Exhibit Listing

The completed Exhibit Listing workbook is your representation of which exhibits were applicable, and indicates the date on which you submitted the applicable exhibits.

The Exhibit Listing provides a space at the top to enter the department code for each active CORE department for which you are responsible. For this purpose, active CORE departments are departments having general ledger activity, outstanding or defeased debt, federal assistance, or outstanding lease agreements. In the columns under the department code, please provide the date that you submitted the exhibit to the DPA_FARmailbox@state.co.us, or leave it blank if the exhibit is not applicable. Please delete the exhibit tabs within the spreadsheet if the exhibit is not used by your department. DO NOT SUBMIT BLANK EXHIBITS.

If not submitting exhibits because they have later due dates, leave the related cell blank on the Exhibit Listing. These dates will be recorded as exhibits are received by the OSC. Due dates are contained in the Open/Close calendar. Most exhibits are due on period 14 close date with the exception of the A1, A2, I, J, K1, and K3, that have earlier or later due dates. Use multiple copies of the Exhibit Listing if you are responsible for more than seven departments.

Do not revise the Exhibit Listing when submitting revised exhibits; the OSC will record the revision date on your original Exhibit Listing.

It is difficult to identify the changes made if a department submits a full set of exhibits when it makes a revision. **Therefore, if you submit an exhibit revision, include ONLY the exhibits that have changed.** This can be done by deleting all unchanged exhibits from the Exhibit Listing tab or by copying only the changed exhibit to a new workbook for submission. Please explain the changes you have made to the exhibits in your revision e-mail or other communication. Revised exhibits are due as soon as practical once an error in the original submission has been identified. Please note that post-closing adjustments are submitted via CORE, rather than on a manual Exhibit H (as was done in COFRS), that will route to the OSC for approval. See Chapter 3, Section 5 of the Fiscal Procedures Manual for more information.
Exhibit A1 – Changes in TABOR Revenue and Base Fiscal Year Spending

A change in fiscal year spending (nonexempt revenues) is either an increase or decrease to nonexempt revenues with a matching offset to exempt revenues or a balance sheet account. Such a change may affect prior year refunds, the base fiscal years (used to compute current limits), and the revenues of the fiscal year just completed. A change could be due to a resolution of audit findings or misclassifications of revenues. Show on Exhibit A1 the balanced journal entry that would have been made to correctly state the TABOR revenues of the base year and additional years shown on the exhibit. Similar to post-closing entries (formerly Exhibit H), please submit an Exhibit A1 as soon as practical once an error has been discovered.

Based on the statute of limitations for receiving a state refund, the OSC’s policy is to correct errors relating to each of the prior four fiscal years that affect TABOR refunds and/or the current year TABOR limit. Any newly identified error that affects nonexempt revenue, exceeds the $200,000 post-closing threshold, and that occurred within the previous four fiscal years (not including the current year for which the TABOR report is being prepared) should be reported on Exhibit A1. If you identify a material error that applies to years prior to those listed on Exhibit A1 please contact Marc Burkepile, (303-866-3346 or marc.burkepile@state.co.us) in Financial Analysis & Reporting. Corresponding changes to the current year (FY 2019) are done on a post-closing entry unless they have already been posted in CORE. The same $200,000 materiality threshold that applies to post closing entries also applies to Exhibit A1.

The OSC will determine which, if any, of the four fiscal years reported on Exhibit A1 affect the TABOR base or excess state revenues cap (ESRC) calculation. Each year’s TABOR fiscal year spending limit is the lesser of the adjusted prior year limit or the adjusted prior year fiscal year spending (nonexempt revenue). The ESRC is not adjusted downward when nonexempt revenue falls below the ESRC.
Exhibit A2 – Notification of Changes in the TABOR District or Enterprise Status

The purpose of this exhibit is to provide the OSC with information necessary to ensure that comparison of TABOR revenues between fiscal years is legitimate. Exhibit A2 has two sections.

Section A – Decreases in TABOR Limit

Use Section A to report prior-year nonexempt revenues of a newly qualified or requalified enterprise. Such a qualification may occur because of legislation, because the activity received state support of less than ten percent, or for other reasons. When an activity qualifies as a TABOR enterprise, its prior year revenues should not be counted in the limit. To ensure comparability between years, OSC must know the amount of the prior year nonexempt revenue of the activity in order to appropriately reduce the TABOR base.

Section B – Prior Year Expense/Expenditures That Crossed the District Boundary

Newly Qualified Enterprises

If your activity became a qualified enterprise in FY 2019, use Section B to report the prior-year FY 2018 payments your department made to other departments that were not TABOR enterprises (in FY 2018), and were therefore within the State TABOR district. The OSC will use the amounts reported in Section B to increase the base so it will be comparable to the district crossing payments your department made in FY 2019.

Under your department’s newly qualified TABOR enterprise status, all FY 2019 payments to departments that are not TABOR enterprises are district boundary crossing, and those recipient departments must count the revenue (received from your department) as nonexempt.

Newly Disqualified Enterprises

If your activity is newly disqualified from enterprise status in FY 2019, use Section B to report the prior-year FY 2018 payments your department made to non-TABOR enterprises. Because your department was a TABOR enterprise in FY 2018, the payments you made to non-TABOR enterprises were counted as nonexempt revenue by the recipient departments. The OSC will use the amounts reported in Section B to decrease the base so it will be comparable to payments made and received within the district in FY 2019.

Under your department’s newly disqualified TABOR enterprise status, all FY 2019 payments to other departments that are also non-enterprises are counted as exempt revenue by recipient departments, since they are not district boundary crossing and since revenue is counted as nonexempt only when it first enters the TABOR district.
Exhibit B – Reporting for Risk Financing and Related Insurance Issues

This exhibit reports the detail of departments’ arrangements for insuring against risks. It is required for State Risk Management and any departments that self-insure their risks other than through State Risk Management.

At the top of the form, enter a summary of the transactions that affected your risk management liability. The remainder of the form is descriptive in nature, and the sections are self-explanatory.

Accounting literature references for this exhibit include GASB Statement No. 10, GASB Interpretation No. 4, and GASB Implementation Guide for Statement No. 10.

Please provide a separate Exhibit B for management of each separate risk pool.
FY 2019 Exhibit Instructions

Exhibit C – Schedule of Changes in Long-Term Liabilities

This exhibit reports the gross increases and decreases in long-term liabilities matching the level of detail shown in the notes to the State financial statements. The exhibit is divided into the following nine sections that parallel the disclosure in the financial statement notes:

- **Long-Term Deposits Held in Custody** (Account 2970) - Show additional deposits received during the year as an increase and deposits released as a decrease.

- **Claims and Judgments Payable** (Account 2870) - Show increases in actual and estimated claims as well as increases in judgments payable as an increase. Show payments of claims, estimated claims reductions, and judgment payments as a decrease. This information will duplicate the amounts shown on Exhibit B if your department has only risk financing activity in account 2870. Since judgments are not included on Exhibit B, the claims information must be included on both exhibits.

- **Capital Lease Payable** (Accounts 2820, 2823, and 2825) Show new lease liabilities incurred as an increase and payments on lease principal as a decrease. Note that the Exhibit C information for leases is not the same as that reported on Exhibit F1, but it is required to show the gross changes in capital lease liability.

- **Derivative Instrument Liability** (Account 2850) – Report increases and decreases to derivative instrument liabilities in this section.

- **Bonds** (Accounts 2800, 2801, 2803, 2805, 2806, 2807, 2816, and 2817) - Show bonds issued as an increase and payments on principal as a decrease. Show premium/discount in separate lines. Original recording of premium/discount should be shown in the increase column and amortization of these balances should be shown in the decrease/adjustments column. Use the sign convention discussed below.

- **Certificates of Participation** (Accounts 2808, 2809, 2813, 2814, and 2815) - Show COPs issued and original premium/discount as increases and payments on principal and amortization of premium/discount as decreases. Show the premium/discount in separate lines. Original recording of premium/discount should be shown in the increase column, and amortization of these balances should be shown in the decrease/adjustments column. Use the sign convention discussed below.

- **Notes, Anticipation Warrants, and Mortgages** (Accounts 2810, 2811, 2830 and 2840) - Report your noncurrent notes (and any related premium/discount), anticipation warrants, and mortgages.

- **Other Postemployment Benefits Liability** (Account 2880) – Report increases and decreases to your OPEB liability in this section.
FY 2019 Exhibit Instructions

- **Other Long-Term Liabilities** (Accounts 2960, 2980 2990, 2995) - Show the gross increases and decreases in these liability accounts in the respective columns.

In each of the categories, both the current and prior year account balances must agree with the CORE balances, adjusted for post-closing entries. The current and prior year balances are provided on the Exhibit Reconciling Balance Report for your cabinet/department after the close of Period 14. These reports will be available in infoAdvantage in the OSC Diagnostics Folder.

All amounts should be entered with the accounting normal-balance signs, that is, credit balances are entered as negative numbers and debit balances are entered as positive numbers.

Compensated absences liabilities and the net pension liability are also included in the financial statement notes; however, the OSC will estimate the gross increase and decrease in the compensated absence liability based on the payouts recorded in object codes 114X and 124X and in the net pension liability based on the PERA contribution expenses recorded in object codes 1522, 1524, 1526, 1622, 1624, and 1626.

After the cutoff for post-closing entries, please DO NOT include an updated Exhibit C with the proposed entry that affects this exhibit. The OSC will request a revision if the entry is material and is posted to the financial statements.

For all liabilities reported on this exhibit, reclassifications from long-term to current should be included in the column titled “Decreases/Adjustments.” If reclassifying activity between funds, or reclassifying activity between account 2800 and 2817 (or 2808 to 2813 or 2820 to 2823), the debit and credit should both be included in the column titled “Decreases/Adjustments.” If reclassifying principal balances from long-term to current liability accounts and a payment is made against the current liability, only the reclass from long-term to current should be shown as a decrease/adjustment in the long-term lease liability. The payment is a reduction of the current liability, which is not reported on this exhibit.

For governmental funds, the total amount listed in Capital Lease Additions must match the revenue recorded in RSRC 7200 (Future Capital Lease Payments).

The nature of amounts reported in Other Long-Term Liabilities should be described at the bottom of the exhibit. The description should be adequate to explain the nature of the liability to an uninformed user of the financial statements.
Exhibit D1 – Governmental and Internal Service Fund – Debt Service Requirements to Maturity

GASB Statement No. 38 requires disclosure of both principal and interest payments individually by year for the first five years and in five-year increments throughout the term of the debt. The Exhibit D1 reports the debt service requirements for the liabilities reported in the governmental activities column of the Statement of Net Position.

Enter the amount to be paid in each fiscal year by your governmental and internal service fund types. Do not include amounts to be paid by enterprise funds or fiduciary funds on the Exhibit D1. Unamortized premiums and discounts (CORE balance sheet accounts 2801, 2806, 2809, and 2811) should not be allocated to the individual periods on the exhibit, but should be shown in aggregate at the bottom of the exhibit in the line titled “Unamortized Balances.” Please note that if the Unamortized Balance is a debit balance, it should be shown as a negative number on the exhibit. These amounts should only be entered in the principal columns. The subtotals for the four types of liabilities shown on the exhibit in the principal columns must equal the balances in CORE accounts 2800, 2805, 2808, 2810, 2813, 2815, 2816, 2817, 2830 and 2840, plus current liabilities in accounts 2320, 2323, 2600, 2605, 2608, 2610, 2630, and 2640 (as adjusted for post-closing entries). If they do not, you must submit a post-closing entry direct on CORE even if the amount is less than the threshold amount. The amounts classified as current (accounts 23xx and 26xx) must equal the amount shown on this exhibit as payable in FY 2020. If they do not, you must submit a post-closing entry on CORE even if the amount is less than the threshold amount. After the cutoff date for post-closing entries, please DO NOT include an updated Exhibit D1 with the proposed entry that affects this exhibit. The OSC will request a revision if the proposed entry is deemed material and is posted to the financial statements.

The Totals on Exhibit D1 will not agree to Exhibit C by the amount classified as current. If you have pledged revenue, the total of Revenue Bonds should equal the Remaining Balance of Pledged Revenue Commitment on Exhibit E1.

Please be aware that the amount of amortization of premium/discount for the following year (FY 2020) should not be reclassified as a current liability in FY 2019.

The information provided in the Total Amount of the Original Obligation for Each Type of Debt will be disclosed in order to provide a frame of reference for the financial statement reader so that they can determine the State progress in paying down its borrowing obligations. Report the amount of the original obligation including any applicable premium or discount. This information should be available from the original offering statements, the original note, or the deed of trust. If applicable to your cabinet or department, please report any unaccreted interest on your debt. Accreted interest is interest that is accrued and not paid, but increases the principal amount of your obligation. Unaccreted interest represents the balance of accreted interest that has not yet been added to the principal balance at year end.
Please note that lease liability accounts are not included on this exhibit, as they are reported on Exhibit F1 (Schedule of Capital Leases) or Exhibit F2 (Schedule of Operating Leases).

**GASB Statement No. 88**

GASB No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, is effective for the state fiscal year ending June 30, 2019. GASB 88 defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. In addition to other requirements to disclose information related to debt in the notes to financial statements, a government should disclose summarized information about the following items the amount of unused lines of credit, assets pledged as collateral for debt, certain significant terms specified in debt agreements. The government should separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt.

The OSC has revised the Exhibit D1 to capture potential debt disclosures related to GASB 88 now segregated by Non-Direct Borrowings and Non-Direct Placements vs. Direct Borrowings and Direct Placements. An example of Direct Borrowing is if a government enters into a loan agreement with a lender. An example of a Direct Placement is if a government issues a debt security directly to an investor.

Sections at the bottom of the Exhibit to capture assets pledged for collateral for debt, along with any terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses. These additional sections are also segregated into Non-Direct Borrowings and Non-Direct Placements vs. Direct Borrowings and Direct Placements.

The OSC will determine once all Exhibit D1s are received whether, in the aggregate, disclosures will be required. If an agency does not have any Direct Borrowing or Direct Placement debt, all amounts should be entered in the first four columns.
Exhibit D2 – Business-Type Activities – Debt Service Requirements to Maturity

GASB Statement No. 38 requires disclosure of both principal and interest payments individually by year for the first five years and in five-year increments throughout the term of the debt. The Exhibit D2 reports the debt service requirements for the liabilities reported in the business-type activities column of the Statement of Net Position.

