FY2020 Open & FY2019 Close Training

Presented by:
Office of the State Controller
April 24, 2019
April 30, 2019

Agenda & Opening Comments
Presenters

State Controller
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Financial Services Unit
Tom Gamache      (303) 866-5657
Karoline Clark   (303) 866-3811
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Financial Analysis & Reporting
Jeffrey Kahn     (303) 866-2659

Agenda

• Opening Comments
• State Controller Comments
• General Information
• Calendar Highlights
• Budget Process
• Capital Construction
• Opening & Closing Procedures
• Indirect Cost & Federal Reporting Unit Update
• Financial Reporting & GASB Update
• Closing and Questions
Housekeeping

- Please sign in on a sign in sheet
- CPE will be offered for today’s training, turn in the form before you leave today
- We will take a break about halfway through the session

State Controller Comments
State Controller Comments

- Fiscal Year 2018 CAFR completed December 18, 2018
- Continued importance of meeting open/close calendar dates
  - Financial Statements and Exhibit J due September 6
  - EFT Fraud

General Information & Calendar Highlights
Financial Analysis & Reporting Section

Director
Jeffrey Kahn

Financial Services
Tom Gamache

Reporting
Paul Reynolds

Internal Audit
Bradley Treiber

Federal Reporting & Indirect Cost
Bhavna Punatar

Central Mailbox
DPA_FARmailbox@state.co.us
Fiscal Procedures Manual

- Items of Note
  - Calendar
    - Changes communicated via Controllers distribution list
  - Audit Risk Letter
  - Updates
    - Changes communicated via Controllers distribution list

www.colorado.gov/osc/fiscalprocedures

Period Close Dates

<table>
<thead>
<tr>
<th>Period</th>
<th>Purpose</th>
<th>Close Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Payment / Cash Cut Off</td>
<td>July 19</td>
</tr>
<tr>
<td>13</td>
<td>Department Close</td>
<td>August 5</td>
</tr>
<tr>
<td>14</td>
<td>OSC Close</td>
<td>August 9</td>
</tr>
<tr>
<td>15</td>
<td>Basic Financial Statements</td>
<td>September 20</td>
</tr>
<tr>
<td>16</td>
<td>CAFR / Audit Opinion</td>
<td>December 13</td>
</tr>
</tbody>
</table>
### Calendar Highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 26</strong></td>
<td>Department billing changes related to telecom charges (templates need to be communicated to OIT by this date)</td>
</tr>
<tr>
<td><strong>June 27</strong></td>
<td>All ACH transactions related to FY2019 must be processed in CORE and ready for Treasury’s approval <strong>no later than 11:00 am on this date</strong></td>
</tr>
<tr>
<td><strong>June 28</strong></td>
<td>Treasury cash/check cutoff. All walk-in deposits must be at the State Treasurer’s Office <strong>by 2:00 pm</strong> to be recorded in BSA 1100-Operating Cash for FY2019</td>
</tr>
</tbody>
</table>

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### Calendar Highlights (cont’d)

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 28</strong> (cont’d)</td>
<td>Wire/Electronic fund transfers of depository account balances or Federal fund drawdowns must be deposited into the State Treasurer’s operating account at Wells Fargo <strong>by close of business</strong> to have cash included in BSA 1100-Operating Cash. Amounts not transferred by this date must be in 10xx accounts and included on the departments’ Exhibit M.</td>
</tr>
<tr>
<td><strong>June 30</strong></td>
<td>Last day to approve new or modifications to encumbrance and pre-encumbrance documents before the roll/lapse pre-selection tables are populated</td>
</tr>
<tr>
<td></td>
<td>Goods must be received or services performed by this date</td>
</tr>
</tbody>
</table>
**Calendar Highlights**

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 30</strong> (cont’d)</td>
<td>Long bill, special bills, and supplemental bills interfaced from PB to CORE by this date. For continuation of expiring capital construction project appropriations, all encumbrances must be effective on or before this date.</td>
</tr>
<tr>
<td><strong>July 8</strong></td>
<td>Exhibit K3 due</td>
</tr>
<tr>
<td><strong>July 12</strong></td>
<td>Complete all billings and send receivable/payable confirmation forms to IHEs by this date, including any central billings. All expenses related to IA agreements must be billed before July 12. After this date unconfirmed receivable/payables will need to be recorded in an “other” receivable/payable BSA account.</td>
</tr>
</tbody>
</table>

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**Calendar Highlights**

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>July 19</strong></td>
<td><strong>Period 12 Close</strong></td>
</tr>
<tr>
<td></td>
<td>Cash cutoff</td>
</tr>
<tr>
<td></td>
<td>Last day to approve disbursement, cash receipt, and procurement documents</td>
</tr>
<tr>
<td></td>
<td>Deadline for June PRC1s to be approved</td>
</tr>
<tr>
<td></td>
<td>Last day to make encumbrance roll/lapse selections on the pre-selection table (RLPSD)</td>
</tr>
<tr>
<td></td>
<td>Encumbrance roll/lapse job runs at close of business</td>
</tr>
</tbody>
</table>
### Calendar Highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>July 26</strong></td>
<td>Final day for seller to send confirmation forms to the buyer for internal receivable/payable balances, except for confirmations related to Gaming distributions. Confirmations may be initiated after this date, but are subject to approval by the buyer.</td>
</tr>
</tbody>
</table>
| **July 29** | **Deadline to submit BGA90/91 documents for rollforward requests in the closing year**  
Target date for OSC to provide pension and OPEB liability workbooks (GASB 68/75)  
Tobacco & HUTF Certifications due to Treasury by noon  
Marijuana Certification due to Revenue by noon |

### Calendar Highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>August 1</strong></td>
<td>Final day to confirm intra/interfund receivable balances related to the Gaming distribution</td>
</tr>
<tr>
<td><strong>August 2</strong></td>
<td>Final date for interface feeds to CORE</td>
</tr>
</tbody>
</table>
| **August 5** | **Period 13 Close - Department Close**  
Departments must reclassify any expenditures related to underearnings of cash, reappropriated, or federal appropriations to a general-funded appropriation  
Transfers must be in balance and properly classified by this date  
Last day for regular department input into CORE  
Deadline to clear default and clearing accounts |
### Calendar Highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>August 5</strong></td>
<td><strong>Period 13 Close - Department Close</strong></td>
</tr>
<tr>
<td>(cont’d)</td>
<td>Final day to revert remaining appropriation on</td>
</tr>
<tr>
<td></td>
<td>expiring projects and/or process carryforward on</td>
</tr>
<tr>
<td></td>
<td>the valid portion of the project for which the</td>
</tr>
<tr>
<td></td>
<td>department had encumbered as of June 30</td>
</tr>
<tr>
<td></td>
<td>BGA True-Ups for Activity-Based Federal spending</td>
</tr>
<tr>
<td></td>
<td>authority must be completed by this date</td>
</tr>
<tr>
<td></td>
<td>Conduct final review and clean up of inter/intra</td>
</tr>
<tr>
<td></td>
<td>fund receivable/payable balances. Final balances</td>
</tr>
<tr>
<td></td>
<td>should reconcile to confirmation forms.</td>
</tr>
<tr>
<td></td>
<td>After this date all FY2019 documents route to the OSC for approval</td>
</tr>
</tbody>
</table>

