Office of the State Controller Alert # 189

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

FROM: David J. McDermott, State Controller

DATE: March 17, 2010

SUBJECT: ARRA – Deferred Revenue and Receivable GBL Requirement
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ARRA – Deferred Revenue and Receivable GBL Requirement

For accurate ARRA reporting please ensure that a GBL is booked for all ARRA-related accounts receivable (BACC 01-1353 and 01-1355) and deferred revenue (BACC 02-2500) transactions. For agencies using the REVA table, the GBL is attached to the balance sheet accounts automatically. If the REVA table is not used, the GBL must be included in the manual entry that establishes and liquidates the federal receivable/deferred revenue. In addition, for prior transactions, both in the current and prior fiscal year, that were not booked using a GBL, please use a journal voucher transaction (JV) to correct the entry and book the transaction to the correct GBL. The correcting JV transaction will both debit and credit the balance sheet account, with the GBL attached to either the debit or credit as appropriate. For example, to correct a federal receivable, debit the federal receivable with the GBL and credit the receivable without the GBL. The GBLs are necessary for the OSC to accurately calculate and report the "Total Amount of ARRA Funds Invoiced/Received" on a cash-basis as required by OMB. As a reminder, all previous requirements such as the inclusion of the CFDA number and the major grant number naming conventions on the AGN2 table continue to apply as published in Alerts #184 - #187. Please contact Jennifer Henry at 303-833-3809 or jennifer.henry@state.co.us or your FAST member if you have any questions.

COFRS Security Policy Change – APP2 Records

The OSC is implementing a temporary policy change to allow agencies to change, delete, and approve APP2 records related to booking the FY10-11 Long Bill and setting up FY01-11 non-appropriated activity. The existing policy allows for add only access at the agency level, with change, delete, and approve capabilities reserved for FAST. The 'book process' creates an additional Document Direct report, the BDA17R,

"Appropriation Transactions Awaiting 5th Level Approval". FAST's review of the BDA17R and approval of the associated appropriation (AP) documents will serve as OSC's review and approval function for FY10-11 Long Bill and non-appropriated APP2 records. This temporary capability is only intended for use in booking FY10-11 appropriations, and it not intended for use in booking FY09-10 activity.

To implement the temporary policy, COFRS has created a new security group (APAP) which will contain the APP2 table and the APPV screen which contains the approval flag for the APP2 records. This new security group (APAP) will allow add, change, and delete to both tables. COFRS will create an automated job to assign the new APAP security group to current APP2 users on April 19, 2010. Agency security administrators will be able to modify APAP security during the temporary policy change period, if needed. On July 1, 2010, this process will be reversed and revert back to the stated policy in Chapter 10, Section 1.6 of the Fiscal Procedures Manual dated March 2009. Further instruction regarding the use of the APAP will be provided upon implementation.

Please contact your FAST member if you have any questions.

Fiscal Procedures Manual Addendum Available March 31

For the 2010 opening and closing process an addendum will be published to March 2009 Fiscal Procedures Manual. The addendum is expected to be published by March 31. An e-mail will be distributed notifying agency and institution controllers that the addendum is available and provide ordering information. Please contact your FAST member if you have any questions.

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

GASB Statement No. 51 is effective for FY09-10 and addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks.

Intangible assets shall be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases, goodwill from a combination transaction or intangible assets acquired/created primarily for directly obtaining income or profit which should be treated as investments). Relevant authoritative guidance for capital assets should be applied to these intangible assets. Statement 51 provides additional guidance that specifically addresses the unique nature of intangible assets, including:

- Requiring that an intangible asset be recognized in the statement of net assets only if it is considered identifiable.
- Establishing a specified-conditions approach to recognizing intangible assets that are internally generated (for example, patents and copyrights).
- Providing guidance on recognizing internally generated computer software.
- Establishing specific guidance for the amortization of intangible assets.

The State of Colorado has applied the main provisions of SOP 98-1 in the capitalization of computer software for the past several years as is discussed in the Fiscal Procedures Manual in Chapter 9, section 1.12. GASB 51 requires the capitalization of intangible assets other than computer software that exceed a threshold of $50,000 as established by the OSC, and have an expected useful life of greater than one year. If your agency has intangible assets, other than computer software, with a cost greater than $50,000 that were in existence as of July 1, 2009, or that have been acquired or developed since that date, please complete the attached information sheet for intangible assets other than computer software. If you need assistance in completing the information sheet, please contact your FAST representative. If your agency does not have intangible assets to report, please complete the header information and write "NONE". Please respond by the following deadline – April 1, 2010 – to Brenda Shelinbarger (brenda.shelinbarger@state.co.us).