Enter the amount to be paid in each fiscal year by your enterprise fund types. Do not include amounts to be paid by governmental fund types, internal service funds, or fiduciary fund types on the Exhibit D2. Unamortized premiums and discounts (CORE balance sheet accounts 2801, 2806, 2809, and 2811) should not be allocated to the individual periods on the exhibit, but should be shown in aggregate at the bottom of the exhibit in the line titled “Unamortized Balances.” Please note that if the Unamortized Balance is a debit balance, it should be shown as a negative number on the exhibit. These amounts should only be entered in the principal columns. The subtotals for the four types of liabilities shown on the exhibit in the principal columns must equal the balances in CORE accounts 2800, 2805, 2808, 2810, 2813, 2815, 2816, 2817, 2830 and 2840, plus current liabilities in accounts 2320, 2323, 2600, 2608, 2610, 2630, and 2640 (as adjusted for postclosing entries). If they do not, you must submit a post-closing entry even if the amount is less than the threshold amount. The amounts classified as current (accounts 23xx and 26xx) must equal the amount shown on this exhibit as payable in FY 2020. If they do not, you must submit a post-closing entry even if the amount is less than the threshold amount. After the cutoff date for post-closing entries, please DO NOT include an updated Exhibit D2 with the proposed entry that affects this exhibit. The OSC will request a revision if the entry is deemed material and is posted to the financial statements.

The totals on Exhibit D2 will not agree to Exhibit C by the amount classified as current. If you have pledged revenue, the total of Revenue Bonds should equal the Remaining Balance of Pledged Revenue Commitment on Exhibit E1.

Please be aware that the amount of amortization of premium/discount for the following year (FY 2020) should not be reclassified as a current liability in FY 2019.

The information provided in the Total Amount of the Original Obligation for Each Type of Debt will be disclosed in order to provide a frame of reference for the financial statement reader so that they can determine the State progress in paying down its borrowing obligations. Report the amount of the original obligation including any applicable premium or discount. This information should be available from the original offering statements, the original note, or the deed of trust. If applicable to your cabinet or department, please report any unaccreted interest on your debt. Accreted interest is interest that is accrued and not paid, but increases the principal amount of your obligation. Unaccreted interest represents the balance of accreted interest that has not yet been added to the principal balance at year end.

Please note that lease liability accounts are not included on this exhibit as they are reported on Exhibit F1 (Schedule of Capital Leases) or Exhibit F2 (Schedule of Operating Leases).
GASB Statement No. 88

GASB No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, is effective for the state fiscal year ending June 30, 2019. GASB 88 defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. In addition to other requirements to disclose information related to debt in the notes to financial statements, a government should disclose summarized information about the following items the amount of unused lines of credit, assets pledged as collateral for debt, certain significant terms specified in debt agreements. The government should separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt.

The OSC has revised the Exhibit D2 to capture potential debt disclosures related to GASB 88 now segregated by Non-Direct Borrowings and Non-Direct Placements vs. Direct Borrowings and Direct Placements. An example of Direct Borrowing is if a government enters into a loan agreement with a lender. An example of a Direct Placement is if a government issues a debt security directly to an investor.

Sections at the bottom of the Exhibit to capture assets pledged for collateral for debt, along with any terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses. These additional sections are also segregated into Non-Direct Borrowings and Non-Direct Placements vs. Direct Borrowings and Direct Placements.

The OSC will determine once all Exhibit D2s are received whether, in the aggregate, disclosures will be required. If an agency does not have any Direct Borrowing or Direct Placement debt, all amounts should be entered in the first four columns.
Exhibit D3 – Effect of Hedging Derivative Instruments on Hedged Debt Service Payments

When the hedged item in an effective hedging derivative instrument is debt, the cash flows related to the hedging derivative offset or increase the total debt service payments. GASB Statement No. 53 requires disclosure of the net debt service requirements after the application of the effective hedge derivative cash flows to the debt service payments. The hedging derivative cash flows are calculated assuming the current variable interest rates and reference rates at the balance sheet date were to remain unchanged over the maturity of the debt. Principal and interest payments that are reported on Exhibit D3 should not be reported on Exhibit D1 or Exhibit D2.

Because we expect to see limited occurrences of debt related hedging derivatives, Governmental Activities and Proprietary Activities have been combined on Exhibit D3. Please report your principal, interest, and net debt related effective hedging derivative cash flow in the Section that matches the governmental or proprietary nature of your activity.
Exhibit E1 – Schedule of Revenue Bond Coverage

Use this exhibit to report information about any revenues at your department that are pledged to meet debt service requirements in accordance with GASB Statement No. 48.

Section A – Pledged Gross Revenue and Related Debt Service Requirements

Complete this section to report the extent to which pledged revenues were available to meet debt service needs. For gross pledges, report the pledged gross revenue (column 1). Direct operating expenses are not applicable to gross pledges so pledged gross revenue carries over to the available net revenue (column 3). For net pledges, Report the gross amount of the revenue pledged to service your revenue-bond debt (column 1) and the direct operating expense related to those revenues (column 2). Calculate the available net revenue (column 3) as the difference between pledged gross revenue and direct operating expense. Enter the debt service principal (column 4) and interest related to the revenue bonds (column 5), and calculate the total debt service as the sum of the principal plus interest (column 6). If you have both gross and net pledges to report, please present both on this exhibit, selecting the appropriate drop-down box in the first column of Section A. At a minimum you must present the total of your gross pledges on a separate line from the total of net pledges. The exhibit refers to one aggregated line as Issuance 1 and the other as Issuance 2, but you may use more descriptive titles if you choose. If you need to add additional pledges, please add lines to the exhibit (where needed) and designate if the pledge is gross revenue or net revenue. In Section A, the Debt Service Requirement should be reported for the amount paid in the current fiscal year.

Section B – Pledged Revenue Detail

Complete this section to provide additional detail about the entire revenue stream(s) related to the pledged revenues reported in Section A. For each different type of revenue stream that is pledged (e.g., tuition, auxiliary fees, etc.), provide the remaining balance of the pledged revenue commitment. That is, tell us how much revenue remains pledged related to the remaining principal and interest requirement of the secured debt. Per GASB Statement No. 48, paragraph 21(a), related to the Remaining Balance of the Pledged Revenue Commitment: “…the approximate amount of the pledge would be equal to the remaining principal and interest requirements of the secured debt.” This amount should tie to the revenue bond totals on Exhibits D1, D2, and D3, not including the unamortized/unaccreted balances.

The amounts in Section B should be broken out by type of revenue stream. Reference the pledged revenue stream, as applicable based on the level of aggregation and number of issuances, to the issuance number (or other more descriptive title if used) in Section A.
In addition, you will need to calculate the pledged revenue as a percentage of the total revenue stream. For example, if you have pledged the gross amount of the entire revenue stream (i.e., the entire stream), this number should be 100%. If you have pledged the entire net amount of the revenue stream, this total should be the amount of the pledge (i.e., the net amount) divided by the total revenue stream or \( \frac{3}{1} \) from Section A on the exhibit.

If you have a pledged gross fixed percentage of the total revenue stream (which may be reduced for scholarship allowance per your bond documents), you should report that fixed percentage. If you have a pledged net fixed percentage, and if your bond documents require it, you should reduce the amount of gross revenue resulting from the fixed percentage by any applicable Direct Operating Expense before calculating the percentage to show in Section B.

Lastly, provide the inception date and end date of the pledged revenue commitment. These dates may correspond to your debt origination and payoff dates.

Section C – Description of the Nature and Purpose for the Debt Secured by the Pledged Revenue

For each pledged revenue stream noted in Section B, please describe the nature and purpose of the debt secured by the pledged revenue. Be as specific as possible since this information is required by GASB Statement No. 48 for adequate financial statement disclosure.
Exhibit E2 – Sale of Future Revenue Streams

GASB Statement No. 48 requires disclosures be presented in the State financial statements related to the sale of future revenue streams. (See GASB Statement No. 48, paragraph 8 to determine whether proceeds received in exchange for future cash flows meet the definition of a sale at your department.)

Use this exhibit to provide information related to any future revenue streams sold by your department. This exhibit should be completed in the year of sale.

Section A – Sale of Future Revenues

Complete this section to provide detailed amounts related to the sale of future revenues.

♦ **Sale Proceeds** – Report the amount received from the sale of the future revenue stream.

♦ **Present Value of Future Revenues Sold** – Report the amount of the future revenue sold, discounted to present value.

♦ **Period To Which The Sale Applies** – Report the time period that future revenues would have been earned.

♦ **Total Amount of Future Revenues Sold** – Report the gross amount of future revenue that has been sold.

♦ **Sold Revenue as a Percentage of the Total Revenue Stream** – Calculate the future revenue sold as a percentage of the total future revenue stream during the period that the sale applies.

Section B – Significant Assumptions Used In Determining the Approximate Amount of Future Revenue

Describe the specific revenues that were sold and the assumptions used in estimating the amount of future revenues, (i.e., how was the future revenue stream identified including forecasting methods, growth rates used, etc.)

Section C – Significant Assumptions Used In Determining the Present Value of Future Revenue

Describe the assumptions used in determining the present value of future revenues sold, (e.g., discount rate(s) used in calculating the present value and the time period(s) used in the calculation).
Exhibit F1 – Schedule of Capital Leases

Use this exhibit to report information on capital assets acquired under lease financing.

At the top of the form, enter the gross amount of capital assets under lease at fiscal year-end by asset type. This should include only assets that remain under lease, and it should be the balances originally recorded in the CORE 18.xx accounts at acquisition without regard to depreciation. Assets financed by Certificates of Participation should not be included in these amounts. Combine the land and improvements to land accounts (1800, 1810, and 1815) under the category Land. Combine the buildings, leasehold improvements, and construction-in-progress accounts (1820, 1830, and 1860) under the heading Buildings. Combine the equipment, library books and holdings, and other capital assets accounts (1840, 1841, 1842, 1843, 1850, 1855, 1857, 1865, 1870, and 1872) under the heading Equipment and Other. This information is presented in the CAFR as a frame of reference to show the State progress in paying for its leased assets.

Below the gross amount of capital assets under lease, enter the amount of accumulated depreciation on capital assets under lease at June 30, 2019. The accumulated depreciation amounts are reported in the same categories (Land, Buildings, and Equipment and Other) as the gross amounts reported in the section above.

In completing the section on Annual Lease Payments Required for Each Fiscal Year, apply the criteria in GASB Statement No. 62 to differentiate between capital and operating leases. Report operating leases on Exhibit F2. For your capital leases enter the total payments per your lease payment schedule by fiscal year. Enter the portion of the payment that is interest or executory costs. Executory costs comprise insurance, maintenance, and taxes included in your lease payment. Calculate the payments on principal as capital lease payments less implicit interest and executory costs. Regarding subleases with other departments, we would expect that the department paying the lease to the external party would complete Exhibit F1.

The CORE combined balances in accounts 2321 and 2620 must equal the amount reported as principal payments due in FY2020. If they do not, you must submit a post-closing entry in CORE even if the amount is less than the threshold amount. Total future payments on principal for all years combined must equal the lease liability recorded in accounts 2321, 2620, 2820, 2823, and 2825 in CORE. If they do not, you must submit a post-closing entry in CORE even if the amount is less than the threshold amount.

After the cutoff date for post-closing entries, please DO NOT include an updated Exhibit F1 with the proposed entry that affects this exhibit. The OSC will request a revision if proposed entry is deemed material and is posted to the financial statements.

Amounts related to COPs are reported on Exhibit D1 and/or Exhibit D2; do not include them on Exhibit F1.
FY 2019 Exhibit Instructions

Report as a single total amount the sublease rental payments you will receive from third party sublessees in all future years.

Report the amount of contingent rentals for the current fiscal year. Contingent rentals are any lease payment that is determined in relation to some factor other than the passage of time. An example of a contingent rental is a lease payment based on the usage level of equipment.

At the bottom of the form, provide a description of your leasing arrangements along with a description of the basis for determining contingent rentals, renewal, and purchase options or escalation clause, and restrictions imposed by the lease agreements. If the exhibit covers more than one lease arrangement, provide a description for each major leasing arrangement.
Exhibit F2 – Schedule of Operating Leases

GAAP requires disclosure of future minimum lease payments for all noncancelable operating leases. State contracts contain a clause making operating lease payments contingent on the availability of future lease appropriations. However, since these contracts are normally funded, this clause alone will not qualify the lease as cancelable. Therefore, you should look to other provisions of the lease agreement to determine if your operating lease is noncancelable, and thus, should be reported on this exhibit. The operating lease disclosure requirements are intended to show external commitments; therefore, lease arrangements with Capitol Complex and other internal lease arrangements should not be included on this exhibit. Regarding subleases with other departments, we would expect that the department paying the lease to the external party would fill out Exhibit F2.

In completing the section on Annual Lease Payments Required for Each Fiscal Year, apply the criteria in GASB Statement No. 62 to differentiate between capital and operating leases. Report capital leases on Exhibit F1. Enter your future minimum lease payments by year from your lease payment schedule.

GASB Statement No. 13 requires specific accounting for operating leases with scheduled rent increases. Scheduled rent increases are increases that are fixed by contract. They occur with the passage of time and are not contingent on future events. There are two types of rent increases. Systematic and rational increases result from inflation or increases in the value or availability of the leased item. For this type of rent increase, the contract amount should be recorded as rent expense/expenditure and entered on Exhibit F2. A second type of rent increase occurs when certain operating lease payments are low in relation to other payments as an inducement to enter the lease. For this type of rent increase, proprietary funds should record expense based on the straight line or effective interest method. Governmental funds should record the contract amount of rent in the governmental fund, and make an adjustment in the General Full Accrual Account Group (Fund 4710) to convert the expenditure to the full accrual basis of accounting (that is, rent expense based on the straight line or effective interest method). When this condition occurs for governmental or proprietary funds, the amounts shown on Exhibit F2 should be based on the straight line or effective interest method calculation rather than the contract.

In the middle of the form, report the total minimum sublease rentals related to the leases reported above. This should be the total of payments you expect to receive from a third party (external to the state’s financial reporting entity) for the use of an asset you have rights to under the operating leases reported above. This information should be provided in total, not by year. Report the amount of contingent rentals for the current fiscal year. Contingent rentals are any lease payment that is determined in relation to some factor other than the passage of time. An example of a contingent rental is a lease payment based on the usage level of equipment.

At the bottom of the form, provide a description of your operating leasing arrangement. If the exhibit covers more than one lease arrangement, provide a description for each major leasing arrangement.
Exhibit G – Advance Debt Refunding and Defeasance

A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when debt is considered defeased for accounting and financial reporting purposes. Debt is considered defeased in substance for accounting and financial reporting if cash or other assets are placed with an escrow agent, in an irrevocable trust to be used solely for satisfying debt payments.

Use this exhibit to report the balance of all previously in-substance defeased debt and to document any debt refunding or a debt extinguishment occurring during the fiscal year. You should complete an Exhibit G for each refunding/extinguishment transaction or addition to the in-substance defeased debt balance made during the fiscal year. Detailed examples of refunding calculations are shown in the appendices of GASB Statements No. 7 and No. 23.

