Because the ACL fully reverses the ACC, there is no need to wait on processing the ACL. Therefore, best practice is to process an ACC to final and immediately process the ACL to final.
- o Transaction header dates will auto-populate with BFY-closing year, FY-new-year, and the current period of the new-year on the ACL transaction. **Do not change these.**
- o If an OBSA other than 2120 (which is the default unless specially changed) is used on the ACC, an additional step must be performed when copying forward from an ACC to an ACL. Specifically, clear/delete the OBSA that appears on the newly created ACL transaction. If the OBSA field is not cleared, a hard error will occur that will not allow the transaction to validate.
 - The postings created by the ACL shown below all occur in the new FY:

Dr. Accounts Payable (closing year BFY)

Cr. Accrued Expense

Dr. Cash Expense (closing year BFY)

Cr. Fund Balance

Dr. Fund Balance

Cr. Cash Expense (new year BFY)

(Note: If the payable is related to a reimbursable grant, the debit to Cash Expense results in CORE auto generating a RE transaction which creates an accrued receivable in the <u>closing</u> fiscal year and the credit to Cash Expense results in an RE that reverses the receivable in the <u>new</u> fiscal year.)

- A guide for troubleshooting COA changes between the closing and new year is listed below.
- o In conjunction with the ACL, a new-year payment transaction will be processed as normal against expenditure coding to clear the accrual reversal in the new-year and generate the actual receivable. Note that if the ACL is not completed at the time of payment there will be a timing discrepancy in the related receivable transactions. If the payment is done after the ACL, the receivable will be understated until the payment transaction is complete if the accruals are done with regular grant coding.

• Cost Accounting Journal Voucher (JVC)

The JVC transaction may be used only for multi-line accruals with a front-end split program. This is due to issues with the auto-split function in CORE. The JVC allows departments to manually enter the funding profile, funding priority and funding line information, rather than being automatically inferred from the program code. There are two event types available for this purpose:

- Event Type XG06 (Dr. Accrued Expense, Cr. A/P)
- Event Type XG09 (Dr. Cash Expense, Cr. A/P)

Departments can use either event type for the accrual and reversal. Using XG09 will cause automatic REs to generate in both closing and opening years with a net of \$0 for a reimbursable program. Using XG06 will not cause REs to generate from either the accrual or reversal, and revenue will not be earned until a cash payment is made in the opening year.

In all cases, departments should reverse accruals; make adjustments for overaccruals; and issue payment from expense accounts, not payable accounts in the following fiscal year.

• Internal Transactions

Internal transactions (e.g., IETs or ITIs/ITAs) between and among departments after Period 14 close must use a payable/receivable offset, rather than a cash offset. The internal payables/receivables must also be confirmed in accordance with the payable/receivable process discussed in this manual.

3.2.2.1 Reconciliation and Over-Accrual Adjustments

Accounts payable reconciliation and over-accrual adjustments should be completed by September 30. First, departments should ensure all accruals created with an ACC were fully reversed with an ACL. Second, departments should compare the total expenditures accrued to the total actually paid. If the department under-accrued (the amount paid is more than the amount accrued) no adjustment is needed. If the department over-accrued (the amount paid is less than the amount accrued) an adjustment must be made. Since the ACL clears the payable to zero, an over-accrual results in a credit to cash expenditures (in essence creating spending authority in the opening year BFY). Therefore, the additional credit in expense needs to be reverted as indicated below.

For reversions of over-accruals using a general, cash, or re-appropriated appropriation units, departments should use a JV1STND or JVC transaction and event type XG33 which uses posting codes D014 (cash expense) and R003 (collected revenue). The entries for XG33 are shown below. Note: If the over-accrual was in Fund 1000, departments must use their generic *C999999 cash appropriation unit (asterisk represents the cabinet code); if however the over-accrual was not in Fund 1000, departments may use either the original appropriation unit or appropriation unit *C999999. Also, when crediting revenue, use revenue source code 830A.

Dr. Cash Expense (without program coding)

Cr. Collected Revenue (without program coding)

For reversions of over-accruals of grants/projects with <u>non-appropriated appropriation units</u>, departments should use a JVC transaction with event type XG41 which uses posting codes XD08 (unbudgeted accrued expenditure) and XR02 (unbudgeted collected revenue). The entries for XG41 are shown below. *Note: Use the original non-appropriated appropriation unit where the accrual was reversed. Also, when crediting revenue, use revenue source code 830A.*

Dr. Unbudgeted Accrued Expenditure (with program coding)

Cr. Unbudgeted Collected Revenue (with program coding)

Since the posting codes are non-budgeted this will not affect the budget of cost accounting

structures (39, 40, 193 or 194) or legal structures (190 or 191), but still will be properly included in the financial statements for the closing fiscal year. The use of posting code XD08 will also avoid the creation of unnecessary reimbursement revenue from the AP reversions. Additionally, both the BQ screens and the BA reports will include only actual budgeted expenditures towards the grants, and will exclude AP reversion transactions. Therefore, the BQ screens and BA reports can be used to derive the remaining budget to carryforward from the old year to the new year without any manual adjustments.

Departments should submit extension requests to <u>DPA_FARmailbox@state.co.us</u> if the accrual reconciliation and over-accrual adjustments are not completed by September 30. The extension request should include the reasons of needing the extension, outstanding accrued amounts, and vendor information if known.

3.2.2.2 General Reminders and Troubleshooting Transaction Issues

- Payable accruals and reversals should not be done on a JV type transaction, with the
 exception of certain long-term payables outlined in Chapter 1, Section 2.12, or for
 departments using multi-line accruals with a front-end split program. Department
 Controllers, in consultation with the OSC Financial Services Unit, may authorize the use
 of JV type transactions for certain accruals that cannot be recorded using the normal
 ACC/ACL transactions.
- Documentation to support the payables should be retained at the department for audit purposes.
- All payables must be recorded even if they will result in an overexpenditure, including retirement payouts as specified in Chapter 3, Section 3.32. However, payables should not be recorded just to expend the balance of an appropriation or encumbrance. Because of the impact on the computation of available fund balance, it is essential that any payables accrued in the Regular Capital Projects Fund (Fund 4610), Information Technology Capital Account (Fund 4611), and General Purpose Revenue Fund (Fund 1000) are valid.
- If material, salaries and CCARD purchases should be accrued using an ACC transaction and reversed with an ACL transaction. Salaries should be accrued from the last pay period end date to June 30. CCARD purchases should be accrued from the June statement cutoff date to June 30.
- Below is a guide for troubleshooting common issues that can arise with the use of the ACC and ACL transactions, and possible remedies:

Guide for Troubleshooting ACC/ACL Transaction Issues		
Error/Issue	Remedy	
An ACC was accidentally entered and/or the information in an ACC was incorrect and an ACL has not been processed.	Modify the ACC to create Version 2 (select Edit from the finalized ACC) and change each accounting line to \$0.	
An ACC was accidentally entered and/or the information in an ACC was incorrect and an ACL		

1. Proces
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- 1. Process a JV1STND or JVC using event type XG06 to accrue expenses with the closing year appropriation units. The entry should be posted to the closing BFY/FY and period 13.
- 2. Process a JV1STND or JVC using event type XG06 to reverse the accrued expense with the opening year appropriation unit.

The entry should be posted to the opening BFY/FY and current period (1, 2, etc.).

3.3 Accounts Receivable and Tax Accruals

In all funds, accounts receivable should be recorded when the related revenue is earned, but not yet collected, or an otherwise valid receivable exists. GASB Statements Nos. 22 and 33 provide guidance for revenue recognition and receivables. In a governmental fund following modified accrual accounting, in order to record a receivable, it must also be susceptible to accrual, meaning both measurable and available. Measurable means that a reasonable estimate of the amount due can be made. Available means the receivable will be collected in time to be used to fund expenditures within the next fiscal year. If the collectability of the potential receivable is questionable, the department should evaluate the potential uncollectable amount to determine the need for or adequacy of a related Accounts Receivable Allowance – See 3.4 below.

Receivables recorded in governmental funds that are not due within the next fiscal year should be recorded as <u>long-term</u> receivables with an offset to a deferred inflow of resources. Deferred inflows related to long-term receivables must be recognized as revenue under the full accrual basis of accounting. The year-end entries to recognize this revenue are recorded in the General Full Accrual Account Group (GFAAG – fund 4710). In the following example \$250 of taxes receivable are accrued, but \$75 dollars is not expected to be collected until after the following fiscal year. In fund 4710 the deferral is reversed so that when fund 1000 and fund 4710 are combined at the government-wide level, the deferred inflows are zero and the revenue is recognized.

	Fund 1000		Fund 4710	
Taxes Receivable	250			
Tax Revenue		175		
Deferred Inflow of Resources		75		
Deferred Inflow of Resources			75	
Tax Revenue				75

The example entry above assumes a reversal of the prior year's accrual. The impact of the reversal and the current year-end entry results in revenue recognition to the extent of the change in the deferred inflow accounts. Departments are required to reverse receivable accruals, except as identified in Chapter 1, Section 2.12.

Generally Accepted Accounting Principles (GAAP) specify that governmental funds usually record miscellaneous fees and fines on the cash basis (NCGAS1). However, it is the State Controller's policy that departments use their professional judgment to determine if these items are measurable and available, and therefore, should be recorded as revenue and receivables before receipt of the cash.

In general, receivables should be recorded net of estimated refunds and net of estimated uncollectible amounts (with a credit to the allowance account).

3.4 Accounts Receivable Allowances

Allowances for uncollectible receivables may be established at any time during the fiscal year. Factors including, but not limited to, the age of the receivable, payment history, and financial condition of the debtor should be considered in making an allowance determination. If not already fully reserved, uncollected receivables greater than 6 years old should be evaluated and consideration given to fully reserving the balance in the allowance for uncollectable accounts as uncollectible by third party external collectors. The following guidance is supported by GASB Q&A 7.40.3 and 7.72.2. When establishing or increasing a receivable allowance account related to revenue earned in the current fiscal year, the debit should be made to the related revenue source code. The same should occur related to revenue earned in the prior year, but the offset should impact nonbudgeted revenue. For receivables for which there is no related revenue, such as for a loan or note receivable, the debit is coded as an expenditure and object code 4120—Bad Debt Expense shall be used. Any debt that an agency wants considered for forgiveness (see Section 3.5) must be allowanced prior to submitting to the OSC.

3.5 Accounts Receivable Forgiveness

Accounts receivable balances must be fully allowanced in order to request that the debt be forgiven. Agencies who wish to submit debt for forgiveness must complete the "Accounts Receivable Forgiveness Request form. The form contains all the instructions for submitting debt for forgiveness. Once completed it can be submitted to the OSC's FAR mailbox. The debt forgiveness request will be reviewed by the OSC and then the State Treasurer. The form can be found on the OSC's website under the collections tab here:

https://drive.google.com/file/d/1NbkM5tZerF5RfzqG6Uznsxgl4AlRE7PN/view

After the agency receives approval to forgive the debt as discussed in Chapter 7, Section 1.5, an accounts receivable balance may be removed from the agency's records by recording a credit to the appropriate accounts receivable account and a debit to the allowance for uncollectible accounts receivable. Consideration should be given to submitting debt greater than 6 years old for forgiveness approval as noted in Section 3.4.

3.5.1 Debt Not Substantiated

Debt is considered invalid if the debt is unliquidated where the total amount owed is unknown, cannot be determined, or disputed as well as debt in the accounting records that lacks documentation to support collection of that debt. When it has been determined that this condition exists, the account must be fully allowanced. In order to remove the accounts receivable and related allowance from the agency's accounting records, a request must be submitted and approved by the State Controller as discussed in Chapter 7, Section 1.6.

3.6 Commercial Card (CCard) Transactions

The monthly billing cycles for the State's CCards close on the 25th or the first business/banking day after the 25th of every month. For the June billing cycle, it is recommended that agencies cut off fiscal year CCard transactions at least one business day prior to the June cycle close date to facilitate year-end close. If any CCard transactions occur between the June cycle close and June 30th, expenditure accruals will need to be recorded as outlined in section 3.2 of this chapter. With the approval of the PRC1 transactions in CORE (or applicable transactions for those not using PRC1s or operating in CORE), agencies need to ensure that all CCard activity posted to the general ledger reconciles to the underlying statements.

3.7 Accepting Payment by Credit Card

Section 24-19.5-101, C.R.S. allows state agencies to accept payments by credit card. The State Controller has adopted the following policy regarding payments received by credit card:

- If the full amount of the payment to the State is received from the customer and the department subsequently disburses bank fees, or otherwise provides funds for the bank fees, the department shall record the revenue gross and the bank fee as an expenditure. Object code 4105 Bank Card Fees, has been established for this purpose. When the fee has not been specifically budgeted to the department, then the department may use a non-budgetary posting code (which does not reduce available budget) to expense the bank fee.
- When the department receives the payment net of bank fees, then the department shall record the revenue gross and the bank fee as a debit to revenue in either 5208 Credit Card Fees Nonexempt or 5209 Credit Card Fees Exempt. The Nonexempt or Exempt classification is dependent on the nonexempt or exempt status of the revenue collected in the transaction.

Questions about this policy may be directed to the department's assigned OSC Financial Specialist.

3.8 Augmenting Revenue

Augmenting revenue is revenue recorded in the General Fund (Fund 1000) with cash, reappropriated, or federal appropriations. Prior to final closing, each augmenting revenue account should be analyzed and necessary adjusting entries made. These revenues may be from federally sponsored programs or cash sources, such as, department charges for goods and services. If the revenue is from a reimbursement type grant, the federal revenue accruals should be based on the federal matching rate applied to the related expenditures. For nonreimbursement grants, apply the appropriate revenue recognition criteria in GASB Statement No. 33, as amended by GASB Statement No. 65. Other department cash funded revenue accounts should reflect only the actual earned revenue.

In funds supported by general-purpose revenue (funds 1000, 4610, or 4611), an underearning of augmenting revenue may create an overexpenditure in these funds. With the policy decision to use positive coding, overexpended amounts due to underearnings of cash, reappropriated, and federal sources in these funds must be reclassified as general fund exempt expenditures by Period 13 close.

It is important to carefully review each augmenting revenue balance to be sure that it is correct. In addition, it is important not to over accrue federal revenue because it will revert to fund balance. To reserve earnings in the General Fund (Fund 1000) from custodial sources, a JV1STND using Event Type XG30 and revenue source code 9523, must be prepared to designate the use of fund balance so that it can be excluded from the reversion calculation. These entries must be completed in the new fiscal year by the mid-August date in the open/close calendar to ensure funds are not inadvertently reverted.

One example where the use of revenue source code 9523 might be warranted would be if a check is received in the closing year in Fund 1000, and not intended to be spent until the next fiscal year. The 9523 revenue would show as earned revenue in the next year, avoiding an overexpenditure.

Two OSC diagnostic reports have been created to monitor augmenting revenue issues. Departments should use the OSC-010 and OSC-028 infoAdvantage reports throughout the year and take appropriate action by Period 13 close.

3.9 Capital Asset Inventory

Furniture, equipment, and other capital assets having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit should be inventoried annually. If time does not permit

the taking of a physical inventory on June 30, it is permissible to take the inventory at or after March 31 and adjust for additions and deletions occurring from the date of the physical inventory until June 30. The Office of the State Auditor should be advised if you elect to take inventory prior to June 30. Any capital items that are present on Fixed Asset (FA) reports that are not present in actual inventory must be disposed of using a FD transaction prior to completing the Exhibit W and year-end entries. Capital assets associated with the activities of governmental fund types should be recorded in CORE using the General Full Accrual Account Group (Fund 4710). Capital assets associated with enterprise, internal service, and fiduciary fund types should be recorded in the respective enterprise, internal service, or fiduciary fund.

In order to accomplish the capital asset inventory, a report of assets by custodian has been developed in infoAdvantage. The report can be found in infoAdvantage / public folders / CORE Reports / Statewide Reports / Fixed Assets / FA-001 Detail Fixed Asset Transaction, tab titled by Custodian.

If there are discrepancies in the Capital Asset inventory, please make adjustments using transactions within the CORE Fixed Asset Module. Please see specific instructions on the CORE website regarding Capital Asset transactions and making changes needed to capital assets.

3.10 Cash Deposits with the State Treasurer

The State Treasurer must receive all walk-in cash and/or check deposits by 2:00 p.m. on the last working day of June. Any walk-in cash and/or check deposits received after 2:00 p.m. on the last working day of June are recorded as 1010 - Cash on Hand in the closing year and cleared to 1100 - Operating Cash in the next fiscal year using a cash receipt transaction.

Departments that have funds on deposit in department bank accounts may choose to wire or book transfer cash from the department's account to the Treasurer's operating account on the last business day of June in order to have the balance included in the 1100 - Treasurer's Operating Cash account for the closing fiscal year. All ACH transfer transactions must be processed on CORE and ready for Treasury to approve no later than 11:00 a.m. on the day prior to the last business day of June (Treasury's email address is treasurycashiers@state.co.us). Any money remaining in the department bank account at the end of business on the last business day of June must be shown on CORE in a 10xx account and included on the department's Exhibit M. No amount should be reported in Balance Sheet code 1013 – Cash in Transit to Treasury at the close of the fiscal year. This procedure will ensure that bank statements as of June 30 agree with State Treasurer's operating cash and department cash on deposit. All wire transfers for the closing fiscal year grant drawdowns must be initiated with enough lead time to ensure that cash is received and credited to the Treasury operating account by the last business day of June. If your department needs wire, ACH, or book transfer assistance please call the Treasury at 303-866-4948 or 303-866-2440. If you complete your own wire transfers, verify with your bank the time and amount of the wire.

A cash receipt (CRx transaction) for claiming deposits must be finalized for the State Treasurer's approval by the day **prior** to Period 12 close, although departments should apply final departmental approval on CR transactions for walk-in deposits before the deposit is delivered to Treasury. CR transactions not approved by Period 12 close will be rejected and must be processed in the following fiscal year. Once cash is claimed, it may then be distributed between funds. This distribution should be made as soon as possible after July 1, but no later than Period 12 close, since average daily balances in department accounts are not affected for purposes of interest calculation until the distribution has final approval. Deposits received by the Treasurer prior to June 30 of the closing year cannot be claimed on a new-year cash receipt transaction until after Period 12 close.

Cash receipt transactions for the closing year modified after June 30 must have all lines hard coded to the closing fiscal year and Period 12 in the header of the CRx transaction. If this is not done, CORE infers the current calendar date and creates cash reconciliation issues in the closing and new

year that must be corrected prior to Period 12 close. Direct Deposit (DD) worksheets submitted to the Treasury must not mix fiscal years. Finally, ensure all cash receipt transactions have been approved at the Department level before contacting Treasury for Treasury approval.

If you have any questions regarding this procedure, please contact the Accounting section at the Treasury (303-866-4948 or treasurycashiers@state.co.us) or the Financial Services Unit at the OSC.

3.11 Compensated Absences Accrual

Governmental funds, which use the modified accrual basis of accounting, should report a compensated absences liability and accrued expense to the extent the liability will be liquidated with expendable available financial resources (current portion). The long-term portion of this accrued liability related to all governmental funds should be reported in fund 4710. Proprietary and fiduciary funds, which use the full accrual basis of accounting, should report both the current and long-term portions in the proprietary or fiduciary fund. Refer to GASB Statement Nos. 34 and No. 35, and GASB Interpretation No. 6, for relevant guidance.

Departments may calculate their compensated absence balances at the end of Periods 9 (March), 10 (April), or 11 (May) and make adjustments for material changes occurring through June 30. The salary amount used to calculate the liability must be the employee's salary at June 30. An averaging technique for a group of individuals may also be used when that calculation results in a reasonably accurate estimate.

PERA will provide the OSC with the percentage of state employees expected to retire with PERA benefits. The OSC will provide this information to the departments when available.

The calculation of the compensated absences liability includes:

- The value of annual leave should be computed as the total days earned, but not taken, times the salary rate per day in effect at the close of the fiscal year. The annual leave accrual also includes the State share of PERA, FICA, or other retirement programs as appropriate. The State share of PERA should be calculated using the appropriate employer contribution rate in effect at fiscal year end. The PERA employer contribution rates effective at June 30, 2024 are 21.61 percent of salary for employees in the State Division except for State Troopers and CBI agents which is 24.31 percent, and Judicial Branch judges for which it is 24.91 percent. For employees hired after March 31, 1986, the state share of Medicare taxes of 1.45 percent of salary is also added to the accrual.
- The value of the vested sick leave accrual should be computed as follows: 25 percent of the total number of sick leave days (not to exceed 45 days plus sick leave earned prior to July 1, 1988) earned, but not taken, by employees at the close of the accounting period, multiplied by the percentage of current employees covered by PERA that are expected to retire from state service, multiplied by the salary rate per day in effect at the close of the fiscal year. The sick leave accrual includes the state's share of PERA, FICA, Medicare, or other retirement plans since the state share is paid out at retirement.
- Institutions of higher education with employees covered by retirement plans other than PERA or FICA and have vested sick leave should make a compensated absence accrual in accordance with GAAP. Institutions of higher education are <u>not</u> required to use the JV1STND for this entry.

The increase or decrease (net change) to the compensated absence liability as of June 30, is recorded as follows:

- Funds using modified accrual (governmental funds):
 - In fund 4710, record either an increase or decrease in the compensated absences using

JV1STND, Event Type XG14 as:

- A debit or credit as appropriate to an unbudgeted posting code and object code 1810-Compensated Absences - Annual Leave and 1820 - Compensated Absences - Sick Leave, and
- A debit or credit as appropriate to 2910 Long-Term Compensated Absences Liability - Annual Leave and 2920 – Long-Term Compensated Absences Liability - Sick Leave.
- In a governmental fund where the amount was payable at June 30, but not paid using an ACC transaction to record:
 - A debit to budgeted posting code and object code 1810 Compensated Absences - Annual Leave and 1820 - Compensated Absences - Sick Leave, and
 - o A credit to balance sheet account 2440 Current Compensated Absences.
- Funds using full accrual (proprietary and trust funds). In the proprietary fund, record an increase or decrease in the compensated absences record using a JV1STND, Event Type XG14, the debits and credits as described above for governmental funds.

In all funds, including fund 4710, any portion of the liability that is current (expected to be paid in the next fiscal year) should be reclassified to liability account 2440 - Current Compensated Absences. This means that each department is likely to have both current and long-term liabilities for compensated absences. If the current portion is estimated for the retirements to occur in the next year, the long-term liability will be the difference between the current portion and the total liability. Reasonable estimates should be used to allocate the liabilities between the current and long-term portions. When the balances for compensated absences for an employee are transferred to another fund, the regular object codes (OBJ 1810 and 1820) should be used, rather than transfer codes.

3.12 Pollution Remediation and Asset Retirement Obligations

This section provides guidance for the accounting and reporting of pollution remediation and asset retirement obligations, including entries to record the related assets, liabilities, deferred inflows and outflows, and expenditures.

3.12.1 Pollution Remediation Obligations

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations (PROs). PROs include obligations to address current or potential detrimental effects of existing pollution through remediation activities such as site assessments and cleanups.

Once any one of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention—related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.

- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

Calculating the PRO

When an obligating event occurs, a department must recognize and disclose the PRO. The department must estimate the amount, based on the current value of outlays expected to be incurred to settle the liability, and is required to use the expected cash flow technique. The expected cash flow technique is a weighted average of the probability range of outcomes or data points. For example, a PRO is estimated as having a 10% chance of costing \$10 million (worst case), a 10% chance of costing \$2 million (best case) and an 80% chance of costing \$5 million (most likely). The ECF would give a result of (.10 * 10,000,000) + (.10 * 2,000,000) + (.80 * 5,000,000) or \$5,200,000 as a liability.

Any recoveries, whether from insurance companies or other PRPs, should be considered when calculating the PRO. If the recovery is not yet realized or realizable, the amount of the expected recovery should be netted against the PRO. If the recovery is realized or realizable, it should be recognized separately from the PRO, not as a reduction to the overall liability, but as a recovery asset (i.e., cash or receivable).

Departments are required to re-measure the liability each time the clean-up effort approaches one of the recognition benchmarks in the standard or as more information becomes available. In limited circumstances (e.g., a building used to coordinate Pollution Remediation activities has a future alternative use after the activity ceases), PROs may be capitalized (please see GASB Statement No. 49, paragraph 22 for additional information).

Accounting for the PRO

The liability should be booked as follows:

Governmental Funds – Amounts for goods and services only expected to be liquidated with expendable available financial resources should be booked as liabilities upon receipt of the goods and services. The accumulation of resources for the eventual payment of the PRO does not result in an additional governmental fund liability. Both the current and long term portion of the related PRO liability should be recorded in fund 4710.

Example – A department signs a contract on 6/01/15 with the EPA agreeing to pay \$1.0 million per year for three years for a pollution remediation obligation. The department was invoiced \$25,000 for work completed prior to 6/30/15. The department has a governmental fund 1xxx. The accounting would be as follows:

In fund 1xxx (goods and services), with an ACC transaction:

- Debit (Expenditure) to object xxxx for \$25,000
- Credit (Liability) to balance sheet 2120 as accounts payable for \$25,000

In fund 4710 (PRO: original recording of current and noncurrent amount), with a JV1ADVN transaction:

- Debit (Nonbudgeted) to object xxxx for \$3.0 million
- Credit (Liability) to balance sheet 2995 for \$2.0 million
- Credit (Liability) to balance sheet 2785 for \$1.0 million

In fund 4710 (PRO: adjustment for liability reduction for completed work), with a JV1ADNV transaction:

- Debit (Liability) to balance sheet 2785 or 2995, as appropriate, for \$25,000
- Credit (Nonbudgeted) to object xxxx for \$25,000

Proprietary Funds – an expenditure could be recorded as a program or operating expense or as a special or extraordinary item (if it meets the criteria for those items). The expenditure is booked as a budgeted or nonbudgeted expense with an offset to the liability. The use of a nonbudget posting code is dependent upon whether or not the liability has been budgeted for in the Long Bill. If a nonbudgeted posting code is used to record the expense and a budget is subsequently recorded, the expense must be reclassified by crediting the original nonbudgeted posting code and debiting a budgeted posting code for the amount. This will ensure proper recognition under the budget and have no effect on fund balance in the current year.

Proprietary funds would book the expenditure/liability combination in the fund for the entire amount, segregated between current and long-term as necessary.

Please note that the object code used depends upon the nature of the expenditure – personal services, supplies, equipment, etc. The OSC has created two liability accounts, 2785 – Pollution Remediation Obligations – Current and 2995 – Pollution Remediation Obligation – LT.

Recoveries should be accounted for as follows (Governmental Funds should use either fund 1xxx or 4710 to mirror the booking of the expense/liability as discussed above):

Realized/Realizable in the year the expenses and liability are booked:

- Debit cash or receivable
- Credit expense

Realized/Realizable in years after the expenses and liability have been booked:

- Debit cash or receivable
- Credit liability 2785 or 2995

Realized/Realizable - post-remediation, after the liability has been liquidated:

- Debit cash or receivable
- Credit revenue source code 5880

Not Realized/Realizable (if the liability has already been recorded):

- Debit liability account 2785 or 2995
- Credit expense

Realized or realizable recoveries recorded after the liability is no longer on the books, regardless of source (i.e. PRP, insurance, etc.), should be booked as revenue source code 5880 – Pollution Remediation Recoveries with an offset to either cash or a receivable as appropriate.

3.12.2 Asset Retirement Obligations

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. Asset retirements include the sale, abandonment, recycling, or other types of disposals of tangible capital assets. Examples could include the decommission of a nuclear reactor, dismantling a sewage treatment plant, or retiring certain types of medical equipment.

This Statement establishes criteria for determining the timing and pattern of recognition of a

liability and a corresponding deferred outflow of resources for AROs, and requires that recognition occur when the liability is both incurred <u>and</u> reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of an <u>external event</u> such as external laws, regulations, contracts, or court judgments, together with the occurrence of an <u>internal event</u> that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons thereon. This Statement requires

similar disclosures for a government's minority shares of AROs.

CORE contains chart of account elements for the recording of asset retirement obligation liabilities and deferred outflows of resources, as well as expenses/expenditures for the amortization of deferred outflows of resources. In addition, Exhibit Z2 should be used to report and disclose AROs. The following entries will be used to record an asset retirement obligation in Fund 4710 or in the applicable proprietary fund:

Dr. 4024 Deferred Outflows – Asset Retirement Obligation

Cr. 2996 Asset Retirement Obligation – Long Term

To record an initial asset retirement obligation related to the retirement of tangible capital asset

Dr. 4131 Asset Retirement Expense

Cr. 4024 Deferred Outflows – Asset Retirement Obligation

To record annual amortization of deferred outflows related to an asset retirement obligation

Subsequent to initial measurement, a government should at least annually adjust the current value of its ARO for the effects of general inflation or deflation:

Dr. 4024 Deferred Outflows – Asset Retirement Obligation Cr. 2996 Asset Retirement Obligation – Long Term

OR

Dr. 2996 Asset Retirement Obligation – Long Term
Cr. 4024 Deferred Outflows – Asset Retirement Obligation

3.13 Prepaid Expenses and Consumable Inventories

Department policies for recording prepaid expenses at June 30 should be reviewed and applied on a consistent basis from year to year. Prepaid expenses should be recorded if the amount is material and if the entire amount of the payment is attributable to the following year. If a significant and material portion of a payment is attributable to the following year, recording a prepaid expense for that portion should also be considered for recurring payments such as leases, dues, maintenance agreements, etc. Where the amount expensed from year to year is essentially the same, recording a prepaid amount may not be necessary. In all cases, advance payments should be closely reviewed to ensure that they are required by contract terms and are approved by the State Controller or delegate.

All departments should record on their balance sheet on the last business day of June significant supplies or other consumable inventories. Significant for this purpose is defined as inventories totaling \$100,000 or more per location. Departments may record inventories under \$100,000 at their discretion. However, departments should be aware that increasing the threshold from a lower number to \$100,000 requires expensing the difference against current budget. All inventories recorded on the balance sheet must be physically inventoried regardless of dollar amount (see inventory requirements below). If inventories under \$100,000 are not included on the balance sheet, the OSC does not require them to be inventoried. However, the department may decide to conduct a physical inventory count for management purposes. In all cases, internal policies and procedures related to consumable inventories should be consistently applied from year to year, and the recorded balances of such inventories are subject to verification and audit.

Inventories greater than \$100,000 per location must be inventoried annually. Recorded inventories

less than \$100,000 per location must be inventoried at least biennially. Estimates of changes in value should be booked in the year a physical count is not taken.

All inventories should be taken at year-end. However, if time or resources do not permit the taking of a physical inventory at year-end, it is permissible to take the inventory at the end of periods 9 (March), 10 (April), or 11 (May) and adjust for additions and withdrawals occurring from the date of the physical inventory until June 30.

Other inventory schedules may be established for perpetual inventories that are cyclical in nature. Physical counts of perpetual inventories may be taken on a prearranged schedule. This allows the physical counts for these inventories to be scheduled around the low point in the inventory stock cycle.

Departments should notify the Office of the State Auditor in advance of all physical inventory counts. This may be done by providing an inventory schedule showing the dates and locations for planned physical inventory counts.

3.14 CORE Inventory Module Cycle Count Procedures

Inventory closing procedures and other information can be found on the CORE website. Select "Inventory" from the Job Aids menu.

3.15 Internal Control and Certification of Accounting and Reporting Systems

Certification of financial accounting and reporting systems is required on Exhibit I. The Exhibit I also serves as the TABOR revenue certification. It may be submitted for multiple or single departments within a cabinet, but at a minimum all departments must be certified. The Exhibit I must be submitted to the OSC by the due date outlined in the open/close calendar. The Exhibit I requirement is different than the reporting required under the Financial Responsibility and Accountability Act (Section, 24-17-101, C.R.S.). See Chapter 5, Section 6.1 for the related Statement of Compliance due December 31 each year.

3.16 Year-End Fund Balance Sweep Entries for Funds 1000, 4610, and 4611

The purpose of the sweep is to ensure that department year-end fund balances in funds 1000, 4610, and 4611 are equal to zero. It is the intent of this process to prevent departments from rolling forward fund balances and cash balances in funds 1000, 4610, and 4611. The amount of the sweep entry for each department will be the fund balance carried forward from the prior year (if any) plus the difference between revenues and expenditures in these funds. The entry will be a debit or credit to balance sheet account 3400 with the offset to the cash account 1100 or 1130. An equal and opposite entry will be made to department 999A in the same fund. These entries will eliminate any negative cash position in the 1100 accounts caused by the absence of cash transfers to support general-funded expenditures. The OSC will make the sweep entries in Period 14 using Period 13 close balances. Because of the timing of these entries, there is the possibility that the transactions processed in Periods 14 through 16 will leave residual balances that roll into the next fiscal year. Since the sweep process is designed to prevent meaningless balances from accumulating over time at the fund/department level and is essentially for cosmetic purposes, no post-closing entries will be produced to correct the sweep process occurring during the OSC close. Any residual balances due to post-closing entries after the sweep entries have been done will be included in the subsequent year-end closing sweep.

For information about the sweep entry related to SLFRF capital construction for higher education institutions, see Chapter 3, Section 8.6.15.

3.17 Internal Transfers and Transactions

A transfer is a flow of assets (such as cash or goods) without an equivalent flow of assets in return

(non-exchange transaction) and without a requirement for repayment. Transfers are generally involuntary transactions as they are typically mandated by budget, statute, or administrative requirement. Transfer accounts must <u>not</u> be used when goods or services are exchanged and a value received in exchange is commensurate with the value of the goods or services provided (exchange transaction).

To ensure transfers are reported accurately and in accordance with GAAP, the transfer entry must debit a transfer OBJ in the fund from which the asset is being moved and must credit a transfer RSRC in the fund to which the asset is being moved. A transfer entry's offsetting debit or credit must be the BSA of the asset being moved. Abnormal usage of transfer OBJs (credit) and transfer RSRCs (debit) must only utilized be when reversing or reducing a previously recorded transfer.

The balancing of transfer transactions is required for the preparation of statewide financial statements. The OSC-012, OSC-013, and OSC-014 infoAdvantage transfer diagnostic reports help departments ensure transfer transactions are balanced. In addition, the OSC-003 diagnostic report must be reviewed to ensure there are no abnormal balances on transfer accounts. The transfer diagnostic reports must be balanced by Period 13 close. The use of the ITI/ITA and IET transactions by State departments helps ensure the balancing of transfer accounts. However, there are some instances where the use of the ITI/ITA and IET transaction is not feasible.

The following information is provided to assist departments in properly coding their transfer transactions. Communication between and within departments is key to the consistent and accurate recording of transfers and the balancing of all transfer accounts.

A pairing of an OBJ and RSRC exists for specific types of transfers. When making these types of transfers, the transfer codes below must be used.

Transfer Type	Exp Obj	Rev Src
AHEC Long Bill Transfers	7076	9076
AHEC Non-Long Bill Transfers	7077	9077
Capital Project Fund Transfers to Higher Ed	7300	9300
COP Payments to AHEC	7079	9079
Emp Res Fund Reversions	70RX	90RX
General Fund Surplus Transfers Out	7040	9040
Higher Ed COP Interest Payments To Treasury	7017	9017
Higher Ed COP Principal Payments to Treasury	7016	9016
Higher Ed Transfers - Other Governing Board	7075	9075
Higher Ed Transfers - Same Governing Board	7070	9070
Legislative Reversions	70RM	90RM
OIT Reversions	70RE	90RE
State Appropriation Transfers to Institutions	7090	9090
Student Financial Aid Transfers	7050	9050
Transfer to Augment General Fund	7020	9020/9030
Transfers Out from Highway Users Tax Fund	7060	9060

For other transfers, which include operating transfers and indirect cost transfers, the OBJ and RSRC must be used based on the most fitting description of the transfer. The information below is provided to assist in determining the most appropriate coding for operating transfers and indirect cost transfers.

All transfer OBJs and RSRCs are listed in the infoAdvantage REF-002 – Central Chart of Account Listing report. They can be reviewed by filtering the expenditure object listing for object categories OE11, OE12, and OE13 and by filtering the revenue source listing for revenue source category R086.

For indirect cost transfers, a distinction is made in the transfer codes for federal or cash indirect cost transfers. If the original source of the funds in an indirect cost transfer is federal, federal indirect cost transfer codes must be used. Similarly, if the original source of the funds in an indirect cost transfer is a cash fund, cash indirect cost transfer codes must be used.

For operating transfers, the cabinet expending the funds and the cabinet receiving the funds must be known to determine the appropriate transfer codes. If the operating transfer is occurring within the same cabinet, the "Same Cabinet" transfer codes should be used. If the operating transfer is between cabinets, the OBJ and RSRC specific to the related cabinet should be used.

For operating transfers and indirect cost transfers, the distinction between intrafund transfers and interfund transfers must be made when determining the appropriate transfer codes. An **intrafund** transfer is a transfer made between or within funds in the same fund category. An **interfund** transfer is a transfer made between funds in two different fund categories. The infoAdvantage report REF-002 – Central Chart of Account Listing ("Fund" report) can be utilized in determining to which fund category a fund belongs. In addition, the fund category (rollup) for a fund can be seen on the FUND page in CORE.

For operating transfers and indirect cost transfers, the RSRC should, when applicable, reflect if the transfer-in is nonexempt TABOR Revenue.

For SLFRF transfers, special coding is required on transactions to meet budgetary and reporting needs. The proper coding for SLFRF transfers is discussed in Chapter 3, Section 8.6.7. The transfer scenarios below provide examples of which operating transfer codes to use.

Same Cabinet:

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Interfund - Payment from a Non-Enterprise (e.g., Fund 1000) to an Enterprise (e.g., Fund 1720): Use 7000/9000 Intrafund - Payment from a Non-Enterprise (e.g., Fund 305F) to an Enterprise (e.g., Fund 320W): Use 7A00/9A00 Interfund - Payment from an Enterprise (e.g., Fund 1720) to a Non-Enterprise (e.g., Fund 1000): Use 7000/9010 Intrafund - Payment from an Enterprise (e.g., Fund 320W) to a Non-Enterprise (e.g., Fund 305F): Use 7A00/9A01
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Different Cabinet:

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Interfund - Payment from a Non-Enterprise (e.g., WAAA, Fund 1000) to an Enterprise (e.g., PMAA, Fund 1720): Usi Intrafund - Payment from a Non-Enterprise (e.g., IHAA, Fund 5040) to an Enterprise (e.g., FEDA, Fund AQEF): Use 7 Interfund - Payment from an Enterprise (e.g., PMAA, Fund 1720) to a Non-Enterprise (e.g., WAAA, Fund 1000): Use 7 Intrafund - Payment from an Enterprise (e.g., BBAA, Fund 1080) to a Non-Enterprise (e.g., IHAA, Fund 5040): Use 7
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3.18 Internal Receivable and Payable Balances

Internal receivables and payables are amounts owed between and within departments and institutions of higher education (departments). GASB Statement 38 requires disclosures and financial statement entries related to internal receivables and payables. To support this requirement, all departments that have internal receivable or payable balances as of June 30 are required to report their internal receivable and payable balances of \$10,000 or more to the OSC using the Exhibit

IR_IP. The exhibits, once completed, are the State's official record of internal receivable and payable balances.

Departments are required to maintain, and reconcile/validate at least annually at year-end, accounts payable and accounts receivable records. The records should be such that a department can report to whom payable balances are owed and from whom receivable balances are owed. There are CORE BSAs specific for internal receivable and payable balances (1370, 1380, 1390, 2370, 2380, 2390, 1720, 1730, 1735, 2940, 2950, and 2955) which departments can use. Internal receivable and payable information will be reported in the State's financial statements based on information reported to the OSC on Exhibits IR_IP. Therefore, the use of these internal receivable and payable BSAs is not required.

The proper use of the Exhibit IR_IP is described in the Exhibits Instructions. The Exhibit IR_IP is not a billing instrument, it should only be used to report to the OSC the amounts owed within the state government. Departments should agree on amounts owed before completing the Exhibit IR_IP; if agreement between departments cannot be reached, departments should contact DPA_FARmailbox@state.co.us for guidance on how to proceed.

3.19 Abnormal Balances and Balances in Clearing Accounts

Departments should clear (reduce to zero) abnormal balances and any balances in clearing accounts prior to Period 12 close. Abnormal account balances may be identified using the OSC-003 report titled - Abnormal Balances. Examples of clearing accounts include undistributed charges (BSA 159x) and undistributed receipts (BSA 2510). Reclassification of abnormal balances or balances in clearing accounts should be done based on an analysis to determine the proper distribution of the balances.

3.20 Budgeted and Unbudgeted Transactions

A careful review of CORE general ledger reports should be conducted to determine if budgeted and unbudgeted expenses were used properly. Departments should also review the OSC-016 – Unbudgeted Posting Codes diagnostic report in infoAdvantage. Unbudgeted posting codes should be used where an expense/expenditure needs to be recorded for the operating statement, but the item is not budgeted. Examples of appropriate use of this code are depreciation expense in proprietary fund types, deferral of payroll and/or Medicaid expenditures related to the budgetary basis of accounting, the Treasury transaction fee, credit card fees, and offsets to clear budgeted expenses in proprietary funds.

3.21 Office of the State Controller Diagnostic Reports in infoAdvantage

The OSC produces diagnostic reports to assist with ensuring that year-end balances in general ledger accounts and supplementary information are materially correct. For these reports to be useful, departments must review them throughout the year and timely at fiscal year-end. The diagnostic reports are available in infoAdvantage in the OSC Diagnostic Folder, and are discussed in Chapter 5, Section 1.

3.22 Unrealized Gains/Losses

GASB Statement No. 72, Fair Value Measurement and Application, requires investments to be measured and reported at fair value. Departments and institutions of higher education (IHEs) holding investments at year end are required to record an increase/decrease in the investment balance (BSA 1605) and nonbudget unrealized gain/loss (URGL) revenue (RSRC 6050, Posting Code XR02). The amount recorded represents the difference between the investments' book value and fair value as reported on Exhibit N1.

The Department of Treasury manages an internal investment pool wherein Treasury pooled cash

(BSA 1100/1130) is invested. GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires the investment assets of the internal investment pool to be reported as assets in the participating funds. Additionally, GASB Statement No. 72 requires these assets to be reported at fair value. To accomplish this, the pool's URGL is allocated to the same population as interest income (departments/funds that receive Treasury pool interest and have a positive balance). The pool's total URGL is multiplied by the department/fund's percentage of the pool based on the closing BSA 1100/1130 balances as of the timing outlined in the open/close calendar. The pool's allocated investment URGL is then posted to BSA 1105 (Cumulative Unrealized Gain/Loss on Treasury Pool Cash) with offsetting amounts posted RSRC 6050 (Unrealized Gain/Loss). This entry is recorded centrally, with the exception of entries for IHEs. IHEs record the centrally calculated URGL, which will be communicated as outlined in the open/close calendar, in their accounting system and post the entry to CORE.

The URGL entries represent a difference between book value and fair value of investments. The fair value is the market value (value if sold) of investments as of June 30. This valuation is made and URGL is recorded to BSA 1105 for financial statement purposes only; it does not reflect a real change in available resources for a department. Therefore, the OSC's Treasury pool URGL entry is made to "X" (OSC Use Only) department codes.

3.23 Clearing Warrants Payable

Warrants Payable (BSA 2000) is cleared in one of three ways in CORE:

- 1. A warrant is cashed. The Check Reconciliation Chain job runs the morning after every weekday, with the exception of bank holidays. This automated job creates WR (Warrant Reconciliation) transactions debiting BSA 2000 and crediting BSA 1100 (Cash).
- 2. A warrant is escheated. Specifically, when a warrant is not cashed within six months, Section 24-30-202(9)(a), C.R.S. requires that the State Controller escheat uncashed warrants and clear the liability from the department. Pursuant to Section 38-13-203, C.R.S. all moneys for these escheated warrants, unless there is an exception identified in statute (e.g., federal funds) or by the State Treasury must be delivered to the Treasury's Unclaimed Property Fund. When warrants are escheated by the OSC the entry is: Dr. BSA 2000 (Warrants Payable) and Cr. BSA 2751 (Canceled Warrants Prior Year). Next, Treasury's Accounting Division creates IETs to liquidate BSA 2751. The entry is: Dr. BSA 2751 (excluding exceptions, such as federal funds) and Cr. BSA1100. The balances remaining in BSA 2751 are the funds that were not required to be transferred to the Unclaimed Property Fund, but must still be cleared by the Departments prior to Period 12 close. For example, federal funds must be returned to the federal government.
- 3. A warrant is cancelled. When this occurs, the cancellation is processed as Version 2 of the original AD (Automated Disbursement) transaction. The Version 2 AD clears the liability (Warrant Payable, BSA 2000) and reverses the original expenditure. The entry is Dr. Warrant Payable and Cr. Cash Exp Wrnt or other COA used in the original AD. If the warrant is canceled and reissued, the cancellation entry is the same as previously described and the reissue entry (a new AD transaction generated that night) re-establishes a new Warrant Payable liability.

It is important to note if an AD cancellation occurs across fiscal years, the BFY of the cancellation (AD Ver. 2 transaction) does not change; it remains in the closing BFY, but it still posts to the current FY. This is a problem because FY and BFY should be in sync. The discrepancy is most notable between the data shown on the BQ screens which are based on BFY and fiscal reports which are based on FY.

To remedy the out of sync issues, the OSC prepares CHC entries to move the cancellation(s) to the correct BFY. The entries are distributed to the impacted departments

to post to CORE, if not already cleared by the department beforehand. Departments should not modify the entries in any way. In some cases, departments may need to reactivate program elements and/or override budget errors in order to submit the CHCs to final. The OSC will distribute CHC entries up to and after the final escheatment date (all warrants issued in the closing fiscal year will escheat by the first Saturday in February) for the closing fiscal year. After period 16 closes, if the AD cancellation creates an automatic RE transaction, it will reject and be in draft status. In addition, when the CHC transaction is processed, another RE transaction is expected to be created and will reject. The two RE transactions (the one rejected when the cancellation occurred, and the one created based on the CHC transaction) offset each other, and *need to be discarded*. There is no effect on the system for the offsetting entries.

Due to issues with the auto-split function in CORE, departments that use funding profiles may use a JVC rather than a CHC to process the correction entries. The JVC allows departments to manually enter the funding profile, priority, and line information, rather than being inferred from the program code.

In some cases, departments need to make manual entries to Warrants Payable. When this occurs it is important to ensure the payable is subsequently cleared once the warrant is cashed, escheated, or cancelled.

For additional vendor and disbursement management processes, please see Chapter 9 of this Manual. The CORE Warrant Escheatment Guide is on the Central Accounting page of the OSC site, https://osc.colorado.gov/financial-operations/central-accounting. CORE Accounts Payable guidance and job aids are available on the CORE Support Website, accessed through the CORE homepage. After logging in to CORE, click the CORE Support Website link towards the top right of the homepage.

3.24 Governmental Fund Balance

GASB Statement No. 54 defines governmental fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These range from legally enforceable constraints external to the government to nonbinding designations of fund balances. Classifications include:

- <u>Nonspendable Fund Balance</u> Amounts not expected to be converted into cash and includes inventories, prepaid expenses, and long-term receivables not otherwise restricted, committed, or assigned. Nonspendable also includes items that are legally or contractually required to be maintained intact such as a nonexpendable permanent trust.
- Restricted Fund Balance Amounts restricted to specific purposes by an external party that can legally compel the government to use the specified resources for a specific purpose. Restrictions are externally imposed through constitutional provisions, enabling legislation, or by external parties such as creditors or grantors. Constitutional restrictions include items such as tax revenue in the State Education Fund related to Amendment 23.
- Committed Fund Balance Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the General Assembly through legislation) should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, new legislation) it employed to previously commit those amounts. The authorization specifying the purposes for which amounts can be used should have the consent of both the legislative and executive branches of the government, if applicable. Committed fund balance also should incorporate contractual obligations to the extent that

existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- Assigned Fund Balance Balances in this category are constrained by the intent to use resources for a specific purpose, but are not restricted or committed. This action is at a level lower than that of the General Assembly. Little activity is expected in this category as legislatively created funds are considered at least committed, and often non-legislatively created funds are established due to external requirements that put those funds into the restricted category. However, some activity such as rollforwards may fall in this category.
- Unassigned Fund Balance Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. The OSC is responsible for reporting unassigned fund balance in the State's Annual Report.

Fund Balance Classification Policies and Procedures

When an expenditure may be funded from either restricted or unrestricted (committed, assigned, or unassigned) sources, unrestricted sources are spent first. When an expenditure may be funded with unrestricted sources (committed, assigned, or unassigned) funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources including transfers to pay indirect costs, to fund programs operating in fund 1000, to support health-related programs funded by tobacco tax, to support programs partially funded by Highway Users' Tax funds, and other situations that are not individually significant.

Funds were assigned categories with the implementation of GASB Statement No. 54. In CORE, the Fund Class defines the current default classification of each governmental fund, 'RST' for Restricted and 'URS' for Committed. Additionally, cash, receivables and investments in funds with an RST fund class are presented as restricted. Should a fund become partially restricted, the department is responsible to manually record the applicable portion of cash, receivables, investments, and fund balance in BSA 1034, 1634, 1345, and 3501, respectively. As new funds are created these factors are considered in consultation with departments to determine the appropriate initial classification of fund balance. Changes in classifications, due to factors such as changes to sources of revenues authorized for a fund, are annually required to be reported to the OSC on the Exhibit Q.

3.25 Proprietary Fund Net Position and Restricted Assets

GASB Statement No. 34 requires that proprietary funds report restricted assets when restrictions on the asset use change the nature or normal understanding of the availability of the asset. Cash, investments, and receivables are to be reported as restricted when external creditors, grantors, contributors or the laws and regulations of the federal government place constraints on their use. Federal funds are typically received on a cost reimbursement basis so the accrued federal revenues offset the prior expenditures and therefore does not result in any net position to restrict. These assets are also reported as restricted when they are constrained by the State constitution. They cannot be restricted solely at the discretion of the General Assembly or department management.

In order for the OSC to identify the net position of restricted assets, departments are required to account for the restricted assets and related liabilities in a restricted fund. When an entire fund is not restricted, departments must account for their restricted assets in balance sheet accounts 1034-Restricted Cash, 1634-Restricted Investments (GASB 34) and 1345-Restricted Accounts

Receivable and should make an entry at year-end to the appropriate 32xx Restricted Fund Balance account for the amount of the restricted net position.

3.26 Closing a Fund and Fund Balance Accounting

Legislation directing the disposition of fund balance for repealed funds is necessary to transfer any residual fund balance to another fund. The manner of closure depends on the statutory language closing the fund.