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>August 5</strong></td>
<td><strong>Period 13 Close - Department Close</strong></td>
</tr>
<tr>
<td>(cont’d)</td>
<td>Deadline to submit appropriation transfer requests</td>
</tr>
<tr>
<td></td>
<td>to the OSC. Once approved by OSPB, departments</td>
</tr>
<tr>
<td></td>
<td>will be contacted for BGA.</td>
</tr>
<tr>
<td><strong>August 7</strong></td>
<td>Last day to approve capital/fixed assets before</td>
</tr>
<tr>
<td></td>
<td>final June 30 automated depreciation is run for</td>
</tr>
<tr>
<td></td>
<td>period 14</td>
</tr>
<tr>
<td></td>
<td>Deadline to submit overexpenditure forms</td>
</tr>
<tr>
<td></td>
<td>Internal receivable/payable confirmation forms</td>
</tr>
<tr>
<td></td>
<td>due to the OSC</td>
</tr>
<tr>
<td><strong>August 8</strong></td>
<td>Period 14 mass depreciation job run; review</td>
</tr>
<tr>
<td></td>
<td>“Fixed Assets Exception” report for any issues</td>
</tr>
<tr>
<td></td>
<td>related to your department. Last run for FY2019.</td>
</tr>
</tbody>
</table>
### Calendar Highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 9</td>
<td><strong>Period 14 Close - OSC Close</strong></td>
</tr>
<tr>
<td></td>
<td>Due date for departments to notify CORE Operations to roll unused balances in budget structures 93 and 94 from FY2019 to FY2020</td>
</tr>
<tr>
<td></td>
<td>Entries must be submitted for department-held unrealized investment gains/losses by this date</td>
</tr>
<tr>
<td></td>
<td>Last day to use cash offsets on JV-type documents and IT-type documents</td>
</tr>
<tr>
<td>August 14</td>
<td>All exhibits due except I, J, K1, and K3</td>
</tr>
<tr>
<td>August 16</td>
<td>TABOR variance analysis responses due <em>(balances as of P14 close)</em></td>
</tr>
<tr>
<td></td>
<td>OSC to provide Treasury pooled cash summarized footnote to standalone entities</td>
</tr>
</tbody>
</table>

### Calendar Highlights (cont’d)

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 16</td>
<td>CORE Operations will create budget documents for structures 93 and 94 based on the unobligated balance as of Period 14. Documents will be created in draft status and available for department review on the following business day.</td>
</tr>
<tr>
<td></td>
<td>OSC records the unrealized gain/loss on the Treasurer’s pooled cash for all departments, including standalones, <em>based on Period 14 ending cash balances</em></td>
</tr>
<tr>
<td></td>
<td>Cash funds uncommitted reserves turnaround report due</td>
</tr>
<tr>
<td>August 26</td>
<td>CAFR Variance Analysis report responses to the OSC</td>
</tr>
</tbody>
</table>
### Calendar Highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 30</td>
<td>Target date for OSC to carryforward unspent federal budgets from FY2019 to FY2020 based on Period 14 balances</td>
</tr>
<tr>
<td></td>
<td>Target completion date for CORE Operations to roll unused balances in budget structures 93 and 94 from BFY2019 to BFY2020.</td>
</tr>
<tr>
<td>September 6</td>
<td>Exhibit I due</td>
</tr>
<tr>
<td></td>
<td>SNP, SRECNP, and Exhibit J due (stand alones only)</td>
</tr>
<tr>
<td>September 20</td>
<td><strong>Period 15 Close - Planned Publication of the Basic Financial Statements</strong></td>
</tr>
<tr>
<td></td>
<td>Entries approved after this date are considered audit adjustments</td>
</tr>
</tbody>
</table>

### Calendar Highlights (cont’d)

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 20 (cont’d)</td>
<td>CORE document catalog to be cleared of all FY2019 and prior rejected documents</td>
</tr>
<tr>
<td>September 25</td>
<td>Target date for OSC to carryforward unspent capital construction budgets from FY2019 to FY2020 based on Period 14 balances</td>
</tr>
<tr>
<td>September 27</td>
<td>Target date to submit MD&amp;A to OSC, if applicable</td>
</tr>
<tr>
<td>September 30</td>
<td>Target date for all funds to return to full appropriation control</td>
</tr>
<tr>
<td>October 1</td>
<td>Exhibit K1 due</td>
</tr>
<tr>
<td>December</td>
<td>Copy of Management Rep Letter due to OSC</td>
</tr>
<tr>
<td>December 31</td>
<td>FRAC due to OSC</td>
</tr>
</tbody>
</table>
**FY2019 Budget - Supplementals**

- Regular Supplemental Bills (including capital) have been processed from PB to CORE.

- As applicable, OSC Federal restrictions have been placed or removed for federal informational only lines.

- Also will include special bills when effective date is the current year; interfaced from PB and OSC Federal restrictions will be placed.
**FY2020 Budget**

- FY2020 $0 Budgets are now available in CORE
  - Based on active budget lines in FY2019 as of date of table roll (February 1)

- By July 1st, all existing and new lines will be available for use in CORE
  - If budget line exists that is not needed in FY2020, work with your FSU member to get the budget line deactivated.

  - If a budget line does not exist that should be available in FY2020, work with your FSU member to get the budget line activated.

  - Email: DPA_FARmailbox@state.co.us

**FY2020 Budget - SB19-207**

- FSU has begun process of creating the coded Long Bill.
- Budget data contained in Performance Budget (PB); to be interfaced to CORE after review by Dept, OSPB and FSU.
- Interface of the Long Bill to CORE before June 30, 2019.
- If any new coding is required for the Long Bill, please request **NOW**:
  
  DPA_FARmailbox@state.co.us
Long Bill Restrictions

• If the LB activity is Federal informational only, the OSC will process a controller restriction (SAI 21) to reduce the budget. This should occur shortly after the Long Bill is booked.