Section A should be completed for only debt that is defeased in-substance.

Section A computes the ending balance of all in-substance defeased debt for the year, which only need to be shown on one copy of Exhibit G. This balance should include both current year and prior year in-substance defeased debt that is still outstanding. Though the possibility that payment will be required by the entity is remote, GASB Statement No. 7 requires that information regarding prior year balances be disclosed. This information should be available from your escrow agent. The New Defeasance (current year) amount should generally equal the face amount of the old debt that was defeased.

Section B should be completed for any advance or current refunding.

The sum of debt service cash flows (a and b) is the real dollar projected cash flows for both interest and retirement of debt excluding payments related to accrued interest received at the new debt issuance. The present value sums (c and d) are the present value of each year’s cash flows (excluding accrued interest received) totaled for the term of the debt with each discounted at the effective interest rate. The effective interest rate is the rate that, when used to discount the debt service requirements on the new debt, produces a present value equal to the proceeds of the new debt (including accrued interest) net of any premiums, discounts, underwriting spread, and issuance costs that are not recoverable through escrow account earnings. Issuance costs include all costs incurred to issue the bonds.

The economic gain or loss is the change in the sum of present values of future cash flows. If the issuance and other costs were not covered from the proceeds of new debt, then those costs should further reduce the economic gain or increase the loss on the refunding. Also, note that if the new debt is issued in an amount greater than that required for the refunding, only that portion of the new debt applicable to the refunding should be reported on the Exhibit G.
GASB Statement No. 23 requires that proprietary fund-type activities, defeasing debt through current or advance refunding, defer the difference between the reacquisition price and the net carrying amount (g-f) of the old debt and amortize that amount as interest expense over the shorter of the remaining life of the old debt or the new debt. Thus, no gain or loss is reported in the operating statement at the defeasance date. On the statement of net position, the deferred amount should be reported as a deferred outflow of resources for a loss or deferred inflow for a gain. Note that GASB Statement No. 23 applies to higher education institutions. Governmental funds that have an accounting gain or loss on refunding would not report it in the governmental funds, but they are required to record a deferred outflow or inflow or resources in the General Full Accrual Account Group (Fund 4710) and amortize it over the shorter of the remaining life of the old debt or the new debt.

Section C should be completed for any debt defeased in-substance as result of current resources (not resources from debt proceeds).
Exhibit I – Letter of Certification

This exhibit provides the OSC with the cabinet/department/institution’s chief financial officer’s certification that the CORE balances are materially correct (as adjusted by post-closing entries). Note that neither the Executive Director, Department Head, nor the Institution President are required to sign the Exhibit I. Also note that it is due to the OSC on the same date that financial statements and Exhibit J are due. If you are not submitting financial statements and an Exhibit J to the OSC you may choose to submit your Exhibit I at an earlier date along with your other exhibits.

The Exhibit I is intended to give assurance to the State Controller that departments have properly reviewed their accounting estimates, year-end account balances, CORE financial statements (GA-001), and that informational disclosures necessary for statewide financial reporting have been made. This certification is to be signed by the chief financial officer. Due to the attest signature required on this exhibit, it must be submitted in paper format with original signatures. List every department for which the chief financial officer is responsible. Please explain fully any exceptions in the space provided.

Please note that in addition to the Exhibit I deadline, that in order for the State Controller to have a basis for making representations to the State Auditor, all departments are required to provide the State Controller with a signed copy of the cabinet/department/institution’s representation letter to the State Auditor. The signed copy is due on the same day that it is provided to the State Auditor. The date of this submission will be dictated by the close of audit fieldwork by the Statewide Audit Team. The signed representation letters should be sent to your OSC Financial Specialist who will log the letters and ensure that the submission is complete.

The requirement to submit cabinet/department/institution representation letters is in addition to the Exhibit I certification and the reporting required under the Financial Responsibility and Accountability Act (Section 24-17-101, C.R.S.).

Please send your completed Exhibit I (with original signature) to:

Office of the State Controller
Attn: OSC, Financial Services Unit
1525 Sherman St.
Denver, CO 80203
Exhibit J – Financial Statement Reconciliation

The Exhibit J is mandatory for departments or institutions that are required to or choose to prepare separately issued financial statements. One copy of the Exhibit J and the financial statements and related notes are due to the OSC by the date published in the Open/Close calendar. The financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the related footnotes. The Exhibit J, in conjunction with the Exhibit I and copies of the departments or institution’s financial statements and related notes, are used:

- To reconcile the institution’s trial balance per the State of Colorado’s book of record (CORE) to the institution’s financial statements,
- To provide assurance to the State Controller that the cabinet/department/institution financial statements properly accumulate CORE accounts in the format of the State CAFR financial statement line items,
- As a basis for state department/institution compliance with the statutory requirement to obtain the State Controller’s examination and approval all financial statements and reports of state government prior to publication, Section 24-30-201(1)(d), C.R.S. and Colorado Fiscal Rule 8-1 Financial Statements, and,
- To document department compliance with Section 24-30-204, C.R.S, requiring that financial statements be submitted to the State Controller no later than September 6, 2019. Note: As allowed by Section 24-30-204, C.R.S., the State Controller has granted an extension for FY 2019. See the State Controller’s memorandum “FY 2019 Closing/FY 2020 Opening Procedures” replicated in Chapter 1, Section 1 of the Fiscal Procedures Manual.

The OSC will prepare financial statements for higher education institutions and departments issuing stand-alone financial statements which mimic the CAFR line-items in the State’s statements. These statements are located in the CAFR folder in infoAdvantage. The Exhibit J should begin at the cutoff date for post-closing entries. The statements in the CAFR folder are available on a daily basis and can be run prior to the cutoff-date in preparation for the submission of the Exhibit J reconciliation.

The instructions for this exhibit are specific to institutions of higher education; however, the format of the exhibit is applicable to those agencies operating in non-higher education funds that are required to prepare financial statements. These departments should show their CORE balances (adjusted by posted post-closing entries up to the cutoff date posted in the Open/Close calendar), posted audit adjustments, any presentation entries, immaterial or unposted entries, and the financial statement line item amount.
The Exhibit J does not eliminate the requirement that the institution reconcile CORE to their internal systems on a monthly basis. Entries to correct reconciling items should be processed into CORE and/or the institution’s internal system on a timely basis throughout the year. If this procedure is followed it should minimize the number of adjusting and reclassification entries needed at year-end.

The OSC’s review of the Exhibit J ensures that the institution’s financial statements reconcile with CORE. This review also includes determining the reasonableness and proper classification of the adjusting, reclassification, and presentation entries, and ensures that the required post-closing entries are prepared and submitted.

For the purpose of the Exhibit J instructions, the following definitions apply:

- “Institution’s financial statements” means the financial statements supplied to the OSC and the institution’s auditors.
- “CAFR” means the State Comprehensive Annual Financial Report and implies the roll-up of funds and accounts used to compile the CAFR.
- “Fund category” (FCAT) means the grouping of either CORE funds or institution’s accounting system funds into columns for financial statement presentation. The FCAT for each fund is contained in the FR- 0002 Central Chart of Account listing in info Advantage. The fund category for CAFR purposes may be broader than the groupings at the individual stand-alone financial statement level.
- “Line item” means an individual title and related amounts on the CAFR or institution’s financial statements and implies the roll-up of accounts appropriate to the financial statement type.

The exhibit shows the relationship between the CAFR and the institution’s separately issued financial statements. At least one Exhibit J should be prepared for each CAFR enterprise fund category.

The Exhibit J is organized as follows. The left side of the exhibit consists of the CORE trial balance aggregated to the CAFR line item level. The right side of the exhibit consists of the related totals per the institution’s financial statement line items. The four columns in the center of the exhibit are for posting of adjusting/reclassifying, presentation entries, and unposted entries. Further explanations of these sections follow.

- The left side of Exhibit J is a trial balance by CORE account subtotaled by CAFR line item. Subtotaling at the CAFR line item level provides the OSC with information on how adjusting and reclassifying entries affect the line items in fund category columns on the State CAFR. The crosswalk report associated with each infoAdvantage financial statement shows how CORE balance sheet accounts and operating statement
accounts feed into line items for the statewide financial statements. If an institution elects not to use the financial statements provided by the OSC (as discussed above), the institution must provide the department, fund, type, and account information that was aggregated to CAFR line items on the left side of the exhibit. This information may be supplied by additional columns or rows on the Exhibit J or by providing a separate supporting schedule to show the detail in each CAFR line item.

- The right side of Exhibit J shows the institution’s financial statement line items related to the CAFR line items on the left side of the exhibit. For the Statement of Net Position and portions of the Statement of Revenues, Expenses, and Changes in Net Position, there will often be a one-to-one relationship between CAFR line items and department financial statements. However, institutions are allowed to disaggregate CAFR line item balances into additional lines on their financial statements resulting in a one-to-many relationship. Higher education has elected to present operating expenses by functional categories rather than by natural object classifications (except depreciation). While the OSC has agreed to this presentation, the Exhibit J must show how adjusting, reclassification, or presentation entries affect the CAFR line items, which are not presented in the functional category format. In addition, because the two formats (natural and functional) will not tie directly by line item, the total operating expenses per the CAFR classifications must agree to the total operating expenses presented under the functional format.

- The center section of Exhibit J consists of columns for adjusting/reclassifying entries, presentation entries, and unposted entries. The definitions below for adjusting, reclassifying, and presentation entries apply to both higher education fund types and non-higher education fund types. To facilitate review, all adjusting, reclassification and presentation entries must be cross-referenced and be shown separately on the Exhibit J (do not aggregate or offset amounts). A separate schedule showing the CORE coding string and financial statement line item impacted must be provided. Include an explanation that is adequate for audit purposes and requires no prior knowledge of the underlying conditions to understand the purpose and impact of the adjustment.

Adjusting and reclassification entries posted prior to the cutoff date posted in the Open/Close calendar should be shown in the initial CORE balances column as these post-closing items are on the system and available. The columns for adjusting and reclassification entries are segregated into one column on the Exhibit J template for posted entries after the cutoff date and another for unposted entries. Additionally, there is a column for unposted entries from the prior year and these have a two-year impact. The following definitions have been kept separate because the distinction between adjusting and reclassification entries remains relevant to the discussion of timing differences in posting entries to department financial statements as compared to the State CAFR.
ADJUSTING ENTRIES:

Adjusting entries correct both a CORE balance sheet account and CORE revenue or expense/expenditure account with the net effect of changing the ending fund balance. Accordingly, adjusting entries always change the State financial statement fund category ending fund balance and CORE ending fund balance.

All reclassification entries made to a department’s financial statement after Period 14 must be included on the Exhibit J. In order for the OSC to properly analyze the cumulative effect of all reclassification entries on the CAFR, a post-closing CORE entry must be completed for each reclassification entry contained on the Exhibit J that exceeds the threshold. The entry will provide the information needed for the OSC to properly combine like entries, calculate the cumulative effect, and determine if an adjustment needs to be made to the CAFR.

In some instances, a post-closing adjusting entry may be recorded on a department’s financial statements but not be approved for the State CAFR. In other instances the OSC may be required to post an entry to the State CAFR that is not posted to the departments’ financial statements. When either of these situations occurs, the adjustment will be a reconciling item in the initial year and also in the subsequent year because the entry must be posted to CORE (or to the departments financial statements) in the subsequent year. In the subsequent fiscal year’s Exhibit J:

- The adjustment must be reported in the Prior Year Unposted Adjusting/Reclassification Entries column,
- It must be clearly marked as resulting from a prior year post-closing adjustment, and
- A copy of the prior year’s post-closing entry must be resubmitted with the Exhibit J.

RECLASSIFICATION ENTRIES:

Reclassification entries correct the CORE trial balance classification of certain amounts in the Statement of Net Position or the Statement of Revenues, Expenses, and Changes in Net Position. Reclassification entries change CAFR lines and may change a CORE ending fund balance but never change the CAFR fund category ending fund balance. Reclassification entries may change the total from one balance sheet classification to another or from one revenue/expense line to another. For example, reclassifying a credit balance in accounts receivable to accounts payable.

All reclassification entries made to a department’s financial statement after Period 14 must be included on the Exhibit J. In order for the OSC to properly analyze the cumulative effect of all reclassification entries on the CAFR, a post-closing CORE entry must be completed for each reclassification entry contained on the Exhibit J that exceeds the threshold. The entry will provide the information needed for the OSC to properly combine like entries, calculate the cumulative effect, and determine if an adjustment needs to be made to the CAFR.
Balance sheet reclassification entries made to a department’s financial statements, but not posted to the State CAFR, must be posted to CORE in the subsequent year. Nominal account reclassifications should not be posted to CORE in the subsequent year.

Each institution should make every effort throughout the year to reconcile their system to CORE and process timely corrections to minimize the need for adjusting and/or reclassifying entries at year-end.

YEAR-END TREATMENT of ADJUSTING and RECLASSIFICATION ENTRIES:

In order to ensure the OSC has sufficient time to prepare the State basic financial statements and CAFR, the following schedule will be used regarding adjusting and reclassification entries:

- On or before the cutoff date published in the Open/Close calendar departments and higher education institutions are allowed to make adjusting and reclassification entries to their separately issued financial statements without the approval of the OSC. As stated above, these entries must be included on the Exhibit J in the initial balances and a post-closing CORE entry must be submitted for errors greater than the $1,000/$200,000 post-closing entry threshold.

- After the cutoff date, adjusting and reclassification entries are considered proposed audit adjustments. If the proposed audit adjustment is greater than $1,000/$200,000, the department or institution should submit a CORE post-closing entry to the OSC as soon as the adjustment is identified. These items are to be entered into the CY Audit Adjustments column and should be recorded in Period 16 unless the OSC requests otherwise. A final Exhibit J is required for any audit adjustments posted to the departments separately issued financial statements. Acceptance of the final Exhibit J is considered the OSC approval of separately issued financial statements.

- After the cutoff date, the OSC will only post entries that are either material to the State financial statements, or are necessary for reconciling to exhibits, or if the entry impacts budgetary compliance, or any entries that are necessary to post after consultation with the auditors. The institution should always consider the materiality of any adjusting and reclassification entries.