Generally, after all activity has been accounted for, a fund will have residual equity prior to the fund close out. Residual equity from a fund being closed must be transferred to the successor fund using transfer codes – see available transfer codes in Chapter 3, Section 3.17. Balances of Balance Sheet Accounts (BSA) are typically moved to the same BSA in the successor fund. For the fund's residual equity, the amount of the transfer-out in the fund being closed should equal the net of beginning equity, revenue (RSRC), and expenditure/expense (OBJ) (BSA 3400 + RSRCs + OBJs). Except for cases of moving between department codes within the same cabinet and same fund, BSA 3400 should not be used directly in this process. The transfer-out should result in the fund closing the fiscal year with zero ending equity. The RSRC used for the transfer-in in the successor fund should be properly paired with the transfer-out OBJ in the fund being closed.

This treatment is also used when a fund is repealed by legislation where the name of a fund is stricken and replaced with another fund name. If a fund is repealed without legislation directing disposition of the fund balance, the OSC is not able to authorize closing the fund to another fund. If you have questions about this process or have a deficit fund balance in a fund that you are closing, please contact the OSC Financial Services Unit.

A fund must be closed timely in accordance with state law requiring that a fund be discontinued. The OSC should be notified of all fund close outs. The OSC will change the fund to inactive status so that the fund will not continue to be brought forward to subsequent fiscal years in CORE.

3.27 Pay Date Shift

Senate Bill 03-197, later amended by House Bill 12-1246 (updating Section 24-50-104, C.R.S.), changed the pay date for salaries earned in the month of June from the last working day in June to the first working day in July (Section 24-50-104, C.R.S.). This applies to salaries paid to all State employees regardless of funding source. The legislation also changed the calculation of the General Purpose Revenue Fund (Fund 1000) surplus to record salary expenditures against general-funded revenues upon payment of expenditures in July (Section 24-75-201, C.R.S.). This means salary expenditures related to the June payroll will be recorded against the FY2025 budget for general-funded salary expenditures only. The general fund pay date shift legislation does not apply to salary expenditures funded by cash or federal sources accounted for in the General Purpose Revenue Fund (Fund 1000).

Financial statements for the State must be prepared according to GAAP. Therefore, the monthly salary expenditures must be expended for financial statement reporting in FY2024, but will be expended for budgetary reporting in FY2025. The table below summarizes the effect of June salary expenses for financial statement and budget purposes.

Work Period	Schedule	Normal Pay Date	Revised Pay Date	GAAP	Budget
June 1-June 30	M06	June 30	July 1	Posts in FY2024	Move GF to FY2025

In order to accommodate the payroll disbursement on July 1, 2024, departments using CPPS will record June payroll expenditures using the following process:

- Salaries will be reflected as accrued expenditures in the proper department/fund combinations through accounting templates based on the pay period end date, which drives the posting accounting period. The salaries will be converted from accrued to cash expenditures on pay day. The posting of these items occurs concurrently in CORE after labor is allocated several weeks in arrears. As a result, on June 30 cash is properly reflected in the payer departments/funds.
- For budgetary purposes, departments are required to generate a JVISTND or JVC transaction to change the payroll expenditures for the general-funded portion of the monthly payrolls by debiting a nonbudgeted posting code and crediting a budgeted posting code via Event Type XG13. The fund, department, appropriation code, and object code must be included in this entry. Department-level codes may be used if expense budgets are maintained, but are not required. For appropriation codes requiring a grant budget line, a dummy code can be established to keep the grant reporting clean.
- Payroll expenditure codes used to determine the liability entry INCLUDE ALL State personnel system and contractual salary and benefit codes.
- EXCLUDED codes are: leave payout or leave conversion pay codes (1140, 1141, 1142, 1240, 1241, 1242), client wages codes (1250, 1260, 1280), all other employee payment codes (13xx), higher education tuition reimbursements (1531, 1631), unemployment compensation and workers compensation codes (1532, 1533, 1632, 1633, 1640), compensated absence codes (18xx), and purchased services codes (19xx).
- A budgetary adjusting entry based on estimated June payroll may be processed prior to the payroll posting in June, but must be adjusted to actual amounts by Period 13 close.
- The budgetary adjusting JV1STND or JVC transaction must be reversed in FY2024, exactly as processed except that reversals need to be recorded in Event Type XG18. If needed, the Long Bill line item needed to reverse the entry will be reestablished in FY2024 even if it is not included in the department's FY2024 Long Bill. Send an email to dpa FARmailbox@state.co.us with the request, and we will activate the line for this use. This is necessary for the correct reversal of the JV1STND/JVC transaction. Departments may move the budgeted payroll expenditures, as necessitated by FY2025 budget constraints. Do not move the unbudgeted expenditures.
- For employees terminating service or retiring from state service effective June 30, GAAP requires payments due and payable on the effective date of termination to be accrued. These types of expenditures should not be expended in July, even if processed through the payroll system in July.

Departments not using CPPS:

- Monthly payroll related to June should not be disbursed until July 1.
- A liability for accrued payroll payable should be recorded as of June 30, and cleared on July 1.
- The Department of Personnel & Administration's Office of the State Controller worked with the Office of the Attorney General to obtain an interpretation of the pay-date shift statute, specifically in terms of its relation to the State's institutions of higher education. The Office of the Attorney General has researched this issue and reviewed Section 24-50-104(8), Co. Rev. Stat. (2020) as amended by HB 15-1392 and SB 16-215. The Office of the Attorney General concluded that the 2003 Budgetary Pay Date shift does not apply to institutions of higher education for pay periods beginning on or after July 1, 2017. This is

consistent with the guidance that the State Controller provided to institutions of higher education in Alert #210 issued November 30, 2017. The institutions of higher education are operating in accordance with statutory requirements, and the intentions of the General Assembly.

Budgetary reports will not include non-budgeted expenses, nor will non-budgeted expenses show on the CORE BQ190/191 screens.

3.28 OIT Purchased Services General Purpose Revenue Fund (Fund 1000) Budgetary Shift

On July 1, 2010 many department information technology staff transferred to the OIT. To mitigate the normal budgetary impact of refinancing general-funded staff to cash-funded staff in FY10-11 and each fiscal year thereafter, HB09-1367 allowed for the subsequent deferral of OIT service charges at the department level for budgetary purposes. The amount of the deferral is based on the general-funded portion of the departments' June 2010 payroll expense for the transferring staff. The impact on departments is (was) as follows:

- Departments communicated to the OIT the portion of salary for the transferred staff that was general-funded on June 30, 2010.
- For fiscal year-end close, OIT shall work with departments to determine the general-funded portion of the OIT costs. Departments shall record an entry to defer its OIT costs (object codes 195x, 196x, 263x, 264x, 265x, or 2820) into the subsequent fiscal year, and communicate the deferral amount to the OIT. Similar to the pay date shift, agencies shall create a JV1STND journal voucher, using Event Type XG23, to change the OIT expenditures for the OIT identified portion of the billing by crediting budgeted expenditure and debiting unbudgeted expenditures. As with the general-funded pay date shift, the reclassification entry must be reversed exactly in the following fiscal year, using a JV1STND journal voucher with Event Type XG24.

Based on department deferrals, the OIT will defer the same amount of expenditures (Event Type XG23) and treat its associated revenue as nonbudgeted (posting code XR02 and R010) in the current year. Similar to the expenditure side, the revenue deferral must be reversed in the new fiscal year.

Closing Year Steps

- 1. Departments defer OIT purchased services expenditures in the general fund (reclassed from a budgeted expense to a nonbudgeted expense in object codes 195x, 196x, 263x, 264x, 265x, or 2820), using Event Type XG23.
- 2. OIT reclasses an equal amount of personal services expenditures in object code 1110 as nonbudgeted expense, using Event Type XG23.
- 3. OIT reclasses earned revenue to nonbudgeted revenue in an equal amount (Revenue Source 4400), using a JV1ADVN, with posting codes XR02 and R010.

Subsequent Year Steps

- 1. Departments reverse entry #1 above, using Event Type XG24.
- 2. OIT reverse entry #2 above, using Event Type XG24
- 3. OIT reversed entry #3 above, using a JV1ADVN, with posting codes XR02 and R010.

Report

Run a GA-999 report and filter on FY, and Event Type XG23. This will provide the department the expenses to shift.

3.29 Refunds, Reimbursements, and Retroactive Refinancing

Based on Fiscal Rule 6-4, State departments and institutions of higher education should record refunds or reimbursements to a revenue account (or accounts receivable if one was established by a credit to a revenue account), rather than a credit to expenditures. The only time a credit to the original expenditure is acceptable is if the refund or reimbursement occurs in the same fiscal year as the original expenditure and is incidental, non-recurring, and for activities that involve a routine department function. If refunds or reimbursements are received in a subsequent fiscal year, they should be credited to a non-augmenting revenue account (RSRC 83xx) in an xC99999999 appropriation unit.

Exceptions for budgetary purposes include:

- If refunds or reimbursements of capital construction expenditures are received, they are treated as if they were received in the same fiscal year if received during the life of the project. If the recovery is made after the term of the project has expired, the recovery shall be credited to a non-augmenting revenue account.
- If refunds or reimbursements of federal expenditures are received prior to the expiration of the award, they are treated as if they were received in the same state fiscal year as the original expenditure. If the recovery is received after the expiration of the award, the recovery shall be refunded to the federal government, unless otherwise directed by the federal agency.
- If refunds or reimbursements for contracts or grants are received, they should be handled as stated in the terms of the contract or grant.

For accounting purposes, adjustments shall be made for the budgetary exceptions for GAAP compliance. This generally would require a nonbudgetary debit to expenditures and a nonbudgtary credit to non-augmenting revenue with the original Appropriation Unit code. CORE Event Type XG41, discussed in Chapter 3 Section 3.2.2.1, may be used for this purpose.

Retroactive Refinancing is identification of a funding source not previously available to fund prior year expenditures funded by a different source in the prior year. Retroactive refinancing includes funds authorized by, but not limited to, subsequent statutory, federal, or legal action. Retroactive Refinancing activity shall be recorded as directed by the State Controller. Send an email to dpa FARmailbox@state.co.us with detailed information.

3.30 Reversions to the State Employee Reserve Fund and the Legislature

Generally, unspent appropriations in the general fund are available for appropriation by the Legislature in the subsequent fiscal year. However, some general fund reversions are designated by law for specific purposes. General fund reversions for the Legislative Department are transferred to the Legislative Department Cash Fund. General fund reversions for certain long bill line items are transferred to the State Employee Reserve Fund (SERF). The controller for the Legislative department calculates and posts the Legislative reversion. The OSC calculates and posts the SERF reversions in conjunction with the preparation of the statewide financial statements. Additional details on these three exceptions to general fund reversions is provided below:

• State Employee Reserve Fund (SERF): HB12-1321 directs that for executive branch principal departments, unspent general funds in certain long bill line items related to personal services and operating expenses be reverted to the SERF (fund 27E0) to fund merit pay increases. The OSC identifies eligible line items based on the parameters set forth in the bill using the appropriation class. The Joint Budget Committee may designate additional line items. Additionally, reversions to the SERF are not available in a line item approved for transfer, either to or from, as set forth in Section 24-75-108, C.R.S. The statute requires the transfer of cash to occur with the publication of the Annual Report.

Once the ACFR is published, OSC will create and post journal voucher adjustments for all Departments to move the cash and offset the receivables/payables between the SERF and fund 1000. The closure of period 16 and roll-forward of beginning balances in CORE signifies that the Annual Report is complete and ready for publication.

• Legislative Department Cash Fund: HB12-1301 directs unspent general funds of the Legislative Department into the Legislative Department Cash Fund (fund 24S0). All unspent general funds of the Legislative Department go to the Legislative Department Cash Fund. The department will record this transfer by Period 14 close.

3.31 Risk Management Funds

The State reports its risk management activities and liability in accordance with GASB Statement No. 10. Departments are required to submit an Exhibit B for all risks retained by the department. The long-term portion of risk management liabilities should be recorded in fund 4710.

3.32 Retirement Payouts

A liability should be reported in governmental funds for unused compensated absences expected to be paid out upon retirement(s) in the next fiscal year. Do not accrue liabilities for retirement payouts in a governmental fund if they are expected to be paid beyond the next fiscal year. Refer to GASB Interpretation No. 6 for additional guidance.

If an employee announces retirement effective on a date in the following fiscal year, a liability should be accrued in a governmental fund for the anticipated retirement payout, even if the payment will not be made until the July payroll. However, if an employee announces a retirement date of July 1 or later (in the following fiscal year), then there is no need to accrue a fund liability and expenditure as-of June 30. Separations other than retirements should be treated in the same manner. Accruals should be recorded using ACC and ACL transactions (see Chapter 3, Section 3.2).

3.33 Contractor and Subrecipient Relationships Involving Federal Funds

If a contract or grant involves the disbursement or receipt where the source of funds is federal, special attention should be paid to the coding and reporting of those funds. Such agreements and transactions result in either a subrecipient or contractor relationship between the parties involved. In general, the language in the agreement specifying the party's responsibilities determines the type of relationship involved. The subrecipient/contractor determination also applies for transactions between state departments where the source of funds is federal.

Title 2 of the Code of Federal Regulations, Subtitle A, Chapter II, Part 200 (OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, a.k.a. OMB Uniform Guidance) defines a subrecipient as, "an entity, usually but not limited to nonfederal entities that receives a subaward from a pass-through entity to carry out part of a federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency." Section .331 of OMB Uniform Guidance provides guidance on making the subrecipient [grant] versus contractor determination. It states:

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- 1. Determines who is eligible to receive what federal assistance;
- 2. Has its performance measured in relation to whether the objectives of the federal program were met;
- 3. Has responsibility for programmatic decision-making;

- 4. Is responsible for adherence to applicable federal program requirements specified in the federal award; and
- 5. In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Characteristics indicative of a procurement relationship between the non-federal entity and a contractor are when the contractor:

- 1. Provides the goods and services within normal business operations;
- 2. Provides similar goods or services to many different purchasers;
- 3. Normally operates in a competitive environment;
- 4. Provides goods or services that are ancillary to the operation of the federal program; and
- 5. Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

Section .330 also discusses the use of judgment in making the determination and that the substance of the relationship is more important than the form. Section .332 discusses requirements for pass-thru entities, both subrecipient and contractor.

The State has defined grant and contract as follows. These definitions are included in the State's Unofficial Procurement Code and Rules which can also be found at https://drive.google.com/file/d/1fkHTXtpxuSXFPLEHIjzADTbJuh3Cr_TU/view. These definitions are also consistent with the federal definition of a grant and contract.

Grant:

- An agreement in which a governmental body as the grantor
- transfers anything of value to a grantee [where the grantor is not receiving a benefit]
- to carry out a **public purpose** of support or stimulation authorized by law
- instead of acquiring property or services for the direct benefit or use of that governmental body
- A grant may include a distribution of funds

Contract:

- Any type of state agreement, regardless of what it may be called
- between a governmental body and a contractor
- where the principal purpose is to acquire supplies, services, construction, or to dispose of supplies
- for the direct benefit of a governmental body
- "Contract" includes commitment vouchers as described in Section 24-30-202, C.R.S.

It is important to consider the implications of contracts and grants. The table below outlines the requirements that apply to each.

Considerations	Grant	Contract
Party	Subrecipient	Contractor

Agreement (Substance not Form)	Grant Agreement, IA, MOU	Contract, PO, IA, MOU
OMB Monitoring	Yes	N/A
Solicitation requirements for		
Subrecipient of a federal grant		
from the State	OMB Procurement	N/A
Solicitation requirements for		
State Departments	State Grant Policy	State Procurement Code
Payment Basis	Cost Reimbursement	Fixed Price

Once the form of the agreement has been determined, the following table specifies the accounting and reporting treatment for subrecipient or contractor transactions involving federal funds:

	Disburser	Recipient			
Contractor Relationship					
Between State Departments or Between a State Department and a Non-State Entity	Code payment using object code indicating type of goods or services purchased. Report expenditure on Exhibit K1. Disburser is responsible for ensuring that expenditure is an allowable cost.	Code revenue using revenue source code indicating type of goods or services sold. Do not report on the Exhibit K1 unless the funding is a cost-reimbursement contract/sub-contract awarded under the Federal Acquisition Regulations received from a Non-State Entity.			
Subrecipient Rela	Subrecipient Relationship				
Between State Departments	Code disbursement using object code 5770 or 5771. Report on the Exhibit K1. In general, disburser is responsible for determining if recipient is a qualified recipient and for monitoring if recipients expenditures are allowable costs.	Code revenue using revenue source code 7500 for non-capital and 7530 for capital. Do not report on Exhibit K1. Recipient is responsible for helping disburser comply with grant requirements. Note that higher education institutions feed all subrecipient revenue to code 7500.			
Between a State Department and a Non-State Entity	Code disbursement using object codes 51xx-Intergovernmental Grants or 5781-Grants to Nongovernmental Organizations and report on the Exhibit K1. In general, disburser is responsible for determining if recipient is a qualified recipient and for monitoring if recipient's expenditures are allowable costs.	Code revenue using revenue source code 7501 - Fed Grant/Cont – Subrecipient - External. Report on the Exhibit K1. Recipient is responsible for helping disburser comply with grant requirements. Note that higher education institutions feed all subrecipient revenue to code 7500.			

For additional information see OSC's guidance for department compliance with OMB's Uniform Guidance at https://osc.colorado.gov/financial-operations/statewide-internal-audit/omb-guidance. For information related to spending authority for contracts and grants where the source of funds is federal see Chapter 2, Section 2.

3.34 Interagency Agreements Between State Departments Involving State Funds

Transactions involving interagency agreements from one State department to another State

department should not be confused with transfers between State departments.

Grant-type (non-federal) disbursements to other State department(s) should be coded to object code 5775 or 5776. Receipt of grant-type (non-federal) revenues from other State department(s) should be coded to revenue source code 76xx.

Contract-type (non-federal) payments to other State departments should be coded to the object code for the type of goods or services purchased. Receipt of contract-type (non-federal) revenue should be coded to revenue source code related to the sales type. The object and revenue source coding of interagency transactions has **no** relationship to spending authority. For information related to spending authority see Chapter 2, Section 2.

3.35 Reporting to the Federal Audit Clearinghouse

The State of Colorado must have a single audit conducted annually under 2 CFR §200.501(a). 2 CFR §200.512 requires the State, at the conclusion of its single audit, to submit a Data Collection Form (DCF) and reporting package to the Federal Audit Clearinghouse (FAC). The OSC and the Office of the State Auditor (OSA) make this statewide submission to the FAC annually.

To prepare the DCF, the OSC collects information from State departments and institutions of higher education (IHEs). This information includes federal award expenditure information as well as identifying information such as employer identification numbers and Unique Entity Identifier numbers. The OSC also collects corrective action plans from department and IHEs for input into the DCF. The OSA provides additional information related to the single audit for the DCF submission.

The reporting package must include:

- Financial Statements (ACFR) and Schedule of Expenditure of Federal Awards (SEFA), 2 CFR §200.510
- Summary Schedule of Prior Audit Findings, 2 CFR §200.511(b)
- Auditor's Report(s), 2 CFR §200.515
- Corrective Action Plan, 2 CFR §200.511(c)

The Auditor's Report is prepared by the OSA while the OSC compiles the Financial Statements (ACFR), SEFA, Summary Schedule of Prior Audit Findings, and Corrective Action Plan. The SEFA and the Summary Schedule of Prior Audit Findings are compiled from Exhibit K1s and Exhibit K3s, respectively, which are provided by State departments and IHEs. To compile the Corrective Action Plan at the completion of the single audit, the OSC collects responses from State departments and IHEs responsible for the correction of the findings in the single audit.

3.36 Internal Controls for Federal Awards

OMB Uniform Guidance, Section .303 requires pass-through entities to:

- Establish and maintain effective internal control over the federal award that provides reasonable assurance that the state is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States, and adopted by the Office of the State Controller as the State standard for internal controls. See State Controller policy, entitled "Internal Control System" on the OSC website.
- Comply with Federal statutes, regulations, and the terms and conditions of the federal awards.
- Evaluate and monitor compliance with statutes, regulations and the terms and conditions

of Federal awards.

- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- Take reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or state designates as sensitive or the state considers sensitive consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

3.37 Pension and Other Postemployment Benefits (OPEB)

The state reports pensions as required by GASB Statement No. 68 and OPEB as required by GASB Statement No. 75. The OSC is responsible for the accounting and financial reporting for pensions and OPEB for the state's financial statements. The OSC prepares and posts all accounting entries for pension and OPEB, except for those related to institutions of higher education. Special "X" department codes for OSC use only are used to record pension and OPEB at the department level while segregating the pension and OPEB accounting from normal operational reporting by departments. The OSC distributes updated sample pension and OPEB financial statement note disclosures provided by PERA to all PERA affiliated employers that issue stand-alone financial statements. Refer to the open/close calendar for information on the timing for the distribution of sample employer note disclosures and the posting of pension and OPEB by OSC to CORE.

Allocation of Direct Distribution to PERA

Departments must record cash transferred to DPA from appropriations for "PERA Direct Distribution" using object code 1526.

3.38 Use of Fund Balance Accounts 340A, 340P, and 340E

Three equity (fund balance/net position) balance sheet accounts (BSA) are used to adjust beginning equity or transfer residual equity between funds.

- <u>BSA 340A Fund Balance Accounting Change</u> is applicable when the implementation of an accounting change requires restatement of beginning equity. Accounting changes include changes in accounting principle and changes in accounting estimates. Refer to Statement No. 100 of the GASB *Accounting Changes and Error Corrections*, Paragraphs 5 through 8 for additional information.
- BSA 340P Fund Balance Prior Period Adjustment is used to report the correction of an error related to a prior fiscal year. Refer to Statement No. 100 of the GASB Accounting Changes and Error Corrections, Paragraphs 12 and 13 for additional information. Also refer to the next section 3.39 below for information regarding prior period transactions and Exhibit PPA.
- BSA 340E Fund Balance Equity Transfer is available for use by institutions of higher education to move equity between funds related to a change in their TABOR enterprise status. See Chapter 5, Section 5.7 for additional information on use of BSA 340E.

The OSC will reclassify balances in these BSAs to BSA 3400 after the fiscal year is closed in CORE and balances are rolled forward to the next fiscal year.

3.39 Prior Period Transactions – (Exhibit PPA)

A correction of an error in previously issued financial statements should be accounted for and reported as a prior period adjustment and excluded from the change in net assets section of the flows statement for the current period. The majority of identified prior period transactions are of dollar amounts which are immaterial to the State's Annual Comprehensive Financial Report

(ACFR). It is preferable from both an operational and a financial reporting perspective to report immaterial prior period transactions with current year expense or revenue (report with current year operations) rather than as an adjustment to beginning equity in the ACFR (a prior period adjustment).

Departments should account for prior period transactions below \$1 million with current year operations and report related information to the OSC with Exhibit PPA. The use of posting code XD04 (unbudgeted) is not allowed without approval from the OSC. Departments that identify a prior period transaction over \$1 million should contact their OSC Financial Specialist at the time the prior period transaction is identified. The OSC will provide direction on how to record prior period transactions over \$1 million in CORE and departments will report related information to the OSC with Exhibit PPA.

Since this process permits departments to account for prior period transactions with current year operations, no information will exist in CORE to identify these transactions. Departments must therefore maintain a log or implement other appropriate internal controls so that the entire population is reported to the OSC with Exhibit PPA. The OSC is responsible for evaluating all prior period transactions, both individually and in the aggregate, and for making determinations to report with current year operations or as a restatement of beginning equity in the ACFR. The OSC will reclassify prior period transactions either to BSA 340P from current year operations or from BSA 340P to current year operations based on a materially assessment in relation to the ACFR. Refer to Exhibit PPA and related instructions for additional information.

3.40 Balance Sheet Accounts 1034 and 1043

Proper use of BSA 1034 and 1043 ensures that cash balances are reported on the line in the financial statements as either Cash and Pooled Cash **or** Restricted Cash and Pooled Cash.

Balance sheet account 1034-Restricted Cash (GASB 34)

BSA 1034 is used to reclassify cash with GASB Statement No. 34 restrictions in unrestricted funds to the Restricted Cash and Pooled Cash line on the Statement of Net Position. All cash in restricted funds is properly classified as restricted without a reclassification entry to 1034. Conversely, all cash in unrestricted funds is classified as Cash and Pooled Cash <u>unless</u> an entry is made to reclassify a portion to restricted. In this case, departments would need to make an entry to debit 1034 and credit 1043 for the portion that should be restricted.

If restricted cash is reported in account 1100-Operating Cash and is required to be restricted in accordance with GASB Statement No. 34, the reclassification entry would still debit 1034 and credit 1043 so Treasury can reconcile pooled cash using the balance in account 1100. In this scenario, 1043 would carry a credit balance; however, it would be an expected credit balance offsetting 1100 cash when reported on the Statement of Net Position. For institutions of higher education, this is reflected in accounting model YE9.

Balance sheet account 1043-Restricted Checking-Other

BSA 1043 may be used for external bank accounts. On the Statement of Net Position, it is included in Cash and Pooled Cash.

3.41 Statewide System and Organizational Controls Reviews

Per the American Institute of Certified Public Accountants (AICPA), System and Organizational Controls (SOC) for Service Organizations reports are designed to help service organizations that provide services to other entities, build trust and confidence in the service performed and controls related to the services through a report by an independent CPA. Each type of SOC for Service Organizations report is designed to help service organizations meet specific user needs. Specifically, the SOC I, Type II Report provides a report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives included in the description throughout a specified period. More information on different types of SOC reports can be found on the AICPA website.

All State Agencies and Institutions of Higher Education that receive SOC reports through their information system (IS) vendor(s) must annually provide a copy of each report to the OSC Statewide Internal Audit Manager and OSC FAR Director within 10-business days of receipt. Further, each State Agency and Institution of Higher Education that is a recipient of a SOC report must annually:

- 1. Designate a person responsible for reviewing SOC reports and coordinate with the OSC the name and contact information of the designee;
- 2. Within 30-calendar days, review the report and determine if any actions are necessary to remediate issues noted, including determining whether any issues appearing in the SOC report may require developing and implementing compensating controls to minimize associated risks or modification of the vendor contract:
- 3. Document what actions will be taken to remediate issues;
- 4. Summarize planned steps for remediation, including when such steps will be taken, and provide a copy to the OSC; and
- 5. Perform continuous monitoring to ensure that any steps taken are effective.

Periodically, the OSC Statewide Internal Audit unit will contact State component designees to discuss their SOC report(s) and provide advice and assistance as needed. State components should contact the OSC with questions regarding these procedures.

A critical portion of the SOC I, Type II report for departments should review is the section that details Complementary User Entity Controls (commonly referred to as CUECs). This section details those controls that are the responsibility of the user entity (in this case the State/department) that should be implemented to ensure that the overall control objectives described within the SOC I, Type II report are met.

3.42 Federal Treasury Offset Process

The Debt Management Servicing Center (DMS) within the US Treasury acts as the collection agency for amounts owed to the federal government. For DMS purposes, the State of Colorado is a considered a single entity within departments operating under the State's 84-0644739 Federal Employer Identification Number. When it is determined that debt is owed to the federal government, an offset is established and the next available payment to the State intercepted to

satisfy the debt. The department that is the source of the offset is generally not the department that gets offset. The DMS provides the Office of the State Controller with reports when offsets occur. Once the offset has occurred, there is no avenue through DMS to dispute the validity of the offset. To assist in the resolution of the offset amongst multiple parities, the OSC will take the following steps upon receipt of a Treasury DMS offset report.

- 1. Notify the Department(s) that was offset. The department has no recourse with its own federal partner as the funds were authorized for disbursement to the department. The offset is a subsequent process that occurs through the US Treasury.
- 2. Notify the Department(s) that is the source of the offset. While the department should have received communications directly from the applicable federal agency prior to the offset, it is often the case that an original communication cannot be located. As a result, the OSC will also request a copy of the related Demand for Payment Letter(s) and will forward to the department once received (please note that often backup will not be received). The department will need to further research and work with the applicable federal agency to determine the validity of the offset. If valid, no further action is needed with the federal agency. If not valid, the department needs to seek reimbursement directly from that federal agency.
- 3. As needed during the fiscal year, but no later than period 12 close, the OSC will process an IET or ITI / ITA transaction. Absent coding provided by the applicable department, an IET or ITI / ITA to transfer cash to the department that was offset as 2510-Undistributed Receipts in the General Fund, offsetting the non-department code 999A in the General Fund as 1597-State Billing Clearing Default for the activity occurring in the prior month. The OSC will also process an IET transaction to recoup the cash from the department that was the source of the offset in the General Fund as 1599-Undistributed Charges Other (absence coding instructions from the impacted department). The entry will offset the non-department code 999A in the General Fund as 1597-State Billing Clearing Default for the activity occurring in the prior month. Note that this occurs without regard to the validity of the debt, as the debt was paid by the offset.

No later than period 13 close, the impacted departments will need to reclassify the undistributed receipts to reflect the funds as payment from their federal source and the undistributed charges will need to be reclassified as appropriate, generally as program expenditures.

Additionally, the Office of the State Controller may receive notices that debt has been referred to DMS prior to its offset. In these cases, the OSC will attempt to determine the department that this the source of the pending offset and forward, as well as request a copy of the Demand for Payment. Note that the turnaround time is generally very tight and resolution may not occur in time to prevent the offset.

3.43 Private Collection Agency Commission Fees

Section 24-30-202.4, C.R.S. allows state agencies to collect debt through private collections agencies, and authorizes the addition of a collection fee of up to 18 percent of the debt, or 25 percent for private counsel. The State Controller has adopted the following policy regarding private collection agency commission fees. Pursuant to Fiscal Rule effective July 1, 2022, the private collection agency must retain the collection fee and remit the balance to the State on a net basis. Although collecting on a net basis, commission revenue and expenditures must be recognized for GAAP compliance. When the fee has not been specifically budgeted to the department, then the department shall use nonbudgetary posting codes to reflect the revenue and expense in recording the commission fee activity. Further, the commission retained by the PCA pursuant C.R.S., 24-30-202.4(8)(a) is not subject to TABOR. Revenue source code 4230 has been

established for this purpose. If the remittance is gross, the commission fees are received by the state agency and subsequently paid to the private collection agencies as separate transactions. The gross fees are not exempt from TABOR and should be recorded as external service charges revenue.

While state agencies generally add the commission fee to the debt balance, there are circumstances when state agencies absorb the collection costs. When this occurs, there is no additional revenue to the state. Rather, a portion of the debt is satisfied with cash received and a portion as an offset to the collection expense.

3.44 Fiduciary Activities

The State implemented GASB Statement No. 84 – Fiduciary Activities for fiscal year ended June 30, 2021. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria, in which the focus is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

There are four paths in determining whether fiduciary fund financial statements must be presented:

- 1. Component Units that are postemployment benefit arrangements
- 2. Component Units that are not postemployment benefit arrangements
- 3. Postemployment benefit arrangements that are not component units
- 4. All other activities

Component Units that Provide Postemployment Benefits

Component Units that provide postemployment benefits are fiduciary if (1) the activity meets the definition of a component unit in Statement 14, as amended, and (2) it is one of the following arrangements:

- Pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67.
- OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74.
- Circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73.
- Circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74.

Other Component Units (not related to postemployment benefit arrangements)

Other Component Units are fiduciary if (1) the activity meets the definition of a component and (2) it has one or more of the following characteristics:

• The assets are (1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, (2) dedicated to providing benefits to

recipients in accordance with the benefit terms, and (3) legally protected from the creditors of the government.

- The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets.
 In addition, the assets are not derived from the government's provision of goods or services to those individuals.
- The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

Examples of administrative involvement include (1) if the government monitors compliance with the requirements of the activity that are established by the government, (2) if the government determines eligible expenditures that are established by the government, or (3) if it has the ability to exercise discretion in how assets are allocated.

An example of direct financial involvement is if the government provides matching resources for the activity.

Postemployment Benefits that are not Component Units

Postemployment benefits that are not component units are fiduciary if (1) the government controls the assets of the arrangement meets the definition of a component unit in Statement 14, as amended, and (2) the arrangement is one of the following arrangements:

- A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67.
- An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74.
- A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73.
- A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74.

A government controls the assets of an activity if the government holds the assets, or if the government has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended beneficiaries.

All Other Activities

All other activities are fiduciary if it meets BOTH of the following criteria:

- 1. The government controls the assets.
- 2. Those assets are not derived either:

- a. Solely from the government's own-source revenues.
- b. From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants and for which the government does not have administrative or direct financial involvement.

AND meets one of the following criteria:

- The assets are (1) administered through a trust agreement or equivalent arrangement in which the government itself is not a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, and (3) legally protected from the creditors of the government.
- The assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals.
- The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

The flowcharts on the following pages are helpful in determining whether or not an activity is fiduciary in nature, and whether or not it should be reported in a fiduciary fund.

Chart 1—Flowchart for Evaluating and Reporting Potential Fiduciary Activities

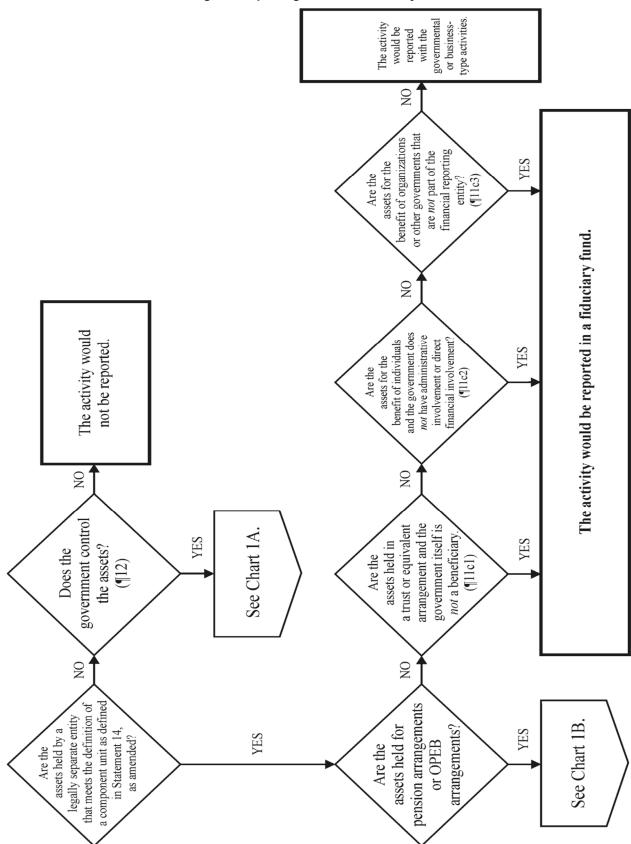
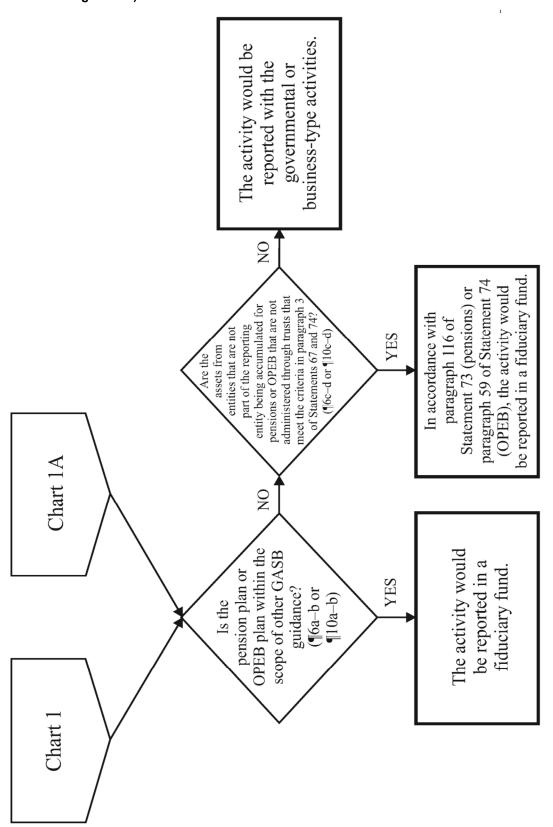


Chart 1A—Flowchart for Evaluating and Reporting Potential Fiduciary Activities governmental type activities. or businesswould be reported with the The activity NO No governments that are not part of the financial organizations or other YES for the benefit of reporting entity? the assets The activity would be reported in a fiduciary fund. the assets for the benefit of individuals and the government does not have administrative involvement or direct financial YES involvement? 9N equivalent arrangement and the government itself is not a held in a trust or YES beneficiary. the assets (¶11c1) NO NO NO No he assets derived from a pass-through grant for which the government does have administrative business-type activities. nonexchange transactions The activity would be Are the assets derived from government-mandated voluntary nonexchang reported with the governmental or involvement or direct YES YES transactions? nvolvement (¶11b2) (¶11b2) NO NO governmental or business-type activities. The activity would be government's ownreported with the YES solely from the source revenue? assets derived Are the (¶11b1) N0 pension arrangements See Chart 1B. YES assets held for arrangements? Chart 1 or OPEB Are the

Chart 1B—Flowchart for Evaluating and Reporting Potential Fiduciary Activities (Postemployment Benefit Arrangements)



Reporting Fiduciary Activities

Departments and institutions of higher education are expected – with the assistance of the Office of the State Controller – to validate current funds classified as fiduciary to ensure they fall under the scope of GASB 84. OSC may reach out to individual departments to assist with this determination. In addition, departments and institutions of higher education should identify current non-fiduciary activities to determine whether they qualify as fiduciary activities under GASB 84 using the series of flowcharts provided in this section of the Manual. Departments should also assess the funds they administer to determine whether they qualify as fiduciary activities under GASB 84, and consult with the Office of the State Controller to assist with this determination, and to set up new funds or department codes as necessary.

With the implementation of GASB 84, there are four types of fiduciary funds to be reported in the State's financial statements:

- 1. Pension & Other Postemployment Benefit Trust Funds
- 2. Private-Purpose Trust Funds
- 3. Investment Trust Funds
- 4. Custodial Funds

Pension & other postemployment benefit trusts funds currently reported as fiduciary activities include certain state employee benefit plans administered by the State, and four employee defined benefit healthcare plans administered by Colorado State University. Private-purpose trust funds currently include trust funds administered by the State Treasurer on behalf of qualified charter schools, and the Unclaimed Property Trust Fund – consisting of moneys managed by the State treasurer from bank accounts, investment accounts, and insurance proceeds that are in the State's custody until the owners of the assets are located. Also included as private-purpose trust funds are the College Savings Plan, the College Opportunity Fund, and other funds, which primarily relate to receipts collected from racetracks and simulcast facilities that are distributed to horse breeders and associations who participate in state-regulated horse-racing. Anything else not categorized into one of the first three fiduciary fund types are now considered Custodial Funds (formerly Agency Funds). These include litigation settlement accounts, escrow accounts, sales tax collected for cities and counties, deposits and assets held or invested for others, and amounts held for the trustee for Certificates of Participation and revenue bonds.

Stand-Alone Business Type Activities

As noted in paragraph 19 of GASB 84, business-type activities, including enterprise funds, may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position of the business-type activity if those assets, upon receipt, are normally expected to be held for three months or less. A business-type activity that chooses to report such assets and liabilities in its statement of net position should separately report additions and deductions, if significant, as cash inflows and cash outflows, respectively, in the operating activities category of its statement of cash flows

Fiduciary Funds Financial Statements

Beginning in Fiscal Year 2020, the State will publish a combined and a combining Statement of

Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The combined Statements will include a column for each of four fiduciary fund types, and combining statements will include columns for major components of each fiduciary fund type.

Statement of Fiduciary Net Position

Institutions of higher education that report a pension plan or an OPEB plan in a pension (or other employee benefit) trust fund should report the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position in accordance with Statement 67 or Statement 74, as applicable.

Except for the above pension or OPEB trust, a liability to the beneficiaries of a fiduciary activity should be recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus.

Statement of Changes in Fiduciary Net Position

Institutions of higher education that report a pension plan or OPEB plan in a pension (or other employee benefit) trust fund should report changes in the plan's fiduciary net position in accordance with Statement 67 or Statement 74, as applicable.

Except for the above pension or OPEB trust, the statement of changes in fiduciary net position should disaggregate additions by source including, if applicable, separate display of investment earnings, investment costs (including investment management fees, custodial fees, and all other significant investment-related costs), and net investment earnings (investment earnings minus investment costs). Investment-related costs should be reported as investment costs if they are separable from (a) investment earnings and (b) administrative costs. The statement of changes in fiduciary net position should disaggregate deductions by type and, if applicable, should separately display administrative costs. A single aggregated total for additions and a single aggregated total for deductions of custodial funds may be reported in which resources, upon receipt, are normally expected to be held for three months or less. The descriptions of the aggregated totals of additions and deductions should indicate the nature of the resource flows.

Defined Contribution Pension Plans

Effective as of Fiscal Year 2021 per GASB 92, if a defined contribution pension plan or a defined contribution OPEB plan is reported as a fiduciary activity, the plan should apply the financial statement presentation requirements in paragraphs 20, 21, 23, and 24 of GASB 84, as appropriate.

GASB Implementation Guide No. 2019-2 – Fiduciary Activities

The objective of Implementation Guide 2019-2 is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 84, *Fiduciary Activities*. As departments and institutions of higher education validate current fiduciary activities as falling under the scope of GASB 84, or evaluate whether current non-fiduciary activities now fall under the scope of GASB

84, they should consider and determine the applicability of all questions and answers contained in the Implementation Guide in relation to the provisions of GASB 84.

CHAPTER 3: SECTION 4 INTERNAL TRANSACTIONS

4.1 General Background and Use

An internal transaction is a transaction where moneys move between cabinets, departments, funds, or appropriations and the accounting for both parties is recorded on the same transaction. Internal transactions may be in the form of grants, internal sales, transfers, or other reimbursement-type events.

CORE is currently configured for two primary methods of recording internal transactions—the one transaction method, and the two-transaction method. The one transaction method uses an IET transaction to record both sides of the transaction by the cabinet or department processing the transaction, whereas the two-transaction method uses an ITI and ITA transaction to facilitate a confirmation process between the two cabinets or departments before the transaction is recorded in the CORE journal.

Some basic concepts underlie both transaction methods. The first is the concept of "initiator". On every internal transaction, the role of the transaction(s) initiator must be defined as either Buyer/Receiver or Seller/Provider. This is always selected by the initiator and is found on the header of the IET or ITI. The selection of the initiator's role is key to the transaction, and is defined based on the flow of cash. The following table illustrates the initiator's role as either Buyer/Receiver or Seller/Provider based on the combination of the underlying transaction and the provision or receipt of cash.

Transaction Description	Buyer/Receiver	Seller/Provider
Internal Sales & Expenditure Reimbursements	Provider of Cash	Receiver of Cash
Transfers	Receiver of Cash	Provider of Cash
Grants (e.g., Federal subrecipient or State grant)	Receiver of Cash	Provider of Cash
Loans	Receiver of Cash	Provider of Cash

Departments are encouraged to use the Event Type (ETYP) table before entering a transaction to ensure the accounting for both sides of the transaction are correct and the correct Buyer/Receiver and Seller/Provider option is used on the transaction.

On every internal transaction, the initiator is also the 1st Party of the transaction, regardless of whether the initiator is the Buyer/Receiver or the Seller/Provider.

With the exception of transfers and payments to central billing cabinets, internal sale and grant activities occurring between Institutions of Higher Education and State departments will not use internal transactions. Departments will use the appropriate transaction as used for external receipts or disbursements, and will reference the institution by vendor/customer number.

Departments should use internal transactions that involve event types which create receivables or payables, rather than cash (except for Event Type IN22) only at fiscal year-end when cash balances should not be updated. The OSC allows cash movement on internal transactions through Period 14 to minimize the necessity of using internal payable and receivable accounts. However, if internal

payable and receivable accounts are used, all balances must be confirmed on the Exhibit IR_IP by the date specified in the open/close calendar. Receivable/Payable Event Types (IN21, IN31, and IN33) are to be used on internal transactions in lieu of event types with cash offsets. A subsequent internal transaction must be created in the new fiscal year to transfer cash, and clear the payable and receivable.

Communication between and within departments is key to the consistent treatment of internal transactions. In addition to close coordination prior to entering a transaction, contact information for the individual creating the IET or ITI/ITA transaction should be provided in the Extended Description field in the transaction. At a minimum, this information should include the individual's name, phone number, and email address. Departments may also wish to include back-up contact information to facilitate timely transaction processing at fiscal year-end.

Finally, due to two-party accounting recorded by internal transactions, modifications and cancellations to the transactions should only be done after consultation with and agreement from the other party.

4.2 Transaction Types

Internal Exchange Transaction (IET)

IET transactions are available for use by departments for internal transactions between departments, funds, and appropriations within a single cabinet without OSC approval. Any other use of IET transactions for transactions that cross cabinets is acceptable only with prior approval of the State Controller. The OSC has approved billing and revenue distribution cabinets (e.g., Personnel & Administration, Governor's Office of Information Technology, Judicial, Law, Revenue, and Treasury) to use an IET transaction that crosses cabinets, and Health Care Policy and Financing to use an IET that crosses between its cabinet and Human Services.

The transaction type IET3 is a cloned transaction type specially designed for use by Treasury. Treasury will use an IET3 transaction to perform monthly interest allocations (Event Types XN25, XN45 and XN47) and to charge transaction fees (Event Type XN33). The IET3 transaction has unique workflow that allows the transaction to go to final when submitted.

The IET4 transaction type is also a clone of the IET and is to be used only by Institutions of Higher Education. The IET4 transaction has unique event types used by Higher Education and may be used to move cash through Period 14.

Internal Transaction Initiator (ITI) and Internal Transaction Agreement (ITA) Transactions

The ITI transaction may be initiated by either party to an internal transaction. The ITI transaction is created with the 2nd party's department code in the transaction header. Once the ITI is submitted, it routes to the 2nd party for approval. The ITI transaction should be copied forward to create the ITA transaction. There is no accounting performed by the ITI. The ITI transaction serves as notification of an internal transaction event and provides the 1st party accounting information for the ITA. Additionally, the front-end split cost accounting functionality that utilizes program codes is only available on the ITA, so this could be a consideration as to which party initiates the transaction. If both parties require front-end split functionality, the ITI party must use a balance sheet account and complete a subsequent JVC or CHC transaction to clear the balance sheet to expense with the cost accounting split.

The ITA should always use the same event type as the ITI. If the ITA party disagrees with the event type used, the ITA party must contact the ITI party to resolve the dispute prior to processing or modifying the ITI or ITA transaction.

For IET, ITI and ITA transaction user instructions and policies, please go to https://core.state.co.us/job-aids/general-accounting

General Accounting Encumbrance (GAE) Transactions

In addition to the accounting type ITI/ITA and IET transactions, CORE is designed with an accounting type encumbrance transaction. The GAE transaction is an encumbrance that does not require a specific vendor or commodity code and should be used when funds are being encumbered for interagency agreements. Unlike procurement encumbrances (such as the PO and CT), GAE encumbrances can be cleared by referencing them on ITI/ITA and IET transactions. The ability to reference GAE transactions provides a better audit trail and eliminates the need to manually modify procurement encumbrances for payments made on ITI/ITA and IET transactions. Additionally, GAE transactions can be rolled to a subsequent fiscal year using the encumbrance roll/lapse process discussed in Chapter 2, Section 1.

However, GAE transactions are not able to be created from requisition (RQS) transactions or other pre-encumbrances, so pre-encumbrances are not required for interagency agreements. Additionally, GAE transactions do not automatically create a fixed asset shell (FA) transaction or reside in the procurement folder.

For how to create and use GAE transaction, please go to https://core.state.co.us/job-aids/general-accounting and select the Encumbrances dropdown.

For information regarding spending authority for interagency agreements, see Chapter 2, Section 2.

4.3 Internal Transaction Types

Non-Exchange Transactions

Departments should use transfer codes (within object codes 7xxx and revenue source codes 9xxx) for payments from one cabinet/department to another, or between funds or appropriation types which do not involve the exchange of money for goods or services. These payments are generally of an involuntary nature and mandated by budget, statute, or other administrative requirements such as indirect cost recoveries. See Chapter 3, Section 3.17 for additional important information on internal transfers and the related chart of account elements.

All internal transactions involving statutory transfers should include either a statutory reference or a bill reference in the transaction. Statutory transfers with a specified payback date should be recorded using Event Type IN22.

Subrecipient and grant transactions with other state departments should not be confused with transfers, and therefore transfer accounts should not be used for these transactions. Departments should code disbursements to other state departments for federal or state grants to object codes 577x. Recipients of federal or state grants as a subrecipient from another department should be coded to specific revenue source codes in the 75xx and 76xx ranges, respectively. Grant related advances from state sources should be coded to revenue source code 7312.

Exchange Transactions

When goods or services are exchanged, and the value received is commensurate with the value paid, an exchange transaction exists. In these situations, departments should use non-transfer accounts. Accounts used in these situations may include, but are not be limited to:

• Internal sales – Examples include fleet vehicle charges, various information technology related charges, or legal services to State departments. These exchanges are recorded in various object codes by the Buyer/Receiver depending on the nature of the service being provided. The sales should be recorded in the 445x, 5312, 5315, 6300, or 6301 revenue source codes by the Seller/Provider, and an appropriate object code for the Buyer/Receiver.

- Cost reimbursement Examples include interdepartmental agreements to procure goods and services on behalf of another department and legal case costs in excess of \$500 per case. These are recorded as decreases to the object code used by the Seller/Provider, and as original expenditures by the Buyer/Receiver.
- Other Reimbursements Certain reimbursements are coded to revenue source codes rather than a reduction of expense. Reimbursements for Risk Management should be recorded in revenue source codes 5860 or 5861. Reimbursements for National Association of State Procurement Officials (NASPO) rebates should be recorded in revenue source codes 830D or 830E.

4.4 Multiple Departments Spending out of One Fund

When there are multiple departments spending out of one fund, with revenue being earned by one department, and only expenditures being incurred by the other department, a deficit cash and deficit fund balance will occur in the spending department's fund. This is because no revenue is being earned by that department. To compensate for this, the revenue earning department will need to record transfer expense to the other department which will need to record offsetting transfer revenue.

CHAPTER 3: SECTION 5 FINANCIAL STATEMENTS

C.R.S. 24-30-204(1) requires that annual financial statements for each department, institution, or agency are submitted to the State Controller no later than August 25. The State Controller may grant an extension not to exceed twenty days to any department, institution, or agency because of administrative hardship in complying with this law. The State Controller must evaluate requests for extensions within the context of the State Controller's responsibility to provide statewide financial statements to the Governor and General Assembly no later than September 20th each year. There is no statutory provision to extend the September 20th requirement for the State Controller and extensions granted under C.R.S. 24-30-204(1) increase the difficulty in meeting the September 20th deadline for statewide financial statements. Financial statement requirements are different for higher education institutions than for non-higher education departments. Requirements vary among non-higher education departments. The following is a discussion of the financial statement requirements.

5.1 Higher Education Financial Statements

Financial statements required of higher education governing boards and/or institutions are discussed in Higher Education Accounting Standard No. 17. Institutions must provide a draft Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows, and Notes to the Financial Statements to the OSC by the date in the open/close calendar with their Exhibits J submission. Exhibits J reconciling items between CORE and separately-issued financial statements should relate only to differences in financial statement presentation. The ending net position in CORE for fund category E100 should agree to the ending net position of the entity-wide statement of net position of the separately-issued financial statements.