• Federal spending authority should then be booked for FY2020 with a federal award, using BG03, SAI 4 (documentation attached to header).

• Additional guidance on federal spending authority on an upcoming slide.

FY2020 Budget - Special Bills

• Special Bills (with FY2020 Appropriation Clause) will be processed through PB and interfaced to CORE.

• Anticipated completion date will be before June 30, 2019

• If new appropriation units are needed:
  Email: DPA_FARmailbox@state.co.us
**General Budget - Federal Carryforwards**

- FSU will process the carryforward of unexpended federal nonappropriated lines

  - Determined by Appr Cat (N or F) and GCF (F)
  - Calculated based on Fiscal Year Budget and Fiscal Year Expenditures, not BFY
  - Based on FY19 balances pulled during period 15

- Target date for completion is August 30 (before budget controls are turned on)

**General Budget - Capital Carryforwards**

- FSU will also automate the carryforward of unexpended continuing capital projects

  - Determined by Appr Cat (C, D, E).

  - Calculated based on Fiscal Year Budget and Fiscal Year Expenditures, not BFY

- Carryforward of continuing projects only (projects within the 3 year timeframe)

- Based on period 15 balances

- Target date for completion is September 25 (before budget controls are turned on)
General Budget - Budget Controls - FY2020

- BQ90 and BQ91, level 3
- Overrides are available in these situations:
  - For payments, only if there is an approved overexpenditure;
  - For temporary timing issues;
  - For payroll;
  - If not a legal overexpenditure (legal at the FSC level)

- For FY2020, appropriation controls turned on 9/30/19 (after federal and capital carryforwards have been processed).

Spending Authority for Grants and Contracts

- See FPM, Chapter 2, Section 2.13 (page 47) for a table with guidance
- Change in methodology
- Change in documentation and SAI requirements for federal, interagency, cash grants and contracts

- If you have a scenario that is not addressed in the table, talk to FSU
Spending Authority for Grants and Contracts
Source of fund is Federal (including Interagency)

<table>
<thead>
<tr>
<th>Arrangement</th>
<th>Source of Funds</th>
<th>State Role</th>
<th>GCF</th>
<th>Source of Spending Authority</th>
<th>Required Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td>Federal</td>
<td>State is the Prime Recipient</td>
<td>F</td>
<td>Custodial or Long Bill, if appropriated</td>
<td>Approved award letter from the Feds</td>
</tr>
<tr>
<td>Grant</td>
<td>Federal</td>
<td>State is the Subrecipient</td>
<td>F</td>
<td>Custodial or Long Bill, if appropriated</td>
<td>Documentation from granting entity that indicates source of funds are Federal</td>
</tr>
<tr>
<td>Contract</td>
<td>Federal</td>
<td>State is the Prime Contractor</td>
<td>F</td>
<td>Custodial or Long Bill, if appropriated</td>
<td>Approved contract from the Feds</td>
</tr>
<tr>
<td>Contract</td>
<td>Federal</td>
<td>State is the Subcontractor</td>
<td>F</td>
<td>Custodial or Long Bill, if appropriated</td>
<td>Documentation from contracting entity that indicates source of funds are Federal</td>
</tr>
<tr>
<td>Interagency</td>
<td>Federal</td>
<td>State is either Subrecipient or Subcontractor</td>
<td>F</td>
<td>Custodial or Long Bill, if appropriated</td>
<td>Documentation from granting/contracting department indicating the source of funds are federal</td>
</tr>
</tbody>
</table>

Spending Authority for Grants and Contracts
Source of funds is Non-Federal (Interagency)

<table>
<thead>
<tr>
<th>Arrangement</th>
<th>Source of Funds</th>
<th>State Role</th>
<th>GCF</th>
<th>Source of Spending Authority</th>
<th>Required Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interagency</td>
<td>Non-Federal</td>
<td>State receiving non-federal money from another state department</td>
<td>C</td>
<td>Custodial</td>
<td>1. Documentation to show interagency agreement (PO, GAE, IA, MOU, or other documentation) specifying the amount and the time period of the award, AND 2. A document comment added to the budget document stating: &quot;I affirm that the requested spending authority is intended for the public purpose, not the direct benefit of my department.&quot;</td>
</tr>
</tbody>
</table>
Spending Authority for Grants and Contracts
Source of funds is Non-Federal (not Interagency)

<table>
<thead>
<tr>
<th>Arrangement</th>
<th>Source of Funds</th>
<th>State Role</th>
<th>GCF</th>
<th>Source of Spending Authority</th>
<th>Required Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td>Non-federal</td>
<td>State is the Grantee</td>
<td>C</td>
<td>Statutory</td>
<td>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.</td>
</tr>
<tr>
<td>Contract</td>
<td>Non-federal</td>
<td>State is the Contractor</td>
<td>C</td>
<td>No additional spending authority granted.</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Transfers and Overexpenditures

- Two provisions to provide flexibility in the case of an Overexpenditure
  - Transfer from eligible budgetary line
    - Refer to CRS 24-75-108 - Like purpose appropriations
    - Deadline August 5
  - Overexpenditure (OSC-009)
    - State Limit - $3 million - doesn’t apply to Medicaid
    - Submit overexpenditure request form to OSC, OSPB approves
    - Deadline August 7
    - To release held payments statutory spending authority will temporarily be granted for approved overexpenditures
    - Overexpenditures require that a like amount is restricted in the subsequent fiscal year.
Transfers and Overexpenditures

• Underearned Revenue (OSC-010)
  • Underearned cash, federal, reappropriated revenue in fund 1000, 4610, or 4611
    • Complete Overexpenditure request form
    • Forms are sent to OSC
    • Deadline August 7

Transfers and Overexpenditures

• Deficit Fund Balance (OSC-024)
  • Deficit Fund Balance is considered an Overexpenditure
    • Complete Overexpenditure request form
    • Forms are sent to OSC
    • Not approvable by OSPB or State Controller
    • Deadline August 7
    • GASB 68/75 pension/OPEB entries and unrealized gains and losses are not factored into deficit fund balance calculation
Rollforward vs. Carryforward

- Carryforwards
  - Require BGA documents, but not State Controller approval
  - Continuing capital construction projects
    - Fiscal Procedures Manual Chapter 4, Section 1
    - Processed by OSC
  - Encumbrances for expiring capital construction projects
    - Fiscal Procedures Manual Chapter 4, Section 1
    - Processed manually by departments
- Non-appropriated federal
  - Fiscal Procedures Manual Chapter 2, Section 2
  - Processed by OSC
- Other non-appropriated (statutory/custodial)
  - “continuously appropriated” in statute
  - “accept and expend gifts, grants, and donations” in statute
  - Processed manually by departments

Rollforward vs. Carryforward

Fiscal Rule 7-3, Fiscal Procedures Manual Chapter 3, Section 2

- Types of Rollforwards
  - Extenuating Circumstances (State Controller approval)
  - Colorado Correctional Industries (CCi) (State Controller approval)
  - Express Legislative Intent (FSU approval)
Rollforward

- Reminder for reappropriated rollforwards:
  - When a department requests a rollforward from the Reappropriated column of the Long Bill:
    - both state departments - the one spending the funds and the one providing the funding - must submit a rollforward request.