PRESENTATION ENTRIES:

Presentation entries adjust account balances that are reported on a different financial statement line item for the State of Colorado than for the institution. These entries do not require the approval of the OSC. The key to identifying a presentation entry is that the account balance(s) is properly recorded on CORE for the State of Colorado’s CAFR. However, because the institution is issuing separate financial statements with a different reporting perspective the account balance(s) must be presented differently. An example of a presentation entry is the reporting of indirect cost transfer payments to the Colorado Commission on Higher Education. On the financial statements for the
State of Colorado indirect cost payments are shown as “Transfers In/Out,” but on the separately issued financial statements for the institutions they are shown as an operating expense (institutional support). If the OSC determines, as part of the review of the Exhibit J, that a department or higher education institution has made a presentation entry that is in fact an adjusting or reclassification entry, the department or institution will be contacted and requested to revise the Exhibit J and submit a corresponding post-closing CORE entry.

Following is a listing of the acceptable PRESENTATION entries. Other items that the institution believes are presentation entries should be discussed with the OSC before they are included on the Exhibit J.

- Changing the presentation of transfers (CORE object/revenue transfer codes 7076/9076 and 7077/9077) between the University of Colorado at Denver, Metropolitan State College of Denver, the Community College of Denver and the Auraria Higher Education Center.

- Changing the presentation of transfers of state appropriation (CORE revenue transfer code 9090) from an operating transfer to nonoperating revenue.

- Changing the presentation of transfers of state appropriated student financial aid awards from CCHE to the institutions (CORE revenue transfer code 9050) from an operating transfer to grant and contract revenue.

- Eliminating offsetting intrafund receivables and payables between institutions of the same board.

- Eliminating offsetting intrafund transfers-in and intrafund transfers-out between institutions of the same board.

- Combining immaterial amounts from one CAFR line into another CAFR line in a like financial statement category.

- Disaggregating private, state, and local grants and contracts from other operating revenue to aggregating with federal grants and contracts operating revenue on institutional financial statements.

- Changing the presentation for higher education institutions’ payments to DHE for statewide indirect cost assessment (CORE transfer object code 7200) from nonoperating transfers to other operating expense (institutional support).

- Disaggregating a CAFR financial statement line into more detailed lines within the same financial statement classification for presentation on the institutions financial statement.
Aggregating CAFR line items with the related line where parenthetical presentations are used instead on the institutions financial statements, such as scholarship allowances.

Restoring the receivable from the College Opportunity Fund and the related deferred revenue for students that confirm their attendance in summer school classes. The receivable and deferred revenue are originally recorded on CORE and then eliminated in Fund 399x for statewide financial statements. The student confirmations to which the elimination is applicable are those that occur within the fiscal year but after DHE’s final allocation of their appropriation between stipends and fee-for-service contracts.

Reclassifying balances recorded on CORE as intra or interfund transfers for the difference between the carrying value and the cash received or paid for receivables sold to another state department. The reclass will normally be to gain/loss on sale for the seller/transferor and to the appropriate expense account for the buyer/transfersee.

Changing the presentation of transfers related to the institutions participation in COPs for higher education COP projects from an operating transfer to an adjustment to a lease liability.

Other presentation items as approved by the OSC, including transactions between AHEC and its constituent institutions for the higher education COP projects.

AUDIT ADJUSTMENTS:

As a result of the audit process, the Office of the State Auditor or its designee may require entries to a department or institution’s financial statements in order to issue an unqualified opinion. These entries should be submitted to the OSC on a post-closing CORE entry. As stated above, all adjusting or reclassification entries identified by either the auditors or the department after the date published in the Open/Close calendar are considered to be audit adjustments. These entries require the approval of the State Controller or designee prior to posting to the institution’s financial statements. In addition, the Office of the State Auditor, or its designee, may identify other errors that were not deemed material for financial statement adjustment purposes, and therefore, an audit adjustment was not proposed. These types of errors that exceed the post-closing adjustment threshold must also be submitted to the OSC.
EXHIBIT K1 – SCHEDULE OF FEDERAL ASSISTANCE

PURPOSE

The Office of Management and Budget Uniform Guidance (UG) requires auditees to annually prepare and submit Federal expenditure information to the Federal Audit Clearinghouse (FAC). This includes the Schedule of Expenditures of Federal Awards (SEFA) described in 2 CFR §200.510(b) and other data elements described in 2 CFR §200.512(b)(1). The Exhibit K1 is the document through which State departments and institutions of higher education (IHEs) report Federal expenditure information to the Office of the State Controller (OSC) for statewide compilation and reporting. Additionally, the Office of the State Auditor (OSA) utilizes the Exhibit in its performance of the statewide single audit.

DESCRIPTION

The Exhibit captures awardee information such as department code, Employer Identification Number and Data Universal Numbering System (DUNS) number as well as Federal program information such as Catalog of Federal Domestic Assistance (CFDA) number. Additionally, it captures non-Federal pass-through entity information and Federal award transaction information.

The OSC relies on the accuracy of amounts and other information reported on the Exhibit. Each department or IHE should be able to tie amounts reported on the Exhibit to amounts in CORE.

Rows on the Exhibit may be inserted, deleted, sorted, or grouped if it helps with the department’s or IHE’s preparation, review, or analysis of the Exhibit. If rows are altered, the error message in column (O) may be inaccurate (see description of column (O) in Column Descriptions section of these instructions). This is because the column references formulas in cells to the right of the Exhibit columns. Please keep in mind that the OSC does not need records sorted or grouped on the Exhibit.

FEDERAL AWARDS REQUIRED TO BE REPORTED

Federal Award Defined

Include on the Exhibit all Federal awards expended. For the purposes of the Exhibit and the SEFA, per 2 CFR §200.38 Federal award, 2 CFR §200.40 Federal financial assistance, and 2 CFR §200.101 Applicability, a Federal award is assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a non-Federal pass-through entity and may be in the form of:

- Grants
- Cooperative agreements
- Non-cash contributions or donations of property (including donated surplus property)
- Direct appropriations
- Food commodities
- Other financial assistance
- Loans
- Loan guarantees
- Interest subsidies
- Insurance
- Cost-reimbursement contracts under the Federal Acquisition Regulation
- Does not include:
  - Other contracts that a Federal agency uses to buy goods or services from a contractor to operate Federal Government owned, contractor operated facilities (GOCOs)
  - Fixed-price contracts under the Federal Acquisition Regulation

**Federal Subawards Received from Other State Departments or IHEs**

The OSC uses the Exhibit for statewide reporting. When one State department or IHE passes a Federal award through to another State department or IHE, a duplication of expenditures will be reported if both entities report the Federal award or subaward on their Exhibits. To prevent this duplication in reporting, Federal subawards received by a State department or IHE from another State department or IHE must not be reported on the Exhibit. The Federal award must only be reported on the Exhibit of the State department or IHE that received the award from an entity external to the state government of Colorado.

**Non-Federal Match or Cost Sharing Expenditures**

In some cases, non-Federal funds are expended for Federal programs. These matching or cost sharing expenditures may be discretionary or a requirement of the Federal award. When a Federal program’s expenditures consist of both Federal and non-Federal amounts, only the Federal portion should be reported on the Exhibit.

**SPECIAL RULES RELATED TO AMOUNTS REPORTED**

**Federal Awards for a Single Program Received from Multiple Entities**

If assistance for a single CFDA number or program is received from multiple entities, it must be reported as separate records on the Exhibit. This is due to presentation requirements for the SEFA.

Example 1: A department receives a direct award from a Federal agency and the department receives a subaward from a non-Federal pass-through entity for the same CFDA number. These amounts must be reported separately because the SEFA must distinguish between awards received directly from the Federal government and awards received from non-Federal pass-through entities.

Example 2: A department receives two subawards from two different non-Federal pass-through entities for the same CFDA number. These amounts must be reported separately because the SEFA must name both non-Federal pass-through entities and show amounts expended for each subaward.

**Non-Monetary Assistance:**

For valuing non-monetary assistance, use [2 CFR §200.502(g)](https://www.gpo.gov/fdsys/pkg/CFR-2020-title20-vol1/content-detail.html#sec200.502g) to determine the value of expenditures:
“Valuing non-cash assistance. Federal non-cash assistance, such as free rent, food commodities, donated property, or donated surplus property, must be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency.”

The expenditure amounts of non-monetary awards are reported separately on the SEFA. If both monetary and non-monetary assistance are expended from the same program, report the monetary and non-monetary amounts on separate lines of the Exhibit. When reporting non-monetary assistance, column (G) Monetary Award (Y/N) must be “N”.

Subrecipient and Contractor Determinations:

Under the UG, the term “vendor” was replaced with “contractor”. Federal assistance passed through to a subrecipient is reported in column (M) Expenditures-Passed Through to Subrecipient, while payments to contractors are reported in column (L) Expenditures-Direct and Indirect. Use 2 CFR §200.330 Subrecipient and contractor determinations for assistance in determining whether payments of federal assistance to another entity constitutes a subrecipient or contractor relationship.

Loan and Loan Guarantee Expenditure Amounts:

For loan and loan guarantee programs, use 2 CFR §200.502(b)-(d) to determine the amount to be reported in column (L) Expenditures-Direct and Indirect:

“(b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

1) Value of new loans made or received during the audit period; plus
2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
3) Any interest subsidy, cash, or administrative cost allowance received.

(c) Loan and loan guarantees (loans) at IHEs. When loans are made to students of an IHE but the IHE does not make the loans, then only the value of loans made during the audit period must be considered Federal awards expended in that audit period. The balance of loans for previous audit periods is not included as Federal awards expended because the lender accounts for the prior balances.

(d) Prior loan and loan guarantees (loans). Loans, the proceeds of which were received and expended in prior years, are not considered Federal awards expended under this part when the Federal statutes, regulations, and the terms and conditions of Federal awards pertaining to such loans impose no continuing compliance requirements other than to repay the loans.”

**HEADER INFORMATION:**

- Prepared By: This is the name of the preparer of the Exhibit.
- Date Prepared: This is the date the Exhibit was prepared.
- Date Revised: If the Exhibit is revised, this is the date the revision was prepared.

- Dept or IHE Name: This is the name of the department or the IHE for which federal awards are reported on the Exhibit.

- Emp ID Numbers: The Employer Identification Number (EIN) is a nine-digit Taxpayer Identification Number assigned by the Internal Revenue Service. While not reported on the SEFA, EINs covered by the single audit are reported to the FAC. This field is required and must include all EINs under which the department or IHE has expended a federal award. If multiple EINs are to be reported, they should be separated with a comma. Each EIN must be nine digits and with no dashes.

- DUNS Numbers: A Data Universal Numbering System (DUNS) number is a nine-digit number issued by Dun and Bradstreet that uniquely identifies an organization and location. Recipients and first-tier subrecipients of federal awards are required to obtain a DUNS number, which is used for federal award application and reporting. This field is required and must include all DUNS numbers under which the department or IHE has expended a federal award and the DUNS numbers of other State departments or IHEs to which federal awards have been passed-through as subrecipients. This field replaces and should include all DUNS numbers previously reported in the FY16 Exhibit K1 columns C (Primary DUNS Number) and D (Subrecipient State Agency DUNS Number). If multiple DUNS numbers are reported, they should be separated with a comma. Each DUNS number must be valid. A complete listing of State department and IHE DUNS numbers is posted on the OSC website:


**COLUMN DESCRIPTIONS**

(A) Dept Code: This field is required and must be valid. This is the four-digit CORE department code under which the federal award was expended.

(B) CFDA Number: If available, this field is required and must be valid. The CFDA number is a five-digit number that uniquely identifies a Federal program. A CFDA number can be validated by searching the Assistance Listings at: https://beta.sam.gov/search?index=cfda. If the CFDA number is reported, the OSC will reference the CFDA to identify the Federal Agency and Program Name for the SEFA. If the CFDA number is not reported on the Exhibit, columns (C) OSC Assigned Fed Org Code, (D) Federal Program Name, and (I) Other ID Number are required.

(C) OSC Assigned Fed Org Code: If the CFDA number is not reported on the Exhibit, this field is required and must be valid. The OSC created the Federal Organization Code to uniquely identify Federal Agencies and Major Subdivisions for Federal reporting. A code has been created for all
Federal Agencies and Major Subdivisions in the CFDA and in the Federal Procurement Data System. The OSC’s Federal Organization Code listing is available on its website:


(D) Federal Program Name: If the CFDA number is not provided, this field is required. This is the name of the Federal program for which the award was expended. If the CDFA number is provided, this field will be ignored. The Federal Program Name should be reported on the Exhibit exactly as it appears on the award document.

(E) R&D Program (Y/N): This field is required and must be “Y” or “N”. The SEFA must report Federal programs by cluster. The UG Compliance Supplement does not specify Research and Development Cluster programs. Therefore, programs must be identified as R&D on the Exhibit for inclusion that they may be properly reported. Use 2 CFR §200.87 to determine if a program is an R&D program:

R&D means all research activities, both basic and applied, and all development activities that are performed by non-Federal entities. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

“Research” is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. “Development” is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

2 CFR §200.42 defines a Federal program as all Federal awards which are assigned a single number in the CFDA or, when no CFDA number is assigned, all Federal awards to non-Federal entities from the same agency made for the same purpose. The SEFA must group programs by cluster; therefore, a single program cannot be identified as R&D and not R&D on separate lines of the Exhibit. If a single program is reported on multiple lines of the Exhibit, column (E) must be the same for all records for that program.

(F) Monetary Award (Y/N): This field is required and must be “Y” or “N”. Enter “Y” if the federal award is a monetary award. Enter “N” if the federal award is a non-monetary award. Use 2 CFR §200.502(g) to determine the value of non-cash assistance.

(G) Direct Award (Y/N): This field is required and must be “Y” or “N”. If the award was received directly from the Federal government, enter “Y”. If the Federal subaward was received from a non-Federal pass-through entity, enter “N”. If “N” is entered, (H) Non-Federal Pass-Through Entity Name and (I) Other ID Number are required.
(H) **Non-Federal Pass-Through Entity Name**: This field is required if column (G) *Direct Award* is “N”. This is the name of the non-Federal pass-through entity from which the Federal subaward was received. Do not report a Federal subaward received from another State department or IHE on the Exhibit.

(I) **Other ID Number**: This field is required if column (B) *CFDA Number* is blank or column (G) *Direct Award* is “N”. If the CFDA number is unknown, report the unique identifying award number assigned by the Federal agency or the non-Federal pass-through entity. If it is not a direct award, report the unique identifying award number assigned by the non-Federal pass-through entity. The *Other ID Number* may be a grant number, contract number, purchase order number, or some other identifying number assigned by the Federal agency or non-Federal pass-through entity.

(J) **Loan/Loan Guarantee Program (Y/N)**: This field is required and must be “Y” or “N”. If the Federal program is a loan or loan guarantee program, enter “Y”. Enter “Y” even if a third party administrator manages the program’s loans, as it must be reported to the FAC. If “Y” is entered, column (K) *End of Period Loan Balance* is required.