5.2 Non-Higher Education Agencies Financial Statements

CORE generated financial statement infoAdvantage report GA-001 meets the fiscal rule requirement for financial statement preparation for non-higher education agencies, except for the following agencies that are required to prepare statements with full GAAP disclosures including Management's Discussion and Analysis:

- ♦ State Fair Authority
- ♦ Legislative Department
- Gaming Division of the Department of Revenue
- ♦ Lottery Division of the Department of Revenue
- Colorado Veteran's Community Living Centers (Department of Human Services)
- ♦ Colorado Student Loan Program dba College Assist
- ♦ CollegeInvest
- ♦ Colorado High Performance Transportation Enterprise
- ♦ Colorado Bridge Enterprise

State departments not included on the list above may prepare full GAAP financial statements with note disclosures and/or additional supplementary information if they believe that the information would be beneficial to management. These departments are not required to submit an Exhibit J. However, all departments are required to certify on Exhibit I that they have reviewed the infoAdvanatge GA-001 report.

Exhibit J

The IHE and non-IHE departments and divisions listed in Section 5.2 above must provide the items noted below for their Exhibit J submission(s).

Exhibit J submissions to the FAR mailbox should include the following:

- 1. Exhibit J1/J2 Excel file that reconciles between CORE and the stand-alone financial statements
 - Exhibit J1/J2 must include multiple department codes if necessary to reconcile between the stand-alone financial statements and CORE, i.e. a "consolidated" Exhibit J. (Exhibit J files based on a single department code may be provided to supplement a consolidated Exhibit J.)
 - Completed NICA (Net Investment in Capital Assets) tab in the Exhibit J workbook that reconciles to the NICA amount in the stand-alone financial statements, if applicable
- 2. J-Rec Detail Report used to prepare the Exhibit J (see Section 5.3 below)
- 3. Stand-alone financial statements used to prepare the Exhibit J. Draft versions of stand-alone financial statements are required with Exhibit J submissions.
- 4. Trial balance report for a non-CORE general ledger, if applicable. The trial balance report should at least include the account code, account name, and account balance. The trial balance report should balance and Excel format is preferred.
- 5. Crosswalk used between a non-CORE general ledger and the CORE chart-of-accounts, if applicable. The crosswalk should allow identification of where accounts and balances on the trial balance are interfaced to CORE accounts and balances.

Exhibit J considerations:

- Revised Exhibit J submissions should be provided to the OSC when stand-alone financial statements or related CORE balances change.
- Notes to the financial statements and RSI, including Management's Discussion and Analysis, should be provided to the OSC by the due dates in the open/close calendar.
- Exhibits V1 and V2 should be submitted by the Exhibit J due date (refer to the open close calendar).
- IHE YE20 budget entries should be submitted prior to Exhibit J submissions (refer to the open/close calendar).
- Exhibit I is due the same date as the Exhibit J (refer to the open/close calendar).

5.3 Financial Statement Line Item Account Groupings

Selected agencies and all higher education institutions are required to prepare financial statements and Exhibits J as specified in sections 5.1 and 5.2 of this chapter. Basic financial statements include:

STATEMENT OF NET POSITION (Government-wide)

BALANCE SHEET - GOVERNMENTAL FUNDS

STATEMENT OF NET POSITION – PROPRIETARY AND FIDUCIARY FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Based on their fund type, departments should run one of the following infoAdvantage reports to populate the "Annual Financial Statement Presentation" column of the exhibits J:

J-Rec Detail Report- Enterprise (Path: Statewide Reports/ACFR)

J-Rec Detail Report- Governmental (Path: Statewide Reports/ACFR)

These reports can be pasted directly into the "CORE Inputs" tab in the Exhibits J. The "Stand-Alone Financial Statement Presentation" column should be updated to reflect the presentation of the department's stand-alone statement. Balances should be reconciled via the "Reconciliations Items" section. Due to the many different options for line item presentation, the OSC's goal in reviewing the exhibits J is to ensure that balances are grouped in the correct classification e.g. current/non-current, operating non-operating etc. Please see the Exhibits J instructions for more detailed information on determining if an item is an acceptable presentation difference or requires adjustment.

The cash flow statement prepared under the direct method format is unique in that it requires assigning both balance sheet and operating statement accounts to line items. Some cash flows are unrelated to operating statement activities including:

- ♦ Purchase and sale/maturity of investments,
- Acquisition or disposal (at book value) of a capital asset,
- ♦ Debt issuance and payments on principal,
- ♦ Lease principal payments, and
- Receipts and disbursements of deposits held in custody or similar department type activity.

Balance sheet accounts reported as cash on the financial statements (10xx, 11xx, 2000, and 2712) are excluded from the cash flow statement table below because they are the cash target that the cash flow statement attempts to identify by reporting the operating statement account balances as adjusted for balance sheet accounts. Compensated absences operating statement accounts and balance sheet account changes should net to zero. If they do not, the OSC reports the difference as a payment to or for employees. Accounts such as depreciation are included in the table even though they do not result in cash flows. This is done to ensure that the effect on the balance (e.g., capital assets) where the change in cash is being measured is accurately represented. The depreciation recorded should offset the change in accumulated depreciation resulting in no cash flow reported.

All higher education institutions are required to submit an Exhibit V1 and Exhibit V2. Additionally, if your department records transactions in a proprietary fund, you may need to submit Exhibit V2.

Preparation of the direct method format cash flow statement is adversely affected by accounting shortcuts often used by state departments. Therefore, departments should observe the following requirements when entering proprietary fund-type transactions. These requirements do not apply to higher education, which is reporting as a special purpose government engaged solely in business-type activities.

- Department fund-type accounting should not be done in proprietary funds. If you are holding and disbursing cash for another entity or fund (and therefore making no entries to operating statement accounts), the activity should be accounted for in an agency fund.
- ♦ Journal voucher type transactions (account adjustments) should not be done on

transactions involving cash, such as PRCs, GAXs, CRs, etc.

• When holding cash or disbursements on the balance sheet, for instance in unearned revenue or undistributed charges or receipts, the transaction that eventually distributes the receipt/disbursement should include an impact on cash. This will result in an equal debit and credit to cash with zero net impact on cash, but it will allow the OSC to identify the operating statement account impacted by the deferred cash accounting distribution.

5.4 Discretely Presented Component Units Required by GASB Statement No. 39

GASB Statement No. 39 requires foundations or other entities that meet certain requirements to be discretely presented as component units in the state financial statements. OSC policy is that foundations with assets or revenues significant to the State will be evaluated for inclusion in the state's financial statements. The preliminary significance threshold for Fiscal Year 2024 is \$1,040 million. The significance threshold is a starting point, and entities meeting the threshold will be further evaluated which may result in inclusion or exclusion of the entity as a discretely-presented component unit. Currently, this requirement applies only to higher education institution foundations. However, any State department that has a relationship with an entity that meets the requirements of GASB Statement No. 39 and exceeds the significance threshold must comply with the requirements of this section.

In order to evaluate these foundations and include them as discretely presented component units (DPCU), as applicable based on the further evaluation, the OSC requires audited financial statements of the foundations meeting the threshold. The State department to which the DPCU is related, must provide the audited foundation financial statements at the earliest date they are available, but not later than the due date in the open/close calendar.

The OSC requires State departments and institutions to prepare financial statements using Generally Accepted Accounting Principles (GAAP) similarly to how those standards apply to the State as a whole. Consistent with that requirement, the OSC requires State departments related to DPCUs of the state to include those entities as DPCUs in the department's audited financial statements.

If you have a receivable or payable with a foundation that meets the reporting requirements for a DPCU, please ensure that the receivable is recorded in CORE in balance sheet account 1395-Receivable from Component Units and the payable is recorded in balance sheet account 2350-Payable to Component Units, 2825-Capital Lease Payable to Component Units, or 2980-Long Term Payable to Component Units.

5.5 Nonstatutorily Created Discretely Presented Component Units Required by GASB Statement No. 14, as amended by GASB Statement No. 61

The majority of entities potentially meeting the criteria in GASB Statement Nos. 14 and 61 for discrete presentation in the State's financial statements are created in State statute. The OSC annually evaluates statutorily created entities as part of its review process. However, potential component units not created in statute must be reported to the OSC. For example, a nonprofit entity associated with a department or institution could meet the criteria for inclusion as a component unit in the State's financial statements. To evaluate these entities as potential discretely presented component units (DPCU), the OSC needs the audited financial statements of nonstatutorily created entities; because these entities must be evaluated in aggregate for materiality, there is no threshold for reporting them to the OSC. The state department to which the nonstatutorily created DPCU is related must provide the audited financial statements at the earliest date they are available, but not later than the due date in the open/close calendar. The requirements as outlined for GASB Statement No. 39 entities in the previous section for similar inclusion in state department/institutional audited financial statements, and the use of specific receivable and payable coding apply to entities identified in this section.

The OSC requires state departments and institutions to prepare financial statements using Generally Accepted Accounting Principles (GAAP) similarly to how those standards apply to the State as a whole. Consistent with that requirement, the OSC requires State departments related to DPCUs of the state to include those entities as DPCUs in the departments' audited financial statements.

If you have a receivable or payable with a legally separate entity that meets the reporting requirements for a DPCU, please ensure that the receivable is recorded in CORE in balance sheet account 1395-Receivable from Component Units and the payable is recorded in balance sheet account 2350-Payable to Component Units, 2825-Capital Lease Payable to Component Units, or 2980-Long Term Payable to Component Units.

5.6 GASB Statement No. 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

The primary objectives of GASB 90 are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interest in legally separate organizations, and to improve the relevance of financial statement information for certain component units. GASB 90 defines a majority equity interest, and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment under paragraph 64 of GASB Statement No. 72. An equity interest is defined as a financial interest in a legally separate organization that is evidenced by ownership of shares of stock, or by otherwise having an implicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources. The provisions of GASB No. 90 were not material at the time of implementation; however, departments and institutions of higher education should consult with the OSC if these types of investments are identified in future fiscal years and reported on the Exhibit U2.

CHAPTER 3: SECTION 6 SUPPLEMENTAL INFORMATION FOR STATEWIDE REPORTING / EXHIBITS

Exhibits are used to provide information to the OSC that is not available from CORE. The OSC uses and relies on exhibits in the preparation of the state's financial statements (ACFR). Original exhibit submissions are based on CORE balances as of Period 14 close. Exhibits submitted to the OSC must agree with CORE balances, when applicable. The Office of the State Auditor has issued findings that exhibits that do not agree with the financial statements demonstrates a lack of internal controls over financial reporting. To address this finding, it is essential that departments timely update the exhibits for all adjustments after Period 14 closing that affect an exhibit. Failure to update exhibits timely and accurately will be noted as an indication of the department's contribution to a lack of internal controls over financial reporting. Refer to the following section on post closing adjustments and revised exhibits. The Exhibit Reconciling Balances Report may facilitate the completion of exhibits and is available in infoAdvantage after Period 14 close. Exhibits and instructions are available on the OSC's website at: https://www.colorado.gov/pacific/osc/fiscalprocedures.

Post Closing Adjustments

For errors found after Period 13 close, submit normal post-closing entries directly in CORE. These entries are required as a means of conveying to the OSC any accounting errors and audit adjustments on final CORE reports and ledgers. Post-closing entries should exceed \$200,000 if posted after Period 13. However, entries must also be submitted for errors over \$1,000 that would cause or prevent over-expenditures. Accounting transactions beginning with Period 14 will route to the OSC for approval. Supporting documentation and a description must be attached for audit purposes. There is no due date for entries; however, they must be submitted as soon as an amount requiring adjustment is identified. Departments are responsible for revising Exhibits to ensure they reconcile to CORE whenever post-closing entries are made after the original Exhibit submission. Entries will generally be posted through the cutoff date noted in the open/close calendar. Do not delete any entries, unless rescinded, until completion of the audit. Unapproved entries will stay in the system and serve to document unposted audit adjustments.

The following requirements apply to the post-closing CORE entries:

- ♦ Each transaction should contain no more than a single entry. Note in the explanation if there are other related entries which should also be considered for review in relation to a submitted entry.
- ♦ Provide a detailed explanation of the proposed entry in the description field. The explanation should include the initial condition, the error, and the correction of the error. The explanation must be detailed enough that no prior knowledge of the condition(s) leading to the proposed entry is necessary and should be sufficient for OSC review and audit purposes. The explanation should also indicate whether the entry will affect a previously submitted exhibit, whether the entry will be posted to stand-alone statements (if applicable), and unusual circumstances that would affect the decision regarding whether or not to post the entry. Submit revised exhibit(s) to the OSC immediately following OSC approval of the entry, if applicable.
- Revisions to post-closing entries must be <u>incremental</u> once an initial entry has been approved. An incremental revision must include a cross-reference to the original transaction(s) previously approved and clearly indicate that it is a revision.

Additional Requirements Related to the Exhibit J only:

In some instances, a post closing adjusting entry may be recorded on department financial statements but

not approved for the State's Annual Comprehensive Financial Report. When this occurs, the adjustment will be a reconciling item on the Exhibit J in the initial year and also in the subsequent year because the entry must be posted to CORE in the subsequent year.

CHAPTER 3: SECTION 7 STANDARDS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

This manual addresses changes and additions of standards promulgated by the Governmental Accounting Standards Board (GASB). Accordingly, the material in this section is intended to:

- Inform agencies of new standards under GASB, including a brief description and both suggested and required accounting and reporting issues as they relate to the standard. This includes providing guidance on any required CORE coding structure.
- Provide agencies with a preview of accounting standards that are soon to come and their potential impact on agencies' accounting and reporting requirements. This includes addressing standards that may take more than one fiscal year to implement.

Each department is responsible for gaining a thorough understanding of and implementing GASB requirements applicable to their operations. As a typical practice, the State does not early-implement GASB standards, unless otherwise noted. GASB statements are available electronically on the GASB website at:

https://gasb.org/standards-and-guidance/pronouncements

7.1 What's New

The following GASB standards and guidance effective for Fiscal Year 2024:

- GASB Statement No. 99 Omnibus 2022
- GASB Statement No. 100 Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62
- GASB Implementation Guide No. 2023-1, Implementation Guidance Update—2023

7.2 GASB Statement No. 99 – Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement were effective for Fiscal Year 2023 and prior, and are as follows:

• Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. See Chapter 4 Section 3 for guidance related to leases.

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. See Chapter 4 Section 3 for guidance related to SBITAs.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.

The practice issues addressed by this Statement are effective for Fiscal Year 2024 are as follows, and reported on Exhibits D3, L2, and N6:

- Accounting and financial reporting requirements for exchange and exchange-like financial guarantees.
- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

7.3 GASB Statement No. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62

This standard primarily applies to the State's Annual Report and departments and institutions that prepare separately-issued financial statements.

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable,

reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preference should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

7.4 GASB Implementation Guide No. 2023-1, *Implementation Guidance Update – 2023*

The objective of GASB Implementation Guide 2023-1 is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The Guide covers a variety of topics, and state departments, agencies, and institutions of higher education should review and understand each of

the questions and answers to ensure they are applied appropriately. Questions 4.1-4.3 cover Short Term Leases; questions 4.4-4.6 cover Lessee and Lessor Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership; questions 4.7-4.9 cover Statement No. 96, Subscription-Based Information Technology Arrangements; question 4.10 covers Statement No. 100, Accounting Changes and Error Corrections; and question 5.1 covers an amendment to Question 4.16 in Implementation Guide 2019-3 related to Leases.

7.5 What's Coming

The following GASB standards and guidance are effective for Fiscal Year 2025:

- GASB Statement No. 101 Compensated Absences
- GASB Statement No. 102 Certain Risk Disclosures

7.6 GASB Statement No. 101 – Compensated Absences

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

7.7 GASB Statement No. 102 – Certain Risk Disclosures

The State faces a variety of risks that could negatively affect the level of service provided or its ability to meet obligations as they come due. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority (legislature). Concentrations and constraints may limit a government's ability to acquire resources or control spending.

The Statement requires reporting entities to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a reporting entity to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a reporting entity determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following

- The concentration or constraint.
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the reporting entity prior to the issuance of the financial statements to mitigate the risk.

7.8 Other GASB Standards Already in Effect

Other GASB Standards that have taken effect and not covered elsewhere in the Fiscal Procedures Manual are summarized in the following sections:

7.9 GASB Statement No. 93 – Replacement of the Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Paragraphs 13 and 14 are effective for FY 2022, and are implemented along with GASB Statement No. 87 – *Leases*. The provisions of a lease contract may be amended while the contract is in effect. For purposes of applying paragraphs 71-76 of GASB No. 87, if variable lease payments of a lease contract depend on an IBOR, an amendment to the contract to solely replace the IBOR with another rate is not considered a lease modification.

7.10 GASB Statement No. 92 – *Omnibus 2020*

The objectives of GASB 92 are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements (see Chapter 3, Section 7.2).
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

Because the Standard covers such a wide array of topics related to accounting and reporting, departments and institutions of higher education are expected to review the standard to determine whether it may apply, and consult with the Office of the State Controller for additional guidance as necessary.

7.11 GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of

certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans)1 as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

- This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.
- This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.
- This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

7.12 GASB Statement No. 98 – The Annual Comprehensive Financial Report

GASB 98 was issued in October 2021 - subsequent to the June 30, 2021 fiscal year end. The State began changing CAFR to ACFR terminology prior to issuance of the Standard, and formally adopted the standard for Fiscal Year 2022. The standard establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

CHAPTER 3: SECTION 8 COVID-19 Federal Funds Accounting and Reporting Requirements

There have been a number of programs created or expanded by the federal government in an effort to respond to the COVID-19 pandemic. The purpose of this chapter is to provide both the overall framework as well as address specific accounting and reporting requirements by program when applicable.

8.1 General Requirements

Tracking of expenditures funded by the federal government to respond to the Coronavirus (COVID-19) pandemic shall be accomplished through the CORE cost accounting module, and will generally follow established practices for recording grants. Each COVID-19 federal award received shall be set up in a distinct Major Program. A standard Major Program Group rollup has been designated by the OSC to track each COVID-19 federal act. The designated Major Program Group and Major Program reference to that group need to be established at the departmental level. The current federal acts and the standard Major Program Group assignment are:

- Coronavirus Aid, Relief, and Economic Security Act (CARES) "CARE"
- Families First Coronavirus Response Act "CFFR"
- Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 "CPRS"
- Paycheck Protection Program and Health Care Enhancement Act "CPHC"
- Coronavirus Response and Relief Supplemental Appropriations Act "CRRS"
- Continuous Assistance Act "CCAA"
- American Rescue Plan Act of 2021 "ARPA"
- Continuing Appropriations Act of 2021 "CAA1"
- Emergency Supplemental Appropriations for Humanitarian Assistance and Security at the Southern Border Act, 2019 "HASB"
- Infrastructure Investment and Jobs Act "INFR"
- COVID-19 funding awarded outside of dedicated COVID-19 acts "COTH"

If COVID-19 funding is awarded through additional dedicated federal acts, contact FSU to assign a standard Major Program Group code for tracking the act.

Additionally, the OSC will identify emergency federal awards received directly by state departments in CORE through a combination of the spending authority indicator and information in the description field, excluding IHEs, as follows:

Act	SAI	Related Expenditures Segregated by Major	
		Program Group(s)	transaction
American Rescue Plan Act (non-SLFRF)	40	ARPA	CFDA number and Award Program Title (i.e., 93.568-Low- Income Home Energy Assistance Program)
Consolidated Appropriations Act; includes Division M - Coronavirus Response and Relief Supplemental Appropriations Act, Division N - Additional Coronavirus Response and Relief, and the Continued Assistance Act (also referred to as HR133)	39	CAA1 or CRRS/CCAA	CFDA number and Award Program Title
Infrastructure Investment and Jobs Act	47	INFR	CFDA number and Award Program Title
Other	46	СОТН	CFDA number and Award Program Title

All other budget fields, such as fund, remain the same as if not federal emergency funds. Pass-thru subawards from state departments or IHEs should not be recorded in these spending authority indicators, but should continue to be requested as SAI 4.

8.2 Federal Revenue Classification

Departments and Institutions of Higher Education depositing federal COVID-19 funds in enterprise funds need to determine whether to record earnings as operating or nonoperating revenue. Specific guidance may or may not exist for each COVID-19 federal act. Note that GASB Technical Bulletin No. 2020-a—Accounting 2020-a—Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 provided some specific direction for revenue classification for some programs. If it has been determined that a nonoperating classification is appropriate, use revenue source code 7545 for this purpose.

8.3 Coronavirus Relief Funds (CRF)

The CRF is one of the programs authorized under the CARES Act. The Governor's Office received \$1.67 billion in relief funds in two upfront direct deposits into the State Treasury. The Governor issued Executive Order 2020-070 to allocate the funding and designate the State Controller as the responsibility for reporting and monitoring these funds. In this order, the Governor directed \$70 million to the General Fund for appropriation by the legislature. Additionally, subsequent orders further clarified, allocated/reallocated funds. Allocations for similar purposes were grouped into projects, referred to as CRF projects, for federal reporting purposes. CRF spending ended on September 30, 2022.

8.3.1 CRF Returned Funds

After December 31, 2021, any CRF returned funds or warrants must be credited back to the CRF program and returned to the Governor's Office for return to the US Treasury.

8.4 Paycheck Protection Program (PPP) Loan Forgiveness Program

Paragraph 6 of GASB Technical Bulletin No. 2020-a—Accounting 2020-a—Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 clarifies revenue recognition for PPP loans. Recipients of forgivable loans under PPP recognize revenue in the period that the liability is legally released. A loan liability will remain in place until the legal release occurs, regardless of when the eligibility requirements for forgiveness were met. While the program has ended, the funds are subject to federal audit.

8.5 American Rescue Plan Act of 2021 (ARPA)

H.R. 1319, known as the American Rescue Plan Act of 2021 (ARPA), was signed into law on March 11, 2021. The Act provides \$1.9 trillion to combat the many impacts of the COVID-19 pandemic. The state is eligible for aid in the form of upfront cash payments from the US Treasury as well as reimbursement-basis awards issued by federal departments and agencies directly to state departments and institutions of higher education.

The OSC created an ARPA webpage to provide up-to-date guidance as it becomes available. The website is located at https://osc.colorado.gov/grants/american-rescue-plan-act

8.6 State and Local Fiscal Recovery Funds (SLFRF) Subset of ARPA

The State and Local Fiscal Recovery Fund is a subset of ARPA. Subtitle M of the Act established the fund, under which the State Treasury received an upfront cash payment of \$3.8 billion. This distribution has been assigned CFDA No. 21.027 and FAIN SLFRP0126. The eligible uses of these monies include:

- a. to respond to the public health emergency or its negative economic impact (assistance to households, small businesses or nonprofits, or aid to impacted industries such as tourism, travel and hospitality),
- b. to respond to workers performing essential work by providing premium pay or grants to eligible employers that have eligible workers who perform essential work,
- c. to provide for government services to the extent that the reduction in revenue due to the pandemic, and
- d. to make necessary investments in water, sewer, and broadband infrastructure.

The funds are available effective March 3, 2021 and expire on December 31, 2024. The Treasury Interim Final Rule further clarified that as long as funds are obligated by December 31, 2024, the performance period extends through December 31, 2026.

The General Assembly will appropriate ARPA-SLFRF monies, with the exception of \$370 million that is continuously appropriated to be used as directed by the Governor. Further, the Joint Budget Committee introduced a bill regarding the refinancing of existing SLFRF project dollars to personal services to accelerate federal spending to reduce the risk of reverting unobligated and/or unexpended funds back to the US Treasury. If the bill is enacted, the OSC will provide additional guidance in an Alert at that time.

Coding Element	Parameters
Coung Element	
Department	Applicable Department Code(s)
Fund	Various dedicated SLFRF or companion SLFRF funds, grouped into classifications*
	Fund Group C100 – Stimulus; Primary Fund CSFE
	Fund Group C200 – Workforce; Primary Fund CSFW
	Fund Group C300 – Housing; Primary Fund CSFH
	Fund Group C400 - Behavioral Health; Primary Fund CSFB
	Fund Group C500 - Revenue Loss; Primary Fund CSFL
	Fund Group C600 – Governor; Primary Fund CSFG
Subfund	Not used
Major Program	Discretionary, but must be assigned to the Major Program Group ARPA to identify the
Code	spending as falling under the ARPA umbrella. Note that this group is not unique to
	SLFRF monies and includes other ARPA programs.
Major Program	21EX Departmental Offices, Department of the Treasury
Class	
Major Program	0274 Coronavirus State and Local Fiscal Recovery Funds
Cat	

8.6.1 SLFRF Chart of Account Structure

allocation reestablished as a non-appropriated federal appropriation unit.

Federal. If appropriated otherwise, the appropriation shall be restricted and the

8.6.2 ARPA – Budget – Appropriations/Allocations from the State and Local Fiscal Recovery Fund (SLFRF)

Senate Bill 21-288 created the American Rescue Plan Act of 2021 cash fund as a holding fund (Fund CSFR) from which monies will be transferred to other funds for expenditure. Appropriations in this fund and transfers to the General Fund are expressly prohibited. The General Assembly may transfer money into new ARPA-SLFRF dedicated cash funds or existing cash funds. Senate Bill 21-288 further requires the creation of companion funds to segregate ARPA-SLFRF transfers into existing cash funds to prevent comingling federal and nonfederal funding sources. With the exception of \$370 million that is continuously appropriated for the Governor to allocate, ARPA-SLFRF monies will be appropriated through the legislative process.

Spending authority for the transfer, or series of transfers, of ARPA-SLFRF monies from the ARPA holding fund to the final recipient fund will be recorded under existing guidelines, but with parameters around what is reflected in the Fund Detail Description field. The spending authority shall be recorded as statutory spending authority (SAI Code 10) referencing the legislation authorizing the transfer in the House Bill field. In the Description field, include the recipient Department Code and CORE Fund number using the following syntax: Department Code-CORE Fund (i.e., HAAA-400C).

Federal appropriations from ARPA-SLFRF recipient funds shall be recorded in PB using new spending authority indicators that align with how the funds are appropriated:

- SAI 41 Long Bill ARPA-CSFR
- SAI 42 Special Bill ARPA-CSFR

Appropriation

Unit

^{*} If non-federal money is deposited into the primary fund; a new companion fund with an "N" rather than an "S" as the second character will be established pursuant to C.R.S 24-75-226(4)(c).

• SAI 43 – Supplemental Bill ARPA-CSFR

Allocations from the Governor's \$370 million shall be recorded in the recipient fund using a dedicated spending authority indicator, with a House Bill reference to 24-75-226(4)(a) which continuously appropriates these monies and a Description referencing the authorization. This SAI code will also be used to manually record federal ARPA-SLFRF as federal, if appropriated as reappropriated. Note that the reappropriated appropriation will be recorded in regular non-ARPA-SLFRF SAI codes. The spending authority indicator for these purposes is:

• SAI 44 – Statutory ARPA-CSFR

Spending authority granted in SAI Codes 41-44 represent the total unduplicated ARPA-SLFRF monies authorized for expenditure.

There may be situations where ARPA-SLFRF funds are further passed through by interagency agreement. When this occurs, use SAI 45.

The OSC originally designated funding source codes to align with the allowable uses described in Section 1.3 of this chapter. However, with the expansion of expenditure categories in the Interim and Final Rule, this eligibility categorization is duplicative. No changes to prior coding is necessary, but fund source code LZA will be used prospectively to record SLFRF spending authority, except for higher education institutions activity related to capital construction

Funding Source Code	Allowable Use
LZA	Address Public Health and Economic Impacts of COVID-19
LZB	Premium Pay/Employer Grants for Essential Workers
LZC	Provisions of Government Services
LZD	Water, Sewer and Broadband Infrastructure
LV*	Higher Education Institutions - Capital Construction
LW*	Higher Education Institutions - Capital Construction
LX*	Higher Education Institutions - Capital Construction
LY*	Higher Education Institutions - Capital Construction

Examples follow illustrating the appropriate Fund, SAI, House Bill and Description for various ARPA budget scenarios.

Examples: Senate Bill 21-288 transferred \$50 million from the American Rescue Plan Act Cash Fund (CORE Fund CSFR) to the State Highway Fund (CORE Companion Fund 400C) to support economic recovery

Fund: CSFR SAI: 10

House Bill: SB 21-288 Description: HAAA-400C

Senate Bill 21-260 appropriated \$50 million from the State Highway Fund, from ARPA-SLFRF monies, for transportation infrastructure to support economic recovery

Interfaced from PB

Fund: 400C SAI: 42

Appropriation: HFLZAxxxx

House Bill: 21-260

Description: PB to FIN BGA90

The Governor authorized the Department of Personnel to spend \$1 million on administrative tasks necessary to respond to the public health threat

Fund: CSFG SAI: 44

House Bill: 21-75-226(4)(a) Appropriation: AFLZAxxxx

Description: Governor-Letter dated 6/14/2021

Appropriation units shall not comingle appropriations in different subcategories; therefore, a single appropriation clause might require multiple appropriation units. If not initially known, spending authority can later be adjusted using the applicable SAI 41-44 that correlates to the original transaction. When establishing these appropriation units, leave the appropriation short name blank. The OSC will populate this to facilitate categorical reporting.

8.6.3 Recording Budget Transfers Between SLFRF Operating Budget Lines

Changes between SLFRF budget lines must follow guidelines established by the Governor's Office and the OSC. See section 8.6.4, SLFRF Modification Process for Reporting, Expenditure Category, Appropriation Unit and Project Budget Changes for more information. Follow the guidance below only after required approval to transfer funds between lines or appropriation units.

The OSC uses the SAI indicator and bill number for SLFRF reporting purposes. The SLFRF budget lines are coded as either SAI 41 (Long Bill budgets), 42 (special bill budgets), 43 (supplemental budgets) or 44 (custodial budgets).

Since the OSC specifically uses the SAI and bill number to pull budget information related to SLFRF funds, any transfers between SLFRF budget lines (all with funding source codes LZA-LZD and LV*, LW*, LX*, and LY*) must retain both the original SAI indicator and the original bill number for that budget. This guidance does not apply to capital construction transfers between SLFRF projects. See section 8.6.16 for SLFRF capital construction guidance. SAI 7 and Event Type BG06 and BG07 should NOT be used for SLFRF transfers.

For SLFRF transfers only, for the amount being transferred out, decrease the original budget line. Following the updated Spending Authority Indicator and Event Type Matrix (see Chapter 2, Section 2), you may use either Event Type BG01 (Adopt) or BG03 (Amend) for SAI 42 or SAI 44 transfers. **The SAI indicator must be the same as the original budget line.** Be sure to add the same house bill number to all lines.

For the lines being transferred in, increase the budget line. You may use Event Type BG01 (Adopt) or BG03 (Amend) for SAI 42 and 44 transfers. **The SAI indicator must be the same as the original budget line.** In addition, the applicable house bill number should be added to all lines of the transaction. Please process in one transaction, so the net effect on the budget in total is \$0.

For Long Bill Operating (SAI 41) or Supplemental (SAI 43) corrections, where the appropriation unit needs to be corrected due to a coding error, you should follow the guidance in the Spending Authority Indicator and Event Type Matrix.

For Long Bill, show a decrease to the existing appropriation unit and fund using BG01 (Adopt), SAI 41, and increase the new appropriation unit using the same BG01 (Adopt), SAI 41. For corrections related to SLFRF supplemental lines, show a decrease to the existing appropriation unit and fund using BG03 (Amend), SAI 43 and an increase to the new appropriation unit using Event Type BG03 (Amend), SAI 43. These correcting budget entries should include the applicable house bill number as the original budgets.

8.6.4 SLFRF Modification Process for Reporting, Expenditure Category, Appropriation Unit and Project Budget Changes

The Governor's Office and OSC have initiated the following steps to ensure a streamlined and consistent process for any changes that have a potential effect on timely and accurate reporting to the US Treasury. A modification request could be initiated in several ways. The department may notice an expenditure category is not appropriate, that a project needs to be spread over two expenditure categories, or a budget change is required. The Governor's Office or the OSC Compliance or Reporting team could also make a recommendation for change. Either way, the same process will apply.

- OSC/Recovery Officer (RO) identifies the change (addition, deletion, change or modification) to reporting requirements, appropriation units, project budgets and/or expenditure categories, or other eligibility document changes
- RO completes the SLFRF Reporting Modification Request Form and <u>identifies</u> a time for review in the master schedule.
- SLFRF Review Committee (OSPB, OSC, Recovery Office, and Department) review all SLFRF Reporting Modification Requests
- SLFRF Review Committee will work collaboratively to reach a consensus on each modification request
- All decisions (approval or denial) will be tracked by completing the bottom portion of the SLFRF Modification Request Form
- If approved, when applicable, the OSC Federal Reporting team will make and/or provide directions to the State Agency directly on changes to CORE
- If approved, changes will be recorded on the Governor's tracking documents (i.e. stimulus plan tracker, etc.) and the Project Inventory
- The OSC Compliance team will work directly with the State Agency on any necessary grant agreement modifications.

If a department does not have an assigned RO, they may contact their OSC Compliance liaison for an SLFRF Reporting Modification Request Form or request a form through the SLFRF mailbox: soc slfrf mailbox@state.co.us. The forms are not currently available on our website.

8.6.5 Carry Forward of SLFRF Spending Authority

During period 15, the SLFRF Reporting Team will prepare budget transactions to carryforward any authorized remaining spending authority related to SLFRF federal projects. SLFRF spending authority carryforwards are unique due to dual federal/state timing requirements. Budget transactions that were originally booked with SAI 41, 42, and 43 and 44 will be processed with BG04 (Carryforward) and SAI 45. Any remaining spending authority related to SLFRF that was originally booked as SAI 2, 3, 4, or 10 will be processed with BG04, SAI 4. Budgets will be

carried forward through the legislatively authorized period. SLFRF funds must be obligated by December 31, 2024 and expended by December 31, 2026, unless state legislation requires an earlier date. Any funds not obligated or expended for eligible uses by these timelines must be returned to the US Treasury.

8.6.6 SLFRF Encumbrances

For subawards and contracts from SLFRF federal awards, state departments should use a CT/CTGG1 as applicable, to track subawarded amounts. Purchase Orders (PO) and Small Dollar Grant Award T&C's (POGG1) are not permitted when granting out SLFRF funds as they do not contain the proper signature, compliance and reporting requirements.

OSC developed three Grant Agreement templates specific to SLFRF funds: Grant Agreement; Intergovernmental Grant Agreement and Interagency Grant Agreement. In addition, the OSC developed an SLFRF Grant Agreement Amendment Template which can be used to amend SLFRF agreements executed prior to the availability of the OSC templates. Visit the OSC ARPA page for more information: https://osc.colorado.gov/american-rescue-plan-act under the SLFRF Grant Agreement Template banner; also under Training & Communication.

The object code chart of accounts will track external expenditures, as well as subaward disbursements. Subawards to State Departments or IHEs should be accounted for in SLFRF federal pass-thru object codes 7FRB - SLFRF Transfer-Out (used with budgeted posting code) and 7FRN SLFRF Transfer-out Offset (used only with nonbudget posting code). See section 8.6.7 for additional information. Subawards to external parties shall be accounted for in object code series 51xx, 55x1, 5781, or 5791 (rare as individuals typically are not responsible for program compliance requirements).

No later than November 1, 2024, contract and purchase order transactions that extend to FY2026 will need to be modified to reflect the FY2026 and FY2027 portion of the commitment as a PR05 (Order from External Vendor –Accounting) encumbering event type for those operating in CORE. For those operating in primary operational financial systems outside of CORE, the total amount of SLFRF commitments needs to be reflected by this date. If new encumbrances are expected between November 1, 2024 and December 31, 2024, notify the OSC via the soc_slfrf_mailbox@state.co.us.

8.6.7 SLFRF Transfers for Pass-thru Activity within State Government

The instructions that follow for recording transfers of ARPA-SLFRF monies are unique and are intended to accomplish dual purposes. From a general ledger trial balance perspective cash will be moved as unearned revenue. There will be no duplication and federal revenue will only be reflected in the recipient department when eligible expenditures are incurred. To ensure budgetary compliance, budgeted transfers-out must be recorded and transfers-in are necessary for an audit trail but cannot be reflected as budgetary revenue as budgetary federal revenue will be recorded as expenditures are incurred. These items will be recorded, but eliminated using a nonbudget transfers-out and a nonbudget transfer-in offset. Note that this process is not intended for interagency purchases of goods and services provided in an agency in its normal operating capacity; for example, purchases of IT services from OIT with SLFRF dollars (see Section 8.6.8). Note also that CORE transactions for funds passed through to Higher Education Institutions that do not operate in CORE are slightly different (see Section 8.6.7.1).

Specific object and revenue source codes have been created for recording SLFRF transfer activity, as follows:

- Object Code 7FRB SLFRF Transfer-Out (used with budgeted posting code)
- Object Code 7FRN SLFRF Transfer-Out Offset (used only with nonbudget posting code)
- Revenue Source Code 9FRT SLFRF Transfer-In (used only with nonbudget posting code)
- Revenue Source Code 9FRO SLFRF Transfer-In Offset (used only with nonbudget posting code)

The pair of object codes and pair of revenue source codes should net to zero within a department and fund.

The journal entries in the table illustrate the recording of the initial deposit, a transfer into recipient fund, and spending of the transferred funds.

Detail Journal Lines for Upfront Lump Sum Distribution

					$\overline{}$
Department	Fund Name	Account Code	Account Name	Debit	Credit
Governor	ARPA Holding Fund	BSA 1100	Cash	3800	
Governor	ARPA Holding Fund	BSA 2500	Unearned Revenue		3800
Governor's Office rece	rives \$3.8 billion from the Coronav	irus State Fiscal Recover	ry Fund.		
Governor	ARPA Holding Fund	OBJ 7FRB	Budgeted CSFR Transfer-Out	100	
Governor	ARPA Holding Fund	BSA 1100	Cash		100
Governor	ARPA Holding Fund	BSA 2500	Unearned Revenue	100	
Governor	ARPA Holding Fund	OBJ 7FRN	NonBudget CSFR Transfer-out Offset		100
Human Services	Behavioral and MH Fund	BSA 1100	Cash	100	
Human Services	Behavioral and MH Fund	RSRC 9FRT	NonBudget CSFR Transfer-In		100
Human Services	Behavioral and MH Fund	RSRC 9FRO	NonBudget CSFR Transfer-In Offset	100	
Human Services	Behavioral and MH Fund	BSA 2500	Unearned Revenue		100
The Governor's Office	distributes \$100 million to the Be	havioral and Mental Hed	alth Cash Fund in CDHS pursuant to legislation.		
Human Services	Behavioral and MH Fund	Various	Direct Expenditure	25	
Human Services	Behavioral and MH Fund	BSA 1100	Cash		25
Human Services	Behavioral and MH Fund	BSA 2500	Unearned Revenue	25	
Human Services	Behavioral and MH Fund	RSRC 7400	Federal Revenue		25
\$25 million of transfer	rred fund are spent by CDHS.				

Summary		Gener	al		Ledge
		C 1	Unearned		Federal
Department	Fund Name	Cash	Kevenue	Expenditures	Revenue
Governor	ARPA Holding Fund	3,700	3,700		
Human Service	es Behavioral and MH Fund	75	75	25	25
	_	3,775	3,775	25	25

Event Types XN13 and XN14 are available on ITI/ITA transactions to facilitate the recording of the ARPA-SLFRF transfers. The Event Types are intended to be used together to transfer funds, eliminate the duplication that occurs with transfers, yet leave the budgetary transfer-out in the source fund intact for compliance purposes. On the first vendor line, Event Type XN13 (ARPA-CSFR Transfers) transfers the cash debiting budgeted transfer-out expense (OBJ 7FRB) in the source fund and crediting unbudgeted transfer-in revenue (RSRC 9FRT) in the recipient fund. On the second vendor line, Event Type XN14 (ARPA-CSFR Transfer Reclass to Unearned) cancels

the budgeted transfer-out in the source fund as a nonbudget credit to transfers-out (OBJ 7FRN) to be used with OBSA 2500 to reduce unearned revenue. In the recipient fund, the event type debits unbudgeted transfer-in revenue (RSRC 9FRO) to be used with OBSA 2500 to record underearned revenue. This treatment supports the approach to retain cash as unearned revenue as it moves prior to being spent on eligible purposes. The recognition of federal revenue (RSRC 7400) will occur as eligible expenses are incurred in the recipient fund, offsetting unearned revenue. However, if the funds are further passed through, the entity passing through again will need to manually convert the 9FRT revenue from unbudgeted to budgeted, and will not recognize federal revenue.

8.6.7.1 SLFRF Transfers for Pass-thru activity to Institutions of Higher Education Disbursements to Higher Education Institutions require a different combination of transactions and event types to achieve the same end result as the institutions do not operate in CORE.

- The disbursing agency should issue a GAX using the customary AP01 event type that posts budgeted expenditures using object code 7FRB.
- The disbursing agency should simultaneously record a JV1STND or JVC using Event Type XG14. This Event Type posts to unbudgeted expenditures and liabilities. On this entry debit the unearned revenue liability and credit the unbudgeted expenditure as the 7FRN offset.

See entries below:

Department	Doc Code	Fund Name	Account Code	Account Name	Debit	Credit
Higher Education	GAX	Worker's Categorical Fund	BSA 1100	Cash		100
Higher Education	GAX	Worker's Categorical Fund	OBJ 7FRB	Budgeted CSFR Transfer-Out	100	
Higher Education	JV1STND/JVC	Worker's Categorical Fund	OBJ 7FRN	NonBudget CSFR Transfer-In Offset		100
Higher Education	JV1STND/JVC	Worker's Categorical Fund	BSA 2500	Unearned Revenue	100	
CSU	Non-CORE	IHE Worker's SLFRF Fund	BSA 1100	Cash	100	
CSU	Non-CORE	IHE Worker's SLFRF Fund	BSA 2500	Unearned Revenue		100

The Department of Higher Education distributes \$100 million to CSU out of the Worker's Categorical Fund.

Please direct any questions to soc slfrf mailbox@state.co.us.

8.6.7.2 SLFRF Pass-thru of Pass-thru Revenue Earning Event Type Clarification

SLFRF dollars can be received in a pass-thru capacity and further passed through. In these cases, the entity passing through again will need to manually convert the 9FRT revenue from unbudgeted to budgeted, and will not recognize federal revenue. For clarification, this entry can be posted on either a JV1STND or JVC using Event Type XG30.

Department	Fund Name	Account Code	Account Name	Debit	Credit
Human Services	Behavioral and MH Fund	RSRC 9FRT	Budgeted CSFR Transfer-In		15
Human Services	Behavioral and MH Fund	RSRC 9FRT	NonBudget CSFR Transfer-In	15	

CDHS got SLFRF dolairs from CDPHE, and is futher transfering \$15 to DHE. This entry records budgeted revenue for pass-thru funds further passing thru.

8.6.7.3 Advances to SLFRF Subrecipients

In some cases, SLFRF funds are advanced to external subrecipients to carry out the work of the program. SLFRF funds are considered expended when an eligible expenditure has occurred; however, advancing funds is not an eligible expenditure. The utilization of the funds by the subrecipient for program purposes is the eligible expenditure. As a result, departments advancing funds must obtain subrecipient spending data to determine the amount of funds expended for both federal reporting and accounting purposes. At a minimum, this assessment has to occur quarterly prior to the submission of SLFRF reporting templates to the OSC. CORE entries must be completed by fiscal year end. Note that for Exhibit K-1 purposes, the amount disbursed is reportable and that outstanding advances need to be reconciled as further discussed in Section 8.6.13.

8.6.8 SLFRF Payments for Interagency Purchases of Goods and Services

If an agency contracts with another state agency for goods or service it normally provides within the course of its operations, the contracting agency is responsible for federal reporting. The expenditure would be accounted for in CORE as an interagency purchase (2251-Rental/Lease Motor Pool Vehicle, 2650-Office of Information Technology Purchases Services, etc.) and the revenue as interagency receipts (4450-Service Charges, 5311-Sales of Products to State Departments, etc.). In limited circumstances, non-SLFRF transfer codes may be appropriate for non-subrecipient intra- and interdepartmental payments. The contracting agency must work with the contractor agency to determine whether the agreement necessitated an underlying external vendor procurement of \$50,000 or greater. In this case, the contractor agency is responsible to segregate and report for federal purposes the portion related to an external agreement (see section 8.6.10).

8.6.9 SLFRF US Treasury Expenditure Categories

Expenditure Category	EC. ¹⁸	Previous EC.19
1: Public Health		
COVID-19 Mitigation & Prevention		
COVID-19 Vaccination [^]	1.1	1.1
COVID-19 Testing [^]	1.2	1.2
COVID-19 Contact Tracing [^]	1.3	1.3
Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, Child care facilities, etc.)*^	1.4	1.4
Personal Protective Equipment [^]	1.5	1.5
Medical Expenses (including Alternative Care Facilities)^	1.6	1.6
Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)^	1.7	1.8
COVID-19 Assistance to Small Businesses [^]	1.8	-
COVID 19 Assistance to Non-Profits [^]	1.9	-
COVID-19 Aid to Impacted Industries [^]	1.10	-
Community Violence Interventions		
Community Violence Interventions*^	1.11	3.16
Behavioral Health		
Mental Health Services*^	1.12	1.10
Substance Use Services*^	1.13	1.11
Other		
Other Public Health Services [^]	1.14	1.12
Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency	-	1.7

Expenditure Category	EC,18	Previous EC ₁₉
2: Negative Economic Impacts		
Assistance to Households		
Household Assistance: Food Programs*^	2.1	2.1
Household Assistance: Rent, Mortgage, and Utility Aid**	2.2	2.2
Household Assistance: Cash Transfers*^	2.3	2.3
Household Assistance: Internet Access Programs*^	2.4	2.4
Household Assistance: Paid Sick and Medical Leave^	2.5	-
Household Assistance: Health Insurance*^	2.6	-
Household Assistance: Services for Un/Unbanked*^	2.7	-
Household Assistance: Survivor's Benefits^	2.8	-
Unemployment Benefits or Cash Assistance to Unemployed Workers*^	2.9	2.6
Assistance to Unemployed or Underemployed Workers (e.g., job	2.10	2.7
training, subsidized employment, employment supports or incentives)*^	2.10	2.7
Healthy Childhood Environments: Child Care*^	2.11	3.6
Healthy Childhood Environments: Home Visiting*^	2.12	3.7
Healthy Childhood Environments: Services to Foster Youth or Families	2.13	3.8
Involved in Child Welfare System*^		
Healthy Childhood Environments: Early Learning*^	2.14	3.1
Long-term Housing Security: Affordable Housing*^	2.15	3.10
Long-term Housing Security: Services for Unhoused Persons*^	2.16	3.11
Housing Support: Housing Vouchers and Relocation Assistance for Disproportionately Impacted Communities*	2.17	-
Housing Support: Other Housing Assistance*	2.18	3.12
Social Determinants of Health: Community Health Workers or Benefits	2.19	3.14
Navigators*^	2.20	2.15
Social Determinants of Health: Lead Remediation*	2.20	3.15
Medical Facilities for Disproportionately Impacted Communities^	2.21	-
Strong Healthy Communities: Neighborhood Features that Promote Health and Safety [^]	2.22	-
Strong Healthy Communities: Demolition and Rehabilitation of		
Properties^	2.23	-
Addressing Educational Disparities: Aid to High-Poverty Districts [^]	2.24	3.2
Addressing Educational Disparities: Academic, Social, and Emotional Services*^	2.25	3.3
Addressing Educational Disparities: Mental Health Services*^	2.26	3.4
Addressing Impacts of Lost Instructional Time^	2.27	- 3.4
Contributions to UI Trust Funds^	2.28	2.8
Assistance to Small Businesses	2.20	2.0
Loans or Grants to Mitigate Financial Hardship*	2.29	2.9
Technical Assistance, Counseling, or Business Planning*^	2.30	2.3
Rehabilitation of Commercial Properties or Other Improvements^	2.31	-
Business Incubators and Start-Up or Expansion Assistance*	2.32	
Enhanced Support to Microbusinesses*^	2.33	1
Assistance to Non-Profits	2.33	
Assistance to Impacted Nonprofit Organizations (Impacted or		T
Disproportionately Impacted) [^]	2.34	2.10

Expenditure Category	EC.18	Previous EC ¹⁹
Aid to Impacted Industries		
Aid to Tourism, Travel, or Hospitality [^]	2.35	2.11
Aid to Other Impacted Industries*	2.36	2.12
Other		
Economic Impact Assistance: Other*^	2.37	2.13
Household Assistance: Eviction Prevention*^	-	2.5
Education Assistance: Other*^	-	3.5
Healthy Childhood Environments: Other*^	-	3.9
Social Determinants of Health: Other*^	-	3.13
3: Public Health-Negative Economic Impact: Public Sector Capacity		
General Provisions		
Public Sector Workforce: Payroll and Benefits for Public Health, Public		1.0
Safety, or Human Services Workers	3.1	1.9
Public Sector Workforce: Rehiring Public Sector Staff	3.2	2.14
Public Sector Workforce: Other	3.3	-
Public Sector Capacity: Effective Service Delivery	3.4	7.2
Public Sector Capacity: Administrative Needs	3.5	-
4: Premium Pay		
Public Sector Employees	4.1	4.1
Private Sector: Grants to Other Employers	4.2	4.2
5: Infrastructure		
Water and Sewer		
Clean Water: Centralized Wastewater Treatment	5.1	5.1
Clean Water: Centralized Wastewater Collection and Conveyance	5.2	5.2
Clean Water: Decentralized Wastewater	5.3	5.3
Clean Water: Combined Sewer Overflows	5.4	5.4
Clean Water: Other Sewer Infrastructure	5.5	5.5
Clean Water: Stormwater	5.6	5.6
Clean Water: Energy Conservation	5.7	5.7
Clean Water: Water Conservation	5.8	5.8
Clean Water: Nonpoint Source	5.9	5.9
Drinking water: Treatment	5.10	5.10
Drinking water: Transmission & Distribution	5.11	5.11
Drinking water: Lead Remediation, including in Schools and Daycares	5.12	5.12
Drinking water: Source	5.13	5.13
Drinking water: Storage	5.14	5.14
Drinking water: Other water infrastructure	5.15	5.15
Water and Sewer: Private Wells	5.16	-
Water and Sewer: IIJA Bureau of Reclamation Match	5.17	-
Water and Sewer: Other	5.18	-
Broadband		
Broadband: "Last Mile" projects	5.19	5.16
Broadband: IIJA Match	5.20	-
Broadband: Other projects	5.21	5.17
6: Revenue Replacement		
Provision of Government Services	6.1	6.1
		-

Expenditure Category	EC.18	Previous EC ¹⁹
Non-federal Match for Other Federal Programs	6.2	-
7: Administrative		
Administrative Expenses	7.1	7.1
Transfers to Other Units of Government	7.2	7.3
Transfers to Non-entitlement Units (States and territories only)	-	7.4
8: Natural Disasters		7.4
Temporary Emergency Housing	_	8.1
Food Assistance		8.2
Financial Assistance for Lost Wages		8.3
	-	
Other Immediate Needs: Emergency Protective Measures	-	8.4
Other Immediate Needs: Debris Removal	-	8.5
Other Immediate Needs: Public Infrastructure Repair	-	8.6
Other Immediate Needs: Home Repairs for Uninhabitable Primary Residences	-	8.7
Other Immediate Needs: Cash Assistance for Uninsured or Uninsured		
Expenses	-	8.8
Other Immediate Needs: Cash Assistance for Low Income Households	-	8.9
Other Immediate Needs: Increased Operational and Payroll Costs	-	8.10
Other Emergency Relief: natural Disaster that has Occurred/Expected to Occur		
Imminently	-	8.11
Mitigation	-	8.12
Other Emergency Relief: Natural Disaster that is Threatened to Occur in the		0.12
Future 9: Surface Transportation	-	8.13
9: Surface Transportation		0.1
Surface Transportation Projects Receiving Funding from DOT	-	9.1
Surface Transportation Projects Not Receiving Funding from DOT (streamlined		9.2
framework) Non-federal share requirements for a Surface Transportation Project or repaying		9.2
a TIFIA loan		9.3
10: Title I Projects		0.0
		10.1
Acquisition of real property	-	10.1
Acquisition, construction, reconstruction, or installation of public works, sites, or other public purposes	_	10.2
Code enforcement in deteriorated or deteriorating areas		10.2
Clearance, demolition, removal, reconstruction, and rehabilitation		10.3
	-	10.4
Removal of barriers restricting mobility and accessibility of elderly and handicapped persons	_	10.5
Payments to housing owners for losses of rental income for holding units for		10.5
relocation of displaced persons	_	10.6
Disposition of real property	-	10.7
Provision of public services Provision of public services	-	10.8
Payment of non-federal match or cost-share requirements of a federal financial assistance program in support of activities that would be eligible under CDBG or		
ICDBG		10.9
Relocation payments and assistance for displaced individuals, families,		10.0
businesses, organizations, and farm operations		10.10
Community development plan or policy-planning-management capacity		10.10
development	-	10.11

Expenditure Category	EC.18	Previous EC ¹⁹
Payment of reasonable administrative costs for establishing and administering federally approved enterprise zones, administering the HOME program, or		
planning and executing community development and housing activities	-	10.12
Provision of assistance for activities carried out by public or private nonprofit entities	_	10.13
Assistance to neighborhood-based nonprofit organizations and local development corporations and nonprofits serving the development needs of the		40.44
communities in nonentitlement areas	-	10.14
Development of energy use strategies	-	10.15
Assistance to private, for-profit entities to carry out economic development		
projects	-	10.16
Rehabilitation of Development Housing	-	10.17
Technical assistance to public or nonprofit entities to increase their capacity to carry out neighborhood revitalization or economic development activities	_	10.18
Housing services	-	10.19
Assistance to institutions of higher education	-	10.20
Assistance to public and private organizations, agencies, and other entities to facilitate economic development	-	10.21
Activities necessary to make essential repairs and to pay operating expenses to maintain habitability of housing units acquired through tax foreclosure		
proceedings	-	10.22
Direct assistance to facilitate and expand homeownership	-	10.23
Construction or improvement of tornado-safe-shelters and assistance to		
nonprofit and for-profit entities for such construction or improvement		10.24
Lead-based paint hazard evaluation and reduction	-	10.25

Changes from one expenditure category to another must follow guidelines established by the Governor's Office and the OSC. See section 8.6.4, SLFRF Modification Process for Reporting, Expenditure Category, Appropriation Unit and Project Budget Changes for more information.