Open/Close Training Dates

General Open/Close training is scheduled for Wednesday, April 21, 2010, at Ft. Logan Auditorium from 9:00 – 12:00. PLEASE NOTE THE LOCATION IS A CHANGE FROM A PREVIOUS ALERT. Also, with a limited Fiscal Procedures Manual update the general open/close training will be the primary communication regarding the changes to the open/close process so please encourage attendance. There will be additional optional training offered in the afternoon beginning at 1:00. One of the topics is a general FDW training, which includes a discussion of Diagnostic Reports including ARRA Reports. Additional topics will be announced via e-mail once they are known. Sessions will be presented only if enough people sign up to attend.

"Open/Close Training for New Employees" is scheduled for Wednesday, April 28, 2010, in the 2nd floor Exam Room at 633 17th Street from 9:00 – 3:00. This is a more in depth training of the Fiscal Procedures Manual and Open/Close process targeted to new employees or those who have transferred to a different position during the last fiscal year.

Additional information will be available at the OSC website. Registration should be up and running by the end of next week and handouts will be posted by the day before the training. Please see http://www.colorado.gov/dpa/dfp/sco/traininginfo.htm.

Higher education will have specific Open/Close training available to meet its unique needs. Again, this will be the primary communication regarding the changes to the open/close process relating to higher education. One session is scheduled for Thursday, April 8, 2010, at the Community Colleges Lowry Campus Conference Center, Building 697. Please contact your FAST member if you have questions.

Pell Grants – Classified as NonOperating Revenue for FY09-10

Notwithstanding the OSC's ongoing requests to the Governmental Accounting Standards Board, it has not elected to remove or revise the guidance provided in the 2007 Amendment of the GASB 34 Implementation Guide regarding the nonoperating presentation of Pell grants. As a result, the State Auditor can no longer support presentation of Pell grants as operating revenue. The OSC will present Pell grants as nonoperating revenues starting in Fiscal Year 2009-10.

To carry out this change in the State's Fiscal Year 2009-10 Comprehensive Annual Financial Report, the State will add revenue source code 7541 to its chart of accounts. This new account will be presented in the Nonoperating Revenues and (Expenses) section of the *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds* in the already existing line item titled "Federal Grants and Contracts". For Higher Education Enterprises, that line item currently includes the State Fiscal Stabilization Fund moneys received through the Governor's Office.

Please contact your FAST member if you have any questions.

Supplementals & Release of Governor's Restrictions

Draft Supplemental bills (with the exception of capital construction) are available on the legislative website, www.leg.state.co.us. The bill numbers range from HB08-1297 – 1317. The AP documents are due in the period that the bills become effective. For example, if a bill is signed in March, the AP document should be submitted in Period 9. The Governor's restrictions will need to be released prior to recording the related supplemental reductions. However, the Governor's restrictions shall remain in place to the extent that the supplemental legislation did not implement the reduction related to the restriction. Any remaining restrictions after supplemental action will be released only upon express approval from the Office of State Planning and Budgeting. Please contact your FAST member with questions or Brenda Shelinbarger for coding for new line items.

Information Sheet for Intangible Assets Other than Computer Software - GASB 51

Department/Institution: Enter or select agency.

Contact Name:

Contact Number:

Contact E-Mail:

Please list all individual intangible assets other than computer software in your agency valued at $50,000 or greater.

Note: Intangible assets that were created specifically with intention to sell should not be reported. For example if an agency developed a patent with the intention of selling the patent it should not be reported.

Type of Intangible Asset[1]	Date Acquired (if known)	Name or Description	Useful Life (years)[2]	Value[3]

[1]**Types of Intangible Assets** include easements, water rights, timber rights, mineral rights, patents, trademarks, and copyrights. Intangible assets such as timber, gas, water or mineral rights that were acquired as a result of purchasing or owning the land on which they exist do not need to be reported since the value of those rights is included in the cost of the land.

[2]**Useful Life** should be stated in number of years and should represent the period over which the intangible will be used up or until the intangible expires, whichever is shorter. An intangible's life is "indefinite" if there are no legal, contractual, regulatory, technological or other limiting factors.

[3]**Value**, as it relates to this standard, is defined as either the purchase price or costs to develop the asset. This would include costs such as legal fees to register a trademark. The value should not be the current market value or include goodwill unless the goodwill was incurred as part of the purchase of the asset. In the event that an intangible asset has been donated, the estimated fair value at the time of acquisition should be recorded.

Please direct questions to your FAST representative.