(K) **End of Period Loan Balance**: This field is required if column (J) *Loan/Loan Guarantee Program* is “Y”. The UG requires the reporting of end of year balances for loan and loan guarantee program in the SEFA notes. If the State department or IHE does not administer the program’s loans, such as in the case of 84.268 *Federal Direct Student Loans*, enter “TP” to indicate a third party administers the loans. Otherwise, report the program’s loan balance as of fiscal year end, net of allowance for doubtful accounts.

(L) **Expenditures-Direct and Indirect**: In this column, report the amount of all monetary and non-monetary direct and indirect Federal award expenditures. Federal awards passed-through to another State department or IHE are reported in this column. Show the normal amount for expenditures as a positive number.

(M) **Expenditures-Passed Through to Subrecipient**: In this column, report the amount of all monetary and non-monetary Federal award amounts passed through to a subrecipient. Federal awards passed-through to another State department or IHE are reported in column (L). Show the normal amount for expenditures as a positive number.

(N) **User Comment**: This is an open field for comments or notes related to a record on the Exhibit.

(O) **Error Message**: This field provides instant feedback to users regarding common errors. This validation measure ensures required fields are populated. Where possible, it ensures values entered are valid, such as Department Code, CFDA Number, Federal Organization Code, and Yes/No fields. It also ensures some conditional rules are followed. An example of this is if column (G) *Direct Award* is “N”, which means the award is not received directly from a Federal agency, then column (H) *Non-Federal Pass-Through Entity Name* must be populated. Please resolve errors identified in this field before submitting the Exhibit to the OSC.
Exhibit K3 – Schedule of Prior Year Audit Recommendation Status Instructions

OMB Uniform Guidance, specifically 2 CFR §200.511(b), requires auditees to annually prepare a Summary Schedule of Prior Audit Findings (Schedule). This Schedule is part of the reporting package described in 2 CFR §200.512(c) that must be submitted to the Federal Audit Clearinghouse (FAC) upon completion of the annual Single Audit. The Office of the State Controller (OSC) compiles a statewide Schedule and submits it to the FAC to meet the above mentioned requirement of OMB Uniform Guidance. The Exhibit K3 is the document through which State entities report the status of prior year audit recommendations to the OSC for compilation of the statewide Schedule.

The Schedule must report the status of: 1) all audit recommendations in the prior year’s Statewide Single Audit report and 2) audit recommendations reported in the prior audit’s Schedule, except those previously reported in the prior audit’s Schedule as ‘Implemented’ or ’No Longer Valid’. If a State entity is required to report on the status of one or more prior year audit recommendations, the OSC will provide the State entity an Exhibit K3, prepopulated with the prior year audit recommendations to be reported.

In addition to the column instructions for Section II below, the Exhibit K3 has conditional formatting to assist the user in identifying which fields require entry. Fields highlighted in red on the exhibit require an entry.

Exhibit Column Descriptions

- SECTION I. AUDIT RECOMMENDATION INFO (prepopulated)
  o (A) - The Recommendation Number of the listed audit recommendation.
  o (B) - If the audit recommendation is a recurrence of a recommendation from prior year(s), this column lists the recommendation number used in the prior year(s).
  o (C) - The description of the audit recommendation.
  o (D) - The letter assigned to the audit recommendation part listed.
  o (E) - The description of the audit recommendation part.
  o (F) - The previously reported implementation date for the audit recommendation part.

- SECTION II. IMPLEMENTATION STATUS AS OF FISCAL YEAR END(user input)
  o (G) - The status of the implementation of the corrective action plan, as of fiscal year end. Please respond with one of the following:
    - 'Implemented': Use this status if the corrective action plan was fully completed on or before fiscal year end. If this status is reported, describe how and when the corrective action plan was completed in column (K).
    - 'Partially Implemented': Use this status if the corrective action plan was only partially completed as of fiscal year end. If this status is reported, describe the partial corrective action taken in column (J).
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- 'Not Implemented': Use this status if there has been no progress in implementing the corrective action plan.
- ‘No Longer Valid’: Use this status if the recommendation is no longer valid due to a change of circumstances. For example, if the recommendation relates to a department not following a policy, but the policy has subsequently changed or the department has been granted an exception to the policy, the recommendation is no longer valid. If this status is reported, describe why the recommendation is no longer valid in column (K).
- ‘Previously Reported as Implemented’ or ‘Previously Reported as No Longer Valid’: This status will be prepopulated if the listed recommendation part was reported as such in a prior year’s schedule. If this status is prepopulated, no additional information is required.

o (H) - The reason for recurrence of the audit recommendation in the current year. Please respond in accordance with these guidelines:
  - If 'Implemented' is reported in column (G), leave blank as this is not required.
  - If the corrective action plan was not completed and the previously reported implementation date was after fiscal year end, respond with 'The implementation date has not passed'.
  - If the corrective action plan was not completed and the previously reported implementation date was on or before fiscal year end, describe the reason(s) why the implementation was delayed.

o (I) - Description of significant changes to planned corrective action and/or implementation date. Please respond in accordance with these guidelines:
  - If 'Implemented' is reported in column (G), leave blank as this is not required.
  - If the planned corrective action has not significantly changed since last reported, enter ‘N/A’.
  - If the planned corrective action has changed since last reported and/or the implementation date has changed, describe the new planned corrective action and/or implementation date and explain the reason(s) for the changes.

o (J) - Description of partial corrective action taken. Please respond in accordance with these guidelines:
  - If 'Implemented' is reported in column (G), leave blank as this is not required.
  - If 'Partially Implemented' is reported in column (G), describe the partial corrective action taken.
  - If 'Not Implemented' is reported in column (G), leave blank as this is not required.
(K) – Explanation of ‘Implemented’/’No Longer Valid’ status. Please respond in accordance with these guidelines:

- If ‘Implemented’ is reported in column (G), describe the corrective actions taken and when they were taken.
- If ’No Longer Valid’ is reported in column (G), explain the circumstances which make this recommendation no longer valid.
- If any other status is reported, leave this field blank.
- This field is not reported on the Summary Schedule of Prior Audit Findings, but is used by auditors to assist them in verifying the reported status.

If needed, the flowchart below can be used to ensure fields are appropriately completed.
Exhibit L1 – Summary of Material Contingent Liabilities in Excess of $5,000,000

This exhibit is used to report conditions that may result in material liabilities contingent on future events. Contingent liabilities include items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, potential lawsuits, and unsettled disputed claims or audit disallowances. Only unrecorded contingent liabilities should be included on the exhibit. If possible, estimate the potential loss amount or range of amounts. Do not include amounts that would be immaterial to your financial statements, or contingencies less than $5,000,000. Do not include lawsuits that have been referred to the Attorney General’s Office because the OSC receives a separate listing of those lawsuits from the Attorney General’s Office. Please provide a brief description of the item for disclosure in the State CAFR. Any changes in the initial estimated potential loss or range of amounts between submission of the exhibit and completion of the State CAFR should be submitted on a revised Exhibit L1.

The OSC will contact state agencies via e-mail regarding subsequent events, which are due as published in the Open/Close calendar shortly before the issuance of the Basic Financial Statements and the CAFR. This includes events occurring after June 30 that warrant disclosure in the State CAFR.
Exhibit L2—Nonexchange Financial Guarantees

Governments sometimes extend financial guarantees to other governments, non-profit organizations, and individuals without receiving equal consideration in return. The government can also be the recipient of a financial guarantee, whereby it does not sacrifice value equal to what is has gained as a result of the guarantee. This standard prescribes the accounting treatment for such guarantees and the related financial statement disclosures.

**Governmental Guarantor Accounting for Nonexchange Financial Guarantees**

The government must assess the likelihood of having to act upon a nonexchange guarantee. The factors to consider are qualitative in nature and include the initiation of bankruptcy or reorganization proceedings, breach of the debt contract related to the obligation, or other indications of financial difficulty by the recipient. If the likelihood is more-likely-than-not (greater than fifty percent), a liability and expense must be recognized in the government-wide financial statements for governmental funds or within the fund for proprietary funds. The liability should be calculated as the present value of the expected future outlays. If there is a range of possible outcomes and no one outcome is more certain than the others, the minimum should be recorded. The expense should be recorded in the same manner as other financial assistance to external organizations, i.e., grants or distributions depending on the nature of the guarantee. Additionally, to the extent payments under guarantees are due and payable, they should be recorded as a current liability of the governmental fund.

**Governmental Recipient Accounting for Nonexchange Financial Guarantees**

To the extent that the guarantor paid the obligation, the recipient government should reclassify the original obligation to an obligation to the guarantor. If the recipient is legally released from any liability, such as through bankruptcy proceedings, the recipient should reduce its obligation to the guarantor and recognize revenue. A receivable is only recognized in the amount of the guarantor’s liability when one or more parties to the guarantee are blended component units. Blended component units within the State’s reporting entity include United Physicians, Inc. in relation to the University of Colorado.

**Disclosure Requirements**

The guarantor should disclose a description of the nonexchange financial guarantee that includes the legal authority and limits for extending the guarantees and types of obligations guaranteed, the relationship of the government to the issuer(s) of the obligations that are guaranteed, the length of time of the guarantees, arrangements for recovering payments from the recipient(s), and the total amount of all guarantees extended that are outstanding at the reporting date. For liabilities recognized, the guarantor should also include a description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guarantee liabilities including beginning-of-period balances, increases, including initial recognition and adjustments increasing estimates, guarantee payments made and adjustments decreasing estimates, and end-of-
period balances. Finally, the cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date and amounts expected to be recovered should be disclosed.

The recipient of a nonexchange financial guarantee should disclose the name of the entity providing the guarantee, the amount of the guarantee, the length of time of the guarantee, the amount paid (if any) by the entity extending the guarantee, the cumulative amount paid by the entity extending the guarantee, a description of requirements to repay the entity extending the guarantee, and the outstanding amounts (if any) required to be repaid to the entity providing the guarantee.

Please complete a separate Exhibit L2 for each nonexchange financial guarantee, or group of guarantees as applicable. Please contact the DPA_FARmailbox@state.co.us with any questions about completing this exhibit.
Exhibit M – Custodial Credit Risk Related to Cash on Hand or Deposited with Financial Institutions

Deposits with financial institutions include all imprest cash accounts, checking accounts, depository accounts, nonnegotiable certificates of deposit (negotiable CDs should be accounted for and reported as investments), restricted cash (not held for a department by the State Treasurer) and amounts held in trust for students, inmates and patients. If these balances are not transferred to the State Treasurer by the close of business on June 30, they should be classified in 10.xx accounts and reported on Exhibit M. Do not include on Exhibit M any balances classified in 11.xx accounts or balances reclassified to account 1034–Restricted Cash Per GASB Statement No. 34 that were held by the State Treasurer at June 30. Please be sure to include money market accounts at financial institutions that are cash deposits. If you hold money market mutual funds, they should be excluded from Exhibit M since they are investments. Money market mutual funds should be reported on Exhibit N.

In order to meet the note disclosure requirements of GASB Statements No. 3 and No. 40, we require you to classify your financial institution deposits into the following categories of risk:

- **Category A** includes: Federally insured deposits, uninsured deposits that are fully collateralized with securities held by the State or its agent in the State’s name; uninsured deposits that are fully collateralized with securities held by the pledging financial institution’s trust department or agent in the State’s name; petty cash, change funds, and other cash on hand. The bank balance should be zero for petty cash, change funds, and cash on hand. The pooling of collateral allowed by the Colorado Public Deposit Protection Act should be reported in this category.

- **Category B** includes: Deposits that are uninsured and uncollateralized, uninsured deposits that are collateralized with securities held by the pledging financial institution, and uninsured deposits that are collateralized with securities held by the pledging financial institution’s trust department or agent that are not in the State’s name. Deposits that are uninsured and uncollateralized are not in compliance with the Colorado Public Deposit Protection Act.

Colorado statutes state that public moneys may only be deposited in financial institutions designated as eligible public depositaries. The statutes also require that amounts of public moneys on deposit in excess of FDIC insurance coverage shall be collateralized. These requirements apply to both banks and savings and loan institutions.

A bank confirmation form is provided following Exhibit M, which should be used to determine the appropriate risk category for your deposits. It is important for the information confirmed by the bank to be complete and accurate. For any information requested and not confirmed by the bank, or for any information provided that appears to be in error, the department should contact the bank for clarification. Due to differences in interpretation of the rules concerning coverage of FDIC insurance, we must rely on the banking institution’s representation to the department of the amount of available insurance or collateralizing assets.
After the cutoff date for post-closing CORE entries, please DO NOT include an updated Exhibit M with the proposed post-closing entry that affects this exhibit. The OSC will request a revision if the entry is deemed material and is posted to the financial statements.

Bank Confirmation Form

In order for your department to properly prepare Exhibit M, you need to confirm June 30 checking, savings, and certificate of deposit account balances. The Bank Confirmation Form requests information about amounts insured and collateralized under a given Public Deposit Protection Act (PDPA) number. The confirmation in the form of an Excel spreadsheet is now included in the Exhibit Listing that is sent out by Reporting & Analysis. If a department has more than one PDPA number at the same bank, please use one confirmation form, with the account numbers and PDPA numbers filled out by your department. For your reference, a listing of the PDPA numbers for each department can be found at:

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

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

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

It is also important to determine that the PDPA number assigned to your department is the PDPA number attached to the account on the banking institution’s records. Banking institutions report monthly to the Division of Banking regarding FDIC insurance and collateralization requirements for public funds identified with a PDPA number. If the bank does not confirm the PDPA number, contact the bank.
Exhibit N1 – Fair Value of Investments

Use this exhibit to provide information about the types of investments your department holds, the custodial risk associated with the security evidencing the investment, the difference between carrying value and fair value, and additional information about how you manage your investments. GASB Statements No. 3, No. 31, No. 40, and No. 72 require disclosure of the information that is requested on exhibits N1, N2, and N3.

GASB Statement No. 72 requires investments to be reported at fair value. GASB No. 72 defines Fair Value as the price that would be received to sell an asset, or exit price. The mark-to-market adjustment to investment fair-value to record revenues must be recorded in CORE by departments related to realized or unrealized gains or losses on investments and reported in Section B. Exhibit N1 is divided into three sections as follows:

Section A – Custodial Credit Risk Classification and Fair Value Hierarchy

Type of Investment

- In this section, investments are reported by type. Enter the custodial credit risk category and fair value hierarchy amount for each type of investment held. If an investment type is not shown, add a row at the bottom of the section for each investment type needed for reporting.

Custodial Credit Risk Category

- Enter the custodial credit risk category (A or B) for the reported investment type.