8.6.10 Federal SLFRF Reporting to the US Treasury

In accordance with Senate Bill 21-288, the OSC is responsible for compiling and submitting federal reports to the U.S. Treasury for all SLFRF monies. US Treasury federal reports are due 30 calendar days after quarter end. A quarter is defined by CORE run date ranges, not by accounting period. For example, the quarter-ending December 31, 2023 contains activity approved in CORE from October 1, 2023 through December 31, 2023. The OSC-SLFRF-001 infoAdvantage report (see 8.6.11) was developed based on CORE run date parameters to support quarterly reporting. Department and IHE deadlines for submission of information to the OSC have been established in order for the OSC to meet its deadlines. For funds passed through within state government, the final state or IHE recipient of SLFRF funds is responsible for reporting to the OSC.

The OSC has a dedicated webpage at https://osc.colorado.gov/american-rescue-plan-act that provides further training, communications and guidance. Questions can also be sent to soc_slfrf_mailbox@state.co.us.

8.6.10.1 SLFRF Federal Obligation Types and Thresholds

The term subrecipient for Treasury SLFRF reporting purposes does not align with the term subrecipient as outlined in OMB Uniform Guidance. For Treasury reporting purposes, a subrecipient is any entity external to state government that receives SLFRF funds regardless of the purpose. As a result, a multitude of object codes, not just pass-thru federal grant object codes, constitute subrecipient spending. The Treasury classifies subrecipient obligations into types, to be determined as follows:

- Contracts Goods and services object codes (Generally object codes 1910 4910).
 This includes non-encumbered obligations for good and services, PCard and small dollar purchases, for example.
- Grants Identified by Departments and Institutions of Higher Education as those arrangements whereby a grant subaward agreement governs the nature and terms of the relationship.
- Transfers to Other Governments Any obligation that is not a contract or grant, whereby the recipient is another government.
- Direct Payments Default, if the obligation is not a contract, grant, or transfer to another government.
- Loans No SLFRF monies have been allocated for the purpose of making loans.
- Payments to Individuals This category includes salaries as well as any other payments to non-sole proprietor individuals.

Most obligations of \$50,000 or more require discrete disclosure. For purposes of this determination, separate and distinct procurements of less than \$50,000 each related to a single vendor do not need to be discretely reported. For example, if there are three separate procurements at different times, each stands alone for purposes of meeting the \$50,000 threshold. However, if a procurement of \$40,000 is modified to \$80,000, when that initial obligation expands, it becomes subject to discrete reporting.

There is an exception to the \$50,000 threshold for obligations and payments to individuals. Regardless of dollar amount, detailed information about an individual is not reportable in a discretely identifiable manner. An individual in this context excludes businesses operating as sole proprietors. For payments to individuals that are salaries and benefits, an obligation equal to the expenditure is reported at the time that the payroll expenditures occurs.

8.6.10.2 SLFRF Financial Reporting Templates

State agencies and institutions of higher education are responsible to submit their financial activity in Gravity to the OSC by the dates outlined in the Open/Close calendar or on the ARPA Website, unless a written extension has otherwise been approved no less than 2 days in advance of the due date. Training materials and templates for reporting are located on the State Controller's webpage at https://osc.colorado.gov/american-rescue-plan-act. Agency/IHE reporting templates will be completed and submitted in Gravity. Gravity logon website can be accessed here: https://co-dpa-osc.gravityigm.com/index.html#/. If access is required email soc slfrf mailbox@state.co.us or the agency's SLFRF Reporting Specialist in the OSC. Entries in Gravity will align with the templates that are posted on the ARPA webpage above. Ensure that the Quarterly and Cumulative Reconciliation tabs on the Financial Template are complete and accurate. The starting points for the Reconciliation tabs (both quarterly and cumulative) should come from the SLFRF-001 infoAdvantage report. Verify and complete the agency portion of the checklist on the Controls Tab, fill in header and date with submitter name. When the entry is ready for review, please move the workflow step in Gravity to Review status. The SLFRF Reporting Specialist in the OSC may adjust the workflow status back to Agency Correction if data elements are missing or information is incorrect. Please correct and resubmit to Review in accordance with established due dates.

Prior to reporting being submitted to the US Treasury, OSC will provide summarized data from Gravity and the Treasury Portal to agency Recovery Officers or agency Points of Contact to review. The OSC will coordinate with the Governor's Office to review the submissions prior to compiling the submission to the US Treasury.

8.6.10.3 SLFRF Performance Reporting Templates

State agencies and institutions of higher education are responsible to submit their performance activity in Gravity to the OSC by the dates outlined in the Open/Close calendar or on the ARPA Website, unless a written extension has otherwise been approved no less than 2 days in advance of the due date. Training materials and templates for reporting are located on the State Controller's webpage at https://osc.colorado.gov/american-rescue-plan-act. As noted above for the SLFRF financial reporting, agency/IHE reporting templates will be submitted in Gravity.

8.6.11 SLFRF infoAdvantage Reports

The OSC has developed infoAdvantage reports specific to SLFRF funds. Reports are located in the OSC Diagnostic Folder in an SLFRF subfolder, and include:

- OSC-SLFRF-001: This report supports SLFRF quarterly financial reporting. Obligations and expenditures are segregated between direct and pass-thru with further calculations for discrete versus aggregate presentation of activity. The direct expenditures in this report serve as the reconciliation point to the financial reporting submissions.
- OSC-SLFRF-002: No longer in use.
- OSC-SLFRF-003: This is a transaction-level report based on the GA-999 that includes the SLFRF project ID and expenditure category for SLFRF funds.
- OSC-SLFRF-004: The purpose of this report is to provide detail and summary net obligations, total expenditures and computed total obligations through each month. In conjunction with other means for gathering obligation and expenditure data, utilize this report for monthly Salesforce reporting to the Governor's Office.
- OSC-SLFRF-005A: The purpose of this report is to assist departments in identifying object and revenue source code coding discrepancies in SLFRF funds, primarily related to transferring SLFRF funds.
- OSC-SLFRF-005B: The purpose of this report is to assist departments in identifying outof-balance SLFRF transfers. This typically occurs when regular rather than SLFRF Event Types XN13 and XN14 are used.
- OSC-SLFRF-005C: This report is informational only and identified awards reported as Lump Sum Grants in Gravity, as well as SLFRF categorical and companion fund advance balances.
- OSC-SLFRF-005D: This report is to assist departments in identifying over/underearned federal revenue in SLFRF categorical and companion funds.
- OSC-SLFRF-005E: This report identifies capital construction transfer revenue not cleared to federal revenue by IHEs. It also identifies the OSC SLFRF capital construction fund transfers-out offset against OSC department code 999A.
- OSC-SLFRF-005F: This report is used to identify SLFRF categorical and companion funds with a non-zero fund balance. SLFRF fund balance should equal zero.

8.6.12 SLFRF Monitoring Responsibilities

State departments managing federal State and Local Fiscal Recovery Funds (SLFRF) have primary responsibility for monitoring of all expenditures and program activities related to SLFRF, per

Uniform Guidance. The Office of State Planning & Budgeting (OSPB) directed the OSC to provide oversight and support to department-level monitoring efforts. As a result, the OSC contracted with KPMG to perform oversight and monitoring of SLFRF expenditures. This includes developing a risk-based approach to conduct transaction level sampling and monitoring of state department SLFRF expenditures. KPMG and the OSC will analyze the results of the monitoring activities, provide observations and recommendations, and develop training for state departments. While the OSC will provide monitoring and oversight with KPMG's assistance, state departments must continue to conduct ongoing monitoring of subrecipients, consistent with monitoring of other federal funds per Uniform Guidance requirements.

8.6.13 SLFRF Exhibit K1 SEFA Reconciliation

Some SLFRF subawards were distributed to external subrecipients in full, with eligible costs incurred either before or after the distribution. In this instance GAAP reporting differs from Exhibit K1 SEFA reporting. Please refer to the Exhibit K1 instructions for additional guidance. There may be other valid reasons for differences. Departments and institutions shall provide the reconciliation between GAAP and SEFA SLFRF expenditures if the two differ. The reconciliation is due to the soc slfrf mailbox@state.co.us on the Exhibit K-1 due date. To facilitate the reconciliation, the OSC will provide expected Exhibit K-1 balances based on balances reflected in CORE about two weeks prior to the due date.

8.6.14 Closing Process for SLFRF Projects (Budget/Accounting)

When an SLFRF project is complete, departments must adjust the budget to the amount expended by the end of the closing year. If the project was funded on a reimbursement basis, (i.e. through an IA-interagency agreement), a BGA transaction recording a reduction of budget using Event Type BG03, SAI 45, Duplicate Spending Authority should be utilized. Generally, this is the only budget/accounting entry needed for projects funded on the reimbursement basis.

If the project was funded upfront, (i.e. through a Bill), a BGA transaction recording a reduction of budget using Event Type BG03, SAI 6, Reversions should be utilized. Additionally, when a project receives funding upfront or if an excess amount was reimbursed to an agency, the agency will create a new federal appropriation unit utilizing "LZ6" as the funding source code to make the transfer of unspent cash and unearned revenue back to the original agency, most generally the Governor's Office. The "LZ6" budget is created using Event Type BG03, SAI 45, Duplicate Spending Authority. The transfer of funds back to the original agency will be completed utilizing the ITI/ITA process.

When creating the "LZ6" appropriation, below guidelines should be followed:

- When creating your "LZ6" appropriation the roll-ups for the original appropriation or other general roll up information can be used. The Appropriation Type will be the first six characters of the appropriation (XXLZ6)
- The same or multiple "LZ6" appropriations can be used to complete the transfers.
- If the same "LZ6" appropriation is used for multiple transfers, be sure and list the Project ID and original appropriation in the House Bill Number field in the Fund Detail Section of the BGA Transaction when creating the budget for the amount to be returned. A separate line should be used for each amount to be returned by project.

Once the budget reversion entry is complete, the unspent cash and unearned revenue will need to be transferred back to the original agency, most generally the Governor's Office. This will be done using the entries below, utilizing an ITI/ITA and the "LZ6" appropriation unit, where the department is now the Provider, and the original agency is the Receiver. These entries are the same as the FPM entries to be used when initially transferring SLFRF funds.

Provider Entries (Dept Returning Funds)			Receiver Entries (Gov Office Receiving Funds)				
Event Type XN13	Posting Code		COA Coding	Event Type XN13	Posting Code		COA Coding
Dr	A017	Operating Transfer Out	OBJ 7FRB	Dr	A001	Cash	BSA 1100
Cr	A001	Cash	BSA 1100	Cr	AX18 (Non Bud)	Unbudgetted Operating Transfer In	RSRC 9FRT
Event Type XN14	Posting Code		COA Coding	Event Type XN14	Posting Code		COA Coding
0-	D100	Oallanta dillanama di Daviania	DOA 0500	D	AX18	Helendards d On andin a Transfer la	DODO OFFIC
Dr	R102	Collected Unearned Revenue	BSA 2500	Dr	(Non Bud)	Unbudgetted Operating Transfer In	RSRC 9FRO
Cr	AX17 (Non Bud)	Unbudgetted Operating Transfer Out	OBJ 7FRN	Cr	R102	Collected Unearned Revenue	BSA 2500

8.6.15 SLFRF Closeout Certification Process

The Closeout Process for SLFRF related projects has been created. Within 90 days of the project end date, the OSC SLFRF Compliance team will send an email out to the Recovery Officer (RO) (Agency POC), OSC Reporting Team and Governor's Office with information about the closeout process. The closeout process can also be initiated at any time through for projects that have completed spending. The RO will lead the agency in the process with the Governor's Office providing over all facilitation.

Upon completion of a project, each department and institution's Chief Financial Officer and Recovery Officer must certify the following:

We have reviewed the department's inception-to-date SLFRF activity posted to CORE for the project and the general ledger activity and account balances for the project are correct and properly classified in accordance with generally accepted accounting principles and standards promulgated by the Governmental Accounting Standards Board (GASB). The SLFRF Closeout Financial Summary report accurately reflects the activity of this project. Costs were eligible to be charged to SLFRF, are within the period of performance, are supported by adequate documentation, and have not been charged or reimbursed by any other federal program. We have reviewed the department's inception-to-date Gravity data for the project and all elements have been accurately represented, including the liquidation of any unutilized obligations. All subgrantees were adequately monitored by the close of the project and are in compliance with the terms and conditions of the subgrant. Eligibility Document accurately reflects final project parameters. Unutilized SLFRF project funds have or will be returned to the Governor's Office no later than 30 days of completing this certification.

The following documents should be filed in the Shared RO/OSC folder:

- 90-day Email Notification

- Signed Certification
- Finalized Eligibility Document and/or Modification Form(s)
- Financial Summary
- Gravity Reporting Snapshot
- Treasury Portal Snapshot
- Signed bill or IA
- Subrecipient Closeout Checklist
- Final Closeout Confirmation Email
- Other documents that have been identified as being needed for closeout

Additional information and instructions regarding the closeout process can be obtained by emailing the <u>soc slfrf mailbox@state.co.us</u> or reviewing the ARPA Website.

8.6.16 SLFRF Capital Construction—Transfers, IHE Guidance and Sweep Entries

The OSC uses the SAI indicator and bill number for SLFRF reporting purposes. For SLFRF Capital Construction projects, the SLFRF budget lines are coded as SAI 41 (Long Bill budgets) in the closing year, since capital construction budgets are available to be spent upon signature. The budgets are then carried forward into the new year using SAI 45 (Duplicate Spending Authority).

Since the OSC specifically uses the SAI and bill number to pull budget information related to SLFRF funds, any approved transfers between SLFRF capital construction budget lines must retain both the carry forward SAI indicator (SAI 45) and the original bill number for that budget. As with other SLFRF budget transfers, **SAI 7 and Event Type BG06 and BG07 should NOT be used.**

For SLFRF capital construction transfers only, for the amount being transferred out, decrease the original budget line. Following the updated Spending Authority Indicator and Event Type Matrix (see Chapter 2, Section 2), you may use either Event Type BG01 (Adopt) or BG03 (Amend) and SAI 45. Be sure to add the same house bill number to all lines.

For the lines being transferred in, increase the budget line. You may use Event Type BG01 (Adopt) or BG03 (Amend) and must use SAI 45. In addition, the applicable house bill number should be added to all lines of the transaction. Please process in one transaction, so the net effect on the budget in total is \$0.

State agencies will need to request the cash to fund SLFRF Capital Construction appropriations. Prepare an ITI transaction with the Governor's Office using SLFRF Event Types XN13 and XN14 (see Chapter 3, Section 8.6.7) for the full appropriation amount. Attach a copy of the Long Bill and the letter notes as supporting documentation. As a reminder, as spending occurs, federal revenue will need to be earned periodically with a corresponding reduction in unearned revenue.

Institutions of Higher Education (IHE) will process IET4 transactions and draw cash on a reimbursement basis (quarterly) from the CSFL fund, per the usual process (with the exception of the use of Fund CSFL rather than Fund 4610). The OSC will request and hold the cash related to the institution's projects and prepare a year-end sweep entry to ensure that department year-end fund balances in fund CSFL are equal to zero at the end of the year for the IHE capital construction only. The OSC will process sweep entries related to SLFRF capital construction for IHEs which will be affecting cash and fund balance and will be processed in period 14 based on period 13 balances. Additional entries may be processed. The OSC will also be adjusting unearned revenue

for IHE SLFRF capital construction. See section 3.16 for more information on the year end sweep process, not related to SLFRF.

As applicable to SLFRF capital construction only, institutions of higher education will need to prepare entries to reclass the amounts recorded in the 320x fund, RSRC 9300 (Transfer from Capital Projects Funds to IHE) to 7545 (Nonoperating Federal Revenue). This reclass can be prepared as a year-end entry.

Additional information on SLFRF capital construction is available in Chapter 4, section 1.18 of the manual. Please direct any questions to the <u>soc_slfrf_mailbox@state.co.us</u>.

8.6.17 Higher Education Institution (IHE) SLFRF CORE Entries

Institutions shall duplicate record their non-capital construction SLFRF activity in companion SLFRF IHE funds. The companion funds currently include 32WC – Higher Education Workers Categorical Fund, the 32EC - Higher Education Economic Categorical Fund, the 32BC - Higher Education Behavioral Health Categorical Fund, and the 39CG – Healthy Forests and Vibrant Communities Fund. CORE entries should be processed quarterly, with a final entry in Period 13 for accrued activity. The duplication JV1ADVN transaction may occur at a summary-level. Sample summary-level entries follow.

For example, an institution receiving \$200,000, with \$75,000 spent in the calendar quarter would record the following in the applicable 32xC companion SLFRF IHE fund:

Record the amount upon receipt of cash in that first quarter:

DR. Cash-PSCD A016-BSA 1030 \$200,000

CR. Unearned Revenue-PSCD A015-BSA 2500 (\$200,000)

Record the amounts as they are being spent quarterly:

DR. Unearned Revenue-PSCD A015-BSA 2500 \$75,000

CR. Cash-PSCD A016-BSA 1030 (\$75,000)

*This entry can be combined with the entry above if they are completed in the same quarter

DR. Expenditures-PSCD D014-

Appropriation Unit (unique to project)-OBJ 5998 \$75,000

CR. Revenue-PSCD R003-

Appropriation Unit (unique to project)-RSRC 5498 (\$75,000)

(Use the appropriate Function Code, 1100 for E&G or 1900 for Non-E&G)

As a reminder, the duplicated expenditure balance total should reconcile to the Exhibit K1 for SLFRF (ALN # 21.027) dollars.

Do not include balances in companion SLFRF IHE funds in preparation of the Exhibits.

For state financial reporting purposes, the OSC will eliminate the duplication in the SLFRF IHE companion funds in department code GX3A.

8.7 Other US Treasury Federal Programs Subject to State Controller Certification

The State Controller is the certifying official for a number of US Treasury programs including, but not necessarily limited to, Emergency Rental Assistance (1 and 2), Housing Assistance Funds, and the Coronavirus Capital Projects Funds Recipients of these funds shall report federally required information and program updates as individually determined by the State Controller. Furthermore, recipients shall ensure that it has an adequate internal controls and a process of monitoring subrecipients (if applicable).

8.7.1 Capital Projects Fund (CPF)

The Capital Projects Fund addresses many challenges laid bare by the pandemic, especially in rural America, Tribal communities, and low and moderate income communities, helping to ensure that all communities have access to the high-quality modern infrastructure, including broadband, needed to access critical services. The Capital Projects Fund is applicable to the Office of Information Technology (OIT) only.

On a quarterly basis, OIT will provide to OSC the information needed to complete the Project and Expenditure Report, as described in the federal guidance. The OSC will review this data and the State Controller will submit and certify the information in the portal by the stated deadlines. Additionally, OIT will complete the Performance Report on an annual basis.

8.7.2 Emergency Rental Assistance (ERA) and Housing Assistance Funds (HAF)

Emergency Rental Assistance provides assistance payments to renters facing eviction while the Homeowner's Assistance Fund provides mortgage, utility and other assistance to homeowners. Theses housing assistance programs are applicable only to DOLA.

On a quarterly basis, DOLA will provide to OSC the information needed to complete the Project and Expenditure Report, as described in the federal guidance. The OSC will review this data and the State Controller will submit and certify the information in the portal by the stated deadlines. Additionally, DOLA will complete the HAF annual report.

8.8 State Stimulus Funds

State stimulus includes funding that supports the COVID impact on state departments and their programs. These funds may be from various state sources, and are coordinated by the Governor's Office.

In order to allow for monitoring and reporting of COVID-related funding from state stimulus, any new appropriations of state stimulus will need to be segregated from any existing appropriation units for a program.

The Governor's Office will assign project numbers for this funding that departments shall include as the first six digits of the appropriation unit short name in CORE.

Separate guidance will be issued related to any portions of projects that become state-funded as a result of the ARPA refinance pending legislation.

CHAPTER 4: SECTION 1 CAPITAL CONSTRUCTION

This chapter addresses capital construction (which includes IT projects, unless noted otherwise), capital assets, capital debt, and discusses issues related to establishing carrying forward and reverting spending authority for controlled maintenance and capital construction projects. This chapter also provides guidance on the proper accounting for expenditures, augmenting revenues, and retainage payable related to capital construction projects. Below is a broad overview of each step in the lifecycle of a typical construction project followed by detailed information on each of these steps in addition to other requirements and processes related to capital construction.

1.1 Steps in the Lifecycle of a Typical Capital Construction Project

- 1. The Long Bill is introduced. (See Section 1.2.)
- 2. The Capital Development Committee and Joint Technology Committee staff provide a list of project IDs to the OSC to use in creating new Appropriation Units. (See Section 1.2.)
- 3. Budget data are entered into PB and interfaced into CORE after the Long Bill is signed. (See Section 1.2.)
- 4. OSC restricts the budgets in CORE. (See Section 1.3.)
- 5. The SC4.1 or IT letter to beginning the project is completed. (See Section 1.3.)
- 6. A budget transaction is submitted to unrestrict the budget with the information from step 5.
- 7. A six-month certification is submitted to the OSC showing that fund have been encumbered or spent within six months. (See Section 1.6.)
- 8. Expenditures must be appropriate based on the rules. (See section 1.9)
- 9. Revenue needs to be earned in proportion to project funding. (See section 1.8)
- 10. Once a project has reached its three year life, any fund encumbered by June 30th may be carried forward. (See Section 1.5.)
- 11. All unspent and unencumbered funds are reverted. (See Section 1.5)

1.2 Recording Long Bill, Special Bill, and Supplemental Capital Construction Appropriations

All capital construction appropriations (Long Bill, Special Bill, and Supplemental) are recorded in the Performance Budgeting (PB) Module and interfaced into CORE. The general-funded portion of projects are recorded in funds 4610 (brick and mortar projects) or 4611 (IT projects); the cashfunded portion is recorded in the cash fund letternoted or specified in statute and if none are specified then Fund 4620; and the reappropriated and federal portions are recorded in Funds 4610 or 4611, unless letternoted otherwise.

Long Bill appropriations are effective upon signature by the Governor, which typically occurs in May, prior to the beginning of the new fiscal year. As a result, capital construction spending authority must be booked in the fiscal year the bill is signed by the Governor, even if there are no plans to expend any of the project's money until the new fiscal year. This is necessary for proper budget reconciliation and financial reporting. In late September, after period 15 close, the OSC will process the transactions to carryforward the budget to the new year. Special Bill and Supplemental appropriations occur in the fiscal year identified in the appropriation bill.

Appropriations to an existing capital construction project must retain the original project number and appropriation rollup coding (i.e., appropriation type, group, class, and project number provided by the Capital Development Committee), unless the project is also funded with Certificate of Participation (COP) proceeds in which case a new appropriation unit and project number will be assigned. For new projects, FSU staff will work with the departments to create appropriate coding.

Controlled maintenance projects are recorded as bottom-line funded, however, this not evident until a department receives an appropriation for two or more projects. As a result, all controlled maintenance projects are initially coded as bottom-line. This also supports the ability for controlled maintenance projects to be transferred, once approved by the Office of the State Architect, from one controlled maintenance project to another.

FSU will also maintain the project expiration date in the Short Name field in the appropriation class (APCLS) table in CORE. The infoAdvantage report OSC-019 - Capital Construction Reversions and Carryforwards Report, utilizes the date in the Short Name filed to show the date each project expires as discussed later in Chapter 4, Section 1.5.

Departments are responsible for ensuring PB contains the correct data (appropriation units, funds, and amounts) for each project. Once PB data has been reviewed by the department, OSPB, and the OSC, the data is interfaced into CORE.

1.3 Restrictions on Spending Authority

Shortly after the capital construction budget is recorded in CORE, the OSC prepares and uploads BGA190/191 transactions to restrict all budget lines in the year they were recorded, unless specifically exempted from restriction. This restriction applies to capital projects, controlled maintenance projects, and information technology projects. Exemptions include the Department of Personnel & Administration's Controlled Maintenance Emergency Account, the Department of Natural Resources' Division of Parks and Wildlife Projects and the Department of Transportation's Highway Projects. If a Supplemental or a Special Bill increases an appropriation, the OSC will also increase the restriction, conversely if the appropriation is decreased, the OSC will also decrease the restriction, unless already fully unrestricted by the department.

To remove a restriction, departments must submit a BGA190/191 transaction as an increase using Event Type BG03 and the SAI code used on the original restriction. The following is a list of the SAI codes used for capital construction restrictions.

SAI	SAI Codes for Restricting Capital Construction				
SAI SAI Name					
18	General Fund Exempt Restriction- Controller				
19	Cash Fund Restriction-Controller				
20	Reappropriated Fund Restriction-Controller				
21	Federal Fund Restriction-Controller				

When removing a restriction, appropriate documentation must also be attached to the BGA190/191 transaction. The information below describes the required documentation.

Capital Construction (i.e., Brick & Mortar) and Controlled Maintenance Projects: are managed by the Office of the State Architect and require that a Construction Project Application (SC4.1 Form) be completed to receive spending authority for a project. Each department and institution of higher education should have an official who has been delegated by the Office of the State Architect to approve and sign the SC4.1. In addition to the delegated official's approval, all institutions of higher education projects are also approved using the SC4.1 by the Department of Higher Education. After the SC4.1 is fully approved, please work with the Higher Education Fiscal Coordinator to submit a BGA 90/91 transaction with the attached SC4.1. Finally, for emergency controlled maintenance projects or transfers of controlled maintenance appropriations from one

project to another project, only the Office of the State Architect (not a delegate) can approve the SC4.1.

Non-Higher Education IT Projects: are managed by the Office of Information Technology (OIT) as set forth in Executive Order D 016 07. The OSC will restrict IT project budgets and departments must receive written (letter, email, etc.) approval from OIT in order to unrestrict the budget and begin spending. Once approval is received, please submit a BGA190/191 transaction as an increase using the same SAI as the restriction and attach OIT's approval. OIT will notify OSC if an approval is revoked. If additional monies are appropriated to an existing IT project, the OSC will also restrict those monies until departments submit a BGA190/191 transaction to unrestrict with OIT's approval attached. For questions related to project approval, please contact OIT.

Higher Education Institution IT Projects: are generally managed by each institution. The institutions' IT offices complete an Approval Form which is also approved by the Department of Higher Education. Once the IT Approval Form is fully approved, please work with the Higher Education Fiscal Coordinator to submit a BGA190/191 transaction as in increase using the same SAI as the restriction and attach the Approval Form. If additional monies are appropriated to an existing IT project, the OSC will also restrict those monies until departments submit a BGA190/191 transaction to unrestrict with an Approval Form attached. For questions related to approval of IT projects, please contact the Department of Higher Education.

Removing a Restriction Prior to the Carryforward. Since capital construction is recorded in the year it is signed and not carried forward to the new year until around late-September, if departments do not need to spend in the old year, but need to begin spending on the project in the new year and have a signed SC4.1 or approval for their IT project, departments should submit a BGA190/191 transaction in the new year as an increase using Event Type BG03 and the SAI code used on the original restriction and attach the required documentation. When the OSC completes the carryforward of unobligated spending authority and restrictions into the new year the net restriction amount will be \$0. However, if departments need to spend in both the old and new year, and they have a signed SC4.1 or IT approval, a BGA190/191 transaction should be submitted to lift the restriction in the old year only, and process a \$0 transaction in the new year, if needed.

1.4 Recording 1331s

The Joint Budget Committee may authorize emergency spending authority when the Legislature is not in session. The approval is in the form of a 1331 letter from JBC to OSC. Once approved by the State Controller, FSU will provide a copy to the department. The department should enter a budget transaction to record the budget using SAI 3, event type BG03, and "98-1331" entered into the House Bill field; and attach the 1331 letter. Additionally, the budget transaction should include restrictions. The restriction is recorded as a decrease using SAI codes 18 through 21 as appropriate and event type BG03. Once the department receives approval from the Office of the State Architect (in the form of a SC4.1) or OIT, departments may submit a budget transaction to remove the restrictions to allow spending on the project. If the 1331 results in an approved supplemental, the supplemental will follow the normal process for recording supplementals. The OSC will not restriction the funds if they were previously unrestricted with a SC4.1 or approval from OIT. Finally, once the year's legislative session has closed the departments must submit budget transactions to reverse all 1331s except those dated in June if they are effective for the closing fiscal year and the add-on was approved, in which case the OSC will ensure the add-on appropriately reflects the 1331. The reversal should be a decrease to SAI 3, event type BG03, and "98-1331" entered into the House Bill field. Only the 1331 should be reversed, not the restrictions.

1.5 Carryforward and Reversion of Capital Construction Appropriations

In accordance with the headnotes to the capital construction section of the Long Bill and statute, Section 24-75-303, C.R.S., capital construction appropriations, if initiated within the fiscal year of appropriation, are available until completion of the project or for a period of three years, whichever occurs first. The three year start date begins with the first full fiscal year that the appropriation is available. For example, as discussed previously, the Capital Construction Long Bill is typically signed in May (just prior to fiscal year-end); therefore, the three-year clock begins on July 1 of the new fiscal year. Once the three-year period has expired, the appropriation may continue to remain available into the next year for the amount encumbered on the project (e.g., by Purchase Order or Contract) as of June 30. Also personal services costs for IT projects must be encumbered as of June 30 using a GAE transaction or other means for institutions of higher education that do not record detailed capital construction expenditures in CORE (see Chapter 4, Section 1.9 for more discussion on allowable expenditures for IT projects). Requisitions in process on June 30 or contracts with an effective date subsequent to June 30 are not acceptable support for requesting the continuance of spending authority for capital construction projects. Any changes to a project (including name changes, increases or decreases to an appropriation or new fund source) result in a restart of the three-year clock. The OSC utilizes the Short Name Field in the Appropriation Class Table in CORE to maintain expiration dates.

Prior to the carryforward of spending authority, it may be necessary for departments or institutions to record purchase orders or spend in the new fiscal year. To facilitate this, zero-dollar budget lines are created by the OSC in the new fiscal year (see Chapter 2, Section 2.6). If a zero-dollar line is not already present on the BQ screen, departments may submit a \$0 BGA190/191 transaction using Event Type BG01 and SAI 7.

For projects within the three-year period, the OSC will process the appropriate BGA190/191 transactions in CORE to carryforward spending authority into the subsequent fiscal year. The carryforward amount is the unobligated spending authority (i.e., Fiscal Year budget less Fiscal Year expenditures). Once the carryforwards are complete, any restrictions remaining on those budget lines in the old year will also be placed on the new year budget lines.

For projects outside of the three-year period (referred to as expired projects), if a department wishes to carryforward the amount encumbered on a project as of June 30, the department will need to process the appropriate BGA190/191 transaction for the amount using Event Type BG04 and SAI 8 and attach documentation supporting the encumbrance amount (e.g., PO, CT, GAE). To help identify which projects are expiring see the OSC-019 - Capital Construction Reversions and Carryforwards Report, and the tab for expiring projects. According to statute, Section, 24-75-303(5)(c), C.R.S., any unencumbered spending authority not carried forward must be reverted. To process a reversion, departments will need to enter a BGA190/191 transaction, as a decrease, using Event Type BG03, SAI 6.

1.6 Six-Month Rule

Departments receiving capital construction appropriations for capital and controlled maintenance projects must comply with Section 24-30-1404(7), C.R.S., except where specifically exempted, which is known as the six-month rule which generally requires all new projects be encumbered within six months of becoming effective. The purpose of the rule is to encourage capital construction projects are started as soon as funds are available. The six-month deadline is six months after the effective date of the legislation funding new brick and mortar projects. The six-month rule applies to the initial appropriation only; if additional funding is later appropriated to the project the six-month rule does not apply to the additional funding. The six-month rule also does not apply to a capital construction project at a higher education institution that is to be constructed solely from cash funds held by the institution, federal funds, or a combination of both. Finally, according to Section 24-30-1404(7), C.R.S., the six-month rule does not apply to IT projects that

are overseen by the Joint Technology Committee (JTC), however, per Joint Rule 45, all projects over \$500,000 must be approved by the JTC, therefore projects under this amount would be subject to the six-month rule. The table below summarizes the six-month rule requirements.

Six-Month Rule Requirement ¹							
	Project Type	Funding	Six-Month Rule Applies				
IHEs	Brick & Mortar, and IT	Solely IHE Cash Funds, Federal Funds, or a combination	No				
IHEs & Depts	Brick & Mortar	State Funds, or a combination of Sate and Cash Funds	Yes				
IHEs & Depts	IT (less than \$500K)	State Funds, or a combination of State and Cash Funds	Yes				
IHEs & Depts	IT (greater than \$500K)	State Funds, or a combination of State and Cash Funds	No				
¹ See Section 24-	See Section 24-30-1404, C.R.S., for all exceptions related to the six-month rule.						

Statute requires, except for specific exemptions listed in the statute, that a professional services contract be executed and encumbered within six months after the appropriation becomes law. If a professional services contract is not needed, the department must have a vendor contract encumbered within six months of when the funds are available. If the project appropriation is for equipment, a Purchase Order or Contract document should be executed and processed in CORE or a higher education institution's financial system within six months of when the funds are available. If the department or higher education institution cannot meet the six-month rule, it may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived. If the OSC approves the request, the department will be notified in writing. Since the capital construction appropriation is effective upon signature, the six-month deadline for projects funded in the annual Long Bill is six months after the Governor signs the bill. Six month dates will be communicated to the departments once the Long Bill has been signed.

To certify that a project has met the six-month rule, departments must complete the OSC's Capital Construction / Controlled Maintenance Project Six-Month Encumbrance Certification Form which can be found at: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures. This form must be completed for each project that is subject to the six-month rule. The Controller/CFO and Project Manager will certify to the OSC that the encumbrance recorded on CORE or the higher education institution's financial system meets the requirements contained in Section 24-30-1404(7), C.R.S.

A memorandum of understanding (MOU) has been signed between the CDC and the OSC regarding the enforcement of the six-month rule. If the full amount of the encumbrance required by the statute cannot be met, the MOU allows a department or institution to include an amount in its project plan that will be encumbered by the six-month deadline. Justification for the proposed amount is required. If the stated encumbrance amount cannot be met by the six-month deadline, the department may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived.

Forms may be completed any time prior to the six-month deadline and emailed to dpa FARmailbox@state.co.us. Electronic signatures are acceptable.

The OSC will restrict capital construction appropriations that are subject to the six-month rule and have not been certified by the applicable deadline, preventing the posting of any additional budgetary or accounting transactions against the project. Questions about this policy should be directed to the Financial Services Unit.

1.7 Art in Public Places

Per Sections 24-48.5-301 and 312, C.R.S., a certain percentage of construction costs of capital construction projects is allocated to the Arts in Public Places program administered by the Colorado Creative Industries Advisory Council. The expenditure of capital construction funds from the project into the Creative Industries Cash Fund must occur within the three-year life of the capital construction project. Funds received for the Arts in Public Places program in the Creative Industries Cash Fund are governed by the applicable statute. The six-month rule or three-year life requirements of capital construction projects do not apply to these funds as these requirements were met in the overall individual capital construction project. It is the department's responsibility to provide to the Governor's Office of Economic Development and International Trade (OEDIT) a SC4.1 form in order to receive funding. The Arts in Public Places allocation for capital projects appropriated from federal State and Local Fiscal Recovery Funds through the Coronavirus Revenue Loss Restoration Cash Fund in House Bill 21-1329 are optional. If an allocation occurs, the budget, accounting, and reporting guidance in Chapter 3, Section 8 applies.

1.8 Capital Construction Fund Revenues

Matching cash and federal revenue should be earned in proportion to the capital construction fund appropriation available for total expenditures on no less than a monthly basis, unless otherwise statutorily exempted (e.g., several institutions of higher education are statutorily exempted per Section 24-75-303(3.5), C.R.S. and have the flexibility to spend non-proportionally). In addition, for any projects that are funded with cash funds including insurance recoveries or federal funds that are recorded in the capital construction fund (Fund 4610) or Information Technology Capital Account (Fund 4611), excess cash earnings should be carried forward as cash and/or federal funds. Specifically, cash and federal fund balance should be identified by preparing a JV1STND with Event Type XG30 to reflect the use of fund balance in the new fiscal year using revenue source code 9523. Carryforward fund balance from Highway User Tax Fund sources should be handled similarly, using revenue source code 9523. The OSC will use Event Type XG30 to reserve fund balance in the capital construction fund for earned, but unspent cash funds.

House Bill 21-1329 funded the majority of Capital Construction projects, historically funded with General Fund transfers, with federal State and Local Fiscal Recovery Funds (SLFRF). These are federal projects, thereby federal revenue must be recognized as expenditures occur. Additionally, all SLFRF budget, accounting and federal reporting requirements outlined in Chapter 3, Section 8 apply to these projects.

1.9 Use of the Capital Construction Budget

The capital construction budget may only be used for expenditures within the scope approved by the Capital Development Committee or Joint Technology Committee. Therefore, if operating-type expenditures were included in the approved scope, the budget may be used to cover those expenditures. Funding sources outside those appropriated in the capital construction budget should not be used, otherwise departments would be required to follow the headnote requirements and reduce their appropriation by the amount of the additional funds.

Expenditures for a capital construction project related to the cost of land, materials, and labor used in the construction of a building or permanent structure, or purchase of furniture or equipment should be debited to the appropriate expenditure object code.

Charges appropriate for capital construction projects have been identified in conformance with the statutory definition of capital construction included in Section 24-30-1301, C.R.S. The following list covers the object codes that should cover the majority of transactions departments and institutions normally need to record expenditures of capital construction projects. In limited instances, such as IT projects, other object codes may be appropriate. For example, according to Section 24-30-1301, C.R.S., personal services costs on capital construction projects are unallowable, however, IT projects are not within the definition of capital construction in this statute, therefore these costs, if within the project's scope, would be allowable to be charged to the capital construction IT appropriation for the project.

Each set of codes is followed by a general description of their use for capital construction purposes:

- As a general rule, object codes 19xx are used to record expenditures of independent consulting contractors (Part 14 of Article 30 Title 24, C.R.S.).
- Object codes 22xx and 3126 are generally used for state controlled maintenance projects.
- Object codes 23xx are used for general contractor services.
- Object codes 2253 Rental of Equipment, 2610 Advertising, 2810 Freight, 2820 Other Purchased Services, 3128 Noncapitalized Equipment, and 4200 Purchase Discounts should be used as appropriate. Rental of equipment is related to the rental of construction equipment to complete a project. Object code 2610 should be used for advertising related to the project (e.g., bid awards, end-of-project notifications). Printing/reproductions costs include the costs to provide the prime contractor with a reasonable number of plans and specs to distribute to sub-contractors for use during the project.
- Object codes 61xx and 62xx are used for the direct purchase of capital equipment.
- Object codes 63xx should only be used for projects that have been approved for lease purchases.

The following types of expenditures should be charged to a department or institution's operating budget and are not appropriate to be charged to "brick and mortar" capital construction/controlled maintenance projects:

- Although not chargeable to a capital construction project, personal services, including classified service employees and exempt contract employees, paid from operating budgets may meet capitalization criteria, particularly within intangible assets.
- All administrative expenditures including, but not limited to, travel, postage, telephone and fax, and general printing/reproduction costs.

At the end of the fiscal year and prior to Period 13 close, departments should review all capital construction projects to identify projects completed and closed during the year. The intent of this review is to ensure that all costs of the closed project(s) meeting the capitalization criteria are recorded in a fixed asset account. This includes the reclassification of amounts previously recorded in construction in progress and current year expenditures recorded in various object codes. For capital construction projects completed and closed during the fiscal year, a FA transaction transaction should be prepared in CORE prior to Period 13 department close transferring the total cost of the project, including costs previously recorded in the construction in progress balance sheet account (BSA 1860) to the appropriate balance sheet account in the Responsibility Center (GFAAG) for governmental funds (Fund 4710), or the applicable proprietary fund. For capital construction projects not completed by the end of the year, a FA and FI transaction should be prepared in CORE to record expenditures incurred to date meeting the capitalization criteria in Construction in Progress (BSA 1860).

Detailed instructions and Job Aids to assist in creating the transactions needed in CORE to correctly record Construction in Process can be found on the CORE website at: https://core.state.co.us/job-aids/fixed-assets.

1.10 Retainage for Capital Construction Projects

Before Period 13 close, departments should verify that the balances of their retainage account (BSA 2315) related to each project are correct. If the balance is incorrect, but the expenditure for the payments was recorded correctly, it is not necessary to record a reclassification of the retainage as a liability to the contractor or receivable from the contractor. If the expenditure was incorrectly recorded, make correcting entries as necessary.

Higher education institutions should follow the guidance provided in Higher Education Accounting Standard No. 9, as revised, when recording retainage payable.

1.11 Relationship Between Funds 4610/4611 and Higher Education Funds 320x/305x

With the implementation of CORE, the detailed accounting for projects is maintained in each higher education institution's internal financial system, rather than in CORE. However, budgetary compliance is still measured in the Capital Construction Fund (Fund 4610) or IT Capital Account (4611). Specifically, capital construction appropriations are recorded in Fund 4610 or 4611 in CORE and from there institutions may transfer cash out of 4610/4611 to its fund via an IET transaction. Institutions shall not draw funds without supporting expenditures. For cash appropriations, institutions shall regularly record matching transfer revenue and expense reflecting its share of expenditures on a periodic basis, but no less than quarterly. The OSC will monitor Capital Construction expenditures as compared to institution project expenditures to ensure budgetary compliance. The higher education Capital Construction Transfers Compared to Institutional Fund Expenditures (OSC-011) infoAdvantage report in the OSC Diagnostic Folder will be used to monitor this activity.

1.12 Emergency Maintenance Projects Completed by DPA on Behalf of Departments and Institutions

The Department of Personnel & Administration (DPA) will notify departments/institutions annually of emergency maintenance projects that are appropriated to DPA for maintenance of assets owned by departments/institutions where the total project expenditures are expected to be \$50,000 or more. If the project meets the requirements of increasing the capacity, efficiency, or extending the useful life of the asset the asset must be capitalized.

- For departments, DPA will record CIP on its books until the project is completed at which point the department will capitalize the cost.
- For institutions, DPA will transfer CIP to the IHEs to record each year, and once completed the IHE will record to the proper asset. These IHE entries are discussed in Section 1.13. This will support the department recovering the cost of the project through depreciation in the department's indirect cost plan or indirect cost rate. It is the departments'/institutions' responsibility to notify DPA whether or not the project will be capitalized at the department/institution.

Emergency maintenance projects with expenditures totaling less than \$50,000 or that are over \$50,000, but do not meet the capitalization requirements, should be expensed and included in the Statewide Cost Allocation Plan for purposes of indirect cost recovery. In most cases, emergency projects are funded by the Controlled Maintenance Emergency Account, appropriated to DPA. However, occasionally, emergency projects may be funded by available spending authority in a department's existing controlled maintenance project budgets. At the end of a project, DPA will revert any unspent spending authority for an emergency project back to the original source.

Departments and IHEs that have budget remaining in a controlled maintenance appropriation which is set to expire at year end and want to apply those funds to an emergency maintenance project must obtain approval from the State Architect as well as complete budget transfers by June 30. This should be done timely and no later than year end, otherwise the funds revert to Fund 4610/4611.

1.13 Capitalized Emergency Maintenance Projects Duplicate Expenditures – Higher Education Only

For capitalized emergency maintenance projects with Institutions of Higher Education (IHE), DPA will transfer construction in progress to the IHE at the end of each fiscal year, whether the project is complete or not. The institution will record the construction in progress in their non-appropriated appropriation unit each year, and will record the asset once the project is complete. The sample entries for split-year projects are shown below for illustrative purposes. If a project is completed in the first year, the IHE will need to record the asset as shown in Year 2 in the following table.

DPA Entries

	A LIIUICS		
Ent	tries During Year 1		
Dr	Expense	\$35,000	
Cr	Cash		\$35,000
Ent	tries at Year-end for Year 1		
Dr	Construction in Progress	\$35,000	
Cr	Expense		\$35,000
	•		, ,
Dr	Loss on Disposal	\$35,000	
	Construction in Progress	+,500	\$35,000
<u> </u>	2 2		400,000

IHE Entries

Entries During Year 1 Dr Expense Cr Contributed Capital	\$35,000	\$35,000
Entries at Year-end for Year 1 Dr Construction in Progress Cr Expense	\$35,000	\$35,000

Entrice During Veer 2		
Entries During Year 2 Dr Expense Cr Cash	\$20,000	\$20,000
Entries at Year-end for Year 2 Dr Construction in Progress Cr Expense	\$20,000	\$20,000
Dr Loss on Disposal Cr Construction in Progress	\$20,000	\$20,000

Entries During Year 2 Dr Expense Cr Contributed Capital	\$20,000	\$20,000
Entries at Year-end for Year 2 Dr Construction in Progress Cr Expense	\$20,000	\$20,000
Dr Asset Cr Construction in Progress	\$55,000	\$55,000

1.14 Non-Capitalizable Emergency Maintenance Projects Duplicate Expenditures – Higher Education Only

Normally, expenditures related to non-capitalizable emergency maintenance projects are reflected as expenditures of DPA only. However, for higher education institutions, the expenditures must also be duplicated in the higher education enterprise fund (Funds 305x/320x) to support the calculation of state support (in this case, contributed capital) for TABOR purposes. Specifically, the institution's entry in CORE should be a debit to the appropriate expense code and a credit to RSRC 8800-Contributed Capital Non-Capitalized Emergency Project for IHEs. To support this process, DPA establishes separate appropriation units for each project and records emergency maintenance expenditures to those appropriation units only. The OSC-015, IHE Noncapitalizable Emergency Projects shows DPA's cumulative non-capitalized expenditures for the current fiscal year for each project on the first tab and the institution's cumulative amount recorded in CORE to revenue source code 8800 on the second tab. The OSC-015 report is updated quarterly for any appropriation unit code updates, e.g., additions for new projects or deletions for completed projects. This report may be used throughout the year to determine DPA's expenditures and make the necessary entries in their enterprise funds as discussed above.

At the end of the year, DPA's expenditures on the first tab of the report should equal the institution's amount recorded as contributed capital on the second tab. The OSC also uses this report to eliminate the duplicate expenditures to appropriately reflect expenditures for the state's financial statements.