Capital Construction
Long Bill Booking

- Departments request appropriation units for new projects (project numbers are assigned by CDC and recorded in CORE)
- Once budget documents are finalized in CORE, the OSC will:
  - Apply restrictions which prohibit spending
  - Email the coded capital construction long bill to the departments
- To remove a restriction, submit a BGA90/91 document and attach an approved SC4.1 or OIT Approval
- Capital construction appropriations are effective upon signature by the Governor

Fund 4611

- New Fund called “IT Capital Account”
- HB 15-1266 created this new fund within 4610
- Requires all IT projects to be recorded in 4611
- Effective beginning FY16 but projects continued to be recorded in 4610 for FY16-FY18
- Beginning FY19 all IT appropriations were booked in Fund 4611
- For FY16-18 projects still in 4610, OSC will record a transfer of expense in 4611 and revenue in 4610
Six-Month Rule

• Statute requires that funds for new capital construction projects be encumbered within 6 months from the date the Long Bill is signed

Six-Month Rule

• Rule applies to the initial appropriation only
• Excludes IT projects over $500,000 (overseen by JTC)
• Rule does not apply to projects that are solely funded from cash funds
• 6-Month Certification Form must be submitted to the OSC by six-month due date at DPA_FARmailbox@state.co.us
• Appropriations will be restricted for any projects not certified
Personal Services Expenditures

Reminder:
- Personal services costs may be charged to a capital construction IT appropriation if these costs are within the project scope.
- For expiring projects, must use a GAE to encumber these costs as of June 30

Budget Availability

- Per LB headnotes, appropriations are available upon enactment plus three full fiscal years and for any subsequent year for the amount encumbered as of June 30
Carryforwards: Non-Expired Projects

- Projects within the three years
  - OSC will processes the budget documents in CORE to carryforward spending authority
  - Target date for the carryforward is Sept 25th
  - Calculation is FY Budget less FY Expenditures (based on P15 balances)
  - For any post-closing entries in period 16, work with your FSU Specialist to ensure the carryforward is correct

Carryforwards: Expired Projects

- Projects outside the three years (expired projects)
  - Depts must manually process a budget document to carryforward any amount encumbered as of June 30 and attach encumbrance documentation
  - Depts process budget documents to revert unencumbered amount
  - Due date is Period 13 Close (August 5th)
  - Use OSC-019 Capital Construction Reversions and Carryforwards to identify expiring projects
  - We will ask for the status of the OSC-019 as part of our year-end diagnostic review
Funding Future Projects

Reminder:
- Section 24-30-1310, C.R.S., sets aside funding to cover future projects
- “Annual Depreciation-Lease Equivalent Payment Line” (Operating Long Bill)
- Appropriated annually once project is complete
- Amount = one year of depreciation
- Accounting entries in FPM, Chapter 4, Section 1

Emergency Maintenance Projects

- DPA receives an annual appropriation for EM projects
- DPA may chose to pay for and complete an EM project at an department. The expenditures are recorded by DPA, except:
  Capitalizable Expenses
  - If the project meets the requirements of increasing the capacity, efficiency, or extending the useful life of the asset, the department should capitalize the cost of the project on its books once completed
**Emergency Maintenance Projects**

- In some cases, Depts may have remaining budget on a CM project that is about to expire
- The excess budget can be applied to an EM project
- The Dept must obtain approval by State Architect and process a BG document to transfer the budget by June 30, otherwise the funds revert to Fund 4610.

**Open/Close Procedures**
**Accounts Payable Accruals**

**Reminder:**
- **ACC Doc:**
  - If left blank, OBSA will default to 2120, unless manually changed
- **ACL Doc:**
  - Created by a copy forward of the ACC
  - Must manually delete what appears in the OBSA field
  - This allows BSA accounts to clear correctly
- Fiscal Procedures Manual contains detailed guidance

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**Accounts Payable Accruals**

**Reminders:**
- ACC and ACL documents must be completed by Period 13 close
- Document dating follow FPM
- Overaccruals require an adjustment
  - **Non-Federal Grants:** Use Event Type XG33
  - **Federal Grants:** Use Event Type XG41 (New)
    - Dr. Unbudgeted Accrued Expenditure
    - Cr. Unbudgeted Collected Revenue
**Cross Year AD Cancellations**

- An AD that was created in FY2019, but cancelled in FY2020 before it is escheated
- **Issue:** FY/BFY mismatch (FY-new year, BFY-old year)
- **Effect:** BQ screens are not in sync with FY and if associated to a federal grant, revenue is reduced in the old FY & BFY. BQ screen doesn’t match budget carryforward processed by the OSC
- **Solution:** In the past OSC provided departments a CHC Upload to correct the mismatch, but only until early Nov
- Now the OSC will periodically provide CHC uploads to departments until all cross year ADs are full escheated (2nd week of Feb)
- Process CHC uploads and any resulting REs timely

**Receivable/Payable Confirmations**

- Same process as in the past
  - Seller must initiate, unless seller is CU
  - Confirm all internal balances
- Payable/Receivable confirmation forms are due to the buyer by:
  - July 12 for Higher Education
  - July 26 for State Departments (excluding Gaming distribution)
  - August 1 for Gaming distribution
- If confirmation is after these dates, the buyer can refuse to confirm
- Buyer should copy seller when the form is submitted to the OSC
- Payable/Receivable confirmation forms are due from the seller to the OSC by August 7
Receivable/Payable Confirmations

- New process
  - Excel submission only
  - No signatures
  - Department submitting form to OSC affirms both parties completed their own section
- New form
  - Larger font
  - Cell for department code
  - Removed signature block
- Reminders
  - Clean up
  - Complete forms timely
Recording Documents in the Correct Year

- Manually-Entered Payment Docs (e.g., GAXs and PRCs)
  - As of 7/1/2019 (FY2020), CORE will auto-populate document headers with:
    - BFY 2020
    - FY 2020
    - APD 1
  - Therefore, to post payments related to FY2019 in between 7/1 and 7/19, you must leave the record date blank and manually enter the following on the document header:
    - BFY 2019
    - FY 2019
    - APD 12