- Category A investments are all investments not reported in Category B including those not evidenced by securities that exist in physical or book entry form, such as, reverse repurchase agreements, open-end mutual funds, positions in investment pools, investments not held for income or profit, advance refunding escrow assets, venture capital, limited partnerships, real estate, mortgages and other loans, annuity contracts, or guaranteed investment contracts. The exhibit includes lines for reverse repurchase agreements, guaranteed investment contracts, and mutual funds; other material investments individually listed in the previous sentence should be shown in the line item titled “Other – Uncategorized”, and the type of investment should be disclosed.

- Category B investments include securities that are uninsured, and are not registered in the State’s name, and are held by either a) the counterparty or b) the counterparty’s trust department or agent but not in the State name.
The amount by which a repurchase agreement exceeds the fair value of the underlying securities is subject to custodial credit risk and should be reported in Category B. Closed end mutual funds and unit investment trusts are securities evidenced by a physical document, and they are therefore subject to custodial credit risk disclosure.

**Fair Value Hierarchy**

- Enter the fair value amount for each investment type in the Fair Value Hierarchy section column that applies as follows:

- Level 1 investments whose fair value is determined by quoted prices in active markets for identical assets, i.e. exchange market, dealer markets, brokered market.

- Level 2 investments whose fair value is determined by inputs other than quoted prices included in Level 1 that are observable directly or indirectly, i.e. bonds valued by a pricing service using matrix pricing, fixed/variable interest rate swap based on the LIBOR rate.

- Level 3 is used only if Level 1 or Level 2 inputs are unavailable and whose fair value is determined by significant unobservable inputs, i.e. financial forecast developed using the government’s own data, three-year option on exchange traded shares.

- If an investment is not subject to fair value measurement (e.g. investments reported at net asset value per share), note the method of measurement in the Type of Investment column and report the amount in the Total column.

**Section B – Fair Value Information**

In order for the OSC to verify the unrealized gain/loss entries, both the carrying value and the fair value of your investments are needed. Although GASB Statement No. 31 allows certain investments (money market funds and investment contracts having less than one year to maturity at the time of purchase) to be reported at amortized cost, it is the State Controller’s policy that all investments be reported at fair value. For most investments fair value will be determined by quoted market prices. However, if other valuation methods are used they must be disclosed (see Section C below). For the investments your department holds, report the June 30 carrying balance by fund (CORE Period 14 close balance as adjusted by post-closing entries posted to the State financial statements) and the related June 30 fair value. These investments should be recorded in CORE balance sheet accounts 12xx or 16xx. The mark-to-market adjustment to investment fair-value must be recorded in CORE by departments in institutions in balance sheet 1605, offset by unrealized investment income in revenue source code 6050 (nonbudget in posting code XR02).
Section C – Valuation Disclosures

GASB Statements No. 31 and No. 34 and No 72 require several disclosures related to fair value of investments. The questions presented in Section C of Exhibit N1 address the disclosures that can only be identified at the department level. For the first question, check the appropriate box. If you used something other than Level 1 inputs to establish fair value, then explain the significant assumptions and methods used in valuing that investment. (For Level 2 and Level 3).

For the second question check yes or no and provide the change in valuation technique and the reason for making it.

For the third question, check yes or no and list the fund that reported the investment asset and the fund that reported the investment income. Explain the reason for reporting the income in a fund category other than the one in which the asset was reported.

The third major item in Section C is a disclosure requirement of paragraph 121 in GASB Statement No. 34, and it applies to donor-restricted endowments, which the OSC interprets as including donor restricted permanent funds. For item (a), provide the net appreciation of donor-restricted investments. This should include the unrealized gain/loss included in Section B as well as realized investment earnings (interest, capital gains, etc.) Also provide the amount that management has the authority to expend.

For item (b), state how the amount available for expending is reported in the net assets section of the financial statements. For higher education, the donor-restricted investment should be part of the required fund balance reclassification entry that segregates the fund balance accounts as follows:

- 3200 – Externally Restricted – Other
- 3230 – Permanent Endowment – Expendable
- 3240 – Permanent Endowment – Nonexpendable

If the amount available for expending is offset in net assets by related liabilities, please explain that condition. For permanent funds, the classification as to expendable or nonexpendable is determined by the fund in which the investment revenue is recorded.

For item (c), state your policy for authorizing and expending endowment earnings that are subject to management’s discretion. The standard cites spending rate (a percentage of investment income) and total return (all investment income, realized and unrealized) as two policy options that entities may be using.

After the cutoff date for post-closing CORE entries, please DO NOT include an updated Exhibit N1 with the proposed post-closing entry that affects this exhibit. The OSC will request a revision if the entry is deemed material and is posted to the financial statements.
Exhibit N2 – Credit Quality Rating for Debt Securities

GASB Statement No. 40, paragraph 7 requires governmental entities to provide information about the credit risk associated with their investments by disclosing the credit quality rating of investments in debt securities. The credit quality ratings must be done by nationally recognized statistical rating organizations (NRSRO). The standard requires this disclosure for fixed income securities held individually as well as participation in external investment pools, money market funds, bond mutual funds, and other pooled investments. The standard also requires disclosure of the amount of debt securities or debt based securities that are unrated. Obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government are exempted from the credit quality disclosure requirements, and therefore, are not reported on the N2. Investment instruments issued by government-sponsored enterprises, such as the Federal Farm Credit Banks, Federal Home Loan Bank System, Freddie Mac (Federal Home Loan Mortgage Corporation), Fannie Mae (Federal National Mortgage Association), and Sallie Mae (Student Loan Marketing Association) are subject to credit quality disclosures and should be reported under U.S. Agency Securities (Not Explicitly Guaranteed).

The left column of Exhibit N2 lists the investment types that are subject to the disclosure requirement. For each investment type that your department holds, you should report the fair value amount and related credit quality rating that reflects the highest level of risk as set by any one of the three rating agencies. If a debt security investment is not rated by any of the three rating agencies, it should be reported in the far right column titled “Unrated.” If a department has multiple debt instruments of a single investment type with different credit quality ratings you should show the fair value amount related to each rating. (Question 17 of the GASB Statement No. 40 implementation guide precludes using the credit quality rating of the issuer rather than the credit quality rating of the individual instrument.) For each investment type, the fair value amount reported on Exhibit N2 should agree to the fair value amount reported on Exhibit N1.

The tables at the bottom of Exhibit N2 provide the major credit quality ratings used by the three rating agencies for long-term investments and short-term investments. The ratings agencies often provide further gradation in their credit quality ratings (usually through “+” and “-” indicators); however, the State will only report at the rating level shown in the table. State statute requires that bank acceptances be of the highest three ratings, commercial paper be of the highest rating, and corporate bonds be at least investment grade. Statutes do not specify the required rating for the other debt securities. You should report the actual rating even if it is below the statutorily required level. The University of Colorado operates its own treasury and investment operations separate of the Colorado State Treasurer’s Office, and it has different requirements regarding allowable investments.

Departments should not “look through” debt instrument based mutual funds to the rating of the underlying security. The rating of the mutual fund itself should be presented instead. If there is no NRSRO rating of the mutual fund itself, the mutual fund investment should be shown as unrated. State agencies must report the credit quality rating of their investments in mutual funds even if the underlying securities are solely in U.S. government securities with explicit guarantees.
Repurchase agreements are subject to credit quality risk disclosures if the underlying securities are subject to such disclosures. Repurchase agreements where the underlying securities are U.S. government securities with explicit guarantees are not subject to credit quality risk disclosures.
GASB Statement No. 40, paragraph 14 requires governmental entities to provide information about the interest rate risk associated with their investments by disclosing the maturities of their debt investments. This disclosure requirement applies to all fixed income investments including obligations guaranteed by the U.S. government. While the standard provides five options for making this disclosure, the State has selected average weighted maturity as its primary mechanism for reporting interest rate risk. If interest rate risk is managed by monitoring investment duration, then duration may be used to disclose interest rate risk. You should not report weighted average maturity and duration for the same investment. The standard also requires several disclosures of other investment related risks not reported on exhibits N1 or N2, which are addressed on Exhibit N3.

In the first box on Exhibit N3 you should report the fair value amount of debt investments; this amount should agree to the fair value amount reported on Exhibit N1. Unless you manage investment risk by duration, you should report the maturity amount related to the fair value reported and the weighted average maturity (in years) of that maturity amount. Illustration No. 3 in GASB Statement No. 40 demonstrates the calculation of weighted average maturity. The OSC will use the maturity amount and the reported weighted average maturity to calculate a statewide aggregate weighted average maturity for the individual investment types. If you manage interest rate risk by monitoring investment duration, then you should report the fair value amount and the duration of the investment managed using duration. Money market funds that qualify as 2a7-like pools (pooled investments with underlying securities of very short maturities managed to maintain a constant dollar value) are exempt from this interest rate risk disclosure.

GASB Statement No. 40, paragraph 11 requires governmental entities to disclose the fair value of investments where an individual issuer represents more than five percent of the total investments for a major fund. Since individual agencies may not know the total investments held in a major fund (or aggregate nonmajor funds), the OSC will provide a table showing the five percent threshold for each major fund and aggregate nonmajor funds. This table will be provided as part of the Exhibit Reconciling Balances report distributed by the OSC after Period 13 close. In the box titled “Concentration of Credit Risk”, you should report the fund name, issuer’s name, and fair value amount of any individual security that exceeds the amount reported in the five-percent-threshold table. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The remaining questions and required disclosures on Exhibit N3 are self-explanatory. In general, they are intended to report concentrations of credit risk, foreign currency risk, and to identify and report the terms of investments that are highly sensitive to interest rate changes. Terms that make an investment highly sensitive to interest rate changes include: coupon multipliers, benchmark indexes, reset dates, and embedded options. An extended time to maturity also makes an investment highly sensitive to interest rate changes; however, that condition is addressed in the weighted average maturity or duration disclosures above. Because of the effect of interest rate changes, the OSC will use the maturity amount and the reported weighted average maturity to calculate a statewide aggregate weighted average maturity for the individual investment types. If you manage interest rate risk by monitoring investment duration, then you should report the fair value amount and the duration of the investment managed using duration. Money market funds that qualify as 2a7-like pools (pooled investments with underlying securities of very short maturities managed to maintain a constant dollar value) are exempt from this interest rate risk disclosure.

GASB Statement No. 40, paragraph 11 requires governmental entities to disclose the fair value of investments where an individual issuer represents more than five percent of the total investments for a major fund. Since individual agencies may not know the total investments held in a major fund (or aggregate nonmajor funds), the OSC will provide a table showing the five percent threshold for each major fund and aggregate nonmajor funds. This table will be provided as part of the Exhibit Reconciling Balances report distributed by the OSC after Period 13 close. In the box titled “Concentration of Credit Risk”, you should report the fund name, issuer’s name, and fair value amount of any individual security that exceeds the amount reported in the five-percent-threshold table. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The remaining questions and required disclosures on Exhibit N3 are self-explanatory. In general, they are intended to report concentrations of credit risk, foreign currency risk, and to identify and report the terms of investments that are highly sensitive to interest rate changes. Terms that make an investment highly sensitive to interest rate changes include: coupon multipliers, benchmark indexes, reset dates, and embedded options. An extended time to maturity also makes an investment highly sensitive to interest rate changes; however, that condition is addressed in the weighted average maturity or duration disclosures above. Because of the effect of interest rate changes, the OSC will use the maturity amount and the reported weighted average maturity to calculate a statewide aggregate weighted average maturity for the individual investment types. If you manage interest rate risk by monitoring investment duration, then you should report the fair value amount and the duration of the investment managed using duration. Money market funds that qualify as 2a7-like pools (pooled investments with underlying securities of very short maturities managed to maintain a constant dollar value) are exempt from this interest rate risk disclosure.
changes on the prepayment of mortgage obligations, investments with mortgages as the underlying security (Fannie Mae, Ginnie Mae, Freddie Mac, Collateralized Mortgage Obligations) may be considered highly sensitive to interest rate changes. If you have questions regarding these required disclosures please contact the Consulting and Analysis Unit.
Exhibit N4 – Derivative Summary

Background:

Changing financial and commodity prices may expose governments to changes in cash flows and fair values that can be effectively managed by using derivative instruments. Derivative instruments, however, also can expose governments to significant risks and liabilities. As a result of those risks the State Treasurer is prohibited from investing the State cash pool in derivatives; however, if other state agencies have used derivatives as investments or to manage cash flow or fair value risk, they should complete this exhibit. The exhibit’s instructions are not a substitute for the GASB Statement No. 53 text, and the statement should be reviewed in its entirety before completing Exhibit N4. The fair value recognition requirements of GASB Statement No. 53 do not apply to governmental fund financial statements reported under the current financial resources flows focus, but do apply to the proprietary/fiduciary fund statements and the government-wide statements. As a result, governmental fund fair value recognition activity occurs in fund 4710.

Derivatives have all three of the following characteristics: 1) settlement terms based on rates (referenced to other conditions or products) that are applied to a contract amount (notional amount in dollars or units); 2) the use of leverage, which results in changes in the investor’s cash flows or fair value based on changing market conditions with a small or zero dollar initial investment; and 3) provisions allowing net settlement that reduce gross outflows and inflows. Normal purchase and sale contracts for commodities often meet the above definition, but are excluded from GASB Statement No. 53 requirements if they are recurring, the government normally takes delivery, and the volume of the contract is consistent with government usage of the commodity. Insurance contracts reported under GASB Statement No. 10 are also exempt from GASB Statement No. 53 requirements as are certain contracts (not traded on a market exchange) and certain loan commitments.

The fair value of derivatives must be reported on the Statement of Net Position. The change in fair value must be reported on the Statement of Activities if the derivative is considered an investment or an ineffective hedge, but the change in fair value may be deferred (reported as an offset on the Statement of Net Position) if the derivative is considered an effective hedge. Most of GASB Statement No. 53 is about determining the effectiveness of a derivative as a hedge. Refer to GASB Statement No. 53 for measurement methods, hedge effectiveness evaluation methods and accounting, and termination of hedge accounting.

This Exhibit N4 must be submitted in electronic format due to the extensive text disclosures that are included in the tabular spreadsheet format. A printed version may not show all the data entered. Each section of the exhibit should be clearly marked as “Not Applicable” if you are submitting Exhibit N4, but are not entering data in that section. Exhibit N4 must be submitted as of the date an effective hedge terminates, if not held for the entire fiscal year. This is in addition to any outstanding effective hedges in place as of fiscal year-end.
In all sections of Exhibit N4, disclosure information for similar derivative instrument types may be provided individually or in aggregate; similarity is assessed based on derivative naming conventions, nature of the derivative, nature of the hedged item (if applicable), and the related reference rate.