The sample entries for non-capitalizable emergency maintenance projects are as follows:

DP	A Entries			IHI	= Entries		
Dr	Expense	\$10,000		Dr	Expense	\$10,000	
Cr	Cash		\$10,000	Cr	Contributed Capital		\$10,000

1.15 Funding Future Capital Construction, Controlled Maintenance, or Capital Projects

The General Assembly enacted legislation to provide for a set aside of funding to cover future year projects. Section 24-30-1310, C.R.S., discusses the specific requirements. The following are key highlights from the statute:

- The requirements are applicable to all Capital Construction projects listed in the FY2016 Long Bill (SB15-234) and subsequent appropriation bills, except those listed below:
 - o Projects from the Lottery Fund (Fund 5030);
 - o Projects from the Limited Gaming Fund (Fund 4010);
 - o IT projects;
 - o DNR's Division of Parks and Wildlife projects funded from lottery proceeds; and
 - o The Regional Center Depreciation Account in the Capital Construction Fund (Fund 4640)
- For Institutions of Higher Education, the statutory requirements only apply to general funded projects and the general funded portion of split-funded projects. The statute does not apply to Institutions of Higher Education cash funded projects or the cash funded portion of split-funded projects.
- The effective date applicable to a specific Capital Construction project is the date the project is put in service or the date depreciation starts accumulating.
- Departments are responsible for tracking their projects and determining the amounts that should appear in the upcoming budget request for inclusion into the *operating section* of department's or IHE's Long Bill. These amounts shall be provided to OSPB.
- The depreciation amounts to include in the upcoming budget requests are the depreciation amount for assets that have been put into service and those expected to be put into service during the fiscal year for which the budget submission applies. Assets that are placed into service after the budget request is submitted and were not included in the budget submission, should be included in the following year's budget submission. As a result, the following year's submission may reflect a partial year amount as well as the next full year's amount for the same asset. Please refer to OSPB's instructions for additional details.
- The annual depreciation calculation should equal the "Annual Depreciation-Lease Equivalent Payment Line" amount in the operating section of the department's Long Bill beginning with the FY2019 Long Bill. This would be 3 years after the initial 2016 projects were appropriated and expected to be put into service.
- If the funding source for the Capital Construction appropriation is a combination of funding sources (General, Cash, Reappropriated, and/or Federal), then the annual set aside amount must be made in proportion to the funding sources in the appropriation.
- Depreciation is required to be calculated and recorded in accordance with GAAP which is also described in Section, 24-30-1310(1)(f), C.R.S. According to GAAP, depreciation is recorded for assets that meet the criteria for capitalization. Therefore, if a controlled maintenance project or capital construction project does not meet the criteria for capitalization, departments would

- not record depreciation expense or have an annual depreciation-lease equivalent payment line amount for the project.
- For emergency maintenance projects that are depreciable, the department or IHE that receives the completed asset is responsible for providing the depreciation amount to OSPB for inclusion of a "Depreciation Lease-Equivalent Payment Line" in the department's or IHE's section of their Long Bill.
- If the funding source for the appropriation is a financing arrangement paid for by the general fund, capital construction fund, controlled maintenance trust fund, or cash fund (excluding IHE cash-funded projects), once the asset is placed into service an amount equal to 1% of the project cost must be provided to OSPB for inclusion in as an "Annual Controlled Maintenance Line" in the operating section of the department's or IHE's Long Bill.

1.15.1 Depreciation Lease Equivalent Payment Transfers per SB22-239

Per SB22-239, beginning FY2023 through FY2029, all Annual Depreciation-Lease Equivalent Payment and Controlled Maintenance line item appropriations for both cash-funded and general-funded projects must be transferred to Fund 4613. The OSC has delegated responsibility for processing the required transfers to the Department of Personnel & Administration (DPA). DPA will initiate and process the revenue/expense transfer in CORE for all departments. Specifically, after the annual Long Bill is recorded in CORE, DPA will review the Long Bill for the amount appropriated to each department and IHE and prepare a workbook (IET upload). The workbook will be sent to the departments and IHE to ensure the transfer coding is accurate. Once the coding is confirmed, DPA will process the IET. DPA will follow a similar process for any supplemental bills that require adjusting the transfer amounts.

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For reference.	nelow is the reveni	ie/expense transfer en	trv that DPA Will	process via the LET.
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Cash-Funded Projects		Account	Posting Code	Cash Fund	
Dr	Transfer Expense	700A	D025	\$xx	
Cr	Cash	1100	A001		\$xx
		Account	Posting Code	Fund	4613
Dr	Cash	1100	A001	\$xx	
Cr	Transfer Revenue	900x (or 90Tx for TABOR Enterprises)	R024		\$xx

Genera	ll-Funded Projects	Account	Posting Code	Fund 1000	
Dr	Transfer Expense	700A	D025	\$xx	
Cr	Cash	1100	A001	\$xx	
·		Account	Posting Code	Fund	4613
Dr	Cash	1100	A001	\$xx	
Cr	Transfer Revenue	900x	R024		\$xx

Under current law, the "Annual Depreciation-Lease Equivalent Payment transfer procedures will return back to the departmental accounts beginning in FY2030.

1.16 COP Projects

On occasion the state has issued Certificates of Participation (COPs) to fund capital projects. COP projects have different spending deadlines that regular capital construction projects. Specifically, from the date that the COP is issued (i.e., the closing on the COP occurs between the state and the

financial institution) 85% of the project proceeds must be spent within 3 years and the remaining 15% within 2 years. The following is summary of the issuance dates and deadlines for spending COP proceeds:

Bill Number	COP Issuance Date	Spending Deadline
HB20-1408	6/2/2020	85% within 3 years (6/2/2023)/ 100% within 5 years (6/2/2025)
SB20-219	2/24/2021	85% within 3 years (2/24/2024)/ 100% within 5 years (2/24/2026)

The budgets for all COP projects were recorded and restricted. In order to release the restriction and begin spending, departments and IHEs must submit a budget transaction and attach a signed SC4.1 form. The OSC will carryforward unobligated balances into the new fiscal year until expiration. The infoAdvantage report OSC-019-A COP Projects Reversions and Carryforwards is available to track funds remaining on each COP project and compliance spending deadlines. Additionally, departments will also need to comply with the set aside of funding as previously discussed in Section 1.15 for general funded projects with financing arrangements including lease purchase agreements. The set aside entries are required once a department receives an "Annual Depreciation-Lease Equivalent Payment Line" in the Long Bill for the COP projects placed into service.

HB20-1408 Projects

The FY2020 COP issuance authorized in SB17-267 occurred June 2, 2020. The proceeds were credited to the Capital Construction Fund (4610) where they were appropriated through HB20-1408 (signed July 10, 2020) for controlled maintenance projects. The HB20-1408 Projects are recorded as appropriated in Fund 4610 and have a Funding Source Code of B01, B02, etc. through B49. To comply with IRS requirements, 85% of the project budget is required to be spent within 3 years of the issuance date (by June 2, 2023) and 100% within 5 years (by June 2, 2025). The State has met the 85% spend requirement in total. This means that all of the projects with unobligated and unspent funds can continue until June 2, 2025. However, due to supply chain delays reported to be up to 18 months, departments are encouraged to ensure projects are underway as soon as possible.

IHE's will account for their HB20-1408 Projects similar to regular capital construction projects where the spending occurs in their 320x/305x funds and the IET4 expense/revenue transfer will be from Fund 4610 to their 320x/305x funds.

SB20-219 Projects

Senate Bill 20-219 (signed July 14, 2020) authorized the State to issue COPs, unrelated to those authorized in SB17-267, and for certain previously funded capital construction projects. The issuance occurred February 24, 2021. In accordance with SB20-219, the CDC posted a list of projects that received funding, specifically three IHEs received funding for a project. The projects are recorded as non-appropriated in the Lease Purchase Cash Fund SB20-219 (Fund 3602) and have a Funding Source Code of B50, B51, etc. To comply with IRS requirements, 85% of the project budget must be spent in 3 years of the issuance date (by February 24, 2024) and 100%

within 5 years (by February 24, 2026). The majority of the funds have been fully spent, as a result, the State has met the 85% spend requirement in total. Any portion of unspent funds is available until February 24, 2026.

IHE's will account for their SB20-219 projects similar to regular capital construction projects where the spending occurs in their 320x/305x funds, however the IET4 expense/revenue transfer will be from Fund 3602 to their 320x/305x funds. IHEs must submit their project requisitions to Treasury for signature and Treasury will send them to the trustee who will issue payment to the IHE. Once, payment is received, the IHEs must process a JV1ADVN to record the cash in Fund 3602 (effectively reimbursing Fund 3602). The entry is:

Dr. Fund 3602 and Cash (BSA 1100)

Cr. Fund 3602, RSRC 900W and the appropriation unit for the project.

1.17 Calculating TABOR Enterprise State Support for COP Projects

When state funds are used for the lease payments on the COPs those payments are included in the state support calculation for TABOR enterprises, such as the institutions of higher education. Unlike the regular capital construction projects the amount included for state support for COP projects is based on the lease payment made rather than the project expenditures incurred each fiscal year. Each year the OSC allocates the lease payment to each project proportional to the total proceeds. The OSC will distribute the allocations each year after the Long Bill has been signed. Below is an example of the allocation of lease payments.

Institution	Project	Final Project Budget (Proceeds)	Percent of Total Share of the Proceeds	Lease Payment Applicable to Project (Example if payment is \$200,000.)	Percent of Lease Payment Applicable to Project
A	Project 1	\$1,000,000	25%	\$50,000	25%
В	Project 2	\$3,000,000	75%	\$150,000	75%
Total		\$4,000,000	100%	\$200,000	100%

1.18 SLFRF-Funded Capital Construction Projects

The majority of the FY2023 brick and mortar projects and one IT capital construction project was funded with SLFRF funds, specifically the Revenue Loss Restoration Cash Fund (Fund CSFL). The deadline to encumber funds for the SLFRF-portion of a project is 12/31/2024 (mid-FY25) and must be fully spent by 12/31/2026 (mid-FY27). If future projects receive and appropriation of SLFRF-funds, these deadlines will be the same. The infoAdvantage "OSC-19 Capital Construction Reversions and Carryfowards" report contains a SLFRF Projects tab which shows each SLFRF-funded project and the remaining unobligated balance. This report can be used to monitor spending on these projects. The OSC will carryforward the unobligated balances of the SLFRF-funded projects until FY2025, and only the encumbered balance as of 12/31/2024 into FY2026 and FY2027. Any amount not encumbered as of 12/31/2024 must be reverted and any amount that was

carried forward and not spent by 12/31/2026 must also be reverted. The deadline for clearing retainage for SLFRF capital construction projects is March 31, 2027. Any balances remaining in retainage after that date will need to be returned to the US Treasury. Specific guidance will be provided at a later date.

Since the deadlines for spending SLFRF funds are different than normal capital construction which carries a three-year life and there are additional reporting requirements, the SLFRF-funded portion of a project has a special Funding Source Code (FSC) so they can be tracked separately. Specifically:

- For department projects the FSC is LZA. The non-SLFRF portion of a project would use the normal FSC coding, e.g., P**. For example, if an department had a project that received an appropriation for both SLFRF funds and department cash funds or capital construction funds, the project would have two separate FSCs: the SLFRF-funded portion would have FSC LZA and the non-SLFRF-funding portion would have FSC P**.
- For IHE projects the FSC is LV*, LW*, LX* series. These codes are also used on the non-SLFRF portions of the projects as well. For example, if an IHE had a project that received an appropriation for both SLFRF funds and institution cash funds or federal funds, the same FSC would be used for all funding types. Maintaining the same FSC code was necessary to support tracking and feeding data from the IHE stand-alone systems to CORE.

The SLFRF-funded projects were appropriated in the cash column of the Long Bill. Normally, cash appropriations would be coded with a "C" in the second digit of the Appropriation Unit to indicate the source of the funds are cash funds. However, in this case the source of the SLFRF-funds is federal, therefore the Appropriations Units were coded with an "F". Additionally, since the SLFRF-projects a funded with federal monies, they are considered non-appropriated and therefore the Appropriation Category is either E for Line-Item (Structure 90) or G for Bottom-Line (Structure 91). Finally, the SAI codes used to record SLFRF-funded projects is 41 for the Long Bill, 42 for Special Bills, and 43 for Supplementals.

CHAPTER 4: SECTION 2 CAPITAL ASSETS

All governmental funds are required to account for and depreciate capital assets in Fund 4710 in CORE if those assets meet the capitalization threshold. All proprietary funds, including institutions of higher education, are required to account for and depreciate their capital assets in their respective funds.

2.1 Definition of Capital Assets

Capital assets are long-lived assets (greater than one year), owned by the State, that are held primarily for use in a department's operations and programs. Capital assets include land, improvements to land, buildings, leasehold improvements, equipment (including furniture, fixtures, machinery, vehicles, etc.), library books, works of art, historical treasures, and infrastructure. Capital assets include intangible assets such as right-to-use assets associated with leases and subscription-based information technology arrangements, easements, patents, and trademarks or copyrights. These assets result from either expenditures made by the department or donations made to the department from an external source. Capital assets have a useful life greater than one year and must be capitalized if they meet cost thresholds established in this section. Capital assets include both non-depreciable and depreciable assets.

The State will report non-depreciable capital assets in the following broad classes:

- ♦ Land
- ♦ Land Improvements (such as grading)
- ♦ Construction in Progress
- ♦ Collections (works of art and historical treasures whose useful lives are not diminished by display, educational, or research applications)
- ♦ Infrastructure (Department of Transportation only)
- ♦ Other Capital Assets

State departments are encouraged, but not required, to capitalize works of art and historical treasures that are:

- Held for public exhibition, education or research,
- Protected, cared for or preserved, and
- Subject to an organizational policy that requires the proceeds from sales to be used to acquire other items.

The State will report depreciable or amortizable capital assets in the following broad classes:

- ♦ Leasehold and Land Improvements
- ♦ Buildings
- ♦ Software
- ♦ Vehicles and Equipment
- Library Materials and Collections
- ♦ Right-to-Use (used for Leases and Subscription-Based Information Technology Arrangements)
- ♦ Other Capital Assets

• Infrastructure (Department of Natural Resources and Department of Transportation only)

2.2 Capital Asset Reporting Systems

All State departments and institutions of higher education are required to maintain a detailed record of all capital assets. Policy and Procedure dictates that all departments are required to use the Fixed Asset Module within CORE to maintain their detailed record. The exception to this requirement is the Department of Transportation and institutes of higher education. For the Department of Transportation and institutes of higher education, at a minimum the records should include the cost, acquisition date, in-service date, estimated useful life, calculated depreciation and accumulated depreciation for each capital asset and must be recorded in CORE at a summary level.

2.3 Valuing Capital Assets

Capital assets built or acquired by the State are recorded at historical cost, including ancillary costs necessary to place the assets in their intended location and condition for use. Ancillary costs include freight charges, site preparation, appraisal fees, and legal claims directly attributable to the asset's acquisition. A salvage value does not need to be estimated when recording and depreciating capital assets. However, if a state department has historically estimated salvage value on capital assets or believes not estimating a salvage value would have a material impact on the annual depreciation calculation, it is permissible to include salvage value when recording and depreciating capital assets.

Under GASB Statement No. 72 donated capital assets are recorded at their acquisition value. These assets will continue to be measured in the same manner, but that manner will now be described as acquisition value.

2.4 Capitalization Criteria

The dollar amount of the purchase and the estimated useful life of the asset are the primary criteria the State uses to determine what assets are capital assets. Purchases of assets that meet the dollar thresholds in Section 2.4.1 below and have an estimated useful life of more than one year will be capitalized.

2.4.1 Dollar Thresholds

For the purchase or construction of new assets, the following dollar thresholds should be used by departments to determine if the asset should be capitalized. A state department may be required to select a lower minimum dollar threshold to capitalize the purchase of an asset, but a department may not choose a higher dollar threshold or a lower dollar threshold without supporting documentation.

Type of Asset	Capitalization Threshold
Land	All purchases are capitalized, regardless of cost
Land Improvements	\$50,000
Building	\$50,000
Leasehold Improvements	\$50,000
Intangible Assets	\$50,000
Infrastructure	\$500,000
Furniture and Equipment	\$5,000 per item

Software (purchased)	\$5,000
Software (internally developed)	\$50,000
Library Materials and Collections	All purchases are capitalized, regardless of cost
Works of Art/Historical Treasures	\$5,000 per item/collection
Memo Asset	Less than \$5,000 (non-depreciating)

For expenditures related to repair, remodeling, or expansion of an existing capital asset, the department must determine if the expenditure increased the capacity, operating efficiency or extended the useful life of the asset. If so, such expenditures are capitalized as part of the cost of the asset. Departments should use the thresholds identified above to capitalize repair, remodeling, or expansion expenditures. Expenditures that only serve to restore a capital asset to a working condition or do not enhance or extend the useful life should be recorded as repair and maintenance expense and should not be capitalized. A state department must maintain appropriate documentation to support what constitutes an enhancement or useful life extension. Software purchases should be assessed for capitalization at the system purchase level. The system purchase level could, for example, equal one or more purchase orders. Individual payments or cost per unit (such as a license) are not necessarily the amounts to use for assessment of capitalization. Please see Section 2.12 (GASB Statement No. 51) below for additional information.

2.5 Estimated Useful Lives

The OSC considers engineering studies and actual experience documented in the records of similar assets as adequate support for determining the estimated useful life of an asset or group of assets. Some agencies may be required to follow the useful lives identified by third party regulators such as those specified by the American Hospital Association Depreciation Guide.

The following table contains guidelines for use by departments when calculating depreciation expense. Other useful life calculations may be used only when appropriate supporting documentation exists.

Capital Assets	Estimated Useful Life
Buildings:	
Type 1 - Fireproof construction	40 years
Type 2 - Noncombustible construction (as classified by the Department of Public Safety in accordance with 780 CMR 402.0 and 403.0)	28 years
Type 3 - External masonry wall construction	28 years
Type 4 - Frame construction (as classified by the Department of Public Safety in accordance with 780 CMR 404.0 and 405.0)	28 years
Building Improvements	20 years
Leasehold Improvements	The greater of 5 years or the term of the lease
Equipment (non-office)	10 years

Computer Equipment	3 years
Software	5 years
Other Office Equipment: Items such as copiers, ovens, washers, dryers, office files	6 years
Life Safety Improvements: Building or leasehold improvements or equipment acquisitions made solely to satisfy the requirements of any department regarding life safety or physical environment. Purpose must be documented.	5 years
New Motor Vehicles	5 years
Used Motor Vehicles	3 years
Residential Furnishings	3 years
Office Furnishings	10 years
Land Improvements Subject to Depreciation	20 years
Industrial Steam and Electric Generation and	22 years
Distribution Systems	
Aircraft	6 years
Watercraft	20 years
Buses	9 years
Roads, Tunnels, and Bridges	50 years
Boating Facilities - buildings, piers, ramps	25 years

It is allowable to componentize capital assets such that various components of the asset are depreciated over different useful lives. An example is a building. As the building ages, the shell or foundation may be depreciated over a longer useful life than the HVAC (Heating, Ventilation, Air-Conditioning) system.

2.6 Recording of Capital Assets

Capital assets associated with enterprise, internal service, and fiduciary fund types are recorded and depreciated in the respective enterprise, internal service, or fiduciary fund. Capital assets related to an activity accounted for in a governmental fund type, excluding permanent funds, are recorded and depreciated or amortized in fund 4710. The Responsibility Center is the fund in which all of the accounting occurs for the capital asset.

Capital assets reported in permanent funds should be assessed as to whether the capital asset meets the GASB Statement No. 72 definition of an investment. For fiscal year-end financial reporting, capital assets in permanent funds reported as investments in accordance with GASB Statement 72 must be reclassified by the department to investments at fair market value. Depreciation should not be taken for assets meeting the definition of an investment or depreciation must be reversed for fiscal year-end financial reporting purposes. Accumulated depreciation and depreciation expense in fund 4710 related to any GASB 72 investments in permanent funds should be removed from fund 4710 and reported on Exhibit PPA.

The recording and reporting of capital assets for financial reporting purposes is different than management's responsibility to safeguard capital assets. A department may want to maintain

inventory control over capital assets that do not meet the capitalization thresholds discussed in this chapter. In that situation, the department records a "memo asset" in the Fixed Asset Module within CORE. Memo assets allow departments to record inventory items in CORE that do not meet the capitalized thresholds for financial reporting. Memo assets do not record depreciation and are disposed of and transferred like other capital assets within CORE. Memo assets should not be recorded using object codes in Object Group 6000 (61xx, 62xx, 63xx, 64xx, 65xx, 66xx, 23xx) as those are configured in CORE for capitalization and depreciation. The CORE chart of accounts includes numerous balance sheet codes in the 18xx series to record the various types of capital assets within the above broad classes. It is the policy of the State of Colorado that only the Departments of Transportation and Natural Resources will record and report infrastructure capital assets.

For Capital Asset procedures and assistance with recording of a Capital Asset, please refer to the CORE website for detailed job aids and FAQ's.

2.6.1 Recording of IT Capital Assets

In order to satisfy an OIT audit recommendation, for state agencies as defined in 24-37.5-102 (4) C.R.S., OIT is required to create a dedicated fixed asset type for "IT equipment," to be used to record all IT fixed assets in CORE. It was determined that creating a new asset type would not be practicable since current IT assets that were recorded as Equipment (Asset Type E) could not be changed to the new asset type. The work around identified is to add an IT Fixed Asset Group to the Fixed Asset Group Table (FAGRP) and 6 Fixed Asset Catalogs to the Fixed Asset Catalog table (FACLG), allowing OIT, through infoAdvantage, the ability to identify statewide "IT equipment". See table additions below:

FAGRP				FACLG			
Fixed Asset Group	Fixed Asset Group Short Name	Fixed Asset Type	Fixed Asset Catalog	Fixed Asset Catalog Description	Fixed Asset Type	Fixed Asset Group	
IT	IT Equipment	E	IT	IT Equipment	E	IT	
			IT-3	IT Equipment 3 yr life	E	IT	
			IT-5	IT Equipment 5 yr life	E	IT	
			IT-10	IT Equipment 10 yr life	E	IT	
			IT-DTR 5	IT Equipment DTR 5 yr life	E	IT	
			IT-DTR 10	IT Equipment DTR 10 yr life	E	IT	

It will be necessary to make the changes to current assets using an FM transaction to change the Fixed Asset Catalog in the current asset to the one of the above IT Fixed Asset Catalogs. Also, any new IT assets purchased and entered into CORE should use the new catalog established. The detailed job aid on modifying an IT Fixed Asset is available on the CORE website: https://core.state.co.us/job-aids/fixed-assets.

2.7 Recording Depreciation or Amortization Expense

All exhaustible capital assets are depreciated or amortized using the straight-line method, estimated salvage value (department option), and the estimated useful lives as determined by the department or obtained from the table in Section 2.5 above. The following information applies to both tangible capital assets (e.g. equipment) and to intangible capital assets (e.g. software).

Depreciation or amortization is calculated automatically in CORE on a daily basis based on the "in-service" date of the asset, and recorded monthly. Depreciation or amortization expense is recorded in the responsibility fund, Fund 4710 for capital assets of the governmental funds and in each fund for proprietary funds.

The central automated running of depreciation in CORE is called Automated Mass Depreciation. Although run centrally, the OSC does not have any detail of the departments' capital assets. All matters related to the capital asset including depreciation are the responsibility of the departments. Automated Mass Depreciation is a tool that allows depreciation to be calculated for each individual asset, based on the parameters set forth in the fixed asset acquisition transaction (FA). Automated

Mass Depreciation runs according to the formula stated in the CORE Fixed Asset User Guide that is available on the CORE website. If a department has identified depreciation adjustments that need to be made they must be done at an asset level using the FE transaction to manually post depreciation, not on a JV type transaction. Recording depreciation entries on a JV transaction will not post correctly to the Fixed Asset module and will not have an effect on the Mass Depreciation calculation. The departments that are not using the Fixed Asset Module in CORE will calculate depreciation manually and record depreciation and its subsequent depreciation expense at a summary level in CORE using a JV type transaction.

For detailed information regarding the depreciation of a capital asset and procedures regarding depreciation, please refer to the CORE website to get detailed job aids, FAQs and online trainings. To access the FA Exception report, users can type "BATJOBS" in the Jump to field and then search by Catalog ID "5". Select the appropriate "View Report" link to view the mass depreciation exceptions. Departments should periodically review this report.

2.8 Disposing of Capital Assets

Under full accrual accounting required for state government-wide financial statements, state agencies must recognize a gain or loss on the sale or disposal of capital assets. An accounting gain or loss on the disposal of a capital asset occurs when the net book value of the asset, that is, original cost minus accumulated depreciation, does not equal the cash or other consideration received when the asset is disposed. RSRC for gain/loss on DISPOSAL of capital assets should be used (6500, 6502, 6504, 6505, 6507, 6508).

For detailed information on disposition of capital assets, please refer to the CORE website for detailed job aids, FAQ and online trainings.

2.9 Transfer of Capital Assets

Internal Capital Asset Transfers

Internal capital asset transfers are transfers of capital assets that occur within the State's financial reporting entity. Internal capital assets transfers occur between funds and/or departments in CORE. Capital asset cost, and accumulated depreciation/amortization are removed from the transferor's fund and/or department and added to the transferee's fund and/or department with RSRC 6590 - Gain/Loss on Internal Capital Asset Transfer used to balance the entries.

Note: <u>Do not use</u> the RSRC 5890, 6500, 6502, 6504, 6505, 6507, 6508 for internal transfers of capital assets. These RSRC are for capital asset disposals.

Transfer Capital Assets in CORE within the Same Fund

If the capital asset transfer is within the same fund, departments will use the FT (Fixed Asset Transfer) transaction. The FT transaction allows departments to update fields other than the fund in the asset responsibility center. The FT transaction detail can be reviewed in infoAdvantage using the FA-009 – Fixed Asset Transfers report. Please refer to the CORE website for detailed job aid on processing an FT transaction.

Transfer Capital Assets in CORE between Funds

The FAIT (Fixed Asset Inter Fund Transfer) transaction in CORE allows departments to transfer capital assets from one fund to another fund (and between cabinets) in the responsibility center while maintaining the FA # and automated depreciation when there is no exchange of cash. When transferring a fixed asset from one fund to another, it is important to consider the amount of depreciation recorded for the asset.

♦ If the asset is completely depreciated at the time of transfer, the department only needs to enter an FAIT transaction updating the new responsibility center and the postings will be like the

following for a fully depreciated asset with a historical value of \$10,000:

FAIT for fully depreciated Fixed Asset Transfer							
Sending Fund A Receiving Fund B							
BSA 18XX (Asset)	OBSA 18XX (Acc Depr)	BSA 18XX (Asset)	OBSA 18XX (Acc Depr)				
(10,000.00)	10,000.00	10,000.00	(10,000.00)				

♦ If the asset is not completely depreciated (or is a non-depreciable asset, such as land) at the time of transfer, an FAIT transaction and a two-line JV1ADVN transaction must both be created. The JV1ADVN entry is required to clear the balances recorded by the FAIT transaction in balance sheet account 3900 and book RSRC 6590 − Gain/Loss on Internal Capital Asset Transfer. RSRC 6590 should net to zero across the CORE funds. The detailed posting lines for the FAIT and JV1ADVN are like the following for a fixed asset with a historical value of \$10,000 and remaining book value of \$2,000 after the catch-up depreciation of \$1,000 at the time to transfer:

FAIT for Partially Depreciated (Non-Depreciable) Fixed Asset Transfer					
	Sending	Fund A	Receiving	g Fund B	
Incremental Depreciation	Depreciation Expense 1,000.00	OBSA 18XX (Acc Depr) 1,000.00			
Depreciated Part	BSA 18XX (Asset) 8,000.00	OBSA 18XX (Acc Depr) 8,000.00	BSA 18XX (Asset) 8,000.00	OBSA 18XX (Acc Depr) 8,000.00	
Remaining Book Value	BSA 18XX (Asset) 2,000.00	Asset offset (BSA 3900) 2,000.00	BSA 18XX (Asset) 2,000.00	Asset offset (BSA 3900) 2,000.00	
	JV1	ADVN to Clear BSA 3900 and	Book RSRC 6590		
	Sending Fund A Receiving Fund B				
Record Gain/Loss	Asset Offset (BSA 3900) 2,000.00	RSRC 6590 2,000.00	Asset Offset (BSA 3900) 2,000.00	RSRC 6590 2,000.00	

The incremental depreciation postings will not be created for transfer of non-depreciable assets. The FAIT transaction detail can be reviewed in infoAdvantage using the FA-009 – Fixed Asset Transfers report, and detailed transactions on BSA 3900 can be found on the trial balance reports in infoAdvantage such as the GA-022. The custodian report in infoAdvantage (FA-004) shows the history, transfer, and "catch up" depreciation at the date of the transfer. Please refer to the CORE website for detailed job aid on processing an FAIT transaction.

External Capital Asset Transfers

External capital asset transfers are transfers of capital assets to organizations outside the State's financial reporting entity. These may occur related to an intergovernmental agreement. Use OBJ 5554 – Distributions – External Capital Transfer when a capital asset is transferred to an organization outside the State's financial reporting entity (i.e. not between CORE funds). If the asset transfer/disposal is done using an FD transaction which will automatically select the RSRC from the original FA transaction, follow-up with a JV to reclassify from the RSRC to OBJ 5554.

2.10 Capital Asset Impairment and Insurance Recoveries – GASB Statement No. 42

GASB Statement No. 42 requires measurement and recording of impairments to capital assets when an event indicates impairment and passes the impairment tests in the standard. Departments are not required to search for impairment because the standard states that asset impairments are prominent, conspicuous, and expected to have prompted discussion by the governing board, management, or media.

For an event to pass the impairment test, the decline in service utility must be both unexpected and significant. Departments should consult GASB Statement No. 42 for guidance on measuring impairment losses. If an asset impairment meets the definition of an extraordinary event (both unusual and infrequent), it should be reported on the Exhibit U1, Section B, and the OSC will reclassify the amount so that it is presented on the financial statements as an extraordinary item. If the impairment does not meet the definition of extraordinary, the OSC will disclose the amount based on the balances in revenue source codes 6504 – Gain/Loss on Impairment. The OSC will disclose the description of the impairment based on the department provided information on Exhibit U2, Section C. The OSC is also required to disclose in the notes to the financial statements the carrying amount of any idle impaired capital assets, which is also reported on Exhibit U2, Section C.

The standard requires that insurance recoveries in governmental funds be recorded as other financing sources separate from the restoration or replacement expenditure. All governmental insurance recoveries should be recorded in the Special Capital Construction Fund (Fund 4620). This requirement to separate the recoveries precludes netting the insurance proceeds against the restoration or replacement expenditure in the governmental fund. Insurance recoveries may or may not be related to an asset impairment. If the event does not qualify as an asset impairment under GASB Statement No. 42, then the expenditure to restore the asset will be a noncapitalizable object code such as 2220-Bldg Maintenance/Repair SVCS. If an insurance recovery is realizable in the same year, it should be recorded in the governmental fund (debit cash or receivable, credit RSRC5860), and no entry is required in Fund 4710. The insurance recovery offsets the maintenance expense in the government-wide financial statements, so no effect is reported at that level for costs covered by insurance. If the event qualifies as an asset impairment under GASB Statement No. 42, then the expenditure to restore the capital asset will be recorded in capitalizable object codes such as 6110-Buildings Direct Purchase and related capitalization entries are required in Fund 4710. See Section 2.11 below for information on converting governmental fund modified accrual insurance recovery entries to full accrual in Fund 4710.

In proprietary funds and on the government-wide statements, the restoration or replacement transaction (debit asset, credit cash – or credit capitalizable expenditure if the entry is in Fund 4710) is also required to be separate from the impairment loss (debit impairment loss, credit asset). However, the standard requires that the insurance recovery (debit cash, credit insurance recoveries) be offset against the impairment loss if the recovery is realizable in the same year as the impairment loss. On the financial statements the impairment loss and the insurance recovery are reported in the same line item, so the offsetting occurs at the financial statement level. If the recovery becomes realizable in subsequent years, it must be reported as revenue rather than as an offset to the impairment loss (debit cash and credit insurance recoveries). Insurance recoveries realizable in the same year as the impairment should be recorded in the existing revenue source code 5860, and insurance recoveries that become realizable in years after the year of the impairment should be recorded in revenue source code 5861. Insurance recoveries are considered realizable when an insurance company acknowledges responsibility for the claim or has paid the claim. Gain or loss on asset impairments should be recorded in revenue source code 6504. A gain on impairment will be reported on the financial statements when insurance proceeds realized in the same year exceed the impairment loss recorded. Insurance proceeds realized in a year subsequent to the year that the asset impairment was recognized will be reported in a separate financial statement line item and not offset impairment losses of that year.

Overpayments received from external insurance companies should be allowed to revert to the General Purpose Revenue Fund (Fund 1000) per Section 24-30-202 (21), C.R.S. If your department receives an overpayment from the State Risk Management Office, the excess must be returned to Fund 11P0 to make the Risk Management Fund whole.

2.11 Insurance Recoveries

GASB Statement No. 42 sets the accounting and reporting standard for insurance recoveries as well as asset impairment. Insurance recoveries are deemed realizable when payment is received or when the insurance provider acknowledges coverage of the event. Some insurance recoveries are related to asset impairment and some are not as discussed in Section 2.10 above.

When an event does not meet the GASB Statement No. 42 requirements for asset impairment, the insurance recovery is recorded as an Other Financing Source in the governmental fund and the restoration or replacement cost is recorded as a maintenance expenditure. In this instance the carrying value of the capital asset is not adjusted, and therefore, no entries are required in Fund 4710. The insurance recovery offsets the maintenance expense in the government-wide financial statements, so no effect is reported at that level for costs covered by insurance. Expenditures that increase the efficiency or capacity of the asset or increase its useful life should be capitalized.

When an event meets the GASB Statement No. 42 requirements for asset impairment, the insurance recovery is recorded as an Other Financing Source in the governmental fund and the restoration or replacement cost is recorded as a capitalizable property purchase. This requires an adjustment in Fund 4710 to convert the transactions to the full accrual basis of accounting, and to reflect the impairment. The insurance recovery is offset against the impairment loss on the government-wide Statement of Activities. The following example assumes that the insurance recovery is realizable in the same year as the impairment. Note that the transaction results in a \$400 gain on impairment because the insurance recovery exceeded the impairment loss originally calculated. (In order to simplify the example, the effect of Accumulated Depreciation is not shown.)

	Fund	1000	Fund	4710
Capitalizable Property Purchase Expenditure	1,000			
Cash		1,000		
Cash	900			
Insurance Recovery (Other Financing		900		
Source)				
Capital Asset			1,000	
Capitalizable Property Purchase				1,000
Expenditure				
Capital Asset Impairment Loss			500	
Capital Asset				500

If the insurance recovery is not realizable in the same year the restoration or replacement occurs, then the following accounting transactions should be recorded. Note that the accounting entries shown in the following table result in an impairment loss in Year 1 due to the write down of the asset and an impairment gain in Year 2 due to the insurance recovery.

	Fund	Fund 471		4710
YEAR 1				
Capitalizable Property Purchase Expenditure	1,000			
Cash		1,000		
Capital Asset			1,000	
Capitalizable Property Purchase				1,000
Expenditure				
Capital Asset Impairment Loss			500	
Capital Asset				500
YEAR 2				
Cash	900			
Insurance Recovery (Other Financing		900		
Source)				

(No entry is necessary in Fund 4710 in Year 2. The Insurance Recovery will be presented as program revenue on the government-wide Statement of Activities).

The entries for proprietary fund accounting are similar to those above, except that they are all made in the proprietary fund. The purchase is made with a budgeted expenditure code, and a JV1STND is processed to reduce the expenditure as unbudgeted and debit the capital asset. The OSC will report the Capital Asset Impairment Loss and the current year Insurance Recovery in the same line item on the proprietary fund and government-wide statements to comply with the GAAP requirement to net the insurance recovery against the impairment loss. Insurance recoveries in the subsequent year will be presented in a separate line or in program income.

Overpayments received from insurance companies should be allowed to revert to the General Purpose Revenue Fund (Fund 1000) per Section 24-30-202 (21), C.R.S. However, this statute only applies to outside insurance companies, not the State Risk Management Office. If your department receives an overpayment from Risk Management, the excess must be returned to Fund 11P0 to make the Risk Management Fund whole.

2.12 Intangible Assets Including Computer Software Developed or Obtained for Internal Use

GASB Statement No. 51 addresses the accounting and reporting of intangible assets. An asset is considered identifiable if it is capable of being separated and sold, transferred, licensed, etc., or the asset arises from contractual or other legal rights, regardless of whether the rights are separable.

Intangible assets are not reported as a separate asset category, but rather as part of the asset balance within an existing asset category. For example, easements costing \$50,000 or more are capitalized into 1800-Land. Internal use software is a significant and common type of intangible asset including systems developed or purchases such as Colorado Benefits Management System (CBMS) and the Colorado Operations Resource Engine (CORE).

Internal use software categorizes the development into phases. The general treatment of costs for each phase is summarized below:

<u>Phases</u> <u>General Treatment of Costs</u>

Preliminary Project Stage Expensed

Application Development Stage Capitalized

Post Implementation/Operation Stage Expensed

Definitions (applicable in this section only):

<u>Internal Use Computer Software</u> – Internal use computer software has both of the following characteristics: the software is acquired, internally developed, or modified solely to meet the entity's internal needs, and during the software's development or modification, no substantive plan exists or is being developed to market the software externally.

- ♦ <u>Preliminary Project Stage</u> Includes determination of system requirements, development of alternatives, vendor demonstrations of their software, evaluation of alternatives, and final selection of alternatives.
- ♦ <u>Application Development Stage</u> Includes software configuration and interface, coding, installation of hardware, and testing.
- <u>Post-Implementation/Operation Stage</u> Includes training and maintenance costs.
- ◆ <u>Upgrades and enhancements</u> Includes modifications to existing internal use software that result in additional functionality modifications to enable the software to perform tasks that it was previously incapable of performing.
- ♦ <u>Internal Costs</u> Costs paid to employees or other organizations within the entity, for example, payroll costs and programming costs of internal programmers.
- ♦ External Costs Costs paid to outside vendors, for example, software licenses.
- ♦ Estimated Useful Life The period over which the internal use computer software will be amortized. In assessing estimated useful life, entities should consider the effects of obsolescence, technology, competition, and other economic factors. Given the history of rapid changes in technology, software often has had a relatively short useful life.

Costs to be Expensed:

The following costs should be expensed as they are incurred:

- Internal and external costs incurred during the preliminary project stage
- ♦ Training during all project stages
- ♦ Data conversion costs are normally considered part of the post implementation/operations stage and should be expensed unless they are determined to be necessary to make the computer software operational
- ♦ Internal costs incurred for maintenance
- General and administrative costs and overhead costs

- ♦ Maintenance costs in post implementation/operation stage
- Interest costs incurred while developing internal use computer software

Costs to be Capitalized:

The following costs should be capitalized and amortized over the useful life:

- Internal and external costs incurred to develop internal use computer software during the application development stage.
- External direct costs of materials and services consumed in developing or obtaining internal use software. Examples include fees paid to third parties for services provided to develop the software during the application development stage, costs incurred to obtain computer software from third parties, and travel expenses incurred by employees in their duties directly associated with developing software.
- Payroll and payroll-related costs such as benefits for employees who are directly associated with and who devote time to the internal use computer software project, to the extent of the time spent directly on the project. Examples include coding and testing during the application development stage. See Section 1.7 of this chapter for additional information regarding the capitalization of personal services costs.

Multiple Element Software Arrangements Included in Purchase Price

Where the price of internal use computer software from a third party includes multiple elements, the entity should allocate the costs among all individual elements. Examples of these elements are training, maintenance fees, and data conversion. The allocation should be based on objective evidence of fair value of the elements in the contract, not necessarily separate prices stated within the contract for each element. The separate elements should be accounted for in accordance with the provisions of this guidance and GASB Statement No. 51.

Timing of Capitalization

Capitalization of costs should begin when both of the following occur: preliminary project stage is completed; and management authorizes and commits to funding a computer software project, and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than the point at which a computer software project is substantially complete and ready for its intended use – after all substantial testing is completed.

Amortization

For each module or component of a software project, amortization should begin when the computer software is ready for its intended use – after all substantial testing is completed. The capitalized costs of internal use computer software should be amortized on a straight-line basis.

Upgrades and Enhancements

Costs for upgrades and enhancements that are material in relation to total project costs, should be capitalized or expensed using the same guidelines used for internal use software described in this guidance and GASB Statement No. 51. Costs for upgrades and enhancements that are not material should be expensed as incurred.

Impairment

Impairment should be recognized and measured in accordance with the provision of paragraph 9 of GASB Statement No. 42. In addition, stoppage of development of computer software constitutes an asset impairment.

CHAPTER 4: SECTION 3 ACCOUNTING FOR CAPITAL RELATED DEBT AND NONCAPITAL DEBT

3.1 Energy Performance Contracts – Issuance and Payments

Energy performance contracts are financing arrangements. These involve three parties – the State, the vendor, and the financing company. Typically, the State enters into an agreement with the financing company and funds are placed in escrow. The State authorizes the financing company to pay the vendor from the escrow account as work progresses. Upon completion, the State begins making payments under the financing agreement. The utility savings generated by the upgrades are intended to cover the cost of the principle and interest payments.

	Fund 1000		Fund 4710	
Cash with Trustee	5,995,000			
Issuance Costs (if applicable)	5,000			
Future Lease Component Payments		6,000,000		
Record cash related to financing agreement (if held in escrow)				
Future Lease Component Payments			6,000,000	
Lease Liability				6,000,000
To record lease liability				
Construction In Progress/Equipment			10,000	
Cash with Trustee		10,000		
Capital Outlay Expenditure	10,000			10,000
To record asset (may be as drawdowns occur or at completion based on when legal ownership passes to the department/institution)				
Financed Purchase Principal Expend.	1,000			
Financed Purchase Interest Expend.	500			
Cash		1,500		
Lease Liability			1,000	
Financed Purchase Principal Expenditure				1,000
To record financed purchase payment				

For existing Energy Performance Contracts at July 1, 2021, since title transfers at the end of the lease per the contract, an energy performance contract is considered a financed purchase under GASB No. 87 and should be accounted for as such. The current capital asset should remain on the books as recorded. The liability account will change from *Capital Lease Payable* to *GASB 87 Financed Purchase Liability*.

In order to determine the amount of net investment in capital assets, unspent proceeds must be reclassified. If a material amount is still unspent at year-end, then the unspent amount Financed Purchase Liability must be reclassified to Unspent Proceeds. Entries for proprietary funds are similar, except all entries are recorded in the proprietary fund itself.

3.2 Bond Issuance and Payments

Bond issuance costs and payments are handled similarly to leases described starting in Section 3.1 above. The premium/discount, and gain/loss on refunding are amortized over the life of the bond and at each year-end unspent proceeds must be reclassified to the Unspent Bond Proceeds account. Certificates of Participation (COPs) are handled similarly, except recorded in COP specific accounts. The JV1BOND transaction should be used for JV type transactions (Year-End entries, for example) for governmental and enterprise funds as follows:

Event Type	Event Type Name	Post Code	Post Code Description	Debit/ Credit	Fund	BSA	ОВЈ	RSRC
GOVERNA	MENTAL FUNDS BOND ISSUANCE							
Record Bo	and Issuance							
XT01	Record Proceeds	A001	Cash/Investment with Trustee ²	Debit	1000	1100		
XT01	Record Proceeds	A004	Bond Proceeds	Credit	1000			7100
XT14	Record Premium ¹	A001	Cash/Investment with Trustee ²	Debit	1000	1100		
XT14	Record Premium ¹	XI01	Bond Premium Revenue	Credit	1000			7110
XT15	Record Issuance Costs	XD05	Cost of Issuance	Debit	1000		8120	
XT15	Record Issuance Costs	A001	Cash/Investment with Trustee ²	Credit	1000	1100		
XT16	Record Liability for Proceeds	A004	Bond Proceeds	Debit	4710			7100
XT16	Record Liability for Proceeds	A005	Bonds Liability	Credit	4710	2808		
XT17	Record Liability for Premium ¹	XI01	Bond Premium Revenue	Debit	4710			7110
XT17	Record Liability for Premium ¹	A027	Bond Premium Liability	Credit	4710	2809		
Record Bo	and Payment							
XT03	Principal Payment ³	D015	Bond Principal Expenditure	Debit	1000		6710	
XT03	Principal Payment ³	A001	Cash	Credit	1000	1100		
XT20	Interest Payment ³	XD06	Interest Expense	Debit	1000		6720	
XT20	Interest Payment ³	A001	Cash	Credit	1000	1100		
XT26	Reduce Liability for Principal Payment	A005	Bonds Payable	Debit	4710	2808		
XT26	Reduce Liability for Principal Payment	D015	Bond Principal Expenditure/Expense	Credit	4710		6710	
Year-End I	Entries							
XT28	Accrue Interest at year-end	XD06	Interest Expense	Debit	4710		6720	
XT28	Accrue Interest at year-end	XA01	Accrued Interest Payable	Credit	4710	2420		
XT24	Amortize Premium ¹	XA10	Unamortized Premium	Debit	4710	2809		
XT24	Amortize Premium ¹	XD06	Interest Expense	Credit	4710		6720	
XT25	Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)	XA03	Bonds Payable	Debit	4710	2808		
XT25	Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)	XA11	Unspent Bond Proceeds	Credit	4710	2813		
XT27	Reclassify between Current and	XA03	Bonds Payable-Long Term	Debit	4710	2808		
XT27	Reclassify between Current and	XA02	Bonds Payable- Current	Credit	4710	2608		

Event Type	Event Type Name	Post Code	Post Code Description	Debit/ Credit	Fund	BSA	ОВЈ	RSRC
ENTERPRIS	SE FUNDS BOND ISSUANCE							
Record Bo	nd Issuance							
XT02	Record Proceeds	A001	Cash/Investment with Trustee ²	Debit	4100	1100		\Box
XT02	Record Proceeds	A005	Bonds Payable	Credit	4100	2610		
XT18	Record Premium ¹	A001	Cash/Investment with Trustee ²	Debit	4100	1100		
XT18	Record Premium ¹	A027	Bond Premium Payable	Credit	4100	2809		
XT19	Record Issuance Costs	XD05	Cost of Issuance	Debit	4100		8110	
XT19	Record Issuance Costs	A001	Cash/Investment with Trustee ²	Credit	4100	1100		
Record Bo	nd Payment							
XT04	Budgeted Principal Payment ³	D015	Cash Bond Principal Expenditure/Expense	Debit	4100		6710	
XT04	Budgeted Principal Payment ³	A001	Cash	Credit	4100	1100		
XT30	Budgeted Interest Payment ³	XD06	Interest Expense	Debit	4100		6720	
XT30	Budgeted Interest Payment ³	A001	Cash	Credit	4100	1100		
XT32	Liquidation of Interest Accrual (assuming outstanding interest payable accrual from prior year)	XA01	Accrued Interest Payable	Debit	4100	2420		
XT32	Liquidation of Interest Accrual (assuming outstanding interest payable accrual from prior year)	A001	Cash	Credit	4100	1100		
XT31	Service Bond Debt Establish Payable	A005	Bonds Payable	Debit	4100	2608		
XT31	Service Bond Debt Establish Payable	XD04	Unbudgeted Expense	Credit	4100		6710	
Year-End E	intries							
XT33	Amortize Premium ¹	XA10	Unamortized Premium	Debit	4100	2809		
XT33	Amortize Premium ¹	XD04	Interest Expense	Credit	4100		6730	
XT34	Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)	XA03	Bonds Payable	Debit	4100	2808		
XT34	Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)	XA11	Unspent Bond Proceeds	Credit	4100	2813		
TBD	Accrue Interest at year-end	TBD	Interest Expense	Debit	4100		TBD	
TBD	Accrue Interest at year-end	TBD	Accrued Interest Payable	Credit	4100	TBD		
TBD	Reclassify between Current and	TBD	Bonds Payable-Long Term	Debit	4100	TBD		
TBD	Reclassify between Current and	TBD	Bonds Payable- Current	Credit	4100	TBD		

¹Applicable to Discounts, reverse debits and credits

3.3 Bond Refundings

Bond refundings are similar to bond issuances and payments. The refunded issuance is removed from the books, and the new issuance recorded both with the corresponding full accrual Fund 4710 for governmental funds, and the fund itself for proprietary funds.

²If Investment with Trustee, an alternate event will need to be used.

³In most cases, payments will be made using a standard payment document and standard expenditure event type.

Event Type	Description	Fund	Debit	Credit
GOVERNME	ENTAL FUNDS REFUNDING BONDS			
Payment fro	om New Proceeds to Escrow Agent			
XT39	Payment from New Proceeds to Escrow Agent	1000	Payments to Escrow Agents	Cash
Record Ren	noval of Refunded Debt, Record New Debt as Note	d Abov	e	
XT05	Remove LT Portion of Refunded Bonds	4710	Bonds Payable-Long Term	Unbudgeted Expense
XT35	Remove Current Portion of Refunded Bonds		Bonds Payable- Current	Unbudgeted Expense
XT36 XT37	Remove Unamortized Premium Record Deferred Outflow for Loss on Refunding	4710 4710	Unamortized Premium Loss on Refunding (Deferred Outflow)	Unbudgeted Expense Unbudgeted Expense
Year-End Er	ntries (in addition to those aoted above)			
XT38	Amortization of Refunding Loss	4710	Amortization of Gain/Loss	Gain/Loss on Refunding
Event Type	Description	Fund	Debit	Credit
ENTERPRISE	E FUNDS REFUNDING BONDS			
Payment fro	om New Proceeds to Escrow Agent			
XT43	Payment from New Proceeds to Escrow Agent (only necessary when budgeted)	4100	Payments to Escrow Agents	Unbudgeted Expense
Record Ren	noval of Refunded Debt, Record New Debt as Note	d Abov	e	
XT06	Remove LT Portion of Refunded Bonds	4100	Bonds Payable-Long Term	Cash
XT40	Remove Current Portion of Refunded Bonds	4100	Bonds Payable - Current	Cash

4100

4100

Unamortized Premium

4100 Amortization of Gain/Loss

Outflow)

Loss on Refunding (Deferred

Unbudgeted Expense

Gain/Loss on Refunding

Cash

3.4 Noncapital Debt

Remove Unamortized Premium

Year-End Entries (in addition to those noted above)

TBD Amortization of Refunding Loss

Record Deferred Outflow for Loss on Refunding

XT42

XT41

Noncapital debt is treated similarly to capital debt, except that noncapital liability BSAs are used. Noncapital liability BSAs are associated with BSA Category LN90 and identified through use of the infoAdvantage report *REF-002 Central Chart of Account Listing*. Additionally, an entry to record unspent proceeds at year-end is not necessary.

3.5 Accounting for Leases (GASB Statement No. 87)

The objective of GASB No. 87 is to improve accounting and financial reporting for leases by governments. A lease is defined as 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 No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases, and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to

recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The objective of Implementation Guide 2019-3 is to provide guidance that clarifies, explains, or elaborates on the requirements of GASB No. 87, and is effective in Fiscal Year 2022. Departments and institutions of higher education are expected to review each question and answer to in the Implementation Guide to determine whether it may apply, and consult with the Office of the State Controller for additional guidance as necessary. GASB No. 87 reflects GASB's belief that all leases are financings and creates a single model for lessees and lessors. The new rules eliminate distinctions between operating and capital leases and treat all leases as financings similar to leases previously known as capital leases. Lessees and lessors must separate lease and non-lease components within a single contract and contracts with multiple lease components.

3.5.1 Definitions

Deferred Inflow. Lease Receivable plus any cash received upfront that pertains to a future period.

<u>Discount Rate.</u> The interest rate the lessor charges the lessee. The rate may be stated or be implicit in the lease. The rate implicit in the lease is the rate of interest that, at a given date, causes the present value of the net investment in the lease to equal the sum of the fair value of the underlying asset.