- Automatically Generated Payment Docs (e.g., PRMs)
  - The BFY, FY, and APD on the accounting line are inferred from the award document
  - Therefore, to post payments related to FY2019 in between 7/1 and 7/19:
    - The IN document must reference a FY2019 award, and
    - Users must enter a ‘Received Service To Date and From Date’ on the IN commodity line of 6/30/2019 or prior (which must also match the dates on the award)
Recording Documents in the Correct Year

- **Internal Transactions - ITAs**
  - To post an ITA related to FY2019
    - ITI must be processed with FY/BFY 2019
    - Users must manually enter a record date of 6/30/2019 or prior on the ITA
  - To correct an ITA that posted to FY2020, but should have posted to FY2019
    - Discard the ITA
    - Copyforward again from the ITI to create a new ITA and enter a record date of 6/30/2019 or prior

- **CRs and CR1s**
  - Documents should have a record date of the date the money was deposited in the state’s main operating account
    - Header record date should match date of deposit
    - FY and BFY should match period of deposit
  - All FY2019 CR/CR1s must be submitted to Treasury by noon on 7/19/2019
  - Any CR documents submitted after that time will be processed in BFY/FY 2020
**Encumbrance Roll/Lapse**

- Pre-encumbrances default to lapse
- Encumbrances default to roll
- Pre-selection tables will be populated July 1
  - Use pre-selection tables to mark roll/lapse elections
    - Jump to: RLP SD
- Chart of account crosswalk requests due July 5
  - Only available for appropriation units
  - CORE Operations will provide additional information
- Roll/lapse execution will occur on period 12 close
  - CORE Operations will distribute report of rejected documents
  - Correct rejected documents by period 13 close

**Multi Year Contracts & GAEs**

- Multi-year contract maintenance will occur on period 12 close
- Contracts with future budget fiscal years, event type PR08, and reserved funding set to “Yes”
- Changes 2020 budget fiscal year line to PR05 and reserved funding to “No”
- Correct rejected documents by period 13 close
**Fixed Assets**

- Clean up BSA 3900
  - FA SHEL posts an entry to BSA 1844 and 3900 and populates a draft FA (a fixed asset shell)
  - All FA documents **must** be finalized (submitted and approved)
    - If FA shell is not wanted, use FA14 event type to unpend (do not discard the FA shell document)
    - If shell is wanted, use the appropriate event type for recording the fixed asset
  - FAIT documents also post to 3900 - see Chapter 4, Section 2 of the FPM
  - Still stuck? Call your FSU contact

**Unrealized Gain/Loss**

- **Treasury Pooled Cash**
  - OSC will determine and post allocation by August 16
  - Allocation is based on 1100 account balance as of Period 14 close
  - Posted to:
    - “X” (OSC use only) department codes
    - BSA 1105 - Cumulative Unrealized Gain/Loss on Treasury Pooled Cash
    - RSRC 6050 - Unrealized Gain/Loss
**Unrealized Gain/Loss**

- **Department-Held Investments**
  - Departments determine and book the allocation by August 9
  - Difference between book and market value as reported on the Exhibit N1
  - Post to:
    - BSA 1605 - Cumulative Unrealized Gain/Loss on Investment
    - RSRC 6050 - Unrealized Gain/Loss

**Compensated Absences - PERA**

- Percentage of state employees expected to retire with PERA benefits not yet available
- Will be provided as soon as OSC receives it from PERA’s actuary
Estimates

- **Do not** change methodology after period 14 close
- **Do not** submit a period 15 or 16 entry just to revise an estimate
  - Estimates should be based on the best information available as of fiscal year close
- **Do** submit a period 15 or 16 entry for calculation errors
- **Do** submit revised estimate for contingences reported on Exhibit L, if applicable

Sweep Entries

- Entries are posted by OSC
- Purpose of entry is to ensure that department year-end fund balances in funds 1000, 4610, and 4611 are equal to zero
- Cash will be moved based on net activity within the General Fund, the Capital Construction Fund, and IT Capital Account
- Entries will be posted by the OSC in period 14 using period 13 close balances
- Sweep entries are not adjusted for period 14, 15, and 16 post closing entries
  - Period 14-16 entries will be included in FY2020 sweep entry
Quarterly Reporting

- Quarterly reports due within 2 weeks after quarter close in CORE
- OSC will follow up if report is not submitted or if there are questions
- Diagnostic report training guide recently updated and published on Fiscal Procedures Manual website:
  
  www.colorado.gov/osc/fiscalprocedures

Indirect Cost and Federal Reporting Unit
Single Audit - Reporting Requirements

- 2 CFR §200.512
- At conclusion of single audit, auditee must submit information to the Federal Audit Clearinghouse, U.S. Census Bureau
- OSC prepares statewide submission
- Submission includes:
  - Data Collection Form (Form SF-SAC)
  - Reporting Package
    - Comprehensive Annual Financial Report (CAFR)
    - Auditor’s Report
    - Schedule of Expenditures of Federal Awards (SEFA)
    - Summary Schedule of Prior Audit Findings
    - Corrective Action Plan
- OSC also prepares statewide eZ-Audit submission for IHEs (U.S. Department of Education)

Single Audit - Schedule of Expenditures of Federal Awards (SEFA)

- 2 CFR §200.510(b)
- OSC compiles statewide SEFA
- Exhibit K1 - Schedule of Federal Assistance
  - Federal Award Expenditures for the State Fiscal Year
  - The Exhibit validates the information reported for:
    - Valid values
    - Completeness of required information
    - Provides an Error Message if information reported is invalid or incomplete
- Due to OSC October 1
Single Audit - Summary Schedule of Prior Audit Findings

- 2 CFR §200.511(b)
- Auditees must report status of prior single audit findings
- OSC compiles statewide Summary Schedule of Prior Audit Findings
- Exhibit K3 - Schedule of Prior Year Audit Recommendation Status
  - OSC will provide Exhibit K3 to departments/IHEs, pre-populated with the recommendations required to be reported
  - Status reported is as of June 30
  - Due to OSC July 8
  - Submit revised Exhibit K3 if necessary

Single Audit - Corrective Action Plan

- 2 CFR §200.511(c)
- Auditee must prepare a document, separate from auditor’s reporting of findings (recommendations)
- OSC compiles statewide Corrective Action Plan
- At conclusion of single audit, the OSC will send departments/IHEs a list of recommendations to address
- Due to OSC upon request after release of Single Audit Report
**TABOR**