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

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

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

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

- Column A – Enter the derivative description, such as, receive-fixed swap, pay-fixed swap, swaption, rate cap, basis swap, or futures contract.
- Column B – Notional amount is the dollar or unit amount upon which the derivative payments depend.
- Column C – Fair value at fiscal year-end should be based on market quotations (if available), discounted forecasted cash flows, formula based, or mathematical methods.
- Column D – Report the financial statement line item, such as, Investment, Derivative Instruments, or Bonds/Notes/COPs Payable where the derivative is reported.
- Column E – Report the valuation method used, such as, market quotations (if available), discounted forecasted cash flows, formula based, or mathematical methods. If a valuation service is used, their methodology should be disclosed to the extent they will provide the information, and so state if they will not.
- Column F – Report the change in fair value for all derivatives including effective hedges.
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- Column G – Report the name of the financial statement affected using the following acronyms SONP, SOA, SCRECNP, or SCFNP and the financial statement line item (such as, on the SONP: Deferred Inflow, Deferred Outflow – or on the operating statements: Investment Revenue).

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

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

 Synthetic Guaranteed Investment Contracts (SGICs) should not be reported in the summary information on Exhibit N4.
Exhibit N5 – Hedging Derivatives

Background:

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

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

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

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

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

**Cash Flow Hedge:** A hedge that protects against the risk of either changes in total variable cash flows or adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain.
The following explains the individual rows and columns in the spreadsheet.

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

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

Sections B through I:

An explanation of the required disclosure is provided for each section in the Exhibit N5 spreadsheet, and no further instruction is deemed necessary.
Exhibit N6 – Investment Derivatives (Not Hedge Qualified), Ineffective Hedge Derivatives, Contingent Features, and Synthetic Guaranteed Investment Contracts

Background:

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

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

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

Sections A through C:

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

Section D:

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

Section E addresses Synthetic Guaranteed Investments Contracts (SGICs). SGICs are normally related to an investment contract with an insurance company that provides a separate feature commonly referred to as a wrapper that guarantees a value to the underlying instruments in the investment contract. These investments are reported at the contract value rather than fair value. A familiar example is the guarantee associated with the Great West Stable Value Fund offered in the PERA 457 Deferred Compensation Plan. An explanation of the required disclosure is provided for this section in the Exhibit N6 spreadsheet; and no further instruction is deemed necessary.
Exhibit O1 – Related Party Transactions

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

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

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

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

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

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

There are four questions to be answered for each related party on the Exhibit O1. If you have questions, contact your assigned FSU Financial Specialist.
Exhibit O2 – Service Concession Arrangements

GASB Statement No. 60 promulgates the standards for disclosure of service concession arrangements. In general, in a service concession arrangement the right to provide public services through the use of a capital asset for significant consideration is granted to an operator. The minimum service concession arrangement disclosures include:

- A general description of the arrangement. This includes management’s objectives in entering into the arrangement as either the transferor or the operator, significant terms in effect during the reporting period, the duration of agreement, and the status of the project (as applicable).

- The amount and nature of assets, liabilities, and deferred inflows of resources associated with the arrangement. Please indicate which assets are intangible in the description column of the exhibit. The deferred inflows balance should reconcile to the balance recorded in CORE as of period 14 (plus any post-closing entries posted) in balance sheet account 5045 (liability). Examples of the content of these accounts include the upfront payment (or the unamortized portion thereof), the present value of installment payments, and the present value and nature of obligations (i.e., transferor asset maintenance or insurance requirements).

- Nature and extent of rights retained by the transferor or granted to the governmental operator. For example, disclose any revenue sharing provisions.

- Any guarantees or commitments including identification, duration, and significant contract terms related to the guarantee. For example, a transferor may guarantee the debt of the operator for a certain time period.
Exhibit P – Major Accounting Estimates in Excess of $5,000,000

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

For purposes of this exhibit, major estimates include those over $5,000,000. The $5,000,000 threshold applies both to balance sheet accounts and expenses/expenditures and revenues. Estimates related to recording depreciation of capital assets should not be included on the Exhibit P.

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

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

The exhibit requests information on the accounting entry resulting from the estimate and a brief narrative description of the purpose of the estimate.
Exhibit PPA – Prior Period Adjustments

Exhibit PPA is new for FY 2019. A prior period adjustment is a correction of an error from a prior fiscal year. The $500,000 threshold noted below should be applied to each specifically-identifiable error from a prior fiscal year. The $500,000 threshold noted below should not be applied to prior period adjustments (errors) in the aggregate. For FY 2019, there is no minimum threshold amount. This was necessary to obtain baseline information on prior period adjustments taken to revenue and/or expense/expenditure of the current year.

Exhibit PPA and related thresholds are designed to allow flexibility for departments to routinely report prior period adjustments with current year revenue or expenditure/expense and associate with a budget, grant, program, etc. The Exhibit PPA process also provides advantages in statewide financial reporting as it is an OSC priority and generally a best practice in financial reporting to not report and disclose immaterial prior period adjustments in the state’s financial report.

Prior period adjustments of $500,000 or greater – Section A

Departments should contact their designated FSU Financial Specialist at the OSC at the time a prior period adjustment of $500,000 or greater is identified. OSC will provide direction regarding the accounting treatment in CORE and how the related information should be provided on Exhibit PPA.

Prior period adjustments below $500,000 – Section B

Departments should account for prior period adjustments below $500,000 with revenue or expense/expenditure of FY 2019 (the current period) and include related information with Exhibit PPA, Section B.

Qualification of population – Section C

Due to the timing of the notice to departments of the requirement for Exhibit PPA, internal controls may not have existed to permit complete verification of the population of prior period adjustments. To address this, Exhibit PPA for FY 2019 includes Section C to provide narrative information regarding qualifying the information provided in Sections A and/or Section B as incomplete. Any narrative information provided in Section C should indicate if it is qualifying the completeness of the information provided in Section A, Section B, or both Sections A and B.
Exhibit Q – Governmental Fund Balance Disclosures

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

Section A – Stabilization Arrangements:

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

Section B – Minimum Fund Balance Policies:

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

Section C – Restricted Fund Balance Classification Changes:

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

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

Section D – Prioritization Policy:

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

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

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

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

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

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

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

Please send your completed Exhibit R to:

Office of the State Controller
Attn: Financial Services Unit
1525 Sherman St.
Denver, CO 80203
Exhibit S – Changes in Short-Term Financing

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

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

In the lower section of the exhibit, describe the nature and purpose of the short-term borrowing reported in the upper section. Please provide detailed information related to each issuance for note disclosure purposes.
Exhibit T – Segment Reporting

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

Section A – Condensed Financial Information

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

Section B – Operating Statement Balances Recast

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

Section C – Segment Information

In Section C of the exhibit, describe the type of goods or services provided by each segment. Two segments may be reported on the exhibit. Additional numbered instances of the exhibit may be needed if a department or institution has more than two segments.
Exhibit U1 – Other Disclosures

Sections A and B - Special and Extraordinary Items

Paragraph 89 and other paragraphs in GASB Statement No. 34 require specific reporting treatment of special and extraordinary items as defined in paragraphs 55 and 56 of that standard. Because the nature of unusual and extraordinary items can vary widely, we have not established accounts on CORE to record the transactions. Unusual and infrequent transactions should be recorded on CORE in the accounts that most accurately reflect the underlying events. For events over $5.0 million, Sections A and B on Exhibit U are used to disclose how the transaction was coded and to describe the nature of the transaction.

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

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

Section C – Capital Assets

C1 – Asset Class Lives

The State Controller does not specify the asset class lives to be used in calculating depreciation; instead, departments are required to use their own experience in establishing class lives. The OSC is required to disclose in the CAFR the policy for estimating asset useful lives. Show in Section C1 the shortest estimated life used and the longest estimated life used for each of the following classes of assets: land improvements, buildings, leasehold improvements, vehicles & equipment, software, library materials/collections, other capital assets, & infrastructure. Do not consider assets that are clearly immaterial in completing this section of the exhibit. The OSC will disclose a range of class lives used based on the information provided in Section C1 of this exhibit.
C2 – Capitalization Thresholds

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

Section D – Legal or Contractual Violations

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

Section E – Capitalized Interest

GASB Statement No. 62 requires proprietary activities to capitalize interest cost during the time that activities necessary to get the asset ready for its intended use are in progress. Report in Section E the amount of interest capitalized during the fiscal year.
Exhibit U2 – Other Disclosures

Section A – On Behalf Payments of Salary and Fringe Benefits

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

Section B – Discretely Presented Component Units

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

Section C – Idle Impaired Assets

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

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

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

Section E – Covered Payroll (Higher Education Institutions Only)

Paragraphs 5 and 6 of GASB 82 require the disclosure of covered payroll as Required Supplementary Information. Because institutions of higher education do not operate on the State’s Central Payroll CPPS system, this information must be obtained separately. Covered payroll includes covered payroll is the payroll on which contributions to a pension plan are based. The information is required on both a calendar year and fiscal year basis. For the measurement period, amounts should include payrolls with pay period end dates that fall within the calendar year. For the employer reporting period, amounts should be reported on an accrual basis.
GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and, (b) agreements that are entered into by other governments and that reduce the reporting government’s tax revenues. For financial reporting purposes, a tax abatement is defined as:

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

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

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

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

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.
Exhibit V1 – Higher Education Cash Flow Statement – Supplemental Information

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

Section A – Indirect Method Adjustments for Direct Method Format

The items listed in Section A of the exhibit are cash inflows and outflows that affect real accounts (Statement of Net Position accounts – SONP) and that generally do not affect nominal accounts (operating statement accounts). Refer to infoAdvantage CAFR Proprietary Fund Cash Flow Statement for a crosswalk showing how CORE accounts aggregate to cash flow statement line items. Using these aggregations, the indirect method in some instances results in net cash flows that must be converted to gross cash flows. The amounts presented in Section A provide that conversion.

Cash From Operations:

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

Cash Flows From Noncapital Financing:

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

The two lines related to noncapital debt are used to show the cash inflows and cash outflows that result from notes and anticipation warrants (balance sheet accounts 2323, 2610, 2810, 2811, 2812, and 2830) that are used for operations rather than capital financing. Note that cash flows related to liability accounts 2805, 2806, 2813, and 2817 are not to be included in the amounts shown for noncapital debt. We expect that the use of these accounts in the proprietary funds will be limited.
to the year-end entry to reclassify unspent capital bonds and Certificates of Participation proceeds (for net asset classification purposes). Since bonds and COPs are issued for capital related purposes, accounts 2805, 2806, 2813 and 2817 are included in the capital related financing section.

Cash Flows From Capital and Related Financing:

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

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

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

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

Cash Flows From Investing:

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

Section B – Noncash Transactions

Higher education institutions should complete this section of Exhibit V1 and should not complete Exhibit V2. Certain noncash transactions must be reported on the Statement of Cash Flows. Those transactions are limited to investing, capital, and financing activities that affect recognized assets or liabilities but do not result in cash receipts or cash payments. Note that this definition excludes transactions affecting operating assets or liabilities. Examples of noncash transactions that should be shown in this section include: (the following list is not intended to be comprehensive)

- Loss on disposal of capital assets,
- State capital contributions (if cash was not transferred to the higher education funds),
- New mortgages or capital leases initiated during the year,
- Amortization of refunding gain/loss,
- Amortization of debt premium or discount,
- Amortization of investment premium or discount, or
- Exchange of an investment to satisfy a loan or note payable.

The OSC is able to identify certain noncash transactions through balances posted on CORE or through other exhibits, as listed in Section B of the exhibit. It is not necessary for higher education institutions to include these items on the Exhibit V1. Headings for common noncash transactions have been added as a tool to assist in the identification process, but are not intended to be all-inclusive. The applicable noncash transactions should be shown in Section B as the accounting journal entry used to record the transaction. Include the accounting string elements shown in Section B.

You may omit noncash transactions under $10,000 from this exhibit.
Exhibit V2 – Proprietary Fund Noncash Transactions – Non-Higher Education Institutions Only

Use this exhibit to provide information on noncash transactions of funds using proprietary fund-type accounting. GASB Statement No. 9 requires the disclosure of certain types of noncash transactions on the Statement of Cash Flows in the State CAFR. Cash flow statements are only required for fund types using proprietary fund accounting. While these noncash transactions affect the balances on CORE, they cannot be separately identified from the CORE records. Higher education institutions are not required to complete this Exhibit V2. Noncash transactions of higher education institutions are reported on Exhibit V1.

The OSC uses the direct-method in preparing the Statement of Cash Flows. Under this approach, the Reporting Unit reviews proprietary fund-type cash transactions through an automated process. This process does not provide a way to identify noncash transactions. Therefore, noncash transactions that meet the criteria in the following paragraph should be included on the Exhibit V2. The Implementation Guide for GASB Statement No. 9 requires the disclosure of noncash transactions if all of the following three conditions are met:

- The transaction is noncash. If a transaction is part cash and part noncash, the cash portion should be shown in the statement and the noncash portion evaluated for items 2 and 3 below.
- The transaction affects recognized assets or liabilities. Changes in noncash assets or liabilities that are not attributable to a cash receipt or payment should be considered a noncash transaction. For example, entering a capital lease for a building is a noncash transaction because a lease liability and the building were recorded. However, the inception of an operating lease would not be reported because there is no balance sheet effect.
- The transaction is due to an investing, capital and related financing, or noncapital financing activity. (This implicitly excludes transactions that are related to operations. For the purposes of cash flow statement preparation, operating activities are defined as any activity that does not qualify as an investing, capital and related financing, or noncapital financing activity.) For example, a capital lease transaction meets the definition of a capital and related financing activity and should be reported as a noncash transaction. However, an account receivable exchanged for the forgiveness of an account payable is an operating activity and should not be reported as a noncash transaction.

Other examples of noncash transactions that the OSC has identified include assets (other than cash) or liabilities received or surrendered through capital contributions, losses on disposal of capital assets, and exchange of an investment to satisfy a loan or note payable. You may exclude transactions under ten thousand dollars ($10,000).
Exhibit W1 – Changes in Capital Assets – Governmental and Internal Service Funds

Use the Exhibit W1 to report changes in capital assets owned or used by governmental funds and internal service funds. Internal service funds are included on this exhibit because internal service fund assets are reported with governmental activities on the government-wide Statement of Net Position. Do not report capital assets owned by enterprise or fiduciary funds on this exhibit. Changes in enterprise fund capital assets are reported on Exhibit W2, and changes in fiduciary fund capital assets are not on either exhibit W1 or W2 because fiduciary funds are not reported on the government-wide Statement of Net Position.

The Exhibit W1 is divided into the three sections required by the note disclosure; Capital Assets not Being Depreciated, Capital Assets Being Depreciated, and Accumulated Depreciation. Each section is subdivided into the asset classes established for reporting by the OSC. The CORE balance sheet account numbers related to each asset class are listed below the asset class. The beginning and ending balance for each asset class is provided to you on the Exhibit Reconciling Balances Report. You should enter these balances in the first and last columns respectively and adjust the ending balance for any applicable post-closing adjustments. In the column titled Additions enter the summation of all entries that increase the capital assets or accumulated depreciation including:

- Capitalized property purchases,
- Donations of capital assets,
- Lease inceptions,
- Depreciation expense, and
- Prior period adjustments, if the amount is not material at the statewide level.