<u>Incremental borrowing rate.</u> The rate that, at the commencement of the lease, the lessee (State Agency) would have incurred to borrow over a similar term the funds necessary to purchase the (underlying) lease asset. In the absence of a recent borrowing of matching term upon which to base the lessee's incremental borrowing rate, State agencies should use the State Treasurer's posted rate for GASB No. 87.

<u>Lease</u>. A lease is defined as 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. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the GASB No. 87 leases guidance, unless specifically excluded in the statement or whose value for the lease liability falls under the state's materiality threshold.

<u>Lease Term.</u> Lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

- i. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- ii. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- iii. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option

- iv. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.
- V. A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

- vi. a. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- vii. b. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- Viii. An event specified in the lease contract that requires an extension or termination of the lease takes place.

<u>Lease Liability (or Receivable).</u> Present value of expected lease payments over lease term.

<u>Lease Commencement Date.</u> The date on which the lessor makes the underlying asset available for use by the lessee. (Not when lease payments begin or when the commitment is made)

<u>Lessee incremental borrowing rate.</u> The rate that the lessee is obligated to make or can be required to make in connection with leased property. In the absence of a stated rate within the contract or ability to calculate an imputed interest rate, State departments and IHE's may use rates posted monthly by Department of Treasury.

<u>Reasonably Certain.</u> Reasonably certain is a high threshold of probability (higher than probable) that requires professional judgement. Lessee/lessor has a compelling economic reason to exercise the renewal or purchase option (or not to exercise a termination option).

<u>Short-Term Lease.</u> A lease that has a maximum lease term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Lessees and Lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

<u>Intangible right-to-use Asset (value).</u> Lease liability plus prepayments and any ancillary costs to place asset to use.

3.5.2 Leases Under GASB Statement No. 87

Generally accepted accounting principles. The State of Colorado shall use generally accepted accounting principles – GASB No. 87 to determine the identification of a lease. GASB No. 87 defines a lease as "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 No. 87 adopts a single model for lease accounting with the premise that all leases are financings of the right to use an asset.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

Certain leases previously identified as operating will now be recognized on the balance sheet as follows:

- i. Lessee Right to Use asset and Lease Liability
- ii. Lessor Lease Receivable and Deferred Inflows

Scope Exclusions. GASB No. 87 does not apply to leases of:

- 1. Intangible assets (rights to explore for or exploit natural resources such as oil, gas, mineral rights etc.; licensing contracts for films, video recordings, plays, manuscripts, patents and copyrights; and licensing contracts for computer software. In sublease transactions, however, the statement does apply to intangible right to use assets that are created by the original lease of tangible underlying assets).
- ii. Biological assets including timber, living plants and living animals.
- iii. Inventory.
- iv. Service concessions arrangements.
- V. Leases in which the underlying asset is financed with outstanding conduit debt, unless the underlying asset and the conduit debt are reported by the lessor.
- vi. Supply contracts, such as power purchase agreements.
- Vii. Leases between departments and agencies that are part of the same legal reporting entity.

Scope Exceptions.

- i. Short-term leases At commencement of the lease term, has a maximum possible term under the lease contract of 12 months or less.
- ii. Transfer of Ownership A contract that transfers ownership of the underlying asset to the lessee by the end of the contract and does not contain termination options.

Materiality

- i. GASB No. 87 does not include a quantitative threshold exception for lower-value leases. Under GASB's general materiality guidelines, if the underlying assets are insignificant individually and in the aggregate this statement's provisions may not apply. However, entities establishing a lease capitalization policy similar to that of capital assets are cautioned because the significance of asset capitalization is independent of the assessment of the significance of liability recognition.
- 11. The State of Colorado has determined a \$100,000 threshold (Present value of future lease payments) for recording leases in the Governmental Funds under GASB No. 87. These leases would have been recorded in fund 4710. If below the threshold, record as a period expense similar to "operating" leases under GASB No. 62.
- Entities (enterprises) issuing standalone statements should perform an independent materiality assessment based on their financial statement balance. Please contact the OSC if you have questions.

3.5.3 Initial Reporting for Leases Under GASB No. 87

	Assets	Liability	Deferred Inflow
Lessee	Intangible right-to-use lease asset = Lease liability plus prepayments and any ancillary costs to place asset to use	Lease liability = PV of expected lease payments over lease term	N/A
Lessor	Lease receivable = PV of expected lease payments over lease term Continue to report asset	N/A	Deferred Inflow = lease receivable plus any cash received up front that pertains to a future period

3.5.4 Subsequent Reporting for Leases Under GASB No. 87

	Assets	Liability	Deferred Inflow
Lessee	Amortize lease asset over shorter of useful life of asset or lease term	*Reduce lease liability by principal portion of lease payments made *Recognize (accrue) interest payable	N/A
Lessor	*Depreciate leased asset *Reduce lease receivable by principal portion of lease payments received *Recognize (accrue) interest receivable	N/A	Recognize revenue over the lease term in a systematic and rational manner.

3.5.5 GASB No. 87 Lease Accounting for Lessees

A lessee should recognize a lease liability and an intangible right to use (RTU) asset at the commencement of the lease term, unless any of the exceptions or exclusions apply. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives) at the commencement of the lease. The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lessee disclosures should include the following:

1. Qualitative

- a. General Description of Leasing Arrangements including a description of variable payments and residual value guarantees not included in the initial measurement of the lease liability.
- b. Total amount of leased assets with related accumulated amortization by major class of underlying asset.

2. Quantitative

- a. Variable outflows of resources.
- b. Additional outflows (i.e. residual value guarantees, termination penalties, etc.

- c. Future principal and interest commitments.
- d. Commitments for leases yet to commence.
- e. Components of losses associated with an impairment.
- 3. Additional disclosures may be required for any sublease transactions, sale-leaseback transactions and lease-leaseback transactions, if applicable.

Lease liabilities will be considered long-term debt, and lease payments will be capital financing outflows in the cash flow statement. In the activity statement, lessees will no longer report rent expense for previous operating-type leases, but will instead report interest expense on the liability and amortization expense related to the asset.

In the inception year of a lease, departments should debit the appropriate RTU object codes in the 63xx or 64xx series for the total value of the lease liability using unbudgeted posting codes. The departments should credit revenue source code 7220 (Future Lease Component Payments) for an amount equal to the amount recorded in unbudgeted posting codes. The RTU asset and related lease liability should be recorded in the General Full Accrual Account Group (GFAAG – fund 4710) in the same amount as was recorded in the unbudgeted expense account. This entry is part of the conversion to full accrual described below. If current or subsequent year lease payments are budgeted, record them as budgeted expenditures in object codes 6640 (Lease Component Principal) and 6840 (Lease Component Interest).

Lease payments are normally recognized as expenditures in the year in which they are due. However, if resources have been provided or appropriated for payment of principal and interest due in the following fiscal year, the expenditure and related liability may be recognized in the fund and the principal amount removed from the General Full Accrual Account Group (GFAAG – fund 4710).

The accounting for leases recorded in governmental funds must be converted to the full accrual basis of accounting. Journal entries to convert to full accrual are done in the General Full Accrual Account Group (GFAAG – fund 4710). The OSC prefers (but does not require) that the conversion entries be made at the same time the lease accounting entries are made in the governmental fund. The Right to Use purchase expenditure and other financing source recorded in the governmental fund at inception of the lease must be eliminated. In addition, the governmental fund expenditure related to lease principal payments must be converted to a reduction of lease liability.

The accounting for leases in proprietary funds is similar, except that entries are recorded in the fund itself.

3.5.5.1 Governmental Funds Lease Entries Under GASB No. 87 – Lessee

Entry	Event Type	Fund	COA	Posting Code & Account Title	Debits	Credits
1	XT09: Record Lease	1000	63xx 7220	XD04: RTU Lease Expenditure XR02: Future Lease Component Payments	5,000	5,000
	Inception			To recognize lease expenditures at inception		
2	XT60: Record	4710	7220	XR02: Future Lease Component Payments	5,000	
	Lease Liability		2821	XA09: LT Lease Liability		4,000
			2621	XA08: ST Lease Liability		1,000
				To record the initial lease liability		
3	XT62: Record	4710	18xx	A016: RTU Asset	5,000	
	RTU Asset		63xx	XD04: RTU Expense		5,000
				To record the RTU Asset		
4	XT:67: Record	4710	6850	XD04: RTU Amortization Expense	1,000	
	RTU		18xx	XA15: RTU Accumulated Amortization		1,000
	Amortization			To recognize annual RTU amortization		
5	XT69: Record	4710	2821	XA09: LT Lease Liability	1,000	
	LT/ST Liability		2621	XA08: ST Lease Liability		1,000
	Reclass			To reclass current vs/ LT due in following year		
6*	XT79: Record	4710	2022	XD04: OBJ 6840 - Lease Interest Expense	500	
	Int. Exp. &			XA08: BSA 2621 - ST Lease Liability		500
	Adjust ST Liab			To adjust ST Lease Liability for interest exp		
7	AP01: Normal	1000	6640	XD02: Lease Principle Expenditure	1,000	
	A/P Payments		6840	XD01: Lease Interest Expenditure	500	
			1100	A001: Cash		1,500
				To record annual lease payment		
8	XT79: Adjust	4710	2621	XA08: ST Lease Liability	1,000	
	Lease ST		6640	XD02: Lease Principle Exp		1,000
	Liability			To adjust ST Lease Liability		
9*	XT79: Reverse	4710	2621	XA08: ST Lease Liability	500	
	PY Interest		6840	XD01: Lease Interest Expense		500
	Accrual			To reverse entry #6		

^{*} If posted, posting entry #9 to reverse prior year accrual of interest expense.

Note: Event Type XT60 contains two posting pairs: Posting Pair A is used to book the Long Term Portion of the Lease Liability and Posting Pair B is used for the Short Term Portion.

3.5.5.2 Proprietary Funds Lease Entries Under GASB No. 87 – Lesse	3.5.5.2	Proprietary	Funds Lease	Entries Under	GASB No. 8	87 – Lessee
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Entry	Event Type	Fund	COA	Posting Code & Account Title	Debits	Credits
1	XF01: FA	4710	18xx	A016: RTU Asset	5,000	
	XT11: LT/ST		2821	XA09: LT Lease Liability		4,000
			2621	XA08: ST Lease Liability		1,000
				To record the initial lease		
2	XT:67: Record	4710	6850	XD04: RTU Amortization Expense	1,000	
	RTU		18xx	XA15: RTU Accumulated Amortization		1,000
	Amortization			To recognize annual RTU amortization		
3	XT92: Record	4710	2821	XA09: LT Lease Liability	1,000	
	LT/ST Liability		2621	XA08: ST Lease Liability		1,000
	Reclass			To reclass current vs/LT due in following year		
4	AP01: Normal	1000	2621	XA08: ST Lease Liability	1,000	
	A/P Payments		6840	XD01: Lease Interest Expenditure	500	
			1100	A001: Cash		1,500
				To record annual lease payment		

3.5.5.3 GASB No. 87 Lease Payment - Lessee

Lease payments are processed through normal AP process and booked as Budgeted Expense with Obj 6640 for Lease Principle and Obj 6840 for Interest in both governmental funds and proprietary funds. Under modified accrual, the total lease payment is an expenditure of the current period while under full accrual only the interest cost is an expense of the current period. In fund 4710, the Lease Component Principal Expenditure is converted to a reduction of the lease payable.

3.5.6 GASB No. 87 Lease Accounting for Lessors

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, unless any of the exceptions or exclusions apply. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

Lessor Disclosures should include the following:

1. Qualitative – General Description of Leasing Arrangements including a description of variable payments not included in the initial measurement of the lease receivable.

2. Quantitative

- a. Total inflow of resources, by line item.
- b. Additional inflows (i.e. residual value guarantees, variable payments, etc.).
- c. Future principal and interest commitments.
- d. Schedule of future payments (if leasing is a principal operation).

3.5.6.1 Inception of the Lease – Lessor

Event Type		Func	1 1000	Fund	4710
XG20	Asset-Lease Receivable			167,969	
	Deferred Inflows – Lease				
XG20	Components				167,969

3.5.6.2 Receipt of Lease payment – Lessor

Event Type		Fund 1000		Fund	4710
AR02	Cash	5,000			
AR02	Rental Income – Lease Component Principal		4,129.34		
AR02	Interest Income – Lease Component		870.66		
XR23	Rental Income – Lease Component Principal			4,129.34	
XR23	Lease Receivable				4,129.34

Several equivalent event types specific to proprietary funds are available whereby all entries are made directly in the fund.

3.5.6.3 Recognize Rental Revenue in systematic manner, first month

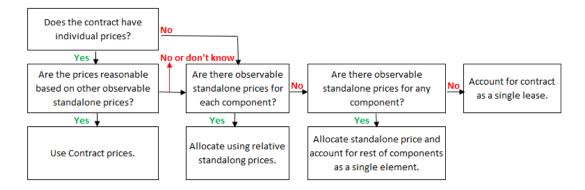
Event Type		Fund	1000	Fund	4710
XG10	Deferred Inflows – Lease			4665	
AGIU	Components				
VC10	Rental Income – Lease				4665*
XG10	Component Principal				

^{*}note that amortization amount and rental income are not equal.

3.5.7 Contracts with Multiple Components and Contract Combinations

Governments should separate contracts into lease or non-lease components or multiple leases (if underlying assets have different lease terms). Recognize Nonlease components in OBJ code 6830.

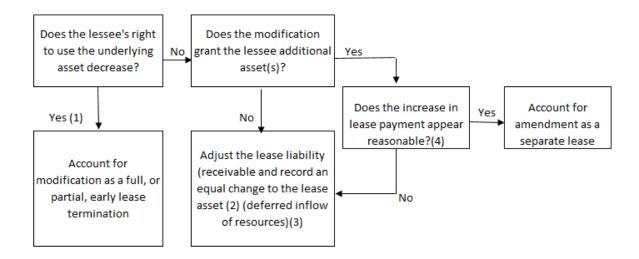
- 1. Allocate contract price by using individual state prices/component (use professional judgement to determine reasonability).
- 2. If individual prices are not stated, use best estimate to allocate based on use of observable information such as readily observable standalone prices.
- 3. If not practicable to make an estimate, account for multiple-component contracts as a single lease based on the primary lease component.
- 4. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria*should be considered part of the same lease contract and should be evaluated in accordance with guidance for contracts with multiple components.
- * The contracts are negotiated as a package with a single objective, <u>or</u> the amount of consideration to be paid in one contract depends on the price or performance of the other contract.



3.5.8 Lease Modifications, Terminations, and Remeasurements

An amendment to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss.

A remeasurement results from changing circumstances or events, not from an amendment to the lease contract itself (e.g. a contingency related to variable lease payments is resolved). In this case, account for by remeasuring the lease liability and adjusting the related RTU asset by a lessee and remeasuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.



- 1. This scenario is considered a full, or partial, lease termination.
- 2. If the lease asset is reduced to zero, any remaining amounts should be reported as an inflow of resources (gain).
- 3. To the extent the change in lease payments relates to the current period, the lessor should recognize an inflow (gain) or outflow (loss) or resources.
- 4. Based on (a) the terms of the amended lease contract and (b) professional judgement, maximizing the use of observable information.

3.5.9 Subleases and Leaseback Transactions

Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

3.5.10 Inter-departmental Leases

Paragraph B7 of GASB No. 87 further clarifies the lease definition by stating that a "lease conveys control of the right to use the asset of a different legal entity..." (Emphasis added).

The Office of the State Controller submitted a technical inquiry to GASB staff to confirm that leases between departments included in the State's Annual Report (same legal/reporting entity) do

not fall under the scope GASB No. 87 reporting requirements. Therefore, leases between institutions of higher education and other departments and institutions, and leases between state departments and institutions of higher education with other state departments, agencies, or divisions that issue separate financial statements, also are excluded from the scope of GASB No. 87 and thus should be eliminated.

3.5.11 Prepaid Leases

Departments that make one payment up front for a lease that has a term of greater than 12 months and where title does not transfer at the end will still record a RTU asset in Fund 4710 (with a corresponding decrease in expenditures). The prepaid lease should not be recorded in the governmental fund, but instead an expenditure for the full amount of the payment and a related decrease in cash. The RTU asset will be and amortized over the lease term.

Event Type	Posting Code	Fund 1000		Fund 4710		Proprietary	
						Fu	nds
XT09: Lease	OBJ 63xx or 64xx	5,000					
Inception	BSA 1100 (cash)		5,000				
XT62:	BSA 18xx			5,000		5,000	
Recording	OBJ 63xx or 64xx				5,000		
RTU Asset	BSA 1100 (cash)						5,000

3.6 Subscription-based Information Technology Arrangements (SBITA or IT Subscriptions) under GASB Statement No. 96

GASB Statement No. 96 reflects GASB's belief that all IT Subscriptions are financings and creates a single accounting model for recognition of these arrangements. Governments must separate subscription and non-subscription components within a single contract and contracts with multiple IT Subscriptions components. The concepts and principles for IT Subscriptions closely follow the accounting for leases under GASB Statement No. 87, and the accounting entries for IT subscriptions should mirror those presented in paragraphs 3.5.5.1 (governmental funds) and 3.5.5.2 (proprietary funds) of this chapter, substituting the appropriate SBITA account codes contained in the CORE chart of accounts.

3.6.1 Accounting for IT Subscriptions

A department should recognize a IT Subscriptions liability and an intangible right to use (RTU) asset at the commencement of the subscription term, unless any of the exceptions or exclusions apply. The subscription liability should be measured at the present value of payments expected to be made during the subscription term (less any incentives) at the commencement of the subscription. The RTU subscription asset should be measured at the amount of the initial measurement of the subscription liability, plus any payments made to the vendor at or before the commencement of the subscription term and certain direct costs.

A department should reduce the subscription liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The department should amortize the subscription asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

Disclosures should include the following:

1. Qualitative

- a. General Description of subscription arrangements including a description of variable payments and residual value guarantees not included in the initial measurement of the subscription liability.
- b. Total amount of RTU subscription assets with related accumulated amortization.

2. Quantitative

- a. Variable outflows of resources.
- b. Additional outflows (i.e. residual value guarantees, termination penalties, etc.
- c. Future principal and interest commitments.
- d. Commitments for subscriptions yet to commence.
- e. Components of losses associated with an impairment.

Beginning in Year 2023, long-term subscriptions deemed material will be recognized on the statement of net position. Departments will be required to recognize a "right to use" (RTU) subscription asset and a corresponding subscription liability. Subscription liabilities will be considered long-term debt, and subscription payments will be capital financing outflows in the cash flow statement. Departments will report interest expense on the subscription liability and amortization expense related to the subscription asset.

In the inception year of a subscription, departments should debit RTU object code 6489 for the total value of the subscription liability using unbudgeted posting codes. The departments should credit revenue source code 7222 (Future IT Subscriptions Payments) for an amount equal to the amount recorded in unbudgeted posting codes. The RTU subscription asset and related subscription liability should be recorded in the General Full Accrual Account Group (GFAAG – fund 4710) in the same amount as was recorded in the unbudgeted expense account. This entry is part of the conversion to full accrual described in Section 3.8. If current or subsequent year subscription payments are budgeted, record them as budgeted expenditures in object codes 6641 (SBITA Component Principal) and 6841 (SBITA Component Interest).

Subscription payments are normally recognized as expenditures in the year in which they are due. However, if resources have been provided or appropriated for payment of principal and interest due in the following fiscal year, the expenditure and related liability may be recognized in the fund and the principal amount removed from the General Full Accrual Account Group (GFAAG – fund 4710).

The accounting for subscriptions recorded in governmental funds must be converted to the full accrual basis of accounting. Journal entries to convert to full accrual are done in the General Full Accrual Account Group (GFAAG – fund 4710). The OSC prefers (but does not require) that the conversion entries be made at the same time the subscription accounting entries are made in the governmental fund. The Right to Use purchase expenditure and other financing source recorded in the governmental fund at inception of the subscription must be eliminated. In addition, the governmental fund expenditure related to subscription principal payments must be converted to a reduction of subscription liability.

The accounting for IT Subscriptions in proprietary funds is similar, except that entries are recorded in the fund itself.

3.6.2 Prepaid IT Subscriptions

Paragraph 26 of GASB No. 96 states that payments before the commencement of the subscription term associated with the IT Subscriptions contract made to the SBITA vendor, as well as payments made for capitalizable initial implementation costs before the commencement of the subscription term, should be reported as a prepayment (asset). For a business-type activities using the economic resources measurement focus (enterprise and internal service funds), the department should initially recognize a CIP asset using BSA 1823 – Construction-in-Progress – RTU Assets and a related decrease in cash/increase in payables in the applicable fund for these prepayments. Once the subscription terms begins, departments should reclassify the CIP asset to the appropriate RTU asset class as an addition to the initial measurement of the subscription asset.

For a governmental fund using the current financial resources measurement focus, the department should recognize a fund expenditure for the entire payment along with a decrease in cash/increase in payables. Additional entries are necessary to convert from the current financial resources measurement focus to the economic resources measurement focus to recognize a prepaid asset and removal of expenditures in Fund 4710 as part of preparing the government-wide financial statements. Once the subscription terms begins, departments should reclassify the CIP asset in Fund 4710 to an RTU asset as an addition to the initial measurement of the subscription asset.

Example Scenario

A department enters into a six-year IT Subscription agreement with no options to extend or terminate the contract, and begins making semiannual subscription payments to the SBITA vendor immediately after the contract takes effect. The initial implementation stage is not completed until the end of the second year after the contract takes effect. In this scenario, the subscription term is four years. The initial implementation stage is completed at the end of the second year of the contract. In accordance with Paragraphs 9 and 15 of GASB No. 96, the subscription term commences at the beginning of the third year and ends at the conclusion of the sixth year when the contract ends. In a governmental fund (e.g. Fund 1000); payments made for all six years of the agreement are expensed as incurred in OBJ 6489 – SBITA – Right to Use. In Fund 4710 or in an enterprise fund, the department should book payments during the first two years to BSA 1823 – Construction-in-Progress – RTU Assets (in Fund 4710, the offset would be to OBJ 6489 to remove the expenditure from the government-wide presentation). Once the subscription term begins at the beginning of the third year, the department should reclassify the CIP asset into BSA 1834 – Right to Use – SBITA as an addition to the initial measurement of the subscription asset at the commencement of the four-year subscription term.

3.6.3 IT Subscriptions vs. Perpetual Software Licenses

An example of a typical IT Subscription is a cloud computing arrangement. The three most common deployment models for cloud computing are Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS). All three models involve a SBITA vendor providing the customer with the right to use the SBITA vendor's IT resources, including its software application and cloud infrastructure (including network, servers, operating systems, storage, and other tools). Although those types of cloud computing deployment models are referred to by many as "as a Service," the economic substance of those arrangements is, in fact, the right to use vendors' IT assets. These types of arrangements are under the scope of GASB No. 96.

In contrast, a perpetual software license is generally (though not always) paid for up-front with one licensing cost for the lifetime use of the software, usually with the option to pay for maintenance and future software upgrades. Perpetually licensed software are either downloaded via the Internet, or installed manually by the company offering the software. Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software are subject to GASB No. 51, *Accounting and Financial Reporting for Intangible Assets, as amended.* Departments should not convert existing licensing arrangements subject to GASB No. 51 to RTU assets under GASB No. 96.

3.6.4 Contract Components of IT Subscription Agreements

Similar to a lease contracts with multiple components, an IT Subscription agreement may include multiple contract components for the right to use a SBITA vendor's IT assets, and a non-subscription component, (such as a separate perpetual licensing arrangement attached to an IT Subscription, which is excluded from GASB No. 96 as described in paragraph 4d). Vendor-provided IT support services is another example of a non-subscription component. If a government enters into a contract that contains both a subscription component and a non-subscription component, the government should account for the subscription and non-subscription components as separate contracts unless the contract meets the exception in Paragraph 48.

For example, a SBITA vendor may provide remote live troubleshooting services to a government's employees. Sometimes, am IT Subscription agreement may include an itemized pricing schedule to reflect the price for each component. Other times, an IT Subscription agreement does not provide itemized pricing and charges a single price for all components in the contract. In addition, the level of itemization in pricing schedules can vary significantly. Under Paragraph 48, if a contract does not include prices for individual components, or if any of those prices appear to be unreasonable as provided in paragraph 47, a department should use professional judgment to determine its best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single IT subscription. The phrase not practicable has been used in other GASB standards in a similar context as used in GASB No. 96, and reasonable efforts should be employed before a department determines that a best estimate for price allocation for some or all components in the contract is not practicable.

3.6.5 Short-term IT Subscription Agreements

With regard to contracts with not more than 12 month terms, Paragraph 13 of GASB No. 96 states that a short-term SBITA is an IT Subscription that, at the commencement of the subscription term, has a maximum possible term under the contract of 12 months (or less), including any options to

extend, regardless of their probability of being exercised. As discussed in Paragraph 9 of GASB No. 96, periods for which both the government and the SBITA vendor have an option to terminate the contract without permission from the other party (or if both parties have to agree to extend), are cancellable periods and should be excluded from the maximum possible term. For an IT Subscription that has cancellable periods, such as a rolling month-to-month agreement or a year-to-year agreement (common with Microsoft 365 and Adobe), the maximum possible term of that IT Subscription is the non-cancellable period.

Therefore, if a department has a contract for 12 months or less, and at the end of that 12 months the department can either decide to (1) renew the contract for another 12 months, or (2) decline to renew the contract for another 12 months, that agreement would be considered a rolling year-to-year IT Subscription. Therefore, the maximum possible term of that agreement would only be 12 months. The cost of the software is expensed as incurred.

3.6.6 IT Subscriptions Procured through the Governor's Office of Information Technology (OIT)

For IT Subscriptions procured through OIT, if the department is responsible for paying the SBITA vendor directly, then the department should capitalize those IT subscriptions, as appropriate. IT subscriptions for which OIT procures and bills the department, OIT is responsible for capitalizing those IT Subscriptions, as appropriate.

3.6.7 Materiality and Minimum Thresholds

For departments and institutions of higher education preparing separately-issued financial statements, materiality determinations and minimum thresholds for capitalizing IT subscriptions are established at the opinion-unit level for those separately issued financial statements. For all other funds, the lowest established threshold for capitalizing individual IT Subscriptions is \$100,000 with a minimum term exceeding 12 months. Any agreement with a term of less than 12 months or totaling less than \$100,000 in payments over the subscription term should be expensed in the period incurred, as noted in paragraph 3.6.5 above.

If an IT Subscription agreement crosses multiple funds or FCATs, the department should continue to use the \$100,000 threshold per individual agreement. The department should allocate the IT Subscription cost between funds as appropriate, and capitalize the entire IT Subscription and record a related liability in both funds accordingly.

3.6.8 Stages of Implementation

Paragraph 29 of GASB No. 96 states that activities associated with a SBITA other than a government making subscription payments to the SBITA vendor for the right to use the underlying IT assets, should be grouped into the following stages:

Preliminary Project Stage. Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the SBITA. Outlays associated with activities in the preliminary project stage should be expensed as incurred.

Initial Implementation Stage. Activities in this stage include ancillary charges related to designing the chosen path, such as configuration, coding, testing, and installation associated with the

government's access to the underlying IT assets. Other ancillary charges necessary to place the subscription asset into service also should be included in this stage. The initial implementation stage for the SBITA is completed when the subscription asset is placed into service. Outlays associated with activities in the initial implementation stage generally should be capitalized as part of the subscription asset (unless the contract is a short-term subscription, activities in the initial implementation stage should be expensed as incurred).

Operation and Additional Implementation Stage. Activities in this stage include maintenance, troubleshooting, and other activities associated with the government's ongoing access to the underlying IT assets. Activities in this stage also may include additional implementation activities, such as those related to additional modules as discussed in paragraph 30, that occur after the subscription asset is placed into service. Outlays in this stage that are associated with operational activities should be expensed as incurred, except for those that meet one of the capitalization criteria noted in paragraph 40 of GASB No. 96:

- An increase in the functionality of the subscription asset; that is, the subscription asset allows the government to perform tasks that it could not previously perform with the subscription asset, or
- An increase in the efficiency of the subscription asset; that is, an increase in the level of service provided by the subscription asset without the ability to perform additional tasks.

Training costs should be expensed as incurred regardless of the stage in which they're incurred, and the chart below summarizes the accounting treatment for each of the stages of implementation.

	ACTIVITIES	ACCOUNTING
Preliminary Project Stage	 Conceptual formulation Evaluation of alternatives Determination of needed technology Selection of vendor 	Expensed as incurred
Initial Implementation Stage	 Configuration Coding Testing Installation All other ancillary charges necessary to place asset into service 	Generally capitalized as an addition to the subscription asset
Operations and Additional Implementation Stage	Subsequent implementation activities Maintenance Troubleshooting Other activities associated with ongoing access to the asset	Expensed as incurred, unless activity meets specific capitalization criteria

3.6.9 Other IT Subscription-related Accounting Issues

Addressed below are other IT Subscription-related issues to assist departments in accounting for these agreements.

GASB No. 51, Accounting and Financial Reporting for Intangible Assets vs. GASB No. 96

GASB No. 51 represents the GASB's solution to accurately account for the service capacity of intangible assets, which includes internally developed computer software as well as third-party computer software that is purchased or licensed. The fundamental difference between GASB No. 51 and GASB No. 96 is that GASB No. 51 governs the accounting for various intangible assets, including internally-developed or acquired/licensed software that is owned, while GASB No. 96 establishes accounting for subscription-based IT arrangements which do not assign ownership or rights to the underlying assets to the customer on a permanent basis. GASB No. 51 merely accounted for software acquired or developed and subsequently owned by an entity rather than arrangements allowing an entity the right to temporarily use the software.

In determining whether to apply the provisions of GASB No. 51 or GASB No. 96, departments should consider whether the contract or agreement grants the State the right to use the IT asset in perpetuity (licensed), or whether the State retains ownership of the IT asset (purchased). For new IT Subscription agreements where IT Subscriptions were substantially modified in order to place the asset in service and are not licensed in perpetuity or purchased outright, the department should capitalize those costs under GASB No. 96 according to the stages of implementation noted above in paragraph 3.6.7.

Variable Payments

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), measured using the index or rate as of the commencement of the subscription term, should be included in the initial measurement of the subscription liability. Variable payments other than those that depend on an index or a rate, such as variable payments based on future performance of a government, usage of the underlying IT assets, or number of user seats/licenses, should not be included in the initial measurement of the subscription liability. Rather, those variable payments should be expensed in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the initial measurement of the subscription liability.

Initial IT Subscription Term and Renewable Periods

Although state contracts include a fiscal funding clause, it is assumed that the State will fulfill its obligation to make payments on long-term IT Subscription contracts. Therefore, all non-cancellable periods in an IT Subscription contract should be included in the initial measurement of the subscription liability.

Some IT Subscription contracts give the government the option to renew the contract for an additional term after the expiration of the initial term. Periods covered by a government's option to extend the IT Subscription if it is reasonably certain, based on all relevant factors, that the government will exercise that option, should also be included in its initial liability measurement.

National Association of State Procurement Officials (NASPO) or other Master Agreements

When a department enters into a lead-state NASPO or other master agreement-type situation with multiple contracts or agreements in place, the department should evaluate each contract/agreement associated with the master agreement separately to determine whether the State is obligated to make subscription payments for multiple years. Although the master agreement may contain a termination clause, the department should review any addendums, state agreements, or enterprise enrollment agreements that may bind the State to a long-term IT Subscription.

3.7 Available Tools to Assist Departments

As part of the implementation of GASB No. 87, the State purchased an Excel-based software tool called LeaseVision. There are separate workbooks depending on whether the State is acting as a lessee or as a lessor. The lessee workbook can also be used to assist with tracking and accounting for Subscription-based Information Technology Agreements under the scope of GASB No. 96.

The Office of the State Controller also distributed an Excel-based workbook to departments to assist with tracking an inventory of leases and IT Subscriptions. A version of this workbook is available to assist departments in determining whether a contract or agreement should be accounted for as a lease, an IT Subscription, an intangible asset under the scope of GASB No. 51, a Public-Private or Public-Public Partnership (PPP) under the scope of GASB No. 94, or a service concession arrangement under GASB No. 60. To obtain these tools, departments should reach out to their assigned Financial Specialist, or send an e-mail to dpa FARMailbox@state.co.us.

3.8 Conduit Debt (GASB Statement No. 91)

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

• The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

The provisions of GASB No. 91 were deemed not material at the time of implementation; however, departments and institutions of higher education should consult with the OSC if these types of investments are identified in future fiscal years, and report them on Exhibit U1.

3.9 Service Concession Arrangements, Private-Public and Public-Public Partnerships, and Availability Payment Arrangements

GASB issued Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements and Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements to improve financial reporting by addressing issues related to these agreements. As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services; and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an Availability Payment Arrangement (APA) is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

At the time of implementation, it was determined that these types of arrangements applies to the Department of Transportation for its Service Concession Arrangement related to I-25 HOT lanes and also the I-36 toll; and an Availability Payment Arrangement related to the I-70 project. However, departments and institutions of higher education should consult with the OSC if these types of arrangements are identified in future fiscal years, and report them on Exhibit O2 or U1, as appropriate.

CHAPTER 5: SECTION 1 INFOADVANTAGE DIAGNOSTIC REPORTS

This section provides information on infoAdvantage diagnostic reports that can be run at any time. See Chapter 8, Section 2 for additional information regarding infoAdvantage reports.

1.1 Diagnostic Reports

The diagnostic reports are used as a monitoring tool by both the departments and the OSC for management purposes, in the quarterly reporting process (see Chapter 5, Section 4), and for assuring that departments have completed critical year-end closing processes. The reports can be found in the OSC Diagnostic Folder, unless otherwise noted.

A guide with additional information on the diagnostic reports and how to use them can be found at: https://www.colorado.gov/pacific/osc/fiscalprocedures

infoAdvantage		
Report ID	Report Title	Description
Department Reports Folder	Exhibit J Financial Statement Report	This report identifies the State presentation of specific Departments/Funds required to issue stand-alone financial statements. Stand-alone financial statements must reconcile to this report.
OSC-001	Appropriations with \$0 Budget	This report identifies appropriation units with expenses and \$0 budgets. Departments should record budget or reclassify expenses as necessary. Institutions of higher education should reclassify non-appropriated expenses posted by central service departments to non-budgeted posting codes.
OSC-002	Cash Out of Balance on JV1STND, JVC, and CHC Transactions	This report identifies instances where Treasury pooled cash does not net to zero within a single transaction. Report totals should net to \$0 by department, or by department for JV transactions crossing cabinets.
OSC-003 OSC-003-A	Abnormal Balances BSA – Abnormal Balances	These reports identify abnormal balances and clearing accounts with balances. This report does not include Fund 4710 or 399x, nor does it include deficit cash balances in Fund 1000, 4610, or 4611. Items on this report need to be investigated and generally require correcting entries.
OSC-003-B	Operating – Abnormal Balances	The OSC-003-A and OSC-003-B reports are available for departments that prefer to run the balance sheet and operating accounts separately.
OSC-004	TABOR – Nonexempt Revenue Variance Report	This report assists in the evaluation of the accuracy and completeness of TABOR revenue.
OSC-006	Long Bill Operating	This report is updated annually to assist with the review and reconciliation of the booking of the operating section of the long bill.

infoAdvantage		
Report ID	Report Title	Description
OSC-007	Long Bill Capital	This report is updated annually to assist with the review and reconciliation of the booking of the capital construction section of the long bill.
OSC-008	Missing Data Elements	This report identifies transactions processed with missing appropriation units, revenue source codes, object codes, funds, departments, and balance sheet accounts. Corrections can be made using the JV1ADVN transaction.
OSC-009	Overexpenditure	This report identifies overexpended line items at the legal level of control. Reports in the budget to actual folder (BA-xxx reports) can be used to review budgets at a lower level.
OSC-010	Under Earned Revenue	This report identifies appropriation types with insufficient revenue to cover expenditures in Fund 1000, 4610, or 4611. This report will include fund balance authority as earned revenue via Event Type XG30. Underearned revenue at year-end is reported as an overexpenditure.
OSC-011	IHE Capital Transfers Compared to Expenditures	This report shows mismatches between transfers out of the Capital Construction Fund, and project level expenditures within Higher Education Funds. The BSA 6610 capitalization offset is excluded from this report.
OSC-012	Transfer Balancing - Other Cabinet	This report identifies net out-of-balance conditions for transfers across cabinets.
OSC-013	Transfer Balancing - Same Cabinet	This report identifies net out-of-balance conditions for transfers within the same cabinet.
OSC-014	Transfer Balancing – Higher Education	This report identifies net out-of-balance conditions for transfers across higher education institutions and between institutions and other non-institution departments/cabinets.
OSC-015	IHE Noncapitalizable Emergency Projects	This report compares DPA emergency maintenance fund expenditures and the revenue recorded by higher education institutions.
OSC-016	Unbudgeted Posting Codes	This report contains a summary of unbudgeted expenditures and revenues to allow for identification of potential problems such as improper use of unbudgeted posting codes or missing unbudgeted entries.
OSC-017	TABOR Audit Adjustments	This report is used by the OSC to review entries impacting TABOR.
OSC-018	Exhibit Reconciling Balances	This report assists in the preparation of Exhibits required to tie to CORE ending balances.
OSC-019	Capital Construction	These reports provide a listing of both expiring and

infoAdvantage		
Report ID	Report Title	Description
OSC-019-A	Reversions and Carryforwards COP Projects Reversions and Carryforwards	continuing capital construction projects. The OSC-019-A also reports total project budget and percentage expended for COP projects.
OSC-021	Split Funded Capital Construction Projects	This report provides a summary of capital construction expenditures expressed as a percentage of the project budget. Projects with multiple funding sources should be spent proportionally.
OSC-022	BFY FY Mismatch Revenues and Expenditures	This report identifies transactions posted with mismatched fiscal year and budget fiscal year values.
OSC-023	Cash Funds Report	This report is used for uncommitted cash fund reserve reporting per 24-75-402, C.R.S. including the turnaround report and the final statutory report. Departments are encouraged to use this report throughout the year to ensure fee revenues are property recorded (See Chapter 5, Section 7).
OSC-024	Fund Balance Deficits	This report lists funds with deficit fund balances at the cabinet and department code levels. The second tab on this report shows fund balances for all funds, whether in a deficit position or not. As deficit fund balances are treated as overexpenditures, this report excludes pension/OPEB balances and OSC use only department codes (department codes with X as the second character).
OSC-028	Budget Augmenting Revenue	This report identifies revenue in excess of expenditures in cash, federal, and reappropriated appropriations in the general fund.
OSC-029	Variance Analysis	Financial statement variance analysis to be used at year- end. This report assists in the evaluation of the accuracy and completeness of CORE balances.
OSC-030	HB20-1426 Federal Funds Turnaround Report	This report identifies budgeted expenditures in federal appropriation units, and serves as a turnaround report for OSPB in its preparation of reporting required by HB20-1426.
OSC-031	Average Daily Cash Deficit Balance by Calendar Months in a Quarter	This report lists average daily cash deficit balances by calendar months in a quarter for funds at the cabinet level, excluding fund 1000, 4610, and 4611. It also includes cash and fund balances by the fiscal quarter-end to assist departments on identifying accounts where an approved loan or advance is or may be required at the end of the fiscal year.

1.2 Primary Year-End Financial Reports and Accounting Period Considerations

The GA-001 report "Comparative Statement of Net Assets and Statement of Activities" provides Statement of Revenues, Expenses and Balance Sheet reports at the fund level that is the basis for the Exhibit I certification.

Departments should run financial reports through Period 16. Period 99 is the system year-end close period and should not be used for reporting.

The annual close process posts fiscal year beginning balances in Period 0 of each year. However, for reporting purposes, fiscal year beginning balances should be considered as the Period 1 beginning balance and reports should be run as of Period 1. Also, the BSA abnormal balances listed on OSC-003 and OSC-003-A are not impacted by the timing of the annual close process and Period 0 beginning balances.

CHAPTER 5: SECTION 2 EMPLOYEE TRAVEL EXPENSES

Previously, Section 24-30-202(26), C.R.S., required that "The controller shall make available a report no later than February 1 of each year to the governor, the joint budget committee, and the legislative audit committee regarding the travel expenses of state employees for the prior fiscal year. Such report shall include, but shall not be limited to, an itemized list of the travel expenses of each department including instate travel, out-of-state travel, and international travel." Additionally, at the request of the Office of the State Auditor, the Employee Travel Expense report included information on the number of personal vehicle miles driven by state employees broken out by in-state and out-of-state travel, and two-wheel drive and four-wheel drive miles.

On March 8, 2017, HB17-1058 was signed into law eliminating the requirement for the Employee Travel report. Therefore, beginning with FY 2017, no travel reports are prepared by the OSC. Although the requirement to prepare the report has been eliminated, the need to properly record employee and non-employee travel in CORE remains important. Therefore, use of distinguishing object code expenditures is critical for the proper separation of expenses within and between state employees and non-employees. If an individual acts in more than one capacity (e.g., employee and witness, employee and juror, student employee and athlete), report only those expenses that an individual incurred while traveling in the course of his/her employment as employee expenses. Also, while no longer required, the sub-object codes (2WHD and 4WHD for state funds, and F2WD and F4WD for federal funds in OBJ codes 2513 and 2533) are still available in CORE if departments elect to use them. All travel expenses incurred outside the course of employment should be reported as non-employee expenses.

2.1 Reviewing Accounting Data

The object and sub-object codes used to properly classify *employee* travel are listed below.

Travel Category	Object Code	Description
In-State	2510	In-State Travel
In-State	2511	In-State Common Carrier Fares
In-State	2512	In-State Personal Travel Per Diem
In-State	2513	In-State Employee Mileage Reimbursement
In-State	2514	State Owned Aircraft
In-State	2515	State Owned Vehicle Charges
In-State	2516	In-State Personal Aircraft Reimbursement
In-State	2517	EV Charging Employee Reimbursement (additional info below)
Out-of-State	2530	Out-of-State Travel
Out-of-State	2531	Out-of-State Common Carrier Fares
Out-of-State	2532	Out-of-State Personal Travel Per Diem
Out-of-State	2533	Out-of-State Employee Mileage Reimbursement
International	2550	Out-of-Country Travel
International	2551	Out-of-Country Common Carrier
International	2552	Out-of-Country Personal Travel Reimbursement

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Travel Category	Object Code	Description
In-State	2520	In-State Travel/Non-Employee
In-State	2521	In-State/Non-Employee - Common Carrier
In-State	2522	In-State/Non-Employee - Personal Per Diem
In-State	2523	In-State/Non-Employee- Personal Vehicle Reimbursement
In-State	2524	Non-Employee State Owned Aircraft
In-State	2525	Non-Employee - State Owned Vehicle Charge
Out-of-State	2540	Out-of-State Travel/Non-Employee
Out-of-State	2541	Out-of-State/Non-Employee - Common Carrier
Out-of-State	2542	Out-of-State/Non-Employee - Personal Per Diem
Out-of-State	2543	Out-of-State/Non-Employee - Personal Vehicle Reimbursement
International	2560	Out-of-Country Travel/Non-Employee
International	2561	Out-of-Country/Non-Employee - Common Carrier
International	2562	Out-of-Country/Non-Employee - Personal Travel Reimbursement

The object and sub-object codes used to properly classify *non-employee* travel are listed below.

Departments should periodically review all travel related expenditure data to ensure that all expenses are properly classified and recorded. To assist in this review, infoAdvantage has a detail travel expense report showing employee travel expenses by object code. The report is located under "Statewide Reports" in the "General Accounting" folder. The report is:

♦ GA-008 - Travel Report

Additionally, departments can use the various other infoAdvantage trial balance and transaction reports to review travel expense classification.

For information on the State's Travel Policy and Rules see: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures/travel-fiscal-rule.

Electric Vehicle Home Charging

See State Controller Policy for Electric Vehicle Home Charging. Use Object code 2517 – EV Charging Employee Reimbursement in relation to this policy. The EV policy, guidelines, FAQs and reimbursement rates are available at: https://osc.colorado.gov/financial-operations/technical-guidance-policies

CHAPTER 5: SECTION 3 STATUTORY REPORTING OF OUTSTANDING LOANS AND ADVANCES

Per Section 24-75-204, C.R.S., the State Controller must file an annual report of all loans and advances outstanding at the end of the preceding fiscal year. This report must be filed with the Governor, the Joint Budget Committee (JBC), and the Legislative Audit Committee (LAC) and is due no later than the date identified in the open/close calendar. The OSC prepares the report based on negative cash balances recorded on CORE at the cabinet level, as of final close as of June 30 (through the report date in period 16) and supports the report with approved loan or advance applications.

Departments need to make sure that all loan and advance approvals are current and accurate throughout the year. Departments need to assess each of their activities' working capital needs and review cash account balances on an ongoing basis to identify accounts where an approved loan or advance is or may be required at the end of the fiscal year. A loan or advance is generally not required for cash deficits in Funds 1000, 4610, and 4611.

The following policy and procedures covering loans and advances were contained in a memorandum issued jointly by the State Treasury, the OSC, and the Office of State Planning and Budgeting (OSPB) on February 7, 1997. This section contains updates to that original policy to reflect the new process which was implemented beginning Fiscal Year 2023.

3.1 Policy Statement

Section 24-75-203, C.R.S. allows the State Treasurer to make working capital loans to State cabinets, institutions of higher education, and departments with the approval of the Governor and the State Controller. The statute also allows the State Controller to authorize interest free working capital advances to State cabinets, institutions of higher education, and departments. The use of working capital loans and advances is to be kept to a minimum due to the impact on General Purpose Revenue Fund (Fund 1000) cash and because of the negative impact on statewide investment earnings.

Section 24-75-204, C.R.S. requires the State Controller to submit an annual report to the Governor, the JBC, and the LAC summarizing all outstanding loans and advances. This report is based on deficit cash balances at the cabinet and fund level at the close of the fiscal year and is supported by approved loan and advance applications. This report is due no later than November 30 of each year.

In order to comply with the provisions of Sections 24-75-203 and 204, C.R.S., it is the policy of the State Treasurer, State Controller, and the OSPB that:

- Cash must be on deposit with the State Treasurer, except where approved by the State Controller and the State Treasurer, or where exempted by the State Constitution.
- A request for a working capital loan or advance must be submitted and approved for all deficit cash balances at fiscal year end, unless a specific exemption is granted.
- Deficit cash balances not supported with an approved working capital loan or advance will
 constitute the unauthorized use of General Purpose Revenue Fund (Fund 1000) cash. This
 unauthorized use may result in interest charges to the state department with the deficit and
 may result in other remedies that may include the suspension of activity from the deficit
 cash account.

The following are commitments made by the State Treasurer, State Controller, and the OSPB to achieve the goal of providing working capital loans and advances to State agencies while minimizing the impact on General Purpose Revenue Fund (Fund 1000) cash and the loss of

investment earnings. We will:

- Adopt and communicate criteria defining which activities are eligible for a loan and which activities are eligible for an advance.
- Review the working capital needs of each State department that requests a working capital loan or advance using information provided by the department.
- Prescribe forms and procedures for State departments to use in reporting their need for and requesting approval of working capital loans and advances.
- Analyze cash balances on a monthly basis at the fund/cabinet level unless a lower level review is requested by a department or deemed necessary by the State Treasurer or the State Controller.
- Monitor cash balances in the General Purpose Revenue Fund (Fund 1000) and the Regular Capital Projects Funds (Funds 4610/4611) at the fund-level on a statewide basis. Generally, departments do not need working capital loans or advances for activities in these specifically identified funds; however, if it is determined that an department is operating in one of these funds, and is not in compliance with the statutes or this policy, a loan or advance may be required for that fund/cabinet combination.
- Perform post-audit reviews, as necessary, to ensure State departments are complying with this policy.

3.2 Definition of Terms

The following are definitions of terms used in this policy:

<u>Deficit Cash Balance</u> - A negative amount in the CORE balance sheet account 1100 - Operating Cash at the fund/cabinet level, or the fund/department/reporting category level when appropriate, at the close of any fiscal period and/or on an average daily balance level at the end of any calendar month. If a fund is used by multiple cabinets due to positive coding and the department owning the fund has not yet transferred revenue to the other department, this timing issue is not considered a deficit fund balance for the other department

<u>Deficit Fund Balance</u> - A negative amount for the fund on the OSC-024 report, at the fund/cabinet level.

<u>Teaching Activities or Research</u> - "Teaching" activities are those that include regularly enrolled students of an institution who receive credit toward a degree for participating in this activity. "Research" activities are those that advance the state of knowledge of an academic, vocational, or professional subject being conducted at an institution (testing performed solely for private concerns does <u>not</u> qualify as "research" for the purposes of this policy).

<u>Primary Purpose</u> - A significant majority (75 percent or more) of a fund/cabinet's activities by dollar volume are for a particular activity. For example, if 75 percent of the activity of a fund/cabinet is for teaching and research, then this is the fund's primary purpose.

<u>Business Enterprise</u> - An activity that is intended to be self-sufficient by generating adequate revenues through the sale of a product or a service to cover the associated cost of operations. This is <u>not</u> the TABOR definition of an enterprise.

<u>Self-Maintaining Program</u> - Programs that are intended to generate adequate revenues to support or exceed the expenditures incurred by the program.

3.3 Criteria for Determining Working Capital Loans or Advances

Cash balances (CORE account 1100 - Operating Cash) will be evaluated at the fund/cabinet level

unless the department, the State Treasurer or the State Controller believes it is necessary to monitor the balances at a fund/department or fund/department reporting category level. A deficit cash balance at the fund/cabinet level indicates the need for a working capital loan or advance. Considering the primary purpose of the fund, the department should apply for a working capital loan or advance when a deficit is not resolved by the end of the fiscal year. Departments should have procedures in place to monitor and identify deficit cash balances, so they can request a working capital loan or advance as described in Section 3.8. The infoAdvantage report GA-002 - Average Daily Balance report identifies cash accounts with average daily deficit cash balances at month-end. Fund/cabinet established solely as system clearing funds are not considered a business enterprise activity or a self-maintaining program and should not have continuous deficit cash balances. However, if a clearing fund has a continuous deficit cash balance, the fund to which the cash is ultimately cleared should be evaluated to determine if the clearing fund requires a working capital loan or advance.

State Fiscal Rule 6-1, requires that agencies make timely deposits of cash to the State Treasury unless otherwise exempted by statute or rule. Withdrawal of these funds and subsequent redeposit into a separate checking account, savings account, or another investment shall be done only when authorized in writing by the State Treasurer and the State Controller. This approval is required even if moneys are subject to bond covenants or are eligible for investment pursuant to Section 23-5-112, C.R.S.