- TABOR enterprise status for FY2019
  - All institutions of higher education are expected to remain qualified enterprises
  - State Fair is expected to remain disqualified
  - Reminder: AHEC is only partially designated
- Effective FY 2018, the TABOR refund mechanism is the property tax exemption reimbursement for qualifying seniors and disabled veterans
  - The TABOR refund is the lesser of the property tax reimbursement or the amount of TABOR revenue over the excess state revenues cap, C.R.S. 39-3-209 (2).
- Exhibits A1 and A2 due to OSC on August 14
- Variance analysis (report ID: OSC-004) due to OSC on August 16
- See Chapter 5 Section 5 in the Fiscal Procedures Manual for more information on TABOR

**Cost Allocation Plans**

- OSC prepares StateWide Cost Allocation Plan (SWCAP) and negotiates agreement with the federal cognizant agency (Health and Human Services, Cost Allocation Services Department in San Francisco)
- OSC prepares StateWide Appropriations/Cash Fees Plan and answers any questions from the OSPB, JBC, legislature and budget staff
- OSC provide assistance/guidance related to the Indirect Cost Rate Proposal’s (ICRP) preparation, negotiation, applicable regulations and recovery issues
- Departments with federal grants are responsible for preparation of Cost Allocation Plan (CAP), Public Assistance Cost Allocation Plan (PACAP) or ICRP after 6 months of the Fiscal Year end
- Submit negotiated agreement to the OSC after the agreement has been signed
Financial Reporting and GASB Pronouncements

Financial Reporting Updates
Adjustments to Beginning Equity

- Three equity (fund balance/net position) accounts used to adjust beginning equity or transfer residual equity between funds
  - BSA 340A - Accounting Change is applicable when the implementation of an accounting change requires restatement of beginning equity
  - BSA 340P - Prior Period Adjustment should be used only to report the correction of an error related to a prior FY
  - BSA 340E - Equity Transfer is available for use by IHE to move equity between funds related to a change in TABOR status
- OSC will reclassify these balances to BSA 3400 after the fiscal year is closed and balances are rolled to the next year
- See Chapter 3, Section 3.38 of the Fiscal Procedures Manual

Adjustments to Beginning Equity

- **Exhibit PPA - new for FY2019**
  - Addresses audit recommendation
    - FPM directed departments to assess materiality for CAFR
  - **Section A** - prior period adjustments above $500,000
    - Contact your Financial Specialist at the time the error is discovered
    - OSC should be aware of all items included in Section A prior to Exhibit submission
  - **Section B** - prior period adjustments below $500,000
    - Routinely code in CORE to current year revenue/expense
    - Opportunity to code to a budget, grant, program, etc.
Adjustments to Beginning Equity

- **Exhibit PPA - new for FY2019**
- OSC will perform CAFR-perspective analysis of all prior period adjustments
  - Departments will be contacted when reclassifications are needed:
    - Reclassify from current year revenue/expense to BSA 340P
    - Reclassify from BSA 340P to current year revenue/expense
- FY2019 is a baseline year
  - OSC lacks information to assess extent of statewide historical practices
  - No minimum threshold amount
  - FY2020 may also need to be a baseline year

GASB Update
GASB Pronouncements Effective for Fiscal Year 2019

• GASB Statement No. 83 - Certain Asset Retirement Obligations

• Implementation Guidance Update No. 2017-3 - Financial Reporting for Postemployment Benefit Plans Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)

• Implementation Guide No. 2018-1 - Implementation Guidance Update—2018

Statement No. 83, Asset Retirement Obligations
GASB Statement No. 83 - Certain Asset Retirement Obligations (AROs)

GASB 83 establishes recognition and measurement guidance for assets not covered by existing GASB standards. Under the new guidance, a government with a legal obligation for future asset retirement activities for tangible capital assets would be required to recognize a liability in its financial statements.

WHAT IS AN ASSET RETIREMENT OBLIGATION?

GASB defines an ARO as “a legally enforceable liability associated with the retirement of a tangible capital asset.” The capital asset must be permanently removed from service through its sale, abandonment, recycling or disposal and not just temporarily idled.

WHAT ARE EXAMPLES OF AN ASSET RETIREMENT OBLIGATION?

Examples of potential AROs include:
• An asset that may require decommissioning at a substantial cost to a government such as power plants, coal ash ponds, oil wells, coal strip mines, underground gas tanks, nuclear reactors, research facilities, or sewage treatment plants.
• Assets of governments that operate in special industries such as an X-ray machine that may require special disposal due to radioactive material.
• Contractually required land restoration, such as remove of wind power turbines.
• Obligations to remove data from computers when disposed.
**GASB Statement No. 83 - Certain Asset Retirement Obligations (AROs)**

**WHAT IS NOT AN EXAMPLE OF AN ASSET RETIREMENT OBLIGATION?**

The standard specifically excludes:

- Obligations solely arising from a plan to sell or otherwise dispose of a tangible capital asset.
- Obligations from activities necessary to prepare a tangible capital asset for an alternative use, or maintenance of (rather than retirement), or for the cost of a replacement part that component of the tangible capital asset.
- Obligations for pollution remediation, e.g., asbestos removal, that result from the other-than-normal operation of a tangible capital asset, i.e., contamination obligations covered under GASB 49.
- Landfill closure and post-closure care obligations, including items covered by GASB 18.
- Conditional obligations to perform asset retirement activities. However, the existing guidance on contingent liabilities in GASB Statement No. 62 would still apply.

**WHEN DOES THE GOVERNMENT HAVE TO REPORT AND ASSET RETIREMENT OBLIGATION?**

A government should recognize an ARO when the liability is incurred and reasonably estimable. A liability has been incurred when there has been an external and internal obligating event:

- External obligating events are those that place an enforceable legal obligation upon a government to perform asset retirement activities. Examples of these events include an approved law or regulation, court ruling or legally binding contract.
- Internal obligating events include placing an asset into operation or starting to use it, abandoning an asset, or the incurrence of contamination (such as with a nuclear reactor).

This Statement also applies to legally enforceable liabilities of a lessor in connection with the retirement of its leased property if those liabilities meet the definition of an ARO.
GASB Statement No. 83 - Certain Asset Retirement Obligations (AROs)

HOW DO YOU RECOGNIZE AND MEASURE AN ASSET RETIREMENT OBLIGATION?