In the column titled CIP Transfers, enter the amount of completed construction that you are reclassifying from Construction in Progress to a particular capitalized asset. Use the normal accounting convention to report the transfer, that is, credit CIP (a negative or bracketed amount) and debit the capitalized asset (a positive or unbracketed amount). No amounts should be entered in this column in the Accumulated Depreciation Section.

In the column titled Adjustments/Deductions, please enter the summation of all entries that decrease capital assets or accumulated depreciation including:

- Capital assets sold,
- Capital asset inventory losses,
- Other capital asset dispositions,
- Removal of accumulated depreciation at capital asset disposition, and
- Prior period adjustments, if the amount is not material at the statewide level.
Beginning, ending, and additions balances should be entered with their normal accounting signs (that is, as positive numbers for capital assets and negative numbers for accumulated depreciation); deductions should also be entered using their normal accounting signs (that is, negative numbers for capital assets reductions and positive numbers for accumulated depreciation reductions). Each asset class (row) must cross-foot using this sign convention.

After the cutoff date for post-closing CORE entries, please DO NOT include an updated Exhibit W1 with the proposed post-closing entry that affects this exhibit. The OSC will request a revision if the entry is deemed material and is posted to the financial statements. Entries reclassifying balances between capital asset accounts or moving capital assets between departments should be shown as both debits and credits in the Adjustments/Deduction column so that they are not reflected in total additions and deductions.

Adjustments considered material at the statewide level (for which a prior period adjustment has been posted) should change the beginning balance on the Exhibit W1. The amounts recorded as depreciation on CORE in object code 4130 (including posted post-closing entries) should agree to the totals reported in the Additions column for Accumulated Depreciation in Exhibit W1.
Exhibit W2 – Changes in Capital Assets – Enterprise Funds

Use the Exhibit W2 to report changes in capital assets owned by enterprise funds. Do not report capital assets owned by governmental funds, internal service funds, or fiduciary funds on this exhibit. Changes in capital assets of those funds are reported on Exhibit W1 except fiduciary funds, which are not on either exhibit W1 or W2 because fiduciary funds are not reported on the government-wide Statement of Net Position.

The Exhibit W2 is divided into the three sections required by the note disclosure; Capital Assets not Being Depreciated, Capital Assets Being Depreciated, and Accumulated Depreciation. Each section is subdivided into the asset classes established for reporting by the OSC. The CORE balance sheet account numbers related to each asset class are listed below the asset class. The beginning and ending balance for each asset class is provided to you on the Exhibit Reconciling Balances Report. You should enter these balances in the first and last columns respectively and adjust the ending balance for any applicable post-closing entries. In the column titled Additions enter the summation of all entries that increase the capital assets or accumulated depreciation including:

- Capitalized property purchases,
- Donations of capital assets,
- Lease inceptions,
- Depreciation expense, and
- Prior period adjustments, if the amount is not material at the statewide level.

In the column titled CIP Transfers, enter the amount of completed construction that you are reclassifying from Construction in Progress to a particular capitalized asset. Use the normal accounting convention to report the transfer, that is, credit CIP (a negative or bracketed amount) and debit the capitalized asset (a positive or unbracketed amount). No amounts should be entered in this column in the Accumulated Depreciation Section.

In the column titled Adjustments/Deductions enter the summation of all entries that decrease capital assets or accumulated depreciation including:

- Capital assets sold,
- Capital asset inventory losses,
- Other capital asset dispositions,
- Removal of accumulated depreciation at capital asset disposition, and
- Prior period adjustments, if the amount is not material at the statewide level.

Beginning, ending, and additions balances should be entered with their normal accounting signs (that is, as positive numbers for capital assets and negative numbers for accumulated depreciation); deductions should also be entered using their normal accounting signs (that is, negative numbers for capital assets reductions and positive numbers for accumulated depreciation reductions). Each asset class (row) must cross-foot using this sign convention. After the cutoff date for post-closing
CORE entries, please DO NOT include an updated Exhibit W2 with the proposed post-closing entry that affects this exhibit. The OSC will request a revision if the entry is deemed material and is posted to the financial statements.

Entries reclassifying balances between capital asset accounts or moving capital assets between departments should be shown as both debits and credits in the Adjustments/Deductions column so that they are not reflected in total additions and deductions.

Adjustments considered material at the statewide level (for which a prior period adjustment has been posted) should change the beginning balance on the Exhibit W2.

The amounts recorded as depreciation on CORE in object code 4130 (including posted post-closing entries) should agree to the totals reported in the Additions column for Accumulated Depreciation in Exhibit W2.
Exhibit Z1 – Major Pollution Remediation Obligations in Excess of $5,000,000

This exhibit reports major pollution remediation obligations (PRO) in excess of $5 million incurred by the department as defined by GASB Statement No. 49.

Statement No. 49 defines a pollution remediation obligation as an obligation to address the effects of existing pollution. Remediation activities may include pre-cleanup, cleanup, oversight, or operation and maintenance of a remediation effort. Obligations do not include pollution prevention or pollution activities related to current operations.

After obtaining a thorough understanding of GASB Statement No. 49, departments should complete an Exhibit Z for each material pollution remediation obligation.

If the pollution remediation activities reported on this Exhibit Z are an unusual activity for your department, the activities may need to be reported as a special or extraordinary item and an Exhibit U1 would need to be completed. See the Exhibit U1 instructions for additional information on special and extraordinary items.

Section A – Reasonably estimable pollution remediation obligations (PRO).

For recognized PROs, describe the nature and source of the PRO (e.g., describe pre-cleanup activities, cleanup activities or external oversight activities). Indicate whether the liability is related to federal, state, or local laws or regulations, if applicable.

Provide the amount of the estimated liability. Describe the methods or assumptions used for arriving at this estimate (i.e., what assumptions were used in the Expected Cash Flow Technique). List any factors that may potentially affect the liability amount in the future (e.g., is the estimate subject to fluctuations in prices, changes in technology, or applicable laws or regulatory changes). List any expected recoveries from other responsible parties or insurance recoveries. If the expected recoveries are not yet realized or realizable, the PRO should be reduced by these amounts. If the expected recoveries are realized or realizable, they should be recognized as recovery assets (i.e., cash or receivables). See Chapter 3, Section 3.12 of the Fiscal Procedures Manual for more information on accounting for recoveries.

Section B – Nonreasonably estimable pollution remediation obligations.

For estimates that are not reasonably estimable, provide a general description of the nature of the pollution remediation activities. Please note: this information should be sufficient for financial statement disclosure purposes.
Exhibit Z2 – Major Asset Retirement Obligations in excess of $500,000

This exhibit reports major asset retirement obligations (ARO) in excess of $500k incurred by the department as defined by GASB Statement No. 83.

Statement No. 83 defines a pollution remediation obligation as a legally enforceable liability associated with the retirement of a tangible capital asset. 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.

After obtaining a thorough understanding of GASB Statement No. 83, departments should record an ARO liability and a related deferred outflow of resources, and complete an Exhibit Z2 for each material asset retirement obligation. The deferred outflow of resources should be amortized to expense/expenditure in a systematic and rational manner over the estimated useful life of the capital asset.

Section A – Reasonably estimable asset retirement obligations (ARO).

For recognized AROs, describe the nature and source of the ARO, and indicate whether the liability is related to federal, state, or local laws or regulations, if applicable.

Provide the amount of the estimated liability. Describe the methods or assumptions used for arriving at this estimate (i.e., what assumptions were used in the Expected Cash Flow Technique). List any factors that may potentially affect the liability amount in the future (e.g., is the estimate subject to fluctuations in prices, changes in technology, or applicable laws or regulatory changes).

List any expected recoveries from other responsible parties or insurance recoveries. In cases in which recoveries may exist for a government’s AROs, paragraph 112 of Statement 62, which states:

“Contingencies that might result in gains usually are not reflected in the accounts since to do so might be to recognize revenue prior to its realization. Adequate disclosure should be made of contingencies that might result in gains, but care should be exercised to avoid misleading implications as to the likelihood of realization.”

Section B – Nonreasonably estimable asset retirement obligations.

For estimates that are not reasonably estimable, provide a general description of the nature of the ARO, and the facts or reasons for why they are not estimable. Please note: this information should be sufficient for financial statement disclosure purposes.
GASB Statement 38 requires disclosures and financial statement entries related to intra/interfund receivables and payables. Specifically, payables/receivables within or between fund categories. To support this requirement, all departments and institutions of higher education (departments) that have internal receivable/payable balances exceeding $1,000 as of June 30 are required to complete confirmation forms. The form represents an agreement between departments or funds documenting that both parties are aware of the amount and the account coding recorded by the other party to the transaction.

Prior to year-end and before any forms are completed, the first step departments should take is to complete a reconciliation—ensuring that receivables and payables have either been cleared if no longer due/owed or if they are in fact still a viable receivable/payable that they have been recorded to the correct balance sheet account. Specifically, the balances in BSA (137X, 139X, 1720, 1730, 236X, 239X, 2940, and 2950) should all be confirmed and any remaining balances that are unconfirmed in these accounts should be moved to BSA 2120-Accounts Payable or 1342-Accounts Receivable Other. The deadlines for completing and submitting the forms is posted in the open/close calendar. All clean up entries and confirmations must be completed by the due dates, after which the OSC will move any unconfirmed balances to BSA 2120 and 1342 using X department codes (unique codes created by the OSC) for financial statement purposes and reverse these entries in the subsequent fiscal year. The following are general steps for completing confirmation forms:

1. The Seller (receivable) department should initiate contact with the Buyer (payable) department to discuss the existence of the receivable/payable. Both sides should come to an agreement regarding whether it is a valid receivable/payable and agree as to the amount (either estimated or actual) and then enter reclass entries if needed. The exception to this involves transactions with the CU System. Departments that have a payable or receivable with the CU System are responsible for contacting the CU System office to discuss how each side is recording the transaction. All reclass entries should be done prior to completing the confirmation form.

2. The Seller completes their section of the form (with information where the receivable is currently recorded in CORE) and emails it to the Buyer; unless a department is the Buyer and CU System is the Seller, in this case the Buyer department completes the form and sends it to the CU System.

3. If the Buyer agrees with the Seller’s amount and coding, the Buyer completes their section of the form (with information where the payable is currently recorded in CORE) and emails it back to the Seller. If CU is the Seller, they will complete the form and send it back to the Buyer to forward to the OSC as mentioned in the final step.
4. The Seller forwards the completed form to the Financial Analysis and Reporting mailbox: (dpa_FARmailbox@state.co.us).

**General Reminders**

- The confirmation form can be found in the Exhibit Workbook published on the OSC’s Website.

- **Beginning FY2019, forms no longer need to be signed by either party. Only forms completed in Excel (i.e., not handwritten or in PDF) will be accepted.** The department submitting the form to the OSC is affirming that both parties completed their own section of the form as opposed to one party completing both sections of the form or only their own section without providing it to the other party.

- In the past, Buyer departments have notified the OSC that Seller departments often send confirmation forms very near or on the date confirmations are due to the OSC, leaving little time for research and completion. Therefore, adherence to the calendar deadlines are important for both parties and should be adhered to.

- If departments cannot agree on an item or amount, the dispute should be referred to their OSC Financial Specialist(s) promptly so that it can be resolved prior to the confirmation cutoff date. If balancing is not achieved by the deadline, explain the condition(s) on the form and submit it to the FAR mailbox (dpa_FARmailbox@state.co.us).

- If the actual receivable/payable amount is not known, an estimated amount should be agreed to by the departments involved. Both departments should then complete journal vouchers to accrue their receivable/payable for the agreed upon amount (whether it is actual or an estimate), and submit a corresponding confirmation form.

- A confirmation form is still required even for payables/receivables within a single department either within the same fund or between funds.

- The confirmation form should not be used as a billing instrument, except as described below for the Department of Personnel & Administration’s direct billing. The selling departments should ensure that bills for services are sent out with sufficient time for the receiving department to record the payable and complete the confirmation form by the due date.

- Buying departments may have cleared an internal payable that the selling department still has recorded as an internal receivable. For example, a buying department uses a check or warrant to make payment and the selling department has not yet received the payment or has recorded the receipt in the following fiscal year. When this or a similar situation occurs,
both departments should complete the form with the information where the receivable/payable is currently recorded in CORE.

- The table below shows the correct pairs for internal receivable/payable BSAs:

<table>
<thead>
<tr>
<th>Receivable BSA</th>
<th>Payable BSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1370 Receivable from State Depts - Same Dept</td>
<td>2370 Payable to State Depts - Same Dept</td>
</tr>
<tr>
<td>1380 Receivable from State Depts - Other Dept</td>
<td>2380 Payable to State Depts - Other Dept</td>
</tr>
<tr>
<td>1390 Receivable - Higher Education Across Governing Bds</td>
<td>2390 Payable - Higher Education Across Governing Bds</td>
</tr>
<tr>
<td>1391 Receivable from State Depts - Other Dept</td>
<td>2391 Payable to State Depts - Other Dept</td>
</tr>
<tr>
<td>1720 Long-Term Receivables from State Depts - Same Dept</td>
<td>2940 Long-Term Payables to State Depts - Same Dept</td>
</tr>
<tr>
<td>1730 Long-Term Receivables from State Depts - Other Dept</td>
<td>2950 Long-Term Payables To State Depts - Other Dept</td>
</tr>
<tr>
<td>1735 Long-Term Receivables - Higher Ed Other Governing Bds</td>
<td>2955 Long-Term Payables - Higher Ed Other Governing Bds</td>
</tr>
</tbody>
</table>

- If the Department of Personnel & Administration (DPA) or the Office of Information Technology (OIT) is not able to process IETs for any services (such as long distance telephone, fleet vehicle mileage, or copier billings) before the date established in the Open/Close Calendar, the following special procedures will be used for direct billing.

  a. DPA and the OIT will prepare an estimate of the cost of services based on the most recent available information.

  b. Estimates will be provided to the departments on the Internal Receivable/Payable Confirmation Form following this section.

  c. Departments will need to review the estimate and if they agree, complete their portion of the interfund agreement and accrue the payable.

  d. If the departments do not agree with the estimate, they should call the applicable contact for the particular service.

  e. Actual charges will be posted via an IET transaction in the next fiscal year. At this time, departments should compare the actual to the estimate and reverse their accrued payable. To make final coding corrections please communicate with the applicable contact for the particular service.