3.4 Working Capital Loans

Section 24-75-203(1), C.R.S. allows the State Treasurer to make loans to State departments upon the written approval of the Governor and the State Controller. The OSPB provides the approval for the Governor. Interest on loans shall bear interest at the earnings rate calculated monthly by the State Treasurer. The State Treasurer calculates and charges interest based on the average daily balance of the cash account during a calendar month, and charges interest to the department on a monthly basis. All loans must be reviewed at least annually. Treasury automatically applies the loan rate on interest-bearing funds when the fund has an average daily cash balance that is deficit. For most funds there is not a noticeable change if the fund had already had loan approved previously—any time it went negative the fund was charged the loan rate. However, if a fund that never had a deficit, has one, Treasury will automatically charge the loan rate, rather than waiting for the loan paperwork to be approved. This reduces back-end adjustments for Treasury.

The following activities are eligible for loans:

- The operation of business enterprises by institutions of higher education when the primary purpose of that enterprise is not teaching or research, and which are, or may be, in competition with private enterprise.
- Any other self-maintaining program of a state department that generates its own revenues and which, in the judgment of the State Treasurer, has the capacity to repay the loan.
- Any other statutorily authorized loan.
- Any fund/department designated as a TABOR enterprise; fund/department is able to issue revenue bonds and receives less than 10 percent of annual revenues in grants from Colorado state and local governments.

The answers to the following questions will be included in the evaluation by the State Treasurer, State Controller, and the OSPB in reviewing applications for working capital loans:

- Does the fund/cabinet's cash account earn interest?
- Is the predominate source of a fund's cash maintained on deposit outside of the State Treasury?

- Is the predominate source of a fund's cash on deposit in another fund that is earning interest?
- Is the activity self-supporting continuing education?

All deficit cash balances in any fund/department will be considered to be eligible for a working capital loan, and the department may be charged interest by the State Treasurer, unless the department can demonstrate that the activity is eligible for a working capital advance.

3.5 Working Capital Advances

Section 24-75-203(2), C.R.S., allows the State Controller to authorize interest-free advances to State departments to provide working capital for certain programs. The statute sets a limit of no more than \$12 million in advances to any one department or institution. These advances must be reviewed annually and shall be repaid at such time as the State Controller directs.

The statute defines the following activities as eligible for an advance:

- The operation of a program, other than those defined in Section 24-75-203(1), C.R.S., and discussed in Section 3.4 of this chapter.
- Federal programs for which federal advances or letters of credit are not available.
- Any other statutorily authorized advance.

Other factors that will be evaluated by the State Treasurer and the State Controller in reviewing applications for working capital advances include:

- Is cash designated to support a fund/department's activity on deposit with the State Treasurer or in another department pending a distribution/allocation to the fund/department with the deficit cash balance?
- Does the fund/department's cash account earn interest?

3.6 Working Capital Advances for Tobacco Settlement Programs

Section 24-75-1104.5(7), C.R.S., allows the State Controller to authorize an advance without interest to state departments to provide working capital for the operation of tobacco settlement programs. If the fund receives other sources of revenue, this statute only applies to the portion received from the tobacco settlement allocation. Although the statute does not set a dollar limit, it is expected the advance will be repaid upon receipt of the second tobacco settlement payment in the following April.

3.7 Additional Criteria Guidelines for Institutions of Higher Education

For higher education governing boards, deficit cash balances will be monitored at the board level. Deficits in individual funds within those boards will not be reviewed for this purpose. If there is a deficit cash at the board level, it will require a loan or an advance from the State Treasury.

3.8 Loan and Advance Review and Reporting

On a quarterly basis, departments and IHEs are responsible for reviewing funds that had an average daily cash deficit during the quarter as part of the Quarterly Diagnostics Review discussed in Chapter 5, Section 4. Specifically, the infoAdvantage "OSC-031 Average Daily Cash Deficit Balance by Calendar Month" report can be used for this review. The report provides all funds and their average daily cash balance by calendar month which is the basis for Treasury interest expense for loans and advances. That is, interest-bearing funds are charged a loan interest rate for any fund that had an average daily cash deficit for the calendar month. Non-interest bearing funds receive an advance when they have an average daily cash deficit for the month and are not charge a fee.

The OSC-031 also contains the fund balance as of the period close for the quarter.

For year-end reporting, to assist the OSC in preparing the statutory Loan and Advance report, the OSC will prepare and provide departments a workbook with a list of any funds that had a cash deficit remaining in period 16. Departments and IHEs must complete the workbook by providing an explanation regarding the reason for the deficit remaining at year-end and need for working capital. Departments and IHEs also sign and submit an approval form that accompanies the workbooks. This form can be found at: Completed workbooks and forms are emailed to DPA_FARmailbox@state.co.us, where they are reviewed, approved, and routed to OSPB and Treasury for approval.

When a cabinet is positive coding in another cabinet's fund, it is expected that the cabinet responsible for the fund will process a revenue transfer to the other cabinet, eliminating the deficit cash at the cabinet/fund level. Please work with the cabinet responsible for the fund to make sure this transfer occurs prior to year-end. In certain cases, the fund will be analyzed at the fund level (e.g., Marijuana Cash Fund) at period 16, and no loan/advance would be needed by the other cabinets working within the fund.

If a loan or advance is for activities that are not federally funded and the loan or advance exceeds \$300,000, or if the activity is federally funded and the request exceeds \$1,000,000; a 24-month cash flow projection is required and to be included in the period 16 workbook. The cash flow analysis should be for the period of the loan or advance plus the subsequent number of months necessary to total 24 months. The analysis should include a description of the assumptions on which the cash flow is based. The assumptions may include stable, increasing, or decreasing revenue flows, source of revenues, industry trends, stable or unstable expenditure flow, economic trends, etc. At a minimum, the cash flow analysis should show on a monthly basis for 24 months the beginning cash balance, expected receipts and disbursements, and ending cash balance. Receipts and disbursements may be broken out as to the type of receipt (e.g., fees and fines) and to the type of disbursement (e.g., personal and operating). The period 16 loan and advance workbook contains a sample cash flow template.

In addition to a deficit cash balance, if a fund also has a deficit *fund* balance (as shown on OSC-030 at the cabinet level, and also provided in the period 16 loan and advance workbook), the OSC is unable to approve the application. However, the department should explain the reasons causing the deficit fund balance including if the fund has a cyclical revenue cycle and an explanation regarding when the fund is expected to have a positive fund balance.

Please contact the department's assigned OSC Financial Specialist for questions regarding this policy or the procedures.

CHAPTER 5: SECTION 4 PROCEDURES FOR PREPARING QUARTERLY FINANCIAL REPORTS

4.1 Quarterly Reporting Overview

Section 24-30-204(2), C.R.S. requires all departments and institutions of higher education to submit a quarterly report of financial information to the State Controller that shall include financial information deemed reasonable and necessary. The following section sets forth the State Controller's policy and guidelines to accomplish the intent of this important law and is amended to incorporate modifications deemed necessary after review and analysis.

4.2 Policy Statements Related to Quarterly Reporting

Timely and accurate financial reporting is vital for the proper functioning of state government. Such financial information must be available for controllers, program administrators, executive management, legislators, and their staff for decision making and planning purposes.

The following policy statements shall apply:

- 1. This policy applies to all state departments and institutions, including all boards and commissions.
- 2. Generally, monthly interim accruals will not be allowed in CORE, except certain revenue accruals specifically approved by the OSC. Annual accruals are required for year-end closing.
- 3. Each quarterly reporting period should be regarded as an integral part of the fiscal year. Thus, in general, the results for each quarterly period should be applied on a modified cash basis. Expenditures such as salaries and operating expenditures should be posted as they occur. Arbitrary assignment to periods is not appropriate.
- 4. The state financial system, CORE, shall be the system for recording timely and accurate financial data and from which quarterly reports shall be prepared and forwarded to the controller in compliance with the reporting requirement of this law.
- 5. All state departments operating directly in CORE are strongly encouraged to use the cost accounting module of CORE to facilitate accounting and revenue recognition.
- 6. The fourth quarter includes Periods 13 and 14.

4.3 Guidelines for Quarterly Reporting

The following guidelines are to be implemented in order to carry out the policy statements set forth above.

- 1. This guideline applies to all fund types except for the general full accrual account group (Fund 4710). For institutions of higher education, this guideline shall apply only to Fund 305x, Fund 320x, and capital construction Funds 4610, 4611, and 3601.
- 2. State departments with sponsored programs are to timely bill and collect from the sponsoring entities as provided by State Fiscal Rules.
- 3. Direct billing departments are to standardize the billing and cut-off dates so that the cost of the various services may be consistently charged. A standardized schedule of billings should be distributed to all affected departments.
- 4. State departments are encouraged to clear all suspense and clearing accounts to zero. The

- OSC may require explanations for any individual clearing/suspense account balance. The balance sheet accounts covered by this provision include accounts with an abnormal balance indicator of "Z" in the first character of the BSA Type rollup field.
- 5. Physical counts of consumable inventories, capital assets or accrual for compensated absences are generally not required for quarterly financial reporting purposes. However, when in the judgment of a controller or chief financial officer, a sudden loss, known obsolescence or seasonal variation materially affects expenditures or an asset then an accounting adjustment during the quarterly period should be completed.
- 6. State departments shall clear all funds and appropriation units established for the purpose of clearing activity that should be properly recorded in another fund to zero. Examples are funds and appropriation units established to record payroll activity prior to distribution to the appropriate fund where the expense was incurred.
- 7. State departments shall correct all inappropriate abnormal account balances and explain expected appropriate abnormal account balances. Credit balance expenditures and receivables, debit balance revenues and payables, and suspense/clearing account balances, all have the potential impact of misstating a department's financial position and should be corrected. All account balances should be properly recorded.
- 8. Reporting to the State Controller under this policy shall be met by the requirements listed below. These reporting requirements are in addition to other requirements as set forth in Sections 24-75-102 and 24-30-204(1), C.R.S.
 - a. Review of CORE OSC Diagnostic Reports available in infoAdvantage. See Chapter 5, Section 1 for a review of these reports.
 - b. Review of a CORE budget to actual report (such as the BA -003 Budget vs. Actual By LBLI, Appropriation Type, Appropriation Unit & Fund). This review is intended to identify problems at a lower level of control than the legal level presented in the OSC diagnostic reports. Issues may include those which may affect CORE budget control (enforced at the BQ190/191LV3 level, not the legal level of control), grant and project budgets, appropriations remaining in Fund VSCF, revenue or expenditures recorded against an incorrect appropriation unit within the same appropriation type, and departmental reporting.
 - c. Review of a CORE trial balance report (such as the GA-001, GA-010, or GA-017). The OSC-003 Abnormal Balances report presents potentially abnormal balances, but reviewing a trial balance report could identify other issues which could include normal balances recorded in the wrong BSA, out of balance funds and department codes, balances that are not reasonable for the fund (for example, fixed assets in a governmental fund), and unchanged balances.
 - d. Certification that payroll reconciliations have been completed for departments processing payroll through CPPS. Contact state_centralpayroll@state.co.us for guidance on completing reconciliations.
 - e. Certification that CPPS security administrators have reviewed the CPPS Security Audit procedure for their respective departments. The CPPS Security Audit procedure is available on the Central Payroll Services website.
 - f. Certification that CORE security administrators have reviewed CORE access reports for their respective departments. The Access Policy is available on the CORE website https://core.state.co.us/policies/security-and-workflow-policies.
 - g. Based on a review of CORE reports, department or institution controllers are encouraged to continue to provide department executive management with a

financial summary highlighting significant trends, issues or developments.

In order to comply with this policy, departments must complete the above reporting requirements within 25 days after the quarter ends, unless an earlier due date has been established and communicated by the OSC.

4.4 Quarterly Reporting Procedures

The OSC publishes a series of diagnostic reports showing potential noncompliance conditions that can be run on demand. Diagnostic reports are available in infoAdvantage as described in Chapter 5, Section 1. Additional diagnostic reports may be developed in the future and departments will be notified when they are published. Departments are encouraged to utilize the reports throughout the year to address diagnostic report balances prior to quarter and annual close.

Departments have until the close of the quarter in which to review the reports and make the necessary adjusting entries in CORE to correct the conditions. Departments should make every effort to correct all abnormal account balances, out-of-balance conditions, overexpenditures, and other items identified in the reports.

Departments should submit the quarterly reports to <u>DPA_FARmailbox@state.co.us</u> by the date specified in the open/close calendar or otherwise specified by the OSC. If a department fails to submit a quarterly report, the FSU Financial Specialist will follow up and request the report from the department. If the departments fails to submit the requested report after the FSU follow up, the State Controller will be notified of the department's non-compliance with Section 24-30-204(2), C.R.S. and the State Controller will request the report.

If CORE security certification is not submitted after follow up requests have been sent, further consequences may be pursued by the Office of the State Controller, up to and including suspension of access to CORE for the department.

Quarterly reports are a key internal control for management of the State's financial affairs and reports that fail to provide evidence of a good-faith review and response to the quarterly reporting requirements may be deemed insufficient. The State Controller will be notified of departments that submit insufficient reports.

Departments shall retain copies of all reports submitted to the OSC for departmental use and audit documentation.

CHAPTER 5: SECTION 5 TABOR REPORTING

Article X, Section 20, the Taxpayer's Bill of Rights (TABOR), was added to the Colorado Constitution as a result of the passage of Amendment 1 in the November 1992 general election.

The passage of amendments and referendums has since affected certain TABOR requirements.

- ♦ Amendment 23 in the 2000 election established the State Education Fund that receives one third of one percent of federal taxable income (AGI), and exempts that revenue from the TABOR count.
- Referendum A in the 2000 election exempted fifty percent of the first \$200,000 of actual value as of the assessment date of residential and real property of an owner-occupier. The State was required to reimburse local governments for the net amount of property tax revenues lost as a result of the property tax exemption provided. For TABOR purposes the state fiscal year spending limit was increased by \$44.1 million in FY2002.
- ♦ Amendment 35 in the 2004 election increased tobacco taxes and excluded the increase from the TABOR count.
- ♦ Referendum C, passed in the 2005 election, allowed the State to retain and spend all revenues in excess of the TABOR limit through FY2010. However, it did not remove the requirement that the State compute and report on TABOR during the five-year refund hiatus. The referendum also required that the highest population and inflation adjusted fiscal year spending amount during the five-year period be used as the base in calculating the Excess State Revenues Cap beginning in FY2011.
- Proposition AA passed in the 2013 election, authorized the State to impose additional sales tax and excise tax on recreational marijuana sales. Proposition DD in the 2019 election authorized the State to tax the proceeds of sports betting activities. Proposition EE in the 2020 election authorized the State to impose a tax on nicotine liquids and other vaping products. In the 2022 election, voters approved Proposition 123 which diverts a percentage of income tax revenue to affordable housing programs. In the same election they also approved Proposition FF which reduces income tax deductions for high-earning tax payers to fund a public school meals program, grant and stipends.
- Other minor voter approved revenue changes have occurred, such as, exempt fees for hog farm regulation and maintaining a registry for medical use of marijuana.

Other than Article X, Section 20 itself, the most pertinent TABOR legislation is Sections 24-77-101 through 108, C.R.S. which provides implementation guidance and clarifies many of the terms used in TABOR.

In the 2017 legislative session, Senate Bill 267 required a \$200 million decrease to the excess state revenue cap for Fiscal Year 2017-18. It also changed the TABOR refund mechanism in future years to be the lesser of the reimbursement paid to each local government treasurer required by C.R.S. 39-3-207(4) or the amount of excess nonexempt TABOR revenue. Subsequently, the \$200 million decrease to the excess state revenue cap was reversed by Senate Bill 21-260, which increased the base by approximately \$225 million.

5.1 TABOR District and Exclusions from the District

The District is defined by TABOR as "... the state or any local government, excluding enterprises." In addition to enterprises, Section 24-77-102(16)(b)(II), C.R.S. also excludes any special purpose authority from the District.

Enterprises are designated in one of two ways. The first method is by statute; the second method, which is exclusive to higher education enterprises, is by designation of the governing boards with review by the State Auditor. If an enterprise is designated by statute or a higher education governing board, it still must annually meet additional requirements to be excluded from the

District in that year. The enterprise must be a government-owned business authorized to issue its own revenue bonds and receive less than 10 percent of its annual revenue in grants from all Colorado State and local governments combined.

For FY2024, the TABOR enterprises are listed in the following table.

Name	Citation	Department Code (and/or FCAT/Fund Code)	Unit	Funds Included
988 Crisis Hotline	27-64-104(1)	ІНЈА		988F
Air Pollution Mitigation Enterprise	43-4-1303(5)	НТЕА		5420, 5430
Air Quality Enterprise	25-7- 103.5(3)(a)	FEDA		AQEF
Brand Board	35-41-101(5)(a)	BBAA		1080, 1090, 7210
Capitol Parking Authority	24-82-103(5)(a)	AADA, AAGA	4410, 8110	5190
Clean Fleet Enterprise	25-7.5-103(5)	FEDA		CFEF, CFIE
Clean Screen Authority	42-3- 304(19)(a)(II)	TCAA, TX4A		5200
Clean Transit Enterprise	43-4-1203(5)	HTDA		5400, 5410
College Assist	23-3.1- 103.5(1)(a)	GDAA (or GX3A and FCAT = E600)		5010, 501S, 5020, 5260 and all Funds except 4610, 4611, 3601, 3602
College Invest	23-3.1-205.5	GRAA (or GX3A and FCAT = E300, Z200)		512S, 515S, 5270, 5280, 5450, 5460 and all Funds except 4610, 4611, 3601, 3602
Colorado Healthcare Affordability and Sustainability Enterprise	25.5-4- 402.4(3)(b)	UHAA, UX7A		2410, 241C
Health Insurance Affordability Enterprise	10-16-1204	SFAA, SX2A,SXIA		5240, 5241
Community Access Enterprise	24-38.5-303(5)	EFBA		CAEF, CAIE
Correctional Industries	17-24-104(1)	CFAA, CFBA, CFCA (or CX5A and FCAT = E900, EA00 (or Fund = 27G0))		5060, 5070, 5080, and all Funds except 4610, 4611, 3601, 3602
Electronic Recording Technology Fund	24-21-402(2)	VAAA, VX2A		2034
Family and Medical Leave Insurance Enterprise	8-13.3-518(1)	KFAM		FMLI

Name	Citation	Department Code (and/or FCAT/Fund Code)	Unit	Funds Included
Front Range Waste Diversion Enterprise	25-16.5-111(3)	FEEA, FEFA, FX4A		FRWD
Fuels Impact Enterprise	43-4-1504(1)(a)	HTFA		5480
Higher Education Institutions	23-5-101.7(2)	GF**, GG**, GJ**, GKAA, GLAA, GSAA, GTAA, GWAA, GYAA, GZAA (or GX3A and FCAT = E100)		All Funds except 1000, 305*, 333F, 341G, 3601, 3602, 3603, 4610, 4611
Auraria Higher Education Center	23-5-101.7(2)	GMAA (or GX3A and FCAT = E100)		320M to 325M, 399M
Orphaned Wells Mitigation	34-60-133(6)(a)	РНАА		OWME
Natural Disaster Mitigation Enterprise	24-33.5-1619	RFBA, RX5A		26TE
Parks and Wildlife	33-9-105	PMAA (or PX6A and FCAT = E500 (or fund = 7510, 7610, 7611, 8610, 8611))		16H0, 1720, 1730, 1750, 2100, 21H0, 22F0, 4100, 4110, 4120, 4130, 4180, 4200, 4210, 4220, 4230, 4250, 4260, 4270, 4280, 4290, 4330, 7510, 7610, 7611, 8610, 8611, OEGP
Petroleum Storage Tank Fund	8-20.5-103	KATA, KX2A		1300
State Lottery	24-35-202(1)(b)	TFAA (or TX1A, TX2A and FCAT = E400)		5030 and all Funds except 3601, 3602, 4610, 4611, 8200
State Nursing Homes	26-12-110	IHKA or (IX4A, IX7A and Fund = 5050)	FINH, FLNH, HVNH, HVDM, RVNH, VANH,	5050 and all Funds except 1000, 2600, 4610, 5160, 8130, 7000, 19C0
Statewide Bridge Enterprise	43-4-805(2)(c)	НТВА, НХ8А		5380, 5390
Statewide Transportation Enterprise	43-4-806(2)(d)	HTCA, HX8A		5360, 5370

Name	Citation	Department Code (and/or FCAT/Fund Code)	Unit	Funds Included
Unemployment Compensation Section	8-71-103(2)(a)	KA**, KC** (or KX2A and FCAT = E200)		7010, 7020, 21U0, 23P0, 24M0, 25U0, 26Y0

See Section 5.3 for a quick reference guide and diagram on TABOR.

5.2 Fiscal Year Spending is the Same as Nonexempt Revenue

Fiscal Year Spending (FYS) is defined in Article X, Section 20 paragraph (2)(e) of TABOR as "all district expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales."

A literal reading of the definition of FYS is confusing because it is defined as expenditures and reserve increases, except for those from certain revenues. The definition mixes expenditures, revenues, reserve increases, reserve transfers, and reserve expenditures. However, the Colorado Supreme Court has defined reserves as the same as fund balance, thus expenditures plus reserve increases (or less decreases) would equal revenues given the accounting equation (Revenue – Expense/Expenditures = Change in Fund Balance). As a result, FYS is the same as revenues, except for those revenues specifically excluded by TABOR.

Two further refinements are necessary. One is that once District revenue is exempt, it is always exempt. The second is that revenue should not be counted twice within the same District. Given these stipulations, earnings on exempt money are exempt, and transfers within the District are always exempt. However, money transferred from an exempt enterprise to another department within the District would not be exempt, because it is the first time the money has entered the District. An informative example is certain indirect cost transfers received by the Department of Revenue. Indirect cost transfers from the Gaming Division would be exempt from TABOR, while the same transfers received from the Lottery would be TABOR nonexempt. The reason is that the Gaming Division has already counted the Gaming revenue from which the indirect cost transfer is paid while the indirect cost transfer received from the Lottery had not been counted for TABOR, because the Lottery is an exempt enterprise.

5.3 Classifying Revenue for TABOR

In TABOR reporting, there are two types of revenue – nonexempt and exempt. Nonexempt revenue is subject to spending limits imposed by Article X, Section 20 of the State Constitution. Exempt revenue is not subject to spending limits. Exempt revenue is determined in three ways: by statute, by voter approval and by legislative or higher education governing board declaration of a TABOR enterprise.

Colorado revised statute 24-77-102(17)(b) excludes the following revenue from TABOR spending limits:

- Gifts, including interest earned thereon,
- Federal funds, including interest earned thereon,
- Collections for another government,
- Pension contributions by employees,

- Pension fund earnings,
- Damage awards, including interest earned thereon,
- Proceeds from property sales, including interest earned thereon, and
- Net proceeds from state-supervised lottery games.

Colorado voters approved the exclusion of the following revenue from TABOR spending limits:

- Permit fees collected from commercial hog facilities,
- Permit fees collected for the sale of medical marijuana,
- The diversion of income tax revenue to the State Education Fund and other revenue
- Additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturers' list price for other tobacco products
- Limited gaming taxes
- Retail marijuana taxes
- Sports betting taxes
- Nicotine liquids and new/additional tobacco-related taxes in Proposition EE
- The diversion of income tax revenue for affordable housing programs in Proposition 123
- Income tax revenue for public school meal programs approved in Proposition FF
- Proposition EE revenue in excess of the legislature's original revenue estimate, when the proposition was approved in November 2020.

Revenue collected by a TABOR enterprise is excluded from TABOR spending limits, either by legislative declaration or by the determination of the governing boards of institutions of higher education. For a complete list of TABOR enterprises in FY2024, see section 5.1.

The table below shows the classes of exempt revenue and the <u>revenue class codes</u> for each. For a list of the revenue source codes that are included in each class, refer to the Centralized Chart of Accounts in infoAdvantage.

TABOR Exempt		
Class	Description	
CHOG	Commercial hog permit revenue	
DAMG	Damage awards, fines, forfeitures, insurance proceeds, court awards	
EINT	Interest earned on exempt funds	
FFND	Revenue, advances, grants from federal sources	
GIFT	Gifts, donations	
LGAM	Limited gaming tax revenue	
MJET	Marijuana retail excise tax	
MJST	Marijuana retail sales tax	
NICO	Proposition EE nicotine products tax	

OFIN	Other financing revenue – bond proceeds, COPs, advances, reimbursements, etc.		
OTHR	Other – exempt administrative fees, special items, healthcare affordability fees, and collections in funds classified as custodial by GASB Statement No. 84, that prior to FY2021 were recorded as liabilities		
PROP	Proceeds from property sales		
TRFS	Transfers within the TABOR District and other exempt transfers		
	TABOR Nonexempt		
Class	Description		
NEXM	All other revenue not included above		

5.4 Quick Reference Guide and Diagram on TABOR

TABOR limits the amount of money the State spends during the fiscal year, and classification of revenue as either exempt or nonexempt corresponds directly to fiscal year spending. See section 5.2. The only revenue that matters in calculating State fiscal year spending is nonexempt revenue. Exempt revenue does not count as fiscal year spending, nor does revenue in special purpose authorities, enterprises, joint governmental entities, or any other entity outside the State's TABOR District.

Nonexempt revenue is compared, at the end of the fiscal year, to the Excess State Revenues Cap (ESRC), which increases or decreases by the sum of population growth and inflation. Nonexempt revenue, also known simply as TABOR revenue, that exceeds the ESRC is refunded to taxpayers through various methods, known as refund mechanisms. The State keeps nonexempt revenue that falls below the ESRC. As such, calculation of TABOR revenue, the ESRC, and the amount of revenue above or below the ESRC relies heavily on the classification of revenue and the use of appropriate revenue source codes.

One source of risk in recording revenue for TABOR purposes is the use of transfer codes. Please use the following guide and diagram to understand the use of appropriate transfer revenue source codes, and to use for understanding other, general TABOR concepts.

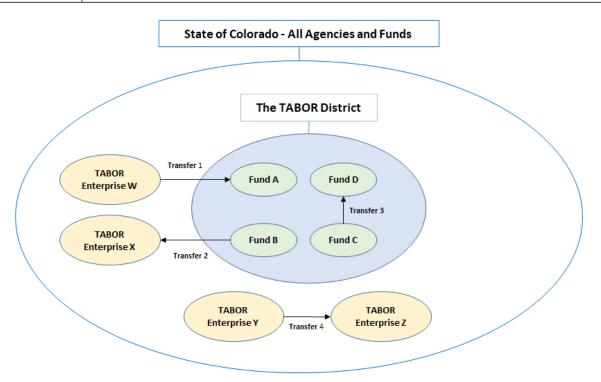
TABOR REVENUE DETERMINATION FOR TRANSFERS

	TABOR Definitions
TABOR District	"District" means the state or any local government, excluding enterprises (Colo. Const. Art. X, Section 20(2)(b)). In other words, the TABOR District is the sub-entity of the State comprising all state agencies and funds, but excluding TABOR Enterprises.
TABOR Enterprise	"Enterprise" means a government owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined (Colo. Const. Art. X, Section 20(2)(d)). In other words, a TABOR Enterprise is a sub-entity of the State excluded from the TABOR section of the Colorado Constitution. TABOR Enterprises are designated in Colorado Revised Statutes, with the condition that they must meet the 10% revenue criterion and the authority to issue bonds criterion. The Office of the State Controller publishes a listing of expected TABOR Enterprises for each fiscal year in the Fiscal Procedures Manual (See Chapter 5, Section 5).
TABOR Revenue	TABOR Revenue is the revenue recognized when cash is transferred into the TABOR District. The cash received in the TABOR District is only counted once as TABOR Revenue; so, if cash is transferred from one fund in the TABOR District to another fund in the TABOR District, the revenue recognized in the second fund is not classified as TABOR Revenue because the cash has already been counted as TABOR Revenue (when it was received in the first fund).

Procedural Impact of TABOR Transfers

- 1. The OSC publishes the sub-entities expected to be TABOR Enterprises in the Fiscal Procedures Manual. (The final determination of TABOR Enterprise status cannot be made until the year has ended, but the final determination rarely deviates from the expected determination.)
- 2. When a department/IHE records transfers into the TABOR District from a TABOR Enterprise, it must use a Revenue Source code that identifies the revenue as TABOR Revenue. (See Chapter 5, Section 5 of the Fiscal Procedures Manual for exceptions such as the GOCO exception).
- 3. Only the revenue side of the transfer (Revenue Source code) must be identifiable as TABOR Revenue/not TABOR Revenue. The expenditure object transfer codes do not reflect the transaction as having any TABOR impact.

Transfer Examples (See Diagram Below)		
Transfer 1	This is a transfer from a TABOR Enterprise into the TABOR District. The revenue recorded into the TABOR District must be	
	identified as TABOR Revenue.	
Transfer 2	This is a transfer from the TABOR District into a TABOR Enterprise. The TABOR Enterprise is excluded from TABOR, so the	
	revenue is not TABOR Revenue.	
Transfer 3	This is a transfer within the TABOR District. TABOR revenue should only be counted once. The cash is already in the TABOR	
	District, so it has already been counted once. Therefore, this revenue is not TABOR Revenue.	
Transfer 4	This is a transfer from a TABOR Enterprise into another TABOR Enterprise. Both TABOR Enterprises are excluded from	
	TABOR, so this is not TABOR Revenue.	



5.5 Great Outdoors Colorado

Amendment 8 established the Great Outdoors Colorado Authority (GOCO) in the same November 1992 general election that established TABOR. Amendment 8 received substantially more votes than did Amendment 1 (TABOR). Based on the disparity in the vote tally, the Colorado Supreme Court ruled that GOCO takes precedence over TABOR and that money the State receives from GOCO is exempt. Since exempt money retains its exemption, departments need to be careful when receiving and accounting for GOCO money. For example, if the Division of Parks and Wildlife receives GOCO money and then passes it on to another department, that money would retain its exemption even though Parks and Wildlife is a TABOR exempt enterprise and normally revenue received from Parks and Wildlife would have to be counted as nonexempt.

5.6 Investment Earnings

Normally when investment earnings are received on exempt revenues those earnings are also exempt. However, there is an exception to that rule. When nonexempt revenues are transferred within the District, even though the transfer is exempt, the earnings on the transferred moneys would be nonexempt since the original source was nonexempt. For example, Gaming moneys are nonexempt and the investment earnings on that money are also nonexempt even after the funds have been transferred to another department as an exempt transfer. If this policy were not in place, the State could avoid earning nonexempt TABOR investment revenue by simply transferring the revenue to another fund. Doing so would violate the intent of TABOR.

5.7 Corrections of Errors in Recording Revenues in Prior Years

For Fiscal Year Spending Limit purposes, Section 24-77-103.5, C.R.S. requires the State Controller to correct errors in prior years' revenues by increasing or decreasing the allowable fiscal year spending of the year in which the error is discovered. Although no specific limitation is expressed in the statute on the number of years an undiscovered error will be considered subject to this statute, other statutes do place limitations on the retention and amendment of records; for example, revision of income tax returns is limited to four years. Adopting this same limitation, it is the policy of the State Controller to only amend TABOR revenues for errors in the previous four fiscal years. For Excess State Revenues Cap (ESRC) purposes, Section 24-77-103.6, C.R.S. is silent on the correction of errors in prior years' revenues. Exhibit A1, which is used to notify the Controller of an error in TABOR revenue is limited to the previous four fiscal years and should be submitted, regardless of amount.

5.8 Revenue Received from Higher Education Institutions

Higher education institutions record their qualifying TABOR activity in Fund 320X – Higher Ed TABOR Enterprise, and their nonqualifying TABOR activity in Fund 305X – Higher Ed NonTABOR Enterprise.

For FY2024 all institutions, except the Auraria Higher Education Center (AHEC), are expected to fully qualify as TABOR enterprises and operate in Fund 320X. AHEC has been designated as a partial TABOR enterprise and thus operates in both Funds 305X and 320X.

A higher education institution is disqualified as a full TABOR enterprise if it receives ten percent or more of its revenue in grants (and transfers, supplemental appropriations, etc.) from state or local governments, or loses its ability to issue revenue bonds. When a fully designated TABOR enterprise disqualifies it becomes only partially designated, as the auxiliary enterprise portion of its activities continues to meet the criteria for designation (similar to AHEC).

State agencies that are not TABOR enterprises must properly classify their inflows from all higher education institutions as exempt if the inflows come from the institution's Fund 305X, or as nonexempt if the inflows come from its Fund 320X. In general, inflows received from a partially

designated higher education institution's Fund 305x (by state agencies that are not TABOR enterprises) are exempt because the inflows are simply a movement of funds within the state TABOR district. Inflows received from an institution's Fund 320x are nonexempt because the inflows are new within the state TABOR district.

5.9 Accounting for Changes in TABOR Enterprise Status (Higher Education Institutions Only)

Journal entries to transfer operating activity between funds 305X and 320X should use BSA 340E – Equity Transfer, as the offset for balance sheet accounts. For example, an institution of higher education that re-qualifies as a TABOR enterprise would account for the change by posting an entry in fund 305X to clear asset, liability and fund balance accounts and posting the offset to BSA 340E. The same entry, with debits and credits reversed, would be posted to fund 320X. Revenue and expenditure accounts would simply be cleared out of fund 305X and entered in 320X.

Balance sheet account 340P should not be used as the offset account.

5.10 Requirement to Communicate with the OSC on Changes to TABOR

Departments are required to communicate with the OSC regarding new TABOR enterprises when they are signed into law. This includes the name of the enterprise, the statute that creates it, and any new revenue sources that are required for recording revenue. Departments should also communicate to the OSC, any known changes to existing revenue sources, as to whether they are exempt or nonexempt from the provisions of TABOR. Based on this communication, the OSC can provide appropriate accounting guidance and ensure the accuracy of TABOR reporting.

5.11 Questions Regarding TABOR

Questions about TABOR and whether or not certain revenue is exempt or nonexempt may be directed to Marc Burkepile (marc.burkepile@state.co.us) in the OSC's Financial Analysis & Reporting section.

CHAPTER 5: SECTION 6 MANAGEMENT REPORTING RESPONSIBILITIES

6.1 Reporting for Financial Responsibility and Accountability Act Article 17, Title 24, C.R.S.

The Financial Responsibility and Accountability Act requires that each principal department and higher education institution file an annual written statement that their systems of internal accounting and administrative control are in compliance with the requirements of the Financial Responsibility and Accountability Act. To certify compliance with the Act, departments are required to complete a Statement of Compliance which contains the statutory requirements and examples for maintaining internal control. The OSC recognizes that each department/institution has its own method for assessing its control systems. The Statement of Compliance also serves to certify each department's ongoing review of TOPs data, including the process to identify adjustments to data exclusions (see Section 6.4 of this Chapter). Departments are required to attach a brief summary of the assessment process used, and plans and schedules for correcting any weaknesses noted.

The Statement of Compliance, with attachments, is due by December 31 annually. Send one electronic copy of the Statement, with attachments, to the OSC and one electronic copy to the Office of the State Auditor. The OSC will provide the required information to the Governor's Office. The Statement can be found under "Forms" at:

https://osc.colorado.gov/financial-operations/fiscal-rules-procedures

6.2 Management Representation Letter

Due to the detail, complexity, and compliance aspects of the State Controller's representation letter to the State Auditor, and in order for the State Controller to have a basis for making representations to the State Auditor, all departments and institutions of higher education are required to provide the State Controller with a signed copy of the representation letter that is sent to the State Auditor. The signed letter is due to the OSC the same day it is provided to the State Auditor, which is dictated by the close of audit fieldwork by the State Auditor's Statewide Audit Team.

The State Auditor has a standard format for the management representation letter. Use of the standard format simplifies the OSC's review by allowing easier identification of required elements, as well as unique items requiring further scrutiny.

6.3 Federal Funding Transparency and Accountability Act (FFATA)

FFATA guidance can be found on the OSC's website at: https://osc.colorado.gov/financial-operations/fiscal-rules-procedures/ffata

FFATA reporting was identified in the 2020 OMB Compliance Supplement Addendum as a renewed area of audit focus. For COVID-19 programs, except the Coronavirus Relief Fund, audit consideration of FFATA compliance is required as indicated in the Part 2 Matrix in the OMB Compliance Supplement. This audit consideration further extends to all major programs for fiscal years ending after September 30, 2020.

FFATA reporting is applicable to State and Local Fiscal Recovery Funds (SLFRF), however, the US Treasury will be submitting all of the required FFATA data on behalf of recipients. FFATA information, as applicable, will be collected with SLFRF quarterly reporting information due to the OSC. Do not also directly report FFATA for SLFRF funds.

6.4 Transparency Online Project System (TOPS)

As a result of House Bill 09-1288, the OSC and the Governor's Office developed the Transparency Online Project. The bill requires that a searchable database with revenue and expenditure data contained in the State accounting system be made available publicly, and the resulting public website can be accessed at:

https://data.colorado.gov/stories/s/fjyf-bdat

NOTE: TOPS was upgraded to a new platform in FY 2022 and the URL noted above is new. Department websites should be updated referencing this new TOPS URL if not already done.

There was a provision to exclude legally protected data, and each department and institution provided exclusions at the time of implementation. However, the review of data needs to be ongoing to identify changing circumstances. A survey of the controllers was conducted in March of 2024 to validate the existing legally protected rules for vendor names being displayed in TOPS. The survey also asked the department controllers if additional Object accounts or Vendor names should be added to the legally protected list of vendor name to redact in the TOPS data. Once the survey is complete the FAR unit will work with OIT (who manages the TOPS site) to implement any changes to the protected data rules and upload those changes to the TOPS site.

Certification of the review is contained in the annual FRAC statement discussed in Section 6.1 of this chapter. Additionally, each department's website must contain a link to the TOPS website address provided above.

6.5 Commercial Card Reporting

6.5.1 Commercial Card Violation Report

Pursuant to Fiscal Rule 2-7, all incidents of State Commercial Card misuse that are recurring, significant, or in excess of \$500 shall be reported to the Office of the State Controller. Reports shall be submitted to the OSC by November 1st each year. This report should include results of any investigation or follow-up including corrective measures implemented to prevent or reduce the likelihood of future occurrences. Misuse may include actions such as the purchase of goods/services or travel related transactions for personal use, splitting a purchase to circumvent single purchase dollar limits or cardholder credit limits, travel related transactions on the procurement card, purchasing related transactions on the travel card, or any other unauthorized transactions disallowed by department or IHE policy. All incidents of commercial card suspected theft or embezzlement shall be reported according to Fiscal Rule 1-2.

6.5.2 Routine Programmatic Communication and/or Reporting

Commercial Card Program Administrators (PAs) in each department and higher education institution (if participating in the State program), are responsible for developing an appropriate internal control structure for their program. Required internal control considerations are outlined in the State Controller's Commercial Card Administrator Policy (https://osc.colorado.gov/financial-operations/technical-guidance-policies). In accordance with this policy, the State Commercial Card Program Manager may request information as needed to effectively administer the program. Additional information is located on the Commercial Card website at https://osc.colorado.gov/financial-operations/ccard or questions can be directed to soc commercialcard@state.co.us.

6.6 Reporting Theft or Embezzlement

Pursuant to Fiscal Rule 1-2, any suspected theft or embezzlement of state funds or assets or sensitive state financial information shall be immediately reported to the Chief Executive Officer, or delegate, and the Chief Fiscal Officer of the state Department or Institution of Higher Education where the theft or embezzlement may have occurred and appropriate action shall be taken by the State Department or Institution of Higher Education. A suspected theft or embezzlement of state funds or assets totaling \$5,000 or more per incident shall be reported in writing to the State Controller. All suspected theft of sensitive state financial information shall be reported in writing to the State Controller. Also, the results of any investigation or follow-up including corrective measures implemented to prevent or reduce the likelihood of future occurrences must be reported in writing by the Chief Fiscal Officer to the State Controller in a timely manner.

6.7 Accounts Receivable Collections Report

Effective July 1, 2022, with the adoption of Fiscal Rule 10, state agencies must report by class of debt, receivable balances including both current and past due receivable and amounts collected through the chosen collection method for the preceding fiscal year. The report is due each November 1 and the form for agencies to complete can be found on the OSC's website:

OSC Homepage > Collections > Agency Collections Plan and Report https://osc.colorado.gov/sites/osc/files/Agency AR Collection Plan and Report.xlsx

Basic guidance on the report is provided below:

- Please do NOT include interagency or federal receivables, but do include non-federal
 intergovernmental receivables. Reported receivable balances should reconcile with
 CORE.
- Debt should be consolidated by "Debt Classification". Debt Classification is defined as "Debt with similar characteristics such as by division or debt type. Debt class may vary by state agency."
- Balances should be the agency applicable receivable balance as of 6/30 of the prior fiscal year.
- Allowanced balance is the amount of applicable receivables as of 6/30 of the prior fiscal year. This amount should reconcile to CORE (minus interagency and federal).
- Past due balances are based on agency policy. Please do not include debt on payment plans.
- Current collection plan is the plan or activity an agency may be participating (select from the drop down list).
- Future collection plan is the plan or activity an agency plans to adopt in the future (select from the drop down list).
- Procedure for Notifying debtor is simply the means by which the agency intends on contacting debtors. Please note, this could be by a third party (private collection agency for example).
- Rationale for the plan is simply a brief statement on why the agency chose a certain plan for collection (or why they chose not to select a plan).
- Please exclude payments to SIPA and receivables posted to BSA 1335 as they are payments, not state owed debt.

- Please include accounts receivable accruals in the current balance.
- "Internal Collections" should be any additional efforts by an agency to collect past due debt. Standard billing should not be considered "Internal Collections" as it is not past due when the notice / bill is sent. 2nd notices once past due are considered "Internal Collections"
- Report, by class of debt, the receivable balance of individual debts, past due balance, and
 the change in past due debt balances for the chosen collection method for the preceding
 fiscal year.

CHAPTER 5: SECTION 7 UNCOMMITTED CASH RESERVES REPORTING

7.1 Information about the Report and Requirement

Section 24-30-207, C.R.S. requires the State Controller to prepare a report showing the amount of uncommitted reserves credited to each of the State of Colorado's cash funds. Fund definitions within this report are based on GAAP definitions, rather than the statutory definition of any particular fund. This report is audited annually by the State Auditor and delivered to the Office of State Planning and Budgeting and to the Joint Budget Committee on or before September 20 of each year.

The following criteria is used in the report and is based on the statute definitions:

7.2 Statutory Definitions and Report Programming

7.2.1 Cash Fund Defined

Section 24-75-402(2)(b), C.R.S. defines a "cash fund" as any fund, other than the state General Fund and any federal fund, any fund used by a state institution of higher education, and any fund established by law for a specific program or purpose.

The balances of each fund are generally reported at the fund and cabinet level.

7.2.2 Cash Funds Excluded

The following cash funds are specifically excluded from the cash reserves report for Fiscal Year 2021, based on Section 24-75-402(5), C.R.S. or exemption waivers authorized pursuant to Section 24-75-402(8), C.R.S. Repeal dates for an exclusion or waiver (if any) are listed in parentheses.

- Any cash fund for which revenue is derived solely from fees, the amounts of which are established by the federal government;
- Any cash fund for which revenue is derived solely from fees set by the Colorado Supreme Court in the exercise of its exclusive authority to regulate the practice of law;
- Any cash fund for which revenue is derived solely from fees set by an enterprise, as defined in Section 24-77-102(3), C.R.S. or a special purpose authority;
- Any cash fund that is established for capital construction;
- Any cash fund for which the reserve amounts are based on actuarial requirements;
- Any trust funds;
- Any cash fund with uncommitted reserves of less than \$200,000;
- The Highway Users Tax Fund (except the Emergency Medical Services Fund, Colorado State Titling and Registration Fund, as it existed before July 1, 2019, the Colorado DRIVES Fund, and the AIR account);
- The State Highway Fund;
- The Petroleum Storage Tank Fund;
- The Brand Inspection Fund;
- The Worker's Compensation Cash Fund;
- The Emergency Fire Fund;

- The Wildland Fire Equipment Repair Cash Fund;
- The Wildland Fire Cost Recovery Fund;
- The Wildfire Emergency Response Fund;
- The Wildfire Preparedness Fund;
- The Colorado Firefighting Air Corps Fund;
- The Enterprise Services Cash Fund;
- The Oil and Gas Conservation and Environmental Response Fund;
- The Licensing Services Cash Fund;
- The Cybersecurity Cash Fund;
- The Governor's Mansion Maintenance Fund;
- The Justice Center Cash Fund;
- The Justice Center Maintenance Fund;
- The Small Business Recovery Fund;
- The Emergency Invasive-Pest Response Fund;
- The Community Behavioral Health Disaster Preparedness and Response Cash Fund;
- The Community Impact Cash Fund;
- The 988 Crisis Hotline Cash Fund;
- The Commission on Judicial Discipline Special Cash Fund;
- The Disability Support Fund
- The Responsible Gaming Grant Program Cash Fund
- The Wage Theft Enforcement Fund
- The Wildlife Resiliency Code Board Cash Fund
- The Industrial Hemp Registration Program Cash Fund (7/1/23);
- The Educator Licensure Fund (7/1/23);
- The Assisted Living Residence Cash Fund (7/1/23);
- The Radiation Control Fund (7/1/23);
- The School Safety Resource Cash Fund (7/1/23);
- The Hazardous Substances Response Fund (7/1/23);
- The Newborn Screening and Genetics Counseling Cash Fund (7/1/23);
- The Instant Criminal Background Check Cash Fund (7/1/24);
- The Supplier Database Cash Fund (7/1/24);
- The CBI Identification Unit Fund (7/1/24); and
- Any cash fund used to fund a single program if the program has been in existence less than two full fiscal years.

If a fund is excluded based on a repeal date, the exclusion is in effect through the end of the prior fiscal year. See Section 24-75-402 (5.5), C.R.S.

7.2.3 Fund Balance

Fund balance is the net of total assets and total liabilities (including ending balances for closing classes 1, 2, 4, 5, 16 and 17) in each fund as of fiscal year-end. The balance excludes financial statement presentation entries.

7.2.4 Exempt Assets

Exempt assets are any long-term assets or nonmonetary current assets held by the fund at fiscal year-end. "Nonmonetary" current assets are those that either cannot be converted to cash or are held with the intent of being used rather than converted to cash, including but not limited to consumable inventory and prepaid expenses. Long-term assets related to accumulated depreciation are reported in the Capital Reserve.

7.2.5 Capital Reserve

Section 24-75-403(2), C.R.S. states that "For each cash fund from which moneys are appropriated for capital outlay or capital construction, the principal department responsible for the accounting related to the fund shall identify in the fund balance report a capital reserve, which consists to an amount equal to the depreciation of the depreciable components of the capital outlay or the capital construction, based on the depreciation period."

For proprietary fund types, the OSC calculates the amount shown in this field as the accumulated depreciation for the fund.

For governmental fund types, because governmental funds do not record capital assets at the fund level, this value must be manually updated. For governmental fund types only, as part of the turnaround report process, departments will need to submit a listing of capital assets and corresponding accumulated depreciation to substantiate the capital reserve amount they want to claim. The listing submitted must be able to substantiate the following:

- The capital assets were paid for by the cash fund with appropriated funds
- The capital asset(s) are still in fund 4710

7.2.6 Previously Appropriated Fund Balance

Previously appropriated fund balance is that portion of fund balance that has been appropriated for capital construction or other multi-year purposes. Funds to be transferred per a continuous appropriation in statute are considered to be a multi-year purpose and therefore should be included in the previously appropriated fund balance. However, reserve transfers mentioned in the Long Bill are not necessarily considered multi-year and will need to be evaluated on a case-by-case basis to determine whether they fit the description of previously appropriated fund balance.

7.2.7 Fee Revenue

Fee revenue means any moneys collected by an entity, except that fee revenue does not include:

- Any moneys collected from sources excluded from state fiscal year spending, as defined in Section 24-77-102(17), C.R.S.;
- Any moneys received through the imposition of penalties or fines or surcharges imposed on any person convicted of a crime;
- Any moneys appropriated from the General Purpose Revenue Fund (Fund 1000);

- Any moneys received through the imposition of taxes;
- Any moneys received from charges or assessments, the amount of which is not determined by the entity;
- Any moneys received from gifts or donations;
- Any moneys received from local government grants or contracts;
- Any moneys received through direct transfers from another entity, enterprise, or a special purpose authority, and
- Any moneys received as interest or other investment income.

7.2.8 Fees Set in Statute/Other Exclusions

Any fees that are set in statute should be recorded as revenue using the sub-revenue code "STAT." For other exclusions per Section 24-75-402(2)(e)(V), C.R.S. that are not fees set in statute, sub-revenue "EXCL" should be used. The Report specifically excludes amounts recorded .in sub-revenue codes "STAT" and "EXCL" from the Fee Revenue calculation. Sub-revenue codes "STAT" and "EXCL" are not required to be used in the following situations:

- If a fund is specifically excluded from the statutory report (including funds excluded from the statutory report with uncommitted reserves less than \$200,000);
- If a revenue source code is not included in the fee revenue calculation.

7.2.9 Non-Fee Fund Balance

Non-fee fund balance is calculated by subtracting any exempt assets, capital reserves, and previously appropriated fund balance from the total fund balance and multiplying the result times the ratio of non-fee revenue to total revenue. There may be limited circumstances where applying the standard methodology does not adequately reflect the nature of the non-fee fund balance. Should this occur, adjustments to the standard methodology will be considered on a case-by-case basis.

7.2.10 Uncommitted Reserve

Uncommitted reserve is calculated by subtracting any exempt assets, capital reserves, and previously appropriated fund balance from the total fund balance and multiplying the result by the ratio of fee revenue to total revenue. Uncommitted reserve is used to determine if a fund is reported in the statutory report (where uncommitted reserves are greater than or equal to \$200,000 per Section 24-75-402(5)(g), C.R.S.).

7.2.11 Maximum Reserve

Maximum reserve is defined as 16.5 percent (approximately 2 months) of fiscal year expenditures.

7.2.12 Alternative Maximum Reserve

In some cases, an alternative reserve is used when there is a reserve limit established by statute or through a Joint Budget Committee (JBC) approved waiver pursuant to Section 24-75-402 (8), C.R.S.

7.2.13 Excess Uncommitted Reserve

Excess uncommitted reserve is the amount by which the uncommitted reserve exceeds the maximum or alternative reserve. If the calculated amount is less than \$0, then \$0 will be shown.

7.3 Reports and Procedures

7.3.1 Turnaround Report

The OSC-023 report is used as the turnaround report as of period 14. It includes a report of funds with uncommitted reserves greater than or equal to \$200,000, which may be included on the final statutory report. This report is available in infoAdvantage (See Chapter 5, Section 1.1). Please see the tab of the report named "Turnaround Report." The cash funds uncommitted reserves report does not include entries created by the Office of the State Controller for financial statement purposes. Any departments with funds having uncommitted reserves greater than or equal to \$200,000, regardless of the amount of excess uncommitted reserves, must respond to dpa FARmailbox@state.co.us by the date in the open/close calendar, whether any adjustments are needed or not.