Initial Recognition

| Measured based on the best estimate of the decommissioning costs (equipment, facilities, or services) as if it were to be acquired at the end of the reporting period, otherwise termed “current value” of outlays. | Deferred outflow of resources—same amount as the Asset Retirement Obligation liability. |

Subsequent Recognition

| • At least annually, adjust for general inflation or deflation. • At least annually, evaluate relevant factors to determine if there is a significant change in the estimated outlays; re-measure liability when significant. | An outflow of resources (such as expense) in a systematic and rational manner over the estimated useful life of the capital asset. Immediately expense if capital asset is abandoned. |

WHAT ARE THE ENTRIES TO RECORD AN ASSET RETIREMENT OBLIGATION?

Chart of account elements have been added in FY 2019 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 a systematic and rational manner. The following entries will be used to record an initial asset retirement obligation in Fund 4710 or in the applicable proprietary fund:

4024 Deferred Outflows - Asset Retirement Obligation DR
2996 Asset Retirement Obligation - Long Term CR
To record an initial asset retirement obligation related to the retirement of tangible capital asset

4131 Asset Retirement Expense DR
4024 Deferred Outflows - Asset Retirement Obligation CR
To record annual amortization of deferred outflows related to an asset retirement obligation
**GASB Statement No. 83 - Certain Asset Retirement Obligations (AROs)**

**WHAT IS MEANT BY EXPENSED IN A SYSTEMATIC AND RATIONAL MANNER?**

- Over the asset’s remaining useful life if the initial reporting was after the asset was placed into operation.

**OR**

- Over the entire estimated useful life if initial reporting occurred at the beginning of the asset’s life.

For capital assets permanently abandoned before being ready for use, asset retirement costs immediately would be recorded as an outflow of resources (expense) versus being recorded as a deferred outflow of resources.

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**GASB Statement No. 83 - Certain Asset Retirement Obligations (AROs)**

**HOW ABOUT SUBSEQUENT MEASUREMENT?**

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

4024 Deferred Outflows - Asset Retirement Obligation DR
2996 Asset Retirement Obligation - Long Term CR

**OR**

2996 Asset Retirement Obligation - Long Term DR
4024 Deferred Outflows - Asset Retirement Obligation CR
GASB Statement No. 83 - Certain Asset Retirement Obligations (AROs)

WHAT DISCLOSURES ARE REQUIRED?

Generally, the government is required to disclose certain information regarding the ARO and methods and assumptions used to measure the liabilities. A new Exhibit – Exhibit Z2, has been created to assist with reporting and disclosing AROs. Specific disclosures include:

- A general description of the AROs and the associated tangible assets, and the source of the obligations (whether they are a result of laws, regulations, contracts or court judgements).
- The method and assumptions used to measure the liabilities.
- The estimated remaining useful life of the associated tangible capital assets.
- How any legally required funding and assurance provisions associated with AROs are being met; for example, surety bonds, insurance policies, letters of credit, guarantees by other entities, or trust used for funding and assurance.
- The amount of assets restricted for payments of liabilities, if not separately displayed in the financial statements.

In the rare event an ARO or portions thereof have been incurred by a government but are not yet recognized because it is not reasonably estimable, the government should disclose that fact and the reasons thereunder.

WHAT ELSE SHOULD I KNOW?

- For governmental funds, liabilities and expenditures should be recognized for goods and services used for asset retirement activities upon receipt of those goods and services, to the extent that the amounts are normally expected to be liquidated with expendable available financial resources. Those amounts are normally expected to be liquidated with expendable available financial resources to the extent that they are due and payable.
- If a government is a minority owner (less than 50 percent) of a jointly owned capital asset is one of the following:
  - A nongovernmental entity is the majority owner
  - No majority owner, but a nongovernmental owner has the operational responsibility.

The governmental minority owner should report its minority share of ARO using the measurement produced by the nongovernmental joint owner and also make the appropriate disclosures regarding amounts, percentages, dates of measurement, funding and assurance provisions, and assets restricted for payment of the ARO.
Implementation Guides 2017-3 and 2018-1

GASB Implementation Guides 2017-3 and 2018-1

2017-3 - Financial Reporting for Postemployment Benefit Plans Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting):

- The requirements of Questions 4.484 and 4.491 in circumstances in which OPEB is provided through an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75 are effective for an employer or non-employer contributing entity in the first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2018. The PERA Healthcare Trust Fund is an OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of Statement 75, and therefore these paragraphs are effective for Fiscal Year 2019 as the collective net pension liability is measured as of December 31, 2018.
GASB Implementation Guides 2017-3 and 2018-1

2018-1 - Implementation Guidance Update

• Employer Accounting and Reporting for Pensions
• Plan Reporting for Postemployment Benefits Other than Pensions
• The Statistical Section of the CAFR
• Tax Abatement Disclosures
• Other Implementation Guidance, and
• Amendments to Previously Issues Questions and Answers

GASB Pronouncements Effective for Future Fiscal Years

• GASB Statement No. 84 - Fiduciary Activities (effective FY 2020)

• GASB Statement No. 90 - Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 (effective FY 2020)

• GASB Statement No. 87 - Leases (effective FY 2021)
GASB Statement No. 84 - Fiduciary Activities

What is this pronouncement about and why was it issued?

• GASB issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements.

• Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; business-type activities are uncertain about how to report fiduciary activities.

• Effective for fiscal years beginning after December 15, 2018. Earlier application is encouraged.
**GASB Statement No. 84 - Fiduciary Activities**

**Component Units That Provide Postemployment Benefits**

- 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:
  - 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.

**Other Component Units**

- 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.
GASB Statement No. 84 - Fiduciary Activities

When Does a Government Have Administrative Involvement or Direct Financial Involvement?

• Examples of administrative involvement:
  • If the government monitors compliance with the requirements of the activity that are established by the government or by a resource provider that does not receive the direct benefits of the activity.
  • If the government determines eligible expenditures that are established by the government or by a resource provider that does not receive the direct benefits of the activity.
  • 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.

GASB Statement No. 84 - Fiduciary Activities

Postemployment Benefits that are not Component Units

• 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.
**GASB Statement No. 84 - Fiduciary Activities**

**When is a Government Controlling Assets?**

A government controls the assets of an activity if:

- The government *holds* the assets.
- 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**

Fiduciary if ALL THREE of the following are met:

- The government controls the assets
- Those assets are not derived either:
  - Solely from the government’s own-source revenues.
  - 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.
- One of the criteria on the next slide is met.
GASB Statement No. 84 - Fiduciary Activities

All Other Activities (continued)

- 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.

GASB Statement No. 84 - Fiduciary Activities

Fiduciary Fund Types

- New definitions for pension trust funds, investment trust funds, and private-purpose trust funds that focus on the resources that should be reported within each.

- Trust agreement or equivalent arrangement should be present for an activity to be reported in a trust fund.

- Custodial funds would report fiduciary activities for which there is no trust agreement or equivalent arrangement.

- External portions of investment pools that are not held in trust should be reported in a separate column under the custodial fund umbrella.
GASB Statement No. 84 - Fiduciary Activities

Stand-Alone Business-Type Activities

- A stand alone BTA’s fiduciary activities should be reported in separate fiduciary fund financial statements.

- Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows.

Statement No. 87, Leases
GASB Statement No. 87 - Leases

What is this pronouncement about and why was it issued?

• GASB issued Statement 87 to predominately mirror new FASB lease accounting requirements; amends GASGB 62 lease guidance.

• The existing standards had been in effect for decades without review to determine if they remain appropriate and continue to result in useful information; FASB and IASB conducted a joint project to update their lease standards; opportunity to increase comparability and usefulness of information and reduce complexity for preparers.

• Effective for fiscal years beginning after December 15, 2019 (FY 2020 for years ending December 2020 and FY 2021 for years ending June 30).

GASB Statement No. 87 - Leases

Prior LESSOR Classification of Leases

• Sales-Type Leases

• Direct Financing Leases

• Leveraged Leases

• Operating Leases (all other leases)
**GASB Statement No. 87 - Leases**

### Prior LESSEE Classification of Leases

- Capital Leases (must meet one of the four following criteria):
  - Transfer of ownership at conclusion
  - Bargain purchase option
  - Lease term greater than 75% of economic life of asset
  - Present Value of future minimum lease payments greater than 90% of Fair Market Value of the asset
- Operating Leases (all other leases)

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**GASB Statement No. 87 - Leases**

### Definition of a Lease under GASB 87:

- “A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction.”

- Standard is applied to any contract that meets the definition of a lease.
Definition of a Lease (continued):

• Conveying control requires both of the following:
  
  • the right to obtain the present service capacity from use of the underlying asset, and

  • the right to determine the nature and manner of use of the underlying asset.

• Control applied to the right-to-use lease asset (a capital asset) “specified in the contract.”

• Right-to-use lease assets include rights to use underlying assets for portions of time, such as certain days each week or certain hours each day.

What is a nonfinancial asset?

• According to GASB 72, a financial asset is cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

  • Receive cash or another financial instrument from a second entity.

  • Exchange other financial instruments on potentially favorable terms with the second entity (for example, an option).

• Financial assets are excluded from the scope of GASB 87. Non-financial asset examples are land, buildings, vehicles, and equipment.

• Substance over form...leases include contracts that may not be called leases, but still meet the definition of a lease - and vice versa.
GASB Statement No. 87 - Leases

Lease Scope Exclusions

- Intangible assets (mineral rights, patents, software, copyrights) except for the sublease of an intangible right-to-use asset.
- Biological assets (including timber, living plants, and living animals)
- Inventory
- Service concession arrangements (GASB Statement 60)
- Assets financed with outstanding conduit debt (unless both the asset and conduit debt are reported by lessor)
- Supply contracts (such as typical power purchase agreements, which do not convey control of the right to use the underlying power generating facility).

This Statement also does not apply to contracts/leases that transfer ownership.

A lease contract that transfers ownership of the underlying asset to the lessee at or before the end of the contract and does not contain termination options should be reported as a financed purchase of that asset.

- Can contain a fiscal funding clause (if not reasonably certain of being exercised) and still qualify for exclusion (i.e. can still be accounted for as a purchase).
GASB Statement No. 87 - Leases

Lease Term

• The lease term is the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable, covered by a lessee’s or lessor’s option to:
  • Extend the lease - if it is reasonably certain of being exercised.
  • Terminate the lease - if it is reasonably certain of not being exercised.

• A short-term lease is one that, at the beginning of the lease, has a “maximum possible term” under the contract, including any options to extend, of 12 months or less.

GASB Statement No. 87 - Leases

Accounting for Short-term Leases

• LESSEE — lease payments recognized as expenses/expenditures based on the payment provisions of the contract
  • No recognition of assets or liabilities associated with the right to use the underlying asset for short-term leases.

• LESSOR — lease payments recognized as revenue based on the payment provisions of the contract
  • No recognition of receivables or deferred inflows associated with the lease
  • No resource flows recognized during rent holiday periods.
  • No required disclosures.
### GASB Statement No. 87 - Leases

<table>
<thead>
<tr>
<th>Lessor</th>
<th>ASSETS</th>
<th>LIABILITY</th>
<th>DEFERRED INFLOW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lease receivable (generally including same items as lessee liability).</td>
<td>N/A</td>
<td>Equal to lease receivable plus any cash received up front that relates to a future period.</td>
</tr>
<tr>
<td></td>
<td>Continue to report leased Asset.</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

* To calculate the PV, the lessee would use a discount rate that reflects the rate the lessor charges the lessee, (may be the rate implicit in the lease). If that cannot be determined, the lessee would use the incremental borrowing rate.

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### GASB Statement No. 87 - Leases

<table>
<thead>
<tr>
<th>Lessee</th>
<th>ASSETS</th>
<th>LIABILITY</th>
<th>DEFERRED INFLOW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortize the intangible asset over shorter of useful life or lease term. Amortization expense may be combined with depreciation expense related to other capital assets for reporting purposes.</td>
<td>Reduce by lease payments (less amount for interest expense).</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lessor</th>
<th>ASSETS</th>
<th>LIABILITY</th>
<th>DEFERRED INFLOW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition).</td>
<td>N/A</td>
<td>Recognize revenue over the lease term in a systematic and rational manner.</td>
</tr>
<tr>
<td></td>
<td>• Reduce receivable by lease payments (less payment needed to cover accrued interest).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GASB Statement No. 87 - Leases

What to do to Prepare?

• Take an inventory of all current agreements.
  • Which ones fall under this standard?
  • Which ones will still be in place during the implementation year?
  • Consider terms - anything need clarification?
  • Any impact on debt covenants or other financial policies (fund balance) with addition of the liabilities?

• Develop system of internal control to ensure all agreements moving forward are considered.
  • How decentralized is your contracting process?
  • How ensure you will consider all of them?

• For new agreements entered until the implementation year - review to ensure you have information to perform proper accounting (break out non-lease components).

Statement No. 90, Majority Equity Interests
Questions?

Please reach out to Jeffrey Kahn, Paul Reynolds, or your assigned FSU Financial Specialist with any questions or concerns regarding the implementation of new GASBs.

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(303) 866-2659

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(303) 866-3468

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Closing

• Thank you for coming!
• Please sign-in on the sign in sheets if you haven’t already done so
• Leave evaluation and CPE forms on the tables when you leave
• CPE forms will be signed and emailed to you

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