For the turnaround report, save the report in Excel format, fill in any information (including statute citations or other applicable documentation) regarding:

- Previously appropriated fund balance amounts.
- Alternative maximum reserve amounts, whether by statute or by approved waiver.
- Funds excluded from the report by an approved waiver.
- For governmental funds, capital asset listing used to calculate the capital reserve amount (see 7.2.5)
- Funds with multi-year revenue-collection cycles (provide the fiscal years included in those cycles for averaging).
- Verify the reasonableness of what is reported for any funds.

Email the turnaround report to <u>dpa_FARmailbox@state.co.us</u> with explanations, statutory citations, copies of JBC approved waivers, and any other relevant documentation for review.

The OSC-023 report also includes tabs with the following information, which is provided to the departments for informational purposes only:

All Funds tab.

Fee Revenues for All Funds tab.

If a fund on the All Funds tab also has uncommitted reserves less than \$200,000 (and therefore is not listed on the turnaround tab), the department may choose (but is not required) to provide additional information such as Previously Appropriated Fund Balance, Alternative Maximum Reserve, information on multi-year revenue-collection cycles, and funds with JBC approved waivers. The department is not required to record sub-revenue "STAT" or "EXCL" for funds with uncommitted reserves less than \$200,000, even if the fund has fees set in statute or otherwise excluded per Section 24-75-402(2)(e)(V), C.R.S., or for revenue codes that are not included in the fee revenue calculation (see Section 7.2.7, "Fee Revenue," for the criteria used in the fee revenue calculation).

Although many of the funds on the All Funds report are not required to be reported on the statutory report, please be aware that the All Funds report is included in the statewide cash funds audit report. Also, certain excluded funds may be reported on other reports if requested by the Legislature (see Section 7.3.3).

Prior to the September 21 statutory deadline, the report will be updated periodically based on responses from the departments. The OSC-023 will be updated and saved in the statewide OSC Diagnostics folder throughout the review process. The final statutory report is based on Period 15

balances as of September 21. The statewide audit report is based on CORE balances as of the date of the audit report.

Please review all reports for reasonableness, and contact dpa_FARmailbox@state.co.us with responses and any questions or concerns about the turnaround report.

7.3.2 Statutory Report

As required by Section 24-30-207, C.R.S., the statutory report shows the amount of uncommitted reserves credited to each of the State of Colorado's cash funds, for funds with uncommitted reserves greater than or equal to \$200,000. This report is audited annually by the State Auditor and delivered to the Office of State Planning and Budgeting and to the Joint Budget Committee on or before September 21 of each year.

The statutory report is based on the turnaround report, updated for period 15, and updated with any previously appropriated fund balance, alternative maximum reserves, or approved waivers.

A fund is considered out of compliance if it has an excess uncommitted reserve greater than \$0 on the statutory report.

7.3.3 Request for Information (RFI) Report

If requested by the Joint Budget Committee, the State Controller must provide a report of uncommitted reserves that includes all cash funds, including those that are otherwise exempt from the statutory report. This report is due on October 1 and is based on period 15 balances.

7.3.4 Funds Out of Compliance on the Statutory Report

When a fund has been out of compliance (excess uncommitted reserve on the statutory report) for 3 or more consecutive years, the OSC is instructed to restrict an amount in the next fiscal year, as determined in Section 24-75-402(12), C.R.S. The restriction will be calculated as the lesser of the excess uncommitted reserves, the maximum reserve, or the alternative maximum reserve. The statutory report is used to determine funds out of compliance.

In the fourth consecutive year of noncompliance, the original restriction will remain in place and an additional restriction will be calculated when the Cash Funds Uncommitted Reserves Report (Turnaround through Final report) is prepared. Restrictions will compound until a waiver is approved or the fund is in compliance.

Within a reasonable time after the statutory due date of September 21, the OSC will contact the department, requesting the budget line where the restriction should be placed. Budget transactions are to be processed with a controller restriction.

7.3.5 Removing a Restriction

A restriction may be removed in the following ways:

- If a department provides a JBC approved waiver applicable to the fiscal year prior to the year a restriction is placed, the OSC will release the restriction as referenced in the waiver. This could occur mid-year.
- If no wavier is approved, the restriction will stay in place until the end of the fiscal year, when the cash funds uncommitted reserves report (turnaround through statutory report) is prepared.

If the fund is still out of compliance at the end of the year, the restriction will not be removed and an additional restriction will be placed in the following year.

7.4 Cash Funds Uncommitted Reserves Calculation

See the following calculation, with the infoAdvantage programming criteria used to arrive at the amounts in the columns of the report:

Please refer to Section 24-75-402, C.R.S. for information on funds excluded and other items related to the cash funds report.

Fund Balance:

Closing Classification: 1 (Asset Roll Forward) PLUS

Closing Classification: 4 (Contra Asset Roll Forward) PLUS

Closing Classification: 5 (Cash Roll Forward) PLUS

Closing Classification: 16 (Billed Unearned Revenue Roll) PLUS Closing Classification: 17 (Collected Unearned Revenue Roll) PLUS

Closing Classification: 2 (Liability Roll Forward)

Exempt Assets:

Closing Classification = 1 (Asset Roll Forward) PLUS

Closing Classification = 4 (Contra Asset Roll Forward) AND

Balance Sheet Code =

140X = Supplies Inventories, Fuel Inventories, or Manufacturing Supplies, OR

144X = Warehouse inventories, OR

1450 = Resale Inventories (Cabinet GCAA only) OR

15XX = Prepaid Expenses, Advances, & Undistributed Charges **except for** 1580 Securities in Lieu of Retainage, OR

16XX = Long-Term Investments OR

17XX = Other Long-Term Assets OR

18XX = Fixed Assets (excluding Accumulated Depreciation BSA 1811, 1821, 1831, 1847, 1848,

1849, 1866, 1871;, see Capital Reserve below) OR

19XX = Other Debts.

Capital Reserve:

Proprietary Fund Types:

Closing Classification = 4 (Contra Asset Roll Forward) AND

Balance Sheet Code =

18XX = Accumulated Depreciation (Include only BSA 1811, 1821, 1831, 1847, 1848, 1849, 1866, 1871)

Governmental Fund Types:

Must be manually added. See 7.2.5 above

Fee Revenue:

Closing Classification = 14 (Collected Revenue) and 15 (Billed Revenue)

Revenue Class = NEXM (Nonexempt)

AND

Revenue Group = 2000 (Licenses/Permits/Certifications) OR

Revenue Group = 3000 (Charges for Sales and Services) OR

Revenue Group = 7000 (Other Financing Sources) OR

Revenue Group = 8900 (Miscellaneous Revenue) OR

Revenue Group = 9500 (Fund Additions) AND

Including Revenue Source Code = 6400 (Rents from External Sources - Nonoperating).

Including Revenue Source Code = 6420 (Rents from External Sources - Operating (Nonexempt),
Including Various department-specific fee revenue inclusions (see RS Group Indicator variable below)

Excluding Various department-specific fee revenue exclusions (see RS Group Indicator variable below) AND

Excludes Sub-revenue "STAT" (Statutory Portion of Mixed Fees for SB98-194 Reporting), for fees set in statute, and "EXCL" (Other Exclusions per Section 24-75-402(2)(e)(V), C.R.S. (Not STAT)) for other exclusions.

The formula for the **Fee Revenue Variable** is: =Round(Sum(If([Closing Classification] InList("14";"15") And ([Sub-Revenue Source] <> "EXCL" And [Sub-Revenue Source] <> "STAT") And [RS Group Indicator] InList("2000";"3000";"7000";"8900";"9500") And [Revenue Source Class] = "NEXM") Then (-1*[End Balance]));0)

Additionally, the RS Group Indicator variable (as referenced in the previous variable formula) is used to include specific activity (either department specific or not, where code is defined in the RS Group Indicator variable as "2000"), or it is used to exclude specific activity (department-specific, where code is defined in the RS Group Indicator as "9000"), otherwise the Revenue Group code in CORE is used.

The formula for the **RS Group Indicator** is =If([Revenue Source] InList("6400";"6420")) Then "2000" ElseIf(([Cabinet] InList("K")) And ([Revenue Source] InList("3601"))) Then "2000" ElseIf(([Cabinet] InList("S")) And ([Revenue Source] InList("4216")) And ([Fund] InList("1860"))) Then "9000" ElseIf(([Cabinet] InList("N")) And ([Fund] InList("4200";"4440"))) Then "9000" ElseIf(([Cabinet] InList("S")) And ([Fund] InList("1291"))) Then "2000" Else [Revenue Source Group]

For reference, items where RS Group Indicator is programmed to equal "2000" are included in Fee Revenue; "9000" are excluded from Fee Revenue

Total Revenue:

Closing Classification 14 or 15 (Revenues).

Total Expenditures:

Closing Classification 10 or 11 (Expenditures).

Non-Fee Fund Balance:

((Total Revenue - Fee Revenue) divided by Total Revenue) times (Fund Balances less Exempt Assets less Capital Reserve less Previously Appropriated Fund Balance).

In limited circumstances, exceptions to this methodology will be reviewed on a case by case basis.

Uncommitted Reserves:

(Fee Revenue divided by Total Revenue) times (Fund Balances less Exempt Assets less Capital Reserve less Previously Appropriated Fund Balance).

The Total of Non-Fee Fund Balance and Uncommitted Reserves should equal Fund Balance less (Exempt Assets, Capital Reserve, and Previously Appropriated Fund Balance).

Maximum Reserve:

Total Expenditures times 16.5%.

Alternative Maximum Reserve:

Alternative Maximum Reserve provided in the fund's enabling statutes or by approved waiver.

Excess Uncommitted Reserves:

(Uncommitted Reserves minus Maximum Reserve or Alternative Maximum Reserve, if any). If this amount is less than \$0, then \$0 is shown.

CHAPTER 5: SECTION 8 INDIRECT COSTS EXCESS RECOVERY FUND

Indirect cost recoveries shall be recorded when earned in separately identifiable accounts as determined by the State Controller. All indirect cost recoveries must be credited to the General Fund, unless otherwise appropriated or directed by law. Section 24-75-1401, C.R.S. created the Indirect Costs Excess Recovery Fund (Fund 27G0) for each principal cabinet, except the Department of Higher Education, as a mechanism to capture indirect cost recoveries in excess of actual indirect costs in a fiscal year for use in future fiscal years.

8.1 Calculation

The calculation of the excess indirect cost collections is the difference between each department's Indirect Cost Assessment line item(s) and recovery through the application of the negotiated rate to each grant and program. It is the policy of the State Controller that the maximum recovery available be credited as revenue to separately identifiable accounts.

8.2 Transfer of Excess Indirect Cost Collections

Prior to Period 13 close, each department shall transfer any excess indirect cost collections to Fund 27G0 - Indirect Costs Excess Recovery Fund. Contact Paul Reynolds (DPA FARmailbox@state.co.us) to establish coding, as necessary, to complete the transaction.

8.3 Use of Indirect Cost Excess Recovery Fund

The Indirect Costs Excess Recovery Fund is subject to annual appropriation. A department can only use the Fund's available resources to pay indirect costs incurred by the department that exceed the department's indirect cost collections for the fiscal year. A department may transfer cash from the Indirect Costs Excess Recovery Fund to the General Fund (or other fund incurring indirect costs) for expenditure as allowed. Alternatively, a department may incur expenditures, as allowed, directly from the Indirect Costs Excess Recovery Fund.

8.4 Annual Report

As required by Section 24-75-1401, C.R.S., the Office of the State Controller will annually report the revenues, expenditures, and balance in each department's account within the Indirect Costs Excess Recovery Fund (Fund 27G0) to the Joint Budget Committee each November 1. For questions, contact Mark Davis at mark.l.davis@state.co.us.

CHAPTER 5: SECTION 9 REQUIRED LEGISLATIVE FEDERAL FUNDS REPORTS

Senate Bill 21-288 requires the OSC to prepare two annual reports: (1) Expenditures of Federal Funds Used for Costs Associated with a Disaster, and (2) Expenditures of Federal Funds by State Agency. These reports replace a portion of the quarterly reporting to the Office of State Planning and Budgeting formerly required under House Bill 20-1426. This report does not include federal funds within the Disaster Emergency Fund as the reporting for the Disaster Emergency Fund remains in the Governor's Office as a quarterly report in accordance with Section 24-33.5-706(7), C.R.S.

9.1 Expenditures of Federal Funds Used for Costs Associated with a Disaster

The Report of Expenditures of Federal Funds Used for Costs Associated with a Disaster is prepared in accordance with Section 24-33.5-717, C.R.S. For the fiscal year, the report includes State agencies that received funds, the amounts received, total expenditures by State agency by fund source and program. The report is due to the JBC annually for the preceding fiscal year on December 1. Each state agency and institution of higher education will be required to report information beyond what is required for the preparation of the State's Schedule of Expenditures of Federal Awards for the subset of funds that meet the requirement of this report. Instructions for the collection of data will be published with the Exhibit instructions.

Additionally, an Annual Informational Schedule of Federally Funded Disaster Emergency Fund Expenditures for the COVID-19 Pandemic is prepared by the OSC and provides the amount of awards and expenditures in the DEF that were from federal funds during the fiscal year. This informational report is submitted to the JBC along with the Report of Expenditures of Federal Funds Used for Costs Associated with a Disaster.

9.2 Expenditures of Federal Funds by State Agencies

The Report of Expenditures of Federal Funds by State Agency is prepared in accordance with Section 24-76-104, C.R.S. The report discloses federal expenditure amounts by state agency, federal awarding agency and federal program for the state fiscal year. Additional information beyond what is required for the State's Schedule of Expenditures of Federal Awards, if any, will be provided at a later date.

CHAPTER 6: SECTION 1 EXTERNAL FINANCIAL SYSTEMS AND BANK ACCOUNTS

1.1 External Financial System Approval Process

Pursuant to Fiscal Rule 1-3 Departments or Institutions of Higher Education must receive prior approval (a waiver) from the State Controller to use an external system to record financial transactions and financial information, develop financial reports, and/or prepare financial statements. Waiver requests should be sent to the CORE Governance Committee (CGC) via their "New Request Form" located on the CORE website at: https://core.state.co.us/governance.

1.2 Deposit of Public Funds

Public funds are required by statute to be deposited in eligible public depositories. Section 11-10.5-111, C.R.S. states in part,

"Any official custodian may deposit public funds in any bank which has been designated by the banking board as an eligible public depository. It is unlawful for an official custodian to deposit public funds in any bank other than one that has been so designated."

"Each official custodian shall inform an eligible public depository that the public funds on deposit are subject to the provisions of this article <u>before</u> entering into a depository agreement with the eligible public depository."

Each banking institution eligible for the deposit of public funds is assigned a Public Deposit Protection Act (PDPA) number. The Division of Banking within the Department of Regulatory Agencies maintains a list of eligible banking institutions and their PDPA number, which can be found at https://banking.colorado.gov/industry/public-deposit-protection-act-pdpa. Additionally, the Division of Financial Services within the Department of Regulatory Agencies maintains the list eligible savings and loan institutions at https://financialservices.colorado.gov/find-an-institution.

Departments requesting to use an external bank account must ensure the banking institution PDPA number is listed on the Division of Banking's website. Each department and institution of higher education of the State also has a PDPA number. This number must be provided to the banking institutions at the time an external bank account is opened. Department or institution of higher education PDPA numbers should <u>not</u> be used on any accounts where the funds are not public funds.

1.3 External Bank Account Approval Process and Oversight

The State Treasurer is generally considered the official custodian of state funds and must approval all requests for external bank accounts. Per the requirements of Sections 24-36-103, 24-36-104 and 24-75-202, C.R.S. departments or institutions of higher education must obtain prior approval from the State Controller and the State Treasurer to open an external bank account. Approval for the account will be in the form of a letter or email from the OSC, and this approval must be obtained prior to opening an account.

Departments must prepare and submit a written request for an external bank account to their FSU Specialist at the OSC. The request should contain the following information:

- 1. Name and location of the bank. To the extent possible, Treasury requests that departments use one of its contracted banks.
- 2. Type of account requested (e.g. depository, imprest, checking/savings)

- 3. Justification for the account, including:
 - a. Why this money cannot be directly deposited with the Treasurer.
 - b. Why state warrants cannot be issued.
 - c. Use of account (e.g. What moneys will be deposited into the account? What kind of disbursements will be made out of the account?).
 - d. Statutory or regulatory requirements.
 - e. Anticipated average daily balance in the account.
 - f. Any other information available to clarify the review.

The OSC will review the request and if approved, will route their approval to the State Treasurer for review and approval. If the State Treasurer approves the request, the OSC and/or the State Treasurer will notify the requesting department. If either the OSC or the State Treasurer denies the request, the department will be notified by the OSC.

Approval for a group of accounts will be granted only for departments that have numerous accounts for the same purpose (e.g., driver license offices throughout the State). Account closures should be communicated to and handled by the Department of Treasury. The Department of Treasury also performs periodic reviews of existing external bank account usage to determine if the account is still necessary.

For questions or assistance regarding banking needs, please contact Treasury's Banking Relationship Manager.

1.4 Recording Cash in Approved External Bank Accounts

Departments with approved external bank accounts may use the CR10XX transaction to record external bank account fees and revenues.

CR10XX transactions should have a record date of the date the money was deposited in the external bank account. The FY and BFY should match with the period that was open on that date. For example, a deposit in the operating account on June 26, 2023 would have a CR10XX header record date of June 26, 2023 and a header FY and BFY of 2023 and period of 12. A deposit in the operating account on July 1, 2023 would have a CR10XX header record date of July 1, 2023 and a header FY and BFY of 2024 and a period of 1. The BFY and FY must be the same.

When populating the accounting lines of the CR10XX transaction it is important to remember to reference OBSA 1043 (for additional information on why users need to make this entry, please see Chapter 3, Section 3.40).

Event Types:

The suggested event type for use on the CR10XX transaction is XR26 (CR10XX Collect Earned Revenue) which is specific to the CR10XX transaction. However, other event types are available.

Line Types:

Line types may be selected based on the type of posting. Deposits and fees can both be accounted for on the same transaction to reconcile to the ending bank balance for that month's statement. Fees need to be entered as a negative amount so the deposit plus fees net out to the bank balance.

Example:

Line 1 is a bank balance of \$20,000. This would be a line type A (Principal) with an Event Type

XR26. This amount would be entered as a positive amount.

Line 2 is your monthly bank fees totaling \$56. Line 2 would be Event Type XR26 with a line type D (Admin Fee) and the line amount will be entered as a negative amount.

On the Header, it should net to the balance of the accounting lines which should also reflect your bank ending balance.

Posting:

In most cases, when simply recording revenue, there will be a debit to Generic Asset and a credit to Collected External Revenue. Also reference OBSA 1043 on the Fund Accounting tab.

When posting fees/fines there will be a debit to Collect NSF Revenue and a credit to Generic Asset (also referencing OBSA 1043).

Sweeping to Treasury Pooled Cash:

Departments can subsequently record sweeps from external bank accounts to the Treasury using a regular CR transaction. Event Type AR51 debits Treasury pooled cash and credits the 10xx account.

CHAPTER 7: SECTION 1 CREDIT/ACCOUNTS RECEIVABLE POLICY

Section, 24-30-202.4, C.R.S. states, as amended in Senate Bill 21-055, that:

"The controller shall promulgate Fiscal Rules for collections of debts due to a state agency; except that the Fiscal Rules do not apply to those debts under the jurisdiction of the Department of Revenue referred to in Section 24-35-108(1)(a).

Fiscal Rule 10 was promulgated effective July 1, 2022 regarding collections activities.

1.1 State of Colorado Credit Policy

It is the policy of the State of Colorado that:

- ♦ State agencies implement policies and procedures that ensure prompt payment of amounts due the state. This includes developing and implementing a credit policy for the state department.
- State agencies, where possible, collect for goods or services provided at or before the time of delivery. When state agencies utilize credit cards, they are encouraged to institute a credit card acceptance procedure as soon as possible.
- State agencies extend credit only when required by statute or other administrative rule, or when collectability is reasonably assured and appropriate steps are taken to protect the interest of the State.
- ♦ All invoices, which represent an extension of credit under this policy, must include a due date when payment is required to be received by the state department, unless the due date is otherwise specified by written agreement.
- State agencies should not voluntarily extend credit to individuals or businesses known to have outstanding debts, or nondischarged debts resulting from a bankruptcy order within the past seven years of the most recent request for credit. State agencies should not accept personal checks for payments from individuals who have submitted checks previously that have not cleared the bank. Under these circumstances, state agencies must receive payment for goods or services in advance or at the time the goods or services are provided.

When credit is voluntarily extended, the state department must obtain sufficient information from the debtor to allow for collection efforts should the debt not be repaid on a timely basis. State agencies must make every effort to obtain sufficient information from a debtor when the state department is required to extend credit. The Rule includes relevant information that state agencies should obtain before extending credit.

1.2 State of Colorado Past Due Receivable Policy

The policy requires:

- ♦ State agencies bill for goods or services rendered as quickly as possible.
- State agencies establish a definite schedule of payment of the account receivable.

The policy defines a debt as being "past due" if the debt has not been paid by the close of business on the due date.

The due date is defined as the date when payment for invoiced goods or services must be made to the State, or the date(s) scheduled payments are due under a payment plan.

It is the policy of the State of Colorado that:

- ♦ State agencies implement methods or procedures to identify and follow-up on past due receivables. This includes, but is not limited to, a periodic aging of all accounts receivable.
- State agencies establish a due date that provides reasonable assurance of prompt payment by the recipient, when it is not feasible to collect payment at the time the goods or services are provided.

1.3 State of Colorado Accounts Receivable Under the Method Allowance Policy

It is the policy of the State of Colorado that state departments shall, at least annually, review their accounts receivable prior to the end of the fiscal year and allowance accounts deemed uncollectible.

When determining if an account is uncollectible, a state department should consider the following factors:

- Age of the receivable.
- Payment activity on the account.
- ♦ Results of legal actions taken (If any)
- Financial condition or other relevant information regarding the debtor.
- Results of tax-offset process.

Because the allowance method is done for financial reporting purposes only, it does not affect the validity of the debt or the continuing collection efforts. Departments should maintain detail regarding the original charges and other fees even after the receivable has been fully reserved. Generally, there is no statute of limitations on debts due the State. However, when debt becomes greater than 6 years old consideration should be given to fully reserving in the allowance for uncollectable accounts as no longer collectible by private collection agencies under the Colorado Fair Debt Collection Practices Act. See Chapter 3, Section 3.5 for additional details related to the accounting of debt forgiveness.

Should collection efforts be exhausted or otherwise concluded, the debt needs to be requested as a forgiveness of debt. See Section 1.4 below regarding the policy on forgiveness of debt due the tate.

1.4 Methods of collecting debt due to the State

State agencies may collect debt owed to them in accordance with promulgated fiscal rules. State agencies must develop a plan for the collection of past due debt by class of debt by November 1. Debt may be collected by the following processes:

- ♦ Internally (by the state agency)
- ♦ Utilizing a Private Collection Agency (PCA)
 - Agencies may use one or more licensed PCA's to collect debt. Agencies are encouraged to
 utilize state price agreements. In order to execute a PCA contract utilizing state price
 agreements agencies must simply execute an "option letter" that can be found on the last
 page of the agreements within the price agreement. State price agreements can be found
 here under "Collection Services"
 - https://www.bidscolorado.com/co/portal.nsf/xpPriceAgreementsByCategory.xsp
 - Agencies who contract debt collection to PCA's shall add a commission to the PCA as permitted in Contingency-Based Contracts in compliance with chapter 3, section 3 subsection 3.43 "Retained Private Collection Agency Commission fees". The commission to the state agency may be retained by the PCA when remitting the balance to the Agency.

Whether the remittance is gross or net, the State Agency must properly account for the commission activity by recording the PCA fee revenue and nonbudget expense for those collecting net.

- ♦ State tax offset through the Colorado Department of Revenue
- ◆ Agencies may contract with the Bureau of the Fiscal Service, Treasury Offset Program (TOP) for federal tax offset
- ◆ Agencies may contact the OSC's Central Accounting and Vendor Operations for vendor offset options
- ♦ Other means of collection approved by the state Controller

Agencies are only permitted to add a commission onto existing debt for collections by PCAs.

1.5 State of Colorado Policy on Forgiveness, Settlement, or Other Compromise of Debt Due the State

Section 24-30-202.4(3)(c), C.R.S. states:

"The controller, with the consent of the state treasurer, is authorized to release, or compromise any debt due the state, but only in accordance with the rules applicable thereto. Such rules may provide delegated authority and criteria for release and compromise of debts and may include provisions to prohibit the referral of debts for tax offset based on the age or amounts of debts."

It is the policy of the State of Colorado to forgive, settle, or compromise amounts due the State only when it is in the best financial interest of the State to do so. Institutions of Higher Education that have promulgated their own rules and regulations are not subject to the policy on forgiveness, settlement or other compromise. Section 23-5-113(2), C.R.S. allows these institutions to authorize write off, release, or compromise of any debt or obligation due the institution according to their rules and regulations. When considering whether to request to forgive, settle or compromise a balance owed, first consider the legality of the request. For example, the state controller cannot forgive court-ordered amounts owed; only the court can do so.

A forgiveness, settlement, or other compromise of a debt due the State involves a decision on the part of the State not to collect an amount due the State, or collect an amount less than the full outstanding balance, including interest and fees. A state department may believe it is in the best financial interest of the State to forgive, settle or compromise a debt. The accounts receivable balance must be fully reserved in the allowance for uncollectible accounts prior to submitting a request for forgiveness, settlement, or other compromise to the State Controller.

Debt may considered for forgiveness, settlement, or other compromise by a written request to the Office of the State Controller. Requests must address the following criteria:

- ◆ Age of the debt. Per the Colorado Fair Debt Collection Practices Act (CFDCPA) debt greater than 6 years in age may not be eligible for third party collection.
- ◆ Type of debt. Certain debt may not be eligible for forgiveness as it is legally uncollectable (bankruptcy, deceased, certain student loans, etc). Be sure the debt you are submitting is collectable and eligible for forgiveness.
- ♦ The amount of the debt.
- Information available on the debt. If the debtor SSN is available, agencies should consider all of its collection options. If very little information is known about the debtor, successful collection efforts will be much less likely.

- ♦ Activity related to the debt. If the debt is 6 years or greater in age and there has been no (payment) activity, offset or any legal action on the account for 3 years the debt should be considered for forgiveness.
- ♦ Level of effort to collect within available resources. If the state agency has demonstrated an attempt at collecting the debt without success (and the debt meets all or some of the additional criteria above) then it may be considered for forgiveness.
- Confirmation that the receivable balance if fully allowanced.

Agencies must submit a request to the State Controller to forgive, settle, or compromise a debt. To request forgiveness, The state departments must complete the Accounts Receivable Forgiveness Request Form and Debt Detail Worksheet which can be found at https://osc.colorado.gov/financial-operations/fiscal-rules-procedures. The completed form and worksheet should be emailed to the dpa FARmailbox@state.co.us.

If the State Controller concurs with the request, the request will be forwarded to the State Treasurer. If the State Treasurer concurs with the request, an approval will be sent to the State Controller, which the State Controller (or designee) will forward to the state department that made the request. Upon approval by the State Controller and the State Treasurer, the state department will apply any final payment, adjust the balance of the account in the state department's inventory system to zero, and remove the related receivable and allowance for uncollectible accounts from the accounting records. No further collection activity will occur. If the State Controller or State Treasurer does not approve the request, it will be returned to the state department as denied.

1.6 Debt Not Substantiated

Debt that a state agency has recorded in CORE but does not have detailed records to support collection efforts should be deemed invalid. To adjust the related accounts receivable balance to zero, the amount must first be fully allowanced. The state agency shall submit a request for approval to the State Controller. Please submit requests to the dpa_FARmailbox@state.co.us and provide:

- Balance of the debt not substantiated,
- Reason detailed records are not available,
- ◆ Age of debt, if known, and
- Confirmation that the receivable balance if fully allowanced.

CHAPTER 8: SECTION 1 STATEWIDE SECURITY POLICY FOR ACCESS TO THE STATE FINANCIAL SYSTEM

1.1 Security Policy

It is the policy of the State of Colorado that:

- Access to the State Financial System is granted solely to conduct legitimate business on behalf of the State of Colorado. The State Financial System includes: the Colorado Operations Resource Engine (CORE), infoAdvantage, Colorado Financial Reporting System (COFRS), DocumentDirect, the Financial Data Warehouse (FDW), Colorado Personnel and Payroll System (CPPS), and the Human Resources Data Warehouse.
- Access to the State Financial System is limited to only what the user needs to accomplish his/her job responsibilities.
- Access is permitted under the condition that the user signs and observes the applicable Statement of Agreement. Access may be revoked if the user violates this Statement.
- Access requests are initiated by completing the applicable security request forms and documents approved by the department controller who has knowledge about the users' legitimate need to access/change financial data.
- Employees with access to confidential information must agree to a background check, if required by policy.
- Each user will receive an individual user ID for access to the State Financial System.
- Users must take precautions to protect State Financial System passwords.
- User accounts will remain active until a user's employment relationship either changes or terminates, or the dormancy period is exceeded, if applicable.
- Each department controller is the Department's Security Administrator for the State Financial System.
- All users will attend any required training before security access is granted.
- Requests received for information contained in the State Financial System shall be processed according to statewide procedures for handling open records requests.
- The State Controller may approve exemptions or waivers from this policy.

1.2 Applicability

This policy applies to all state employees, contract employees and all other individuals granted access to the State Financial System. The purpose of applying this policy to contract employees is to protect the State's interest and does not create an employer-employee relationship.

1.3 System Specific Policies and Procedures

The security policies and procedures for each system can be found at the websites listed below:

CORE

• User Access. The CORE website contains the User Access Policy as well as information on obtaining access to CORE, job aids, and workflow diagrams. Department Security Administrators must manage access per the policy including only granting the access

required by a user's job duties and disabling access for any user who no longer needs access or has terminated employment with the department. Additionally, Department Security Administrators are required to confirm compliance with the User Access Policy as part of quarterly reporting. Reports are available in infoAdvantage under Security and Workflow which can be a useful tool in reviewing users and their access as well as workflows and approval role relationships. Examples of some of the reports include:

- SEC-001 shows users' status (i.e., active, disabled, or locked). A status of disabled or locked means the user cannot log into CORE. If a user is terminated departments should ensure their status is disabled, not locked. The report also shows each user's active security and workflow roles.
- WF-001 shows the workflow role and approval role relationship. This report is useful when trying to determine the workflow roles and approval roles that are needed to approve each type of transaction within a department.
- Contract Auditor Access. Department controllers may elect to approve access to CORE for Office of the State Auditor contract auditors as an alternative to providing printed documentation. If approved, the contract auditor must complete a statement of compliance access request form. Department controllers are responsible, similar to their own staff, to complete the associated CORE UDOCs to establish and discontinue contract auditor access when no longer necessary. When granting contractor access, please be sure to request ALL_READ access only. The Office of the State Auditor will coordinate network access directly with OIT for all contract auditors, which is necessary before CORE access can be considered.
- **Security Role Administration.** For policies related to establishing and maintaining security roles in CORE see the CORE website.

COFRS, FDW, DocumentDirect, and CPPS

 For policies and procedures related to user access for these systems see the OSC's website at https://osc.colorado.gov/financial-operations/fiscal-rules-procedures/security-policy.

CHAPTER 8: SECTION 2 CORE INFOADVANTAGE

InfoAdvantage is the reporting tool that provides a data warehouse from the State of Colorado's Operational Resource Engine (CORE) data. It allows for both summary and detail reporting for all functional business areas.

Each of the functional business areas has a "Universe." Universes group data elements that correspond to functional business areas for the formulation of reporting and analysis. Within the Universes; there are hierarchies of Classes. Classes are folders and sub-folders of data elements called Objects that are categorized and grouped to allow for logical and succinct combinations of valid data. Reports can be created in real-time based on the user-specified parameters set forth by the Universe attributes and prompts. Ledgers and tables that infoAdvantage extracts data from are updated nightly from CORE data in a process called ETL; the reporting system depends on the completion of ETL for accurate data.

2.1 Report Formats

<u>WebIntelligence</u> - A digital report that may be displayed in the web browser as an HTML page as part of infoAdvantage itself. This is the default report format.

<u>Excel</u> - The Excel spreadsheet format includes all parts of the data of the report. This includes, but is not limited to, the report title, headers, subtotals and totals. This format is useful if users wish to manipulate the data within it or delete certain columns in the report. Users may also resort the report or display it as a graph or a pivot table by using Excel charting functions and selecting only data fields omitting non-data attributes such as headers, footers, etc.

<u>PDF</u> - In some cases, users may prefer the PDF report format to HTML for viewing, distributing, or printing a report. Adobe Acrobat is required to read/print PDF files. When a report in PDF format is selected to download, the Adobe Acrobat reader application should open the document where it may be viewed and printed. Reports may be downloaded and re-formatted to view in portrait, landscape or legal size. This format does not allow any data manipulation, and therefore is limited in its practicality.

<u>CSV</u> - The CSV (Comma Separated Values) format includes only the raw data of the report; sections such as header, subtotals, etc. are all removed from a CSV export. CSV should not be used for reports that have a custom variable; columns with custom variables will be irrational in the CSV output. Best practice suggests saving the report in Excel format instead. Only use CSV for situations in which the number of rows being output exceeds Excel's row limit.

2.2 Report Delivery

InfoAdvantage is based on the self-service delivery model for standard report users. Standard reports are selected from functional folders. Filters selected from list boxes within reports provide drill down capabilities and create the parameters to run the report.

Reports in infoAdvantage can be scheduled, run on demand, and tailored by changing report parameters. The reports can be delivered to users directly to the user's email address.

2.3 Beginning Balance Universe Definitions

- General Accounting -
 - This universe contains the main accounting attributes within the State's chart of accounts, and contains details including transaction identification. Period 0 beginning balances are populated by Department, Fund, Sub-Fund, BSA, and Sub-BSA.
- Summary Ledger -
 - This universe is similar to "General Accounting", but provide data for a subset of chart of account elements and does not include transaction identification. Period 0 beginning balances are populated by Department, Fund, Sub-Fund, BSA, and Sub-BSA.
- Accounting Summary -
 - This universe provides pre-calculated values for beginning balances, net activity, and ending balances. This universe is continuously simulating CORE's annual close, and is able to generate "Beginning Balances" prior to the annual close process actually being performed.

2.4 Beginning Balance Differences

The following information is provided to distinguish certain infoAdvantage reports according to the underlying data on which the reports are based.

<u>Annual Close Dependent</u> – Some infoAdvantage reports use *General Accounting* or *Summary Ledger* universes. The *General Accounting* and *Summary Ledger* universes do not contain beginning balances for the next fiscal year until the current annual close is completed. When run for the current fiscal year, but after close of the prior fiscal year, BSA beginning balances are correct. When run for the next fiscal year, BSA beginning balances will be zero until the close of the current fiscal year is completed. The following reports use the *General Accounting* or *Summary Ledger* universe:

- GA-005, GA-006, GA-008, GA-011 through GA-19, GA-022, GA-997, GA-999
- LDGR-001 and LDGR-002

<u>Simulated Annual Close</u> – Some infoAdvantage reports use the *Accounting Summary* universe. The *Accounting Summary* universe contains calculated values for beginning balances for the next fiscal year thereby continually simulating annual close. When these reports are run for the next fiscal year, the current fiscal year revenues and expenditures are reported as if closed to beginning fund balance/equity for the next fiscal year. The following reports use the *Accounting Summary* universe:

- GA-001, GA-007, GA-009, GA-010, GA-020, GA-021, GA-025
- CA-001

<u>Data Validation</u> – Data validation by departments related to the annual close may be performed through use of various combinations of reports noted above. When a fiscal year's annual close has been completed, there should be no differences with respect to the next fiscal year's beginning balances when comparing any of the reports noted above.

CHAPTER 9: SECTION 1 CORE FEDERAL TAX REPORTING, DISBURSEMENT MANAGEMENT, AND VENDOR/CUSTOMER MAINTENANCE

For agencies that use the primary statewide financial system (CORE), Central Accounting and Vendor Operations (CAVO) within the Office of the State Controller (OSC) provides a variety of centralized professional and technical services and assistance including: federal tax (1099) reporting, warrant and electronic funds transfer (EFT) control, disbursement and escheatment management, Commercial Card (CCard) administration, PERA reporting for retirees working as independent contractors, Vendor/Customer modification and maintenance, vendor intercept table management, and IRS tax levy processing. CAVO is the business process owner for these unit functions in CORE. CAVO also manages Vendor Self Service (VSS) certifications and updates to the Vendor/Customer tables (VCUST) in CORE for external State vendors. The unit recommends and implements statewide accounting policies and procedures per best business practices, rules, and standards and also provides training.

Generally, agencies must email the CAVO help desk at state_centralapproval@state.co.us for requests related to the items listed in this section. Agencies exempt from using CORE shall be responsible for compliance with the statutes identified in this section and for federal tax reporting per Internal Revenue Code. If using an external financial system (i.e. issuing payments outside of CORE), agencies must report and issue federal tax forms under their own Taxpayer Identification Number (TIN).

1.1 Federal Tax (1099 and 1098-F) Reporting

The IRS requires federal tax reporting for certain payments depending on the vendor or payee's federal tax classification. For payments made through CORE, CAVO issues IRS Forms 1099-INT, 1099-MISC, and 1099-NEC. CAVO issues these forms to vendors and reports to the IRS by January 31st for the preceding tax/calendar year. Vendors need these forms to file their tax returns. The state must comply with federal tax code, so it is critical that 1099 reporting is done timely and accurately. Any late or incorrect filings are subject to IRS fines and penalties. The agency responsible will incur the cost of penalties if assessed by the IRS.

Federal tax reporting is primarily determined by Object Code and the 1099 Classification of the vendor. Please see the CORE Federal Tax Reporting Guide at https://osc.colorado.gov/financial-operations/central-accounting for additional information. 1099 adjustments should be completed and approved by the last business day in December. Unless adjusted with a journal entry, payments made on miscellaneous vendor records are never reported. Per OSC Vendor Policy, these records cannot be used for recurring or 1099 reportable payments. If 1099 adjustments or corrections are needed after December, please email state_centralapproval@state.co.us.

In order to avoid IRS backup tax withholding on vendor payments, all active vendors in CORE must have a matching Legal Name and TIN per the IRS. A vendor record can be corrected with a valid IRS Form W-9. The name on Line 1 must match the single TIN provided in Part I. CAVO strongly recommends using the current State of Colorado Substitute W-9, which can be found on the Core Resources and Help site.

For agencies that do not typically deal with the IRS, CAVO also issues IRS Form 1098-F. The information on this form is not captured in CORE, so agencies must complete and submit the 1098-F OSC Template by January 15th for all reportable fines and penalties assessed during the previous calendar year. The *IRS Form 1098-F Instructions and OSC Template* Excel document can be found on the Central Accounting page of the OSC site, https://osc.colorado.gov/financial-operations/central-accounting.

1.2 Disbursements, Cancellations, and Reissues

Section 24-30-202, C.R.S. requires the OSC to manage and control disbursements. CAVO manages all CORE warrant (*800XXXXXXXX) and EFT disbursements. Warrants returned by USPS return mail are forwarded to the issuing agency. The agency should then try and forward the warrant to the payee's correct address or cancel it. A valid warrant cancel or reissue request consists of a three-page PDF containing the request form, a signed Affidavit of Lost Warrant OR original warrant marked VOID, and screen-print of the warrant on the CHREC table. The Warrant Cancellations and Reissues job aid, forms, and Affidavit of Lost Warrant can be found on the Core Resources and Help site.

Warrants escheat and are no longer valid on the first Saturday of the seventh month after they are issued (e.g. October 2019 warrants escheated on May 2, 2020). For details of the escheatment process and due diligence requirements, please see the CORE Warrant Escheatment Guide here: https://osc.colorado.gov/financial-operations/central-accounting. CAVO also processes the daily Wells Fargo ACH (EFT) Return and Notification of Change report. If an EFT payment is returned by the receiving (vendor's) bank, CAVO will reissue the payment either by EFT to the corrected bank account or by warrant to the corresponding vendor address in CORE. If the credit entry was refused, the EFT payment is cancelled. The issuing agency is notified when an EFT is returned. If requested by 2:00 pm that same day, the payment can be cancelled instead of reissued.

1.3 CORE Warrant Escheatment Process

Section 24-30-202(9)(a), C.R.S. requires that the OSC escheat uncashed warrants and clear the liability from the agency (as if cashed). Warrants escheat and are no longer valid on the first Saturday of the seventh month after they are issued (e.g. October 2019 warrants escheated on May 2, 2020). Pursuant to Section 38-13-603, C.R.S. all moneys for these escheated warrants, unless there is an exception identified in statute (e.g. federal funds) or by the State Treasury must be delivered to the Treasury's Unclaimed Property Fund. When warrants are escheated by the OSC the entry is: Dr. BSA 2000 (Warrants Payable) and Cr. BSA 2751 (Canceled Warrants Prior Year). Next, Treasury's Accounting Division creates IETs to liquidate BSA 2751. The entry is: Dr. BSA 2751 (excluding exceptions, such as federal funds) and Cr. BSA 1100. The balances remaining in BSA 2751 are the funds that were not required to be transferred to the Unclaimed Property Fund, but must still be cleared by agencies prior to Period 12 close. For example, federal funds must be returned to the federal government.

Per the State of Colorado 2019 Revised Uniform Unclaimed Property Act, C.R.S. 38-13-501 requires that paying agencies perform due diligence a minimum of 60 days prior to the expiration of warrants in the amount of \$25 or greater. Agencies perform due diligence by communicating with vendors that have an outstanding warrant that has not yet been cashed. The InfoAdvantage AP-001 report lists outstanding CORE warrants by agency. If the vendor still has the warrant and it has not yet escheated, they can cash it. Otherwise, it should be cancelled or reissued. If the warrant is no longer a valid State liability, it must be cancelled. If the warrant escheats and is transferred to Unclaimed Property, the payee will be able to claim funds they are not owed.

CAVO recommends that agencies perform due diligence on a monthly basis for all outstanding warrants more than two months old. Additional information can be found in the CORE Warrant Escheatment Guide located here: https://osc.colorado.gov/financial-operations/central-accounting

1.4 Vendor/Customer Maintenance

In CORE, agencies are responsible for adding new vendor and customer records with a Vendor/Customer Creation (VCC) transaction. Unless granted a waiver, each agency is limited to two individuals with the vendor entry security role. Per OSC vendor policy, after a vendor record is

created, agencies must wait two business days before issuing payment. This allows the vendor's name and TIN to go through the automated bulk TIN match and certification process.

CAVO is responsible for all modifications to existing vendor/customer records – including Legal Name, TIN, 1099 Classification, addresses, and Electronic Fund Transfer (EFT) information – and VCUST table maintenance. Vendor modification requests must be emailed from CORE users with State email addresses to state centralapproval@state.co.us. Since CORE is a statewide financial and enterprise resource planning (ERP) system, central administration of the VCUST table helps ensure vendor records are organized and contain valid information. This policy also promotes accurate federal tax reporting and protected confidential and personally identifiable information.

General guidance is located at https://osc.colorado.gov/financial-operations/central-accounting and CAVO job aids for requesting vendor modifications are on the internal CORE Resources and Help site. Most vendor modifications and corrections require a valid IRS Form W-9. The name on Line 1 must match the single TIN provided in Part I. CAVO strongly recommends using the current State of Colorado Substitute W-9 Form, which can be found on the Core Resources and Help site.

1.5 Vendor Intercept Management

Per C.R.S. 24-30-202, payments made to vendors with State of Colorado debt are subject to intercept (also called vendor offset). If a vendor has an outstanding amount on the CORE Intecept Request table, a payment issued to the vendor is partially or fully intercepted and applied to the vendor's debt. If a payment issued by your agency is intercepted, do NOT reissue the funds. If a vendor has questions regarding the amounts that were intercepted, they must contact the intercepting agency, i.e. the state agency handling the vendor's debt. For additional information, please see Vendor Intercept Guidance here: https://osc.colorado.gov/financial-operations/central-accounting

1.6 PERA Reporting and Employer Contributions for Retirees Working as Independent Contractors

C.R.S. 24-51-401 requires PERA employers, such as the State of Colorado, to report payments made to PERA retirees working as independent contractors. The State of Colorado is required to report payments and pay the PERA Employer Contribution for these independent contractor wages, and the retiree is required to pay the PERA Employee Contribution. Closely related businesses (with an EIN - Employer ID Number assigned by the IRS) and related parties (typically a spouse of the retiree) are also subject to PERA Contributions. Retirees must disclose if they are doing business under an EIN instead f their SSN. More information can be found at PERA's website, www.copera.org. The Disclosure of Compensation form is on page 21 of the Working After Retirement handbook revised November 2022. For additional information, please Vendors here: Guidance for Paving PERARetirees as **CORE** https://osc.colorado.gov/financial-operations/central-accounting

1.7 Gift Cards

Pursuant to the State Controller's Gift Card Policy, agencies are required to consider taxability of cash-value gift cards provided to State employees and taxpayers. For employees, gift cards shall be reported on W-2s as taxable income. For nonemployee gift card recipients, generally a W-9 should be obtained and CORE vendor record established, along with a journal entry to reflect the distribution. These amounts are typically reported as nonemployee compensation. Please see Reporting Section Adjustments the **CORE** Federal Tax Guide V: in https://osc.colorado.gov/financial-operations/central-accounting for additional information on journal entries. Contact state central approval@state.co.us for approval to bypass this process in

situations where it's unlikely the recipient would meet the \$600 1099 reporting threshold statewide.

Please contact state_centralapproval@state.co.us with any questions related to vendors, payments issued out of CORE, or federal tax reporting.

CAVO can also provide agency training related to IRS Form W-9 and federal tax (1099) reporting; fraud prevention; vendor modifications, the Vendor/Customer Table (VCUST), and Vendor Self Service (VSS); general accounts payable and disbursement management; and PERA reporting for retirees working as independent contractors. Please contact state_centralapproval@state.co.us to schedule training or with any questions related to the aforementioned topics.

CHAPTER 9: SECTION 2 COMMERCIAL CARD (CCARD) PROGRAM

As of January 1, 2021, US Bank is the state's Commercial Card (CCard) vendor for all OneCard, Purchase Card (PCard), and Travel Card business transactions. The program as a whole may be referred to as Commercial Card or CCard. Please see the Commercial Card Program page on the OSC website at https://osc.colorado.gov/financial-operations/ccard for the CCard Manual, FAQ, Fiscal Rules, Auto-close Schedule, US Bank resources, and other guidance. The OSC's designated Statewide Commercial Card Program Manager is the primary liaison and facilitator between US Bank and the state. Please email soc_commercialcard@state.co.us with any CCard or US Bank related questions. State agencies and institutions of higher education participating in the state program each have a designated CCard program administrator (PA) responsible for the daily business of their agency's CCard program. Each US Bank managing account must have a corresponding PA responsible for the account. Individually billed accounts are the responsibility of the cardholder, who will generally be reimbursed for eligible expenses by their agency. Although agencies do not directly manage individually billed accounts or statements, they may be responsible for past-due amounts or charge-offs on these accounts.

2.1 CCard Billing Cycle

The monthly billing cycles for the State's OneCard, PCard, and Travel Card close on the 25th or the first business/banking day after the 25th of every month. For the June billing cycle, it is recommended that agencies cut off current/closing fiscal year CCard transactions at least one business day prior to the June cycle close date to facilitate year-end close. If any CCard transactions post between the June billing cycle cutoff and June 30, accounts payable accruals will need to be recorded as outlined in Chapter 3, section 3.6.

2.2 CCard Statements and Interfaced Commodity-based Payment Request Transactions (PRC1s)

Non-Higher Education agencies may choose to pay their CCard statements through PRC1s in CORE or by another method. Agencies using PRC1s have ten business days or roughly two weeks to reallocate or adjust the coding of transactions in US Bank's Access Online system. PRC1s are generally loaded into CORE one to two business days after auto-close. This leaves a roughly two to five day window to approve and finalize PRC1s so that the warrant is issued and applied by the close of that month's billing cycle. With the approval of the PRC1 transactions in CORE (or applicable transactions for those not using PRC1s or operating in CORE), agencies need to ensure that all CCard activity posted to the general ledger reconciles to the underlying statements.

2.3 CCard Monitoring and Reconciliation

State Commercial Card (CCard) Program Administrators can use both their financial system (e.g. CORE, SAP, etc.) and the US Bank Access Online system to monitor account activity. Regular monitoring of account activity and declined transactions helps detect unauthorized purchases and CCard usage. Agency PAs and authorized Access Online users may review Cardholders' pending authorizations and posted transactions in Access Online, including explanations for declined transactions.

Accounts shall be monitored regularly to prevent past-due amounts as well as detect fraud and misuse as early as possible and potentially prevent future or recurring issues. The reports listed in section 3.6.4 below assist in identifying CCard fraud and misuse. We recommend reviewing and saving these reports as needed. Comparing monthly reports helps detect irregular and potentially

improper transactions and spending. At a minimum, monthly statements must be reviewed by a qualified individual at the end of each cycle.

2.4 Recommended CCard Reports

Please email <u>soc_commercialcard@state.co.us</u> for assistance in running these reports or if you have any questions.

- Access Online Monthly Statements These are located under Account Information > Statement in the US Bank Access Online system. They are prepared by US Bank and list all transactions either by managing account or cardholder. These are the most important documents to review on a monthly basis. Ensure amounts are as expected and transactions are legitimate and accurate. Also, ensure statement balances are paid in full to avoid interest and late fees.
- CORE InfoAdvantage Statewide DC-021 For PRC1 users, this report is located in the CORE Reports > StateWide Reports > Document Catalog folder. It lists PRC1 transactions by Creation Date range, CORE Department Code, and/or Transaction ID. The report lists PRC1s with separate tabs for vendor, commodity, and accounting lines. Use this report to review PRC1s and reconcile statements, while also checking for split transactions, fraud, and misuse. We also recommend using this report to reconcile draft PRC1s to monthly managing account statements prior to finalizing the PRC1s in CORE. GA-999 and various other statewide reports can also be used to identify PRC1s by selecting Jrnl Doc Code *PRC1*.
- Access Online Transaction Detail This report is located under Reporting > Financial Management in Access Online and identifies transactions by merchant, transaction amount, and cardholder. It is similar to the statements, but can be run at any time with a specified date range and provides additional detail. Use this report to check for split transactions and cardholder limits.
- Access Online Declined Transaction Authorization This report is located under Reporting > Program Management in Access Online. Repeated, declined transactions, which could indicate a card needs maintenance. Consider adjusting Merchant Category Codes (MCC) or card limits. Also, review for misuse or attempted fraudulent transactions.
- Access Online FREDSOF US Bank will run and provide this report by request. It shows fraud incidents and updates over the past 90 days. Use this report to keep track of open fraud cases, including status updates and resolution.
- Access Online Past Due This report is located under Reporting > Program Management in Access Online. As a courtesy, and in order to minimize late charges, the Statewide CCard Program Manager will run this report on a monthly basis and notify PAs that have a >30 days past-due, centrally billed managing account balance greater than \$1